

DISCLOSURE INDEX

The Annual Report of South West Healthcare is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of compliance with statutory disclosure requirements.

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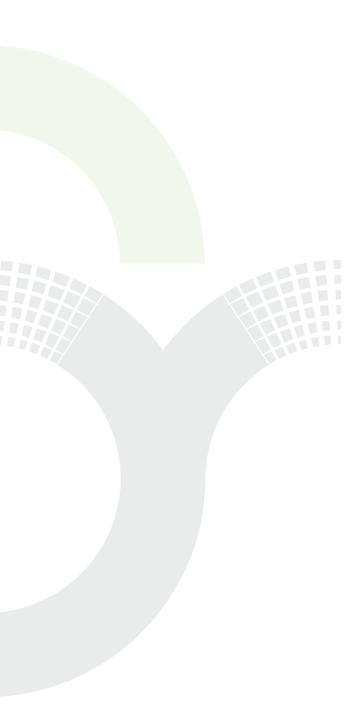
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FINANCIAL STATEMENTS 2018-19

SOUTH WEST HEALTHCARE ANNUAL REPORT 2018-19

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 Assistant Treasurer 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 2019 and the financial position of South West Healthcare at 30 June 2019.

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

We authorise the attached financial statements for issue on this day.



.....
Mr Bill Brown
Board Chair

Warrnambool

29 August 2019



.....
Craig Fraser
Chief Executive Officer

Warrnambool

29 August 2019



.....
Andrew Trigg
Chief Finance & Accounting Officer

Warrnambool

29 August 2019



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 2019 • 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 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 2019 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. I further describe my responsibilities under that Act and those standards 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 Victoria. 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, disclosing, as applicable, matters related to 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

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

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

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

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

MELBOURNE
2 September 2019



Travis Derricott
as delegate for the Auditor-General of Victoria

COMPREHENSIVE OPERATING STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	2019 \$ '000	2018 \$ '000
Revenue from Transactions			
Operating Activities	2.1	198,541	184,827
Non-operating Activities	2.1	446	379
Total Income from Transactions		198,987	185,206
Expenses from Transactions			
Employee Expenses	3.1	(141,840)	(131,022)
Supplies and Consumables	3.1	(26,880)	(24,636)
Finance Costs	3.1	(83)	(33)
Depreciation and Amortisation	4.3	(14,112)	(14,861)
Other Operating Expenses	3.1	(26,463)	(25,562)
Other Non Operating Expenses		(206)	(152)
Total Expenses from Transactions		(209,584)	(196,266)
Net Result from Transactions - Net Operating Balance		(10,597)	(11,060)
Other Economic Flows Included in Net Result			
Net gain/(loss) on non-financial assets	3.2	16	(128)
Net gain/(loss) on financial instruments	3.2	(10)	6
Other Gain/(Loss) from Other Economic Flows	3.2	(999)	115
Total Other Economic Flows Included in Net Result		(993)	(7)
Net Result for the year		(11,590)	(11,067)
Other Comprehensive Income			
Items that will not be classified to Net Result			
Changes in Property, Plant & Equipment Revaluation Surplus	4.2f	59,188	-
Total Other Comprehensive Income		59,188	-
COMPREHENSIVE RESULT FOR THE YEAR		47,598	(11,067)

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

BALANCE SHEET AS AT 30 JUNE 2019

	Note	2019 \$ '000	2018 \$ '000
Current Assets			
Cash and Cash Equivalents	6.2	19,458	9,458
Receivables	5.1	5,534	6,028
Investments & other Financial Assets	4.1	1,000	7,100
Inventories		1,730	1,886
Assets held for sale	5.4	322	-
Prepayments and Other assets		118	45
Total Current Assets		28,162	24,517
Non-Current Assets			
Receivables	5.1	6,494	4,582
Property, Plant and Equipment	4.2	242,272	193,731
Total Non-Current Assets		248,766	198,313
TOTAL ASSETS		276,928	222,830
Current Liabilities			
Payables	5.2	15,640	14,856
Borrowings	6.1	275	330
Provisions	3.4	27,734	23,264
Other Current liabilities	5.3	2,889	2,482
Total Current Liabilities		46,538	40,932
Non-Current Liabilities			
Borrowings	6.1	589	234
Provisions	3.4	3,564	3,025
Total Non-Current Liabilities		4,153	3,259
TOTAL LIABILITIES		50,691	44,191
NET ASSETS		226,237	178,639
EQUITY			
Property, Plant and Equipment Revaluation Surplus	4.2f	115,901	56,713
Restricted Specific Purpose Reserve		22	22
Contributed Capital		76,744	76,744
Accumulated Surpluses/(Deficits)		33,570	45,160
TOTAL EQUITY		226,237	178,639
Commitments	6.3		

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

CASHFLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2019 \$ '000	2018 \$ '000
Operating grants from government		171,589	154,894
Capital grants from government		2,149	2,347
Patient and resident fees received		5,414	5,236
Private practice fees received		1,788	1,806
Donations and bequests & received		352	558
GST received from/(paid to) ATO		4,622	4,303
Interest received		446	379
Other receipts		14,770	15,639
Total Receipts		201,130	185,162
Employee Expenses Paid		(124,996)	(115,077)
Non Salary Labour Costs		(12,368)	(12,476)
Payments for Supplies and Consumables		(25,266)	(23,739)
Other Payments		(31,906)	(27,980)
Total Payments		(194,536)	(179,272)
NET CASH FLOW FROM / (USED IN) OPERATING ACTIVITIES	8.1	6,594	5,890
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase of)/Proceeds from Investments		6,100	(7,100)
Purchase of Non-Financial Assets		(3,536)	(4,482)
Proceeds from Sale of Non-Financial Assets		89	485
NET CASH FLOW FROM /(USED IN) INVESTING ACTIVITIES		2,653	(11,097)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings		346	-
Repayment of Accommodation Deposits		(170)	(1,024)
Receipt of Accommodation Deposits and Monies in Trust		577	823
NET CASH FLOW FROM /(USED IN) FINANCING ACTIVITIES		753	(201)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		10,000	(5,408)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		9,458	14,866
CASH AND CASH EQUIVALENTS AT END OF OF FINANCIAL YEAR	6.2	19,458	9,458

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

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Property, Plant and Equipment Revaluation Surplus \$ '000	Restricted Specific Purpose Surplus Reserve \$ '000	Contributed Capital \$ '000	Accumulated Surpluses/ (Deficits) \$ '000	Total \$ '000
Balance at 1 July 2017	56,713	22	76,744	56,227	189,706
Net result for the year	-	-	-	(11,067)	(11,067)
Balance at 30 June 2018	56,713	22	76,744	45,160	178,639
Net result for the year	-	-	-	(11,590)	(11,590)
Other comprehensive income for the year	59,188	-	-	-	59,188
Balance at 30 June 2019	115,901	22	76,744	33,570	226,237

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

BASIS OF PREPARATION

These financial statements are 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 preparing 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.

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 year ended 30 June 2019. The report provides users with information about South West Healthcare's stewardship of resources entrusted to it.

(A) STATEMENT OF COMPLIANCE

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

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

South West Healthcare is a not-for profit entity and therefore applies the additional AUS paragraphs applicable to "not-for-profit" Health Services under the AASBs.

(B) REPORTING ENTITY

The financial statements include 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 operations and its principal activities is included in the report of operations, which does not form part of these financial statements.

(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 have been applied in preparing the financial statements for the year ended 30 June 2019, and the comparative information presented in these financial statements for the year ended 30 June 2018.

The financial statements are prepared on a going concern basis (refer note 8.9 Economic Dependency).

These financial statements are presented in Australian Dollars, the functional and presentation currency of South West Healthcare.

All amounts shown in the financial statements have been rounded to the nearest thousand dollars, unless otherwise stated.

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

NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) BASIS OF ACCOUNTING PREPARATION AND MEASUREMENT (CONTINUED)

South West Healthcare operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital Funds.

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.

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 underlying assumptions are reviewed on an ongoing basis. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

- The fair value of land, buildings and plant and equipment (refer to Note 4.2 Property, Plant and Equipment);
- Defined benefit superannuation expense (refer to Note 3.5 Superannuation); and
- Employee benefit provisions are based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.4 Employee Benefits in the Balance Sheet);

Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Balance Sheet.

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

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

(D) 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.

(E) JOINTLY CONTROLLED OPERATION

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

NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(E) JOINTLY CONTROLLED OPERATION (CONTINUED)

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.

South West Healthcare is a Member of the Southwest Alliance of Rural Health Joint Venture and retains joint control over the arrangement, which it has classified as a joint operation (refer to Note 8.8 Jointly Controlled Operations)

(F) EQUITY CONTRIBUTED CAPITAL

Consistent with the requirements of AASB 1004 Contributions, contributions by owners (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 South West Healthcare.

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

Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

Other transfers that are in the nature of contributions or distributions or that have been designated as contributed capital are also treated as contributed capital.

Specific Restricted Purpose Surplus

The Specific Restricted Purpose Surplus is established where South West Healthcare has possession or title to the funds but has no discretion to amend or vary the restriction and/or condition underlying the funds received.

(G) COMPARATIVES

Where appropriate, the comparative figures have been restated to align with the presentation in the current year. Figures have been restated at Notes 2.1, 3.1, 3.3 and 5.2.

NOTE 2: FUNDING DELIVERY OF OUR SERVICES

South West Healthcare's overall objective is to provide quality health services that support and enhance the wellbeing of all Victorians. South West Healthcare is predominantly funded by accrual based grant funding for the provision of outputs. South West Healthcare also receives income from the supply of services.

Structure

2.1 Income from Transactions

NOTE 2.1: INCOME FROM TRANSACTIONS

	2019	2018
	\$ '000	\$ '000
Government Grants - Operating	171,286	158,708
Government Grants - Capital	2,519	2,676
Other Capital Purpose Income	783	838
Indirect Contributions by Department of Health and Human Services	2,032	1,242
Patient and Resident Fees	5,237	5,117
Commercial Activities	7,618	7,336
Other Revenue from Operating Activities (including non-capital donations)	9,066	8,910
	<hr/>	<hr/>
Total Income from Operating Activities	198,541	184,827
	<hr/>	<hr/>
Interest	446	379
	<hr/>	<hr/>
Total Income from Non-Operating Activities	446	379
	<hr/>	<hr/>
Total Income from Transactions	198,987	185,206

Revenue Recognition

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, 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 contribution by owners) are recognised as income when South West Healthcare gains control of the underlying assets irrespective of whether conditions are imposed on South West Healthcare's use of the contributions.

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

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

Non-cash contributions from the Department of Health and Human Services

The Department of Health and Human Services makes some payments on behalf of health services as follows:

- The Victorian Managed Insurance Authority non-medical indemnity insurance payments are 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 long service leave funding arrangements set out in the relevant Department of Health and Human Services Hospital Circular

Patient Fees

Patient and resident fees are recognised as revenue on an accrual basis.

Private Practice Fees

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

NOTE 2.1: INCOME FROM TRANSACTIONS (CONTINUED)

Revenue from Commercial Activities

Revenue from commercial activities such as provision of meals to external users is recognised on an accrual basis.

Donations and Other Bequests

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

Interest Revenue

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

Other Income

Other income is recognised as revenue when received. Other income includes recoveries for salaries and wages and external services provided, and donations and bequests. If donations are for a specific purpose, they may be appropriated to a surplus, such as the specific restricted purpose surplus.

NOTE 3: THE COST OF DELIVERING SERVICES

This section provides an account of the expenses incurred by South West Healthcare 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 Expenses from Transactions
- 3.2 Other Economic Flows
- 3.3 Analysis of expense and revenue by internally managed and restricted specific purpose funds
- 3.4 Employee benefits in the Balance Sheet
- 3.5 Superannuation

NOTE 3.1: EXPENSES FROM TRANSACTIONS

	2019	2018
	\$ '000	\$ '000
Salaries and Wages	107,239	98,701
On-costs	14,181	12,506
Agency Expenses	6,836	5,813
Fee for Service Medical Officer Expenses	12,400	12,495
Workcover Premium	1,184	1,507
Total Employee Expenses	141,840	131,022
Drug Supplies	10,801	9,505
Medical & Surgical Supplies (including Prosthesis)	9,480	9,248
Diagnostic and Radiology Supplies	4,894	4,189
Other Supplies and Consumables	1,705	1,694
Total Supplies and Consumables	26,880	24,636
Finance Costs	83	33
Total Finance Costs	83	33
Fuel, Light, Power and Water	2,239	2,234
Repairs and Maintenance	1,740	1,970
Maintenance Contracts	1,104	1,080
Medical Indemnity Insurance	2,513	2,512
Other Administration Expenses	18,867	17,766
Total Other Operating Expenses	26,463	25,562
Expenditure for Capital Purposes	206	152
Depreciation and Amortisation (refer note 4.3)	14,112	14,861
Total Other Non-Operating Expenses	14,318	15,013
Total Expenses from Transactions	209,584	196,266

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

Employee Expenses

Employee expenses include:

- Salaries and wages (including fringe benefits tax, leave entitlements, termination payments);
- On-costs;
- Agency expenses;
- Fee for service medical officer expenses;
- Work cover premium.

Supplies and consumables

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

NOTE 3.1: EXPENSES FROM TRANSACTIONS (CONTINUED)

Finance costs

Finance costs include:

- interest on bank overdrafts and short-term and long-term borrowings (Interest expense is recognised in the period in which it is incurred);
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- finance charges in respect of finance leases which are recognised in accordance with AASB 117 Leases.

Other operating expenses

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

- Fuel, light and power
- Repairs and maintenance
- Other administrative expenses
- Expenditure for capital purposes (represents expenditure related to the purchase of assets that are below the capitalisation threshold).

The Department of Health and Human Services also makes certain payments on behalf of South West Healthcare.

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

Non-operating expenses

Other non-operating expenses generally represent expenditure for outside the normal operations such as depreciation and amortisation, and assets and services provided free of charge or for nominal consideration.

NOTE 3.2: OTHER ECONOMIC FLOWS INCLUDED IN OPERATING RESULT

	2019	2018
	\$ '000	\$ '000
<u>Net gain/(loss) on sale of non-financial assets</u>		
Net gain on disposal of property plant and equipment	16	(128)
Total net gain/(loss) on non-financial assets	<u>16</u>	<u>(128)</u>
<u>Net gain/(loss) on financial instruments at fair value</u>		
<u>Net gain/(loss) on financial instruments</u>		
Allowance for Impairment losses for contractual receivables	(10)	6
Total net gain/(loss) on financial instruments at fair value	<u>(10)</u>	<u>6</u>
<u>Other gains/(losses) from other economic flows</u>		
Net gain/(loss) arising from revaluation of long service liability	(999)	115
Total other gains/(losses) from other economic flows	<u>(999)</u>	<u>115</u>
Total other gains/(losses) from economic flows	<u>(993)</u>	<u>(7)</u>

Net Gain / (Loss) on Non-Financial Assets

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

- Revaluation gain/ (losses) of non-financial physical assets (Refer to Note 4.2 Property, Plant and Equipment)
- Net gain/(loss) on disposal of Non-Financial Assets
- Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal.

Net gain/ (loss) on financial instruments

Net gain/ (loss) on financial instruments includes:

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

Other gains/(losses) from other economic flows

Other gains/(losses) include:

- 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
- transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

NOTE 3.3: ANALYSIS OF EXPENSE AND REVENUE BY INTERNALLY MANAGED AND RESTRICTED SPECIFIC PURPOSE FUNDS

	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
	Expense	Expense	Revenue	Revenue
Commercial Activities				
Private Practice Fees	2,029	1,819	2,041	1,902
Linen Service	1,773	1,709	2,018	2,004
Food Services	1,285	1,314	1,490	1,451
Retail Services	1,020	913	1,204	1,063
Other Activities	699	738	865	916
TOTAL	6,806	6,493	7,618	7,336

NOTE 3.4: EMPLOYEE BENEFITS IN THE BALANCE SHEET

	2019 \$ '000	2018 \$ '000
Current Provisions		
Employee Benefits (i)		
Annual Leave		
- unconditional and expected to be settled wholly within 12 months (ii)	9,112	7,958
- unconditional and expected to be settled wholly after 12 months (iii)	244	220
Long Service Leave		
- unconditional and expected to be settled wholly within 12 months (ii)	2,184	2,176
- unconditional and expected to be settled wholly after 12 months (iii)	12,879	10,116
Accrued Days Off		
- unconditional and expected to be settled wholly within 12 months (ii)	233	210
	24,652	20,680
Provisions related to Employee Benefit On-Costs		
- unconditional and expected to be settled wholly within 12 months (ii)	1,199	1,048
- unconditional and expected to be settled wholly after 12 months (iii)	1,883	1,537
	3,082	2,585
Total Current Provisions	27,734	23,265
Non-Current Provisions		
Conditional Long Service Leave Entitlements	3,168	2,690
Provisions related to Employee Benefit On-Costs	396	336
Total Non-Current Provisions	3,564	3,026
Total Provisions	31,298	26,291

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

NOTE 3.4: EMPLOYEE BENEFITS IN THE BALANCE SHEET (CONTINUED)**(A) EMPLOYEE BENEFITS AND RELATED ON-COSTS**

	2019	2018
	\$ '000	\$ '000
Current Employee Benefits and Related On-Costs		
Unconditional LSL Entitlement	16,945	13,829
Annual Leave Entitlements	10,527	9,200
Accrued Days Off	262	236
	<u>27,734</u>	<u>23,265</u>
Non-Current Employee Benefits and related on-costs		
Conditional Long Service Leave Entitlements (iii)	3,564	3,026
Total Employee Benefits and Related Oncosts	<u>31,298</u>	<u>26,291</u>

(B) MOVEMENTS IN PROVISIONS

	2019	2018
	\$ '000	\$ '000
Movement in Long Service Leave		
Balance at start of year	16,626	15,216
Provision made during the year		
- Revaluations	999	(115)
- Expense Recognising Employee Service	4,423	3,455
Settlement made during the year	(1,768)	(1,930)
Balance at end of year	<u>20,280</u>	<u>16,626</u>

Employee Benefit Recognition

Provision is made for benefits accruing to employees in respect of wages and salaries, accrued days off, annual leave and long service leave for services rendered to the reporting date as an expense during the period the services are delivered.

Provisions

Provisions are recognised when South West Healthcare 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.

Annual Leave and Accrued Days Off

Liabilities for annual leave and accrued days off are all recognised in the provision for employee benefits as 'current liabilities', because the health service does not have an unconditional right to defer settlements of these liabilities.

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

- Nominal 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.

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

Long Service Leave (LSL)

The liability for long service leave (LSL) is recognised in the provision for employee benefits. Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the 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:

- Nominal value – if South West Healthcare expects to wholly settle within 12 months; or
- Present value – if South West Healthcare does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. Any gain or loss following 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 flows.

Termination benefits

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

On-Costs related to employee expense

Provision for on-costs such as workers compensation and superannuation are recognised separately from provisions for employee benefits.

NOTE 3.5: SUPERANNUATION

Fund	Paid Contributions for the year		Outstanding Contributions at Year End	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
Defined Benefit Plans: (i)				
First State Super	291	295	23	23
State Super Fund	132	117	-	10
Defined Contribution Plans:				
First State Super	6,475	6,130	540	488
HESTA	2,445	2,144	210	178
Other	520	262	53	30
Total	9,863	8,948	826	729

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

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.

NOTE 3.5: SUPERANNUATION (CONTINUED)

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

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

However superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the Health Service.

The name, details and amounts that have been expensed in relation to the major employee superannuation funds and contributions made by South West Healthcare are disclosed above.

Defined contribution superannuation plans

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

NOTE 4: KEY ASSETS TO SUPPORT SERVICE DELIVERY

South West Healthcare 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 Investments and other financial assets
- 4.2 Property, plant & equipment
- 4.3 Depreciation and amortisation

NOTE 4.1: INVESTMENTS AND OTHER FINANCIAL ASSETS

	2019 \$ '000	2018 \$ '000
CURRENT		
Financial Assets at Amortised Cost		
Term Deposits > 3 months	1,000	7,100
TOTAL CURRENT INVESTMENTS AND OTHER FINANCIAL ASSETS	1,000	7,100
Represented by:		
Health Service Funds	1,000	7,100
TOTAL	1,000	7,100

Investment Recognition

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

Investments are classified as financial assets at amortised cost.

South West Healthcare classifies its other financial assets between current and non-current assets based on the Board's intention at balance date with respect to the timing of disposal of each asset. The Health Service assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

South West Healthcare investments must comply with Standing Direction 3.7.2 - Treasury and Investment Risk Management, including central banking system.

All financial assets, except those measured at fair value through the Comprehensive Operating Statement are subject to annual review for impairment.

Derecognition of financial assets

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

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

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

Impairment of Financial Assets

At the end of each reporting period, the Health Service assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through the Comprehensive Income Statement, are subject to annual review for impairment.

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

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT

(A) GROSS CARRYING AMOUNT AND ACCUMULATED DEPRECIATION

	2019 \$ '000	2018 \$ '000
Land		
- Land at Fair Value	12,234	9,317
- Land Improvements at fair value	1,390	-
Total Land	13,624	9,317
Buildings		
- Buildings Under Construction at Cost	1,085	1,074
- Buildings at Fair Value	216,075	210,649
Less Accumulated Depreciation	-	39,731
	216,075	170,918
- Buildings - Leasehold Improvements at fair Value	342	342
Less Accumulated Depreciation	158	117
	184	225
Total Buildings	217,344	172,217
Plant and Equipment		
- Plant and Equipment at Fair Value	9,096	8,937
Less Accumulated Depreciation	7,282	6,864
Total Plant and Equipment	1,814	2,073
Medical Equipment		
- Medical Equipment at Fair Value	16,150	15,030
Less Accumulated Depreciation	11,791	10,736
Total Medical Equipment	4,359	4,294
Computers & Communications		
- Computers & Communications at fair value	7,645	8,737
Less Accumulated Depreciation	5,576	7,092
Total Computers & Communications	2,069	1,645
Furniture and Fittings		
-Furniture and Fittings at Fair Value	4,066	4,015
Less Accumulated Depreciation	3,868	2,711
Total Furniture and Fittings	198	1,304
Motor Vehicles		
- Motor Vehicles at Fair Value	3,175	3,182
Less Accumulated Depreciation	1,197	857
Total Motor Vehicles	1,978	2,325
Leased Assets		
- Information Technology	4,248	3,525
Less Accumulated Depreciation	3,362	2,969
Total Leased Assets	886	556
TOTAL	242,272	193,731

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(B) RECONCILIATIONS OF THE CARRYING AMOUNTS OF EACH CLASS OF ASSET

	Land	Buildings & Buildings under construction	Plant & Equipment	Medical Equipment	Computers & Comms	Furniture & Fittings	Motor Vehicles	Leased Assets	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Balance at 1 July 2017	9,317	181,921	2,358	4,735	1,652	1,397	2,484	830	204,694
Additions	-	1,359	201	833	879	163	932	144	4,511
Disposals	-	-	-	-	(3)	-	(610)	-	(613)
Depreciation (Refer note 4.3)	-	(11,063)	(484)	(1,275)	(883)	(256)	(482)	(418)	(14,861)
Balance at 1 July 2018	9,317	172,217	2,075	4,293	1,645	1,304	2,324	556	193,731
Additions	-	1,415	179	1,120	193	41	170	742	3,860
Disposals	-	-	-	-	(1)	-	(72)	-	(73)
Net Transfers between classes	-	-	-	-	857	(857)	-	-	-
Transfer to Held for Sale	(150)	(172)	-	-	-	-	-	-	(322)
Revaluation Increments	4,457	54,731	-	-	-	-	-	-	59,188
Depreciation (Refer note 4.3)	-	(10,847)	(440)	(1,054)	(625)	(290)	(444)	(412)	(14,112)
Balance at 30 June 2019	13,624	217,344	1,814	4,359	2,069	198	1,978	886	242,272

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**(B) RECONCILIATIONS OF THE CARRYING AMOUNTS OF EACH CLASS OF ASSET (CONTINUED)****Land and buildings carried at valuation**

The Valuer-General Victoria undertook to re-value all of South West Healthcare's owned and leased land and buildings to determine their fair value.

The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments.

The effective date of the valuation is 30 June 2019.

(C) FAIR VALUE MEASUREMENT HIERARCHY FOR ASSETS

	Carrying amount as at 30 June 2019 \$ '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	13,624	-	-	13,624
Total of land at fair value	13,624	-	-	13,624
Buildings at fair value				
Specialised buildings	216,259	-	-	216,259
Total of building at fair value	216,259	-	-	216,259
Plant and equipment at fair value				
Plant equipment and vehicles at fair value				
- Plant and equipment	1,814	-	-	1,814
- Medical Equipment	4,359	-	-	4,359
- Computers & Communications	2,069	-	-	2,069
- Furniture and Fittings	198	-	-	198
- Motor Vehicles	-	-	1,978	-
Total of plant, equipment and vehicles at fair value	8,440	-	1,978	10,418
TOTAL	238,323	-	1,978	240,301

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(C) FAIR VALUE MEASUREMENT HIERARCHY FOR ASSETS (CONTINUED)

	Carrying amount as at 30 June 2018 \$ '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	171,143	-	-	171,143
Total of building at fair value	171,143	-	-	171,143
Plant and equipment at fair value				
Plant equipment and vehicles at fair value				
- Plant and equipment	2,075	-	-	2,075
- Medical Equipment	4,293	-	-	4,293
- Computers & Communications	1,645	-	-	1,645
- Furniture and Fittings	1,304	-	-	1,304
- Motor Vehicles	2,324	-	2,324	-
Total of plant, equipment and vehicles at fair value	11,641	-	2,324	9,317
TOTAL	192,101	-	2,324	189,777

Note

- (i) Classified in accordance with the fair value hierarchy.
There have been no transfers between levels during the period.

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(D) RECONCILIATION OF LEVEL 3 FAIR VALUE

30-Jun-19	Land \$ '000	Buildings \$ '000	Plant and Equipment \$ '000	Medical Equipment \$ '000	Computers & Comms \$ '000	Furniture & Fittings \$ '000
Balance at 1 July 2018	9,317	171,143	2,075	4,293	1,645	1,304
Purchases (sales) & reclassifications	-	1,404	179	1,120	192	41
- Transfer to held for sale	(150)	(172)	-	-	-	-
- Net Transfers between classes	-	-	-	-	857	(857)
Gains or losses recognised in net result						
- Depreciation	-	(10,847)	(440)	(1,054)	(625)	(290)
Subtotal	9,167	161,528	1,814	4,359	2,069	198
Items recognised in other comprehensive income						
- Revaluation	4,457	54,731	-	-	-	-
Subtotal	4,457	54,731	-	-	-	-
Balance at 30 June 2019	13,624	216,259	1,814	4,359	2,069	198

30-Jun-18	Land \$ '000	Buildings \$ '000	Plant and Equipment \$ '000	Medical Equipment \$ '000	Computers & Comms \$ '000	Furniture & Fittings \$ '000
Balance at 1 July 2017	9,317	180,847	2,358	4,735	1,652	1,397
Purchases (sales) & reclassifications	-	1,359	201	833	876	163
Gains or losses recognised in net result						
- Depreciation	-	(11,063)	(484)	(1,275)	(883)	(256)
Subtotal	9,317	171,143	2,075	4,293	1,645	1,304
Items recognised in other comprehensive income						
- Revaluation	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Balance at 30 June 2018	9,317	171,143	2,075	4,293	1,645	1,304

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(E) FAIR VALUE DETERMINATION

Asset Class	Examples of types assets	Expected fair value level	Likely valuation approach	Significant inputs (Level 3 only)
Specialised land (Crown/Freehold)	- Land subject to restriction as to use and/or sale - Land in areas where there is not an active market	Level 3	Market approach	Community Service Obligation Adjustments
Specialised Buildings	Specialised buildings with limited alternative uses and/or substantial customisation eg. Hospitals	Level 3	Current replacement cost	- Cost per square metre - Useful life
Vehicles	If there is an active resale market available	Level 2	Market approach	n.a.
Plant and equipment Medical Equipment Computers & Communications Furniture and Fittings	Specialised items with limited alternative uses and/or substantial customisation	Level 3	Current replacement cost approach	- Cost per unit - Useful life
Non- specialised land	Freehold land with no restrictions on use	Level 3	Market approach	n.a.
Non-specialised buildings	Residential buildings without substantial customization or restrictions of use	Level 3	Market approach	n.a.

(F) PROPERTY, PLANT AND EQUIPMENT REVALUATION SURPLUS

	2019	2018
	\$ '000	\$ '000
Property, Plant and Equipment Revaluation Surplus		
Balance at the beginning of the reporting period	56,713	56,713
Revaluation Increment		
- Land	4,457	-
- Buildings	54,731	-
Balance at the end of the reporting period*	115,901	56,713
*Represented by:		
- Land	9,342	5,035
- Buildings	106,559	51,678
	<u>115,901</u>	<u>56,713</u>
	115,901	56,713

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Initial Recognition

Items of property, plant and equipment are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment loss. 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 change are transferred at their carrying amounts.

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

Theoretical opportunities that may be available in relation to the asset(s) are not taken into account until it is virtually certain that any restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best uses.

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

Revaluations of Non-current Physical Assets

Non-Current physical assets are measured at fair value and are revalued in accordance with FRD 103H Non-current physical assets. This revaluation process normally occurs 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 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 de-recognition of the relevant asset, except where an asset is transferred via contributed capital.

In accordance with FRD 103H South West Healthcare's non-current physical assets were assessed to determine whether revaluation of the non-current physical assets was 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.

For the purpose of fair value disclosures, South West Healthcare has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of fair value hierarchy as explained above.

In addition, South West Healthcare determines whether transfers have occurred between levels in the hierarchy by reassessing 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 independent valuation agency.

The estimates and underlying assumptions are reviewed on an ongoing basis.

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Valuation hierarchy

In determining fair values a number of uninputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

- 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; and
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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.

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 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.

Specialised land and specialised buildings

Specialised land includes Crown Land which 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 assets are not taken into account until it is virtually certain that any restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best use.

During the reporting period, the Health Service held Crown Land. The nature of this asset means that there are certain limitations and restrictions imposed on its use and/or disposal that may impact their fair value.

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.

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For South West Healthcare, 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 2019.

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 (including medical equipment, computers and communication equipment and furniture and fittings) are held at carrying amount (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 2019.

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

NOTE 4.3: DEPRECIATION AND AMORTISATION

	2019	2018
	\$ '000	\$ '000
Depreciation		
Buildings	10,847	11,063
Plant & Equipment	440	484
Medical Equipment	444	1,275
Computers & Communications	1,054	883
Furniture & Fittings	625	256
Motor Vehicles	290	482
Leased Assets	412	418
Total Depreciation	14,112	14,861

NOTE 4.3: DEPRECIATION AND AMORTISATION (CONTINUED)

Depreciation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives are depreciated (i.e. excludes land assets held for sale, and investment properties). Depreciation is generally calculated on a straight-line basis at rates that allocate the asset's value, less any estimated residual value over its estimated useful life (refer AASB 116 *Property, Plant and Equipment*).

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

	2019	2018
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 and Equipment	Up to 20 years	Up to 30 years
Medical Equipment	Up to 15 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 10 years	Up to 13 years
Leasehold Improvements	Up to 10 years	Up to 10 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 health service's operations.

Structure

- 5.1 Receivables
- 5.2 Payables
- 5.3 Other liabilities
- 5.4 Physical Assets Classified as Held for Sale

NOTE 5.1: RECEIVABLES

	2019	2018
	\$ '000	\$ '000
CURRENT		
Contractual		
Patient Fees and Resident Debtors	634	682
Trade Debtors	3,141	3,220
Receivables - South West Alliance of Rural Health	935	300
Accrued Revenue	88	45
Less Allowance for impairment losses of contractual receivables	(44)	(34)
	<u>4,754</u>	<u>4,213</u>
Statutory		
GST Receivable - Health Service	251	287
Accrued Grants - Department of Health & Human Services	529	1,528
	<u>780</u>	<u>1,815</u>
TOTAL CURRENT RECEIVABLES	<u>5,534</u>	<u>6,028</u>
NON CURRENT		
Statutory		
Long Service Leave - Department of Health and Human Services	6,494	4,582
TOTAL NON-CURRENT RECEIVABLES	<u>6,494</u>	<u>4,582</u>
TOTAL RECEIVABLES	<u>12,028</u>	<u>10,610</u>
(A) MOVEMENT IN THE ALLOWANCE FOR IMPAIRMENT LOSSES OF CONTRACTUAL RECEIVABLES		
Balance at beginning of the year	34	40
Increase/(decrease) in allowance recognised in net result	10	(6)
Balance at end of year	<u>44</u>	<u>34</u>

NOTE 5.1: RECEIVABLES (CONTINUED)

Receivables recognition

Receivables consist of:

- Contractual receivables, which consists of debtors in relation to goods and services and accrued investment income. These receivables are classified as financial instruments and categorised as 'financial assets at amortised costs'. They are initially recognised at fair value plus any directly attributable transaction costs. The Health Service holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequently measured at amortised cost using the effective interest method, less any impairment.
- Statutory receivables, which predominantly includes amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits recoverable. Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments for disclosure purposes. The Health Service applies AASB 9 for initial measurement of the statutory receivables and as a result statutory receivables are initially recognised at fair value plus any directly attributable transaction cost.

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

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

The Health Service is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various geographical areas. Based on historical information about customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good.

Impairment losses of contractual receivables

Refer to Note 7.1 (c) Contractual receivables at amortised costs for South West Healthcare's contractual impairment losses.

NOTE 5.2: PAYABLES

	2019 \$ '000	2018 \$ '000
CURRENT		
Contractual		
Trade Creditors (i)	4,406	3,933
Accrued Salaries & Wages	5,578	5,473
Accrued Expenses	4,913	4,248
Amounts Payable to governments and agencies	646	825
Payables - South West Alliance of Rural Health	-	255
Income in Advance - South West Alliance of rural Health	97	122
TOTAL PAYABLES	15,640	14,856

(i) The normal credit terms for accounts payable are usually Nett 30 days.

Payables consist of:

- contractual payables, classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to South West Healthcare prior to the end of the financial year that are unpaid; and
- statutory payables, that 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 contracts.

Maturity analysis of payables

Please refer to Note 7.1(b) for the maturity analysis of payables.

NOTE 5.3: OTHER LIABILITIES

	2019 \$ '000	2018 \$ '000
CURRENT		
Monies Held in Trust*		
- Patient Monies Held in Trust*	95	69
- Accommodation Bonds (Refundable Entrance Fees)*	2,794	2,413
TOTAL CURRENT	2,889	2,482
* Total Monies Held in Trust		
Represented by the following assets:		
Cash Assets (refer to Note 6.2)	2,889	2,482
TOTAL OTHER LIABILITIES	2,889	2,482

NOTE 5.4: PHYSICAL ASSETS CLASSIFIED AS HELD FOR SALE**(A) NON-FINANCIAL PHYSICAL ASSETS CLASSIFIED AS HELD FOR SALE**

	2019	2018
	\$'000	\$'000
Freehold land & buildings (i)	322	-
TOTAL PHYSICAL ASSETS CLASSIFIED AS HELD FOR SALE	322	-

(i) The Health Service intends to dispose of freehold land/buildings it no longer utilises in the next 3 months.

Non-financial physical assets classified as held for sale are treated as current and are measured at the lower of carrying amount and fair value less costs of disposal, and are not subject to depreciation or amortisation.

(B) FAIR VALUE MEASUREMENT OF PHYSICAL ASSETS HELD FOR SALE

	Carrying amount 2019 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Freehold land/ buildings held for sale	322	-	-	322
TOTAL NON-FINANCIAL PHYSICAL ASSETS CLASSIFIED AS HELD FOR SALE	322	-	-	322

Classified in accordance with the fair value hierarchy

Refer to note 4.2 (e) for the valuation technique applied to non-specialised land/buildings

NOTE 6: HOW WE FINANCE OUR OPERATIONS

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

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

	2019 \$ '000	2018 \$ '000
Current Borrowings		
Australian Dollar Borrowings		
Finance Lease Liability - South West Alliance of Rural Health	205	330
Department of Health Loan (i)	70	-
Total Australian Dollars Borrowings	<u>275</u>	<u>330</u>
Total Current Borrowings	<u>275</u>	<u>330</u>

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.

Non Current Borrowings

Australian Dollar Borrowings		
Finance Lease Liability - South West Alliance of Rural Health	313	234
Department of Health Loan (i)	276	-
	<u>589</u>	<u>234</u>
Total Borrowings	<u>864</u>	<u>564</u>

(i) These are unsecured loans which bear no interest

Maturity analysis of borrowings

Please refer to Note 7.1(b) for the maturity analysis of borrowings.

Defaults and breaches

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

Borrowing Recognition

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 transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases, in the manner described in Note 6.3 Commitments.

NOTE 6.2: CASH AND CASH EQUIVALENTS

	2019	2018
	\$ '000	\$ '000
Cash on Hand	9	9
Cash at Bank	16,524	1,967
Deposits at call	36	5,000
Cash at Bank (Monies Held in Trust)	2,889	2,482
TOTAL CASH AND CASH EQUIVALENTS	19,458	9,458

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

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as liabilities on the balance sheet. The cash flow statement includes monies held in trust.

NOTE 6.3: COMMITMENTS FOR EXPENDITURE

	2019	2018
	\$ '000	\$ '000
(a) Commitments payable		
Nominal Values		
Capital expenditure commitments payable		
Less than 1 year	1,113	620
Total Capital expenditure commitments	1,113	620
Lease commitments payable		
Less than 1 year	1,395	1,092
Longer than 1 year but not longer than 5 years	1,342	1,176
Total lease commitments	2,737	2,268
Total Commitments (inclusive of GST)	3,850	2,889
Less GST recoverable from the Australian Tax Office	350	263
Total Commitments (exclusive of GST)	3,500	2,626

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.

Future finance lease payments are recognised on the balance sheet, refer to Note 6.1 Borrowings.

NOTE 7: RISKS, CONTINGENCIES & VALUATION UNCERTAINTIES

The health service 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 health service is related mainly to fair value determination.

Structure

7.1 Financial instruments

NOTE 7.1: FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

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's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in *AASB 132 Financial Instruments: Presentation*.

(A) CATEGORISATION OF FINANCIAL INSTRUMENTS

	"Financial Assets at Amortised Cost" \$ '000	"Financial Liabilities at Amortised Cost" \$ '000	Total \$ '000
2019			
Contractual Financial Assets			
Cash and cash equivalents	19,458	-	19,458
Receivables			
- Trade Debtors	3,141	-	3,141
- Other Receivables	1,613	-	1,613
Investments and Other Financial Assets			
- Term Deposits	1,000	-	1,000
Total Financial Assets (i)	25,212	-	25,212
Financial Liabilities			
Payables	-	15,640	15,640
Borrowings	-	864	864
Other Financial Liabilities			
- Accommodation Bonds	-	2,794	2,794
- Other	-	95	95
Total Financial Liabilities (i)	-	19,393	19,393

NOTE 7.1: FINANCIAL INSTRUMENTS (CONTINUED)

(A) CATEGORISATION OF FINANCIAL INSTRUMENTS (CONTINUED)

2018	Contractual financial assets - loans and receivables \$ '000	Contractual financial liabilities at amortised cost \$ '000	Total \$ '000
Contractual Financial Assets			
Cash and cash equivalents	9,458	-	9,458
Receivables			
- Trade Debtors	3,868	-	3,868
- Other Receivables	345	-	345
Investments and Other Financial Assets			
- Term Deposits	7,100	-	7,100
Total Financial Assets (i)	20,771	-	20,771
Financial Liabilities			
Payables	-	14,856	14,856
Borrowings	-	564	564
Other Financial Liabilities			
- Accommodation Bonds	-	2,413	2,413
- Other	-	69	69
Total Financial Liabilities (i)	-	17,902	17,902

(i) The carrying amount excludes statutory receivables (i.e. GST Receivable and DHHS Receivable) and statutory payables (i.e. Revenue in advance and DHHS payable).

From 1 July 2018, the Health Service applies AASB 9 and classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

Categories of financial assets under AASB9

Financial assets at amortised cost

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by the Health Service to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

The Department recognises the following assets in this category:

- cash and deposits;
- receivables (excluding statutory receivables); and
- term deposits.

Categories of financial assets previously under AASB 139

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities 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 (and for assets, less any impairment).

NOTE 7.1: FINANCIAL INSTRUMENTS (CONTINUED)

(A) CATEGORISATION OF FINANCIAL INSTRUMENTS (CONTINUED)

South West Healthcare recognises the following assets in this category:

- cash and deposits;
- receivables (excluding statutory receivables); and
- term deposits.

Financial liabilities at amortised cost 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. South West Healthcare recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- borrowings (including finance lease liabilities).

Derecognition of financial assets: A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired.

Derecognition of financial liabilities: A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Impairment of financial assets

At the end of each reporting period, the Health Service assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with *AASB 136 Impairment of Assets*.

NOTE 7.1: FINANCIAL INSTRUMENTS (CONTINUED)

(B) MATURITY ANALYSIS OF FINANCIAL LIABILITIES AS AT 30 JUNE

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

	Note	Total Carrying Amount	Nominal Amount	Maturity Dates			1 - 5 Years
				Less than 1 Month	1 - 3 Months	3 Months - 1 Year	
2019		\$	\$	\$	\$	\$	\$
Financial Liabilities							
At amortised cost							
Payables (i)	5.2	15,640	15,640	15,640	-	-	-
Borrowings	6.1	864	864	24	69	182	589
Other Financial Liabilities							
- Accommodation Deposits	5.3	2,794	2,794	-	-	2,794	-
- Other	5.3	95	95	-	95	-	-
Total Financial Liabilities		19,393	19,393	15,664	164	2,976	589
2018							
Financial Liabilities							
At amortised cost							
Payables (i)	5.2	14,856	14,856	14,856	-	-	-
Borrowings	6.1	564	564	47	141	142	234
Other Financial Liabilities							
- Accommodation Deposits	5.3	2,413	2,413	-	-	2,413	-
- Other	5.3	69	69	-	69	-	-
Total Financial Liabilities		17,902	17,902	14,903	210	2,555	234

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

(C) CONTRACTUAL RECEIVABLES AT AMORTISED COSTS

	1-Jul-18	Current	Less than		3 months -		Total
			1 month	1-3 months	1 year	1-5 years	
Expected loss rate		0%	0%	7%	6%	1%	
Gross carrying amount of contractual receivables		2,619	1012	294	234	54	4,213
Loss allowance		0	0	21	13	1	34
	30-Jun-19	Current	Less than		3 months -		Total
			1 month	1-3 months	1 year	1-5 years	
Expected loss rate		0%	0%	5%	8%	2%	
Gross carrying amount of contractual receivables		3,291	761	247	376	79	4,754
Loss allowance		0	0	13	30	1	44

NOTE 7.1: FINANCIAL INSTRUMENTS (CONTINUED)

(C) CONTRACTUAL RECEIVABLES AT AMORTISED COSTS

Impairment of financial assets under AASB 9 – applicable from 1 July 2018

From 1 July 2018, the the Health Service has been recording the allowance for expected credit loss for the relevant financial instruments, replacing AASB 139's incurred loss approach with AASB 9's Expected Credit Loss approach. Subject to AASB 9 impairment assessment include the the Health Service's contractual receivables, statutory receivables and its investment in debt instruments.

Equity instruments are not subject to impairment under AASB 9. Other financial assets mandatorily measured or designated at fair value through net result are not subject to impairment assessment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Contractual receivables at amortised cost

The Health Service applies AASB 9 simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates. The the Health Service has grouped contractual receivables on shared credit risk characteristics and days past due and select the expected credit loss rate based on the Department's past history, existing market conditions, as well as forward-looking estimates at the end of the financial year.

On this basis, the the Health Service determines the opening loss allowance on initial application date of AASB 9 and the closing loss allowance at end of the financial year as disclosed above.

Reconciliation of the movement in the loss allowance for contractual receivables

	2019 \$ 000's	2018 \$ 000's
Balance at the beginning of the year	34	40
Opening retained earnings adjustment on adoption of AASB 9	0	0
Opening Loss Allowance	34	40
Modification of contractual cash flows on financial assets	0	0
Increase in provision recognised in the net result	10	0
Reversal of provision of receivables written off during the year as uncollectible	0	0
Reversal of unused provision recognised in the net result	0	(6)
Balance at end of the year	44	34

Credit loss allowance is classified as other economic flows in the net result. Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

In prior years, 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. A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. Bad debts considered as written off by mutual consent.

Statutory receivables and debt investments at amortised cost [AASB2016-8.4]

The Health Service's non-contractual receivables arising from statutory requirements are not financial instruments. However, they are nevertheless recognised and measured in accordance with AASB 9 requirements as if those receivables are financial instruments.

The Health Service also has investments in:

- Term Deposits in Australian approved deposit institutions

Both the statutory receivables and investments in debt instruments are considered to have low credit risk, taking into account the counterparty's credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As the result, the loss allowance recognised for these financial assets during the period was limited to 12 months expected losses. No loss allowance recognised at 30 June 2018 under AASB 139. No additional loss allowance required upon transition into AASB 9 on 1 July 2018.

NOTE 7.2: CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There are no known contingent assets or contingent liabilities for South West Healthcare at the date of this report. (Nil 2018)

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 Reconciliation of Net Result for the Year to Net Cash Flow from Operating Activities
- 8.2 Responsible persons disclosure
- 8.3 Remuneration of Executive Officers
- 8.4 Related Parties
- 8.5 Remuneration of auditors
- 8.6 AASBs issued that are not yet effective
- 8.7 Events occurring after the balance sheet date
- 8.8 Jointly Controlled Operations
- 8.9 Economic Dependency

NOTE 8.1: RECONCILIATION OF NET RESULT FOR THE YEAR TO NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES

	2019 \$ '000	2018 \$ '000
NET RESULT FOR THE YEAR	(11,590)	(11,067)
Non-cash movements		
Non Cash Revenue - Assets received from Department of Health & Human Services (DHHS)	(370)	(329)
Depreciation	14,112	14,861
Allowance for impairment losses of contractual receivables	10	-
Movements included in investing and financing activities		
Net (gain)/loss from disposal of non financial physical assets	(16)	128
Movements in assets and liabilities		
Change in Operating Assets & Liabilities		
(Increase)/Decrease in Receivables	1,344	922
(Increase)/Decrease in Other Assets	(1,335)	(97)
Increase/(Decrease) in Payables	892	(1,969)
Increase/(Decrease) in Provisions	3,274	3,021
Increase/(Decrease) in Other Liabilities	120	535
Change in Inventories	153	(115)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	6,594	5,890

NOTE 8.2: RESPONSIBLE PERSON DISCLOSURES

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

	Period
Responsible Ministers:	
The Honourable Jill Hennessy, Minister for Health and Minister for Ambulance Services	01/07/2018 - 29/11/2018
The Honourable Jenny Mikakos, Minister for Health and Minister for Ambulance Services	29/11/2018 - 30/06/2019
The Honourable Martin Foley, Minister for Mental Health	01/07/2018 - 30/06/2019
Governing Boards	
Mr. R. Worland	01/07/2018 - 30/06/2019
Mrs. N. Allen	01/07/2018 - 30/06/2019
Mr G.Toogood	01/07/2018 - 30/06/2019
Mr. S.Callaghan	01/07/2018 - 30/06/2019
Mr. B.Brown	01/07/2018 - 30/06/2019
Mr. R.Montgomery	01/07/2018 - 30/06/2019
Mrs. J.Waterhouse	01/07/2018 - 30/06/2019
Mrs. B.Northeast	01/07/2018 - 30/06/2019
Ms. K. Gaston	01/07/2018 - 30/06/2019
Accountable Officers	
Mr C.Fraser	01/07/2018 - 30/06/2019

Remuneration of Responsible Persons

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

Income Band	2019	2018
	\$ '000	\$ '000
\$0 - \$9,999	2	10
\$10,000 - \$19,999	7	-
\$270,000 - \$279,999	-	1
\$300,000 - \$309,999	1	-
Total Numbers	10	11
Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:	411	277

Amounts relating to Responsible Ministers are reported within the Department of Parliamentary Services' Financial Report.

NOTE 8.3: REMUNERATION OF EXECUTIVES

Remuneration of executives

The number of executive officers, other than Ministers and Accountable Officers, and their total remuneration during the reporting period are shown in the table below.

Total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period.

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

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

NOTE 8.3: REMUNERATION OF EXECUTIVES (CONTINUED)

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

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

Termination benefits include termination of employment payments, such as severance packages.

Share-based payments are cash or other assets paid or payable as agreed between the health service and the employee, provided specific vesting conditions, if any, are met.

Remuneration of executive officers	Total Remuneration	
	2019 \$ '000	2018 \$ '000
Short-term employee benefits	1,178	927
Post-employment benefits	117	91
Other long-term benefits	32	24
Total Remuneration (b)	1,327	1,042
Total Number of executives (c)	7	7
Total annualised employee equivalent (AEE) (d)	6.50	5.60

Notes:

(i) 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 8.4).

(ii) 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 8.4: RELATED PARTIES

The Health Service 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
- Jointly Controlled Operation - A member of the Southwest Alliance of Rural Health; and
- all hospitals and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

KMP's are those people with the authority and responsibility for planning, directing and controlling the activities of South West Healthcare, directly or indirectly.

The Board of Directors, Accountable Officer and the Executive Directors of South West Healthcare are deemed to be KMPs.

NOTE 8.4: RELATED PARTIES (CONTINUED)

Entity	Key Management Personnel	Position Title	Period
South West Healthcare	Mr. R. Worland	Chair of the Board	01/07/2018 - 30/06/2019
South West Healthcare	Mrs. N. Allen	Board Member	01/07/2018 - 30/06/2019
South West Healthcare	Mr G.Toogood	Board Member	01/07/2018 - 30/06/2019
South West Healthcare	Mr. S.Callaghan	Board Member	01/07/2018 - 30/06/2019
South West Healthcare	Mr. B.Brown	Board Member	01/07/2018 - 30/06/2019
South West Healthcare	Mr. R.Montgomery	Board Member	01/07/2018 - 30/06/2019
South West Healthcare	Mrs. J.Waterhouse	Board Member	01/07/2018 - 30/06/2019
South West Healthcare	Mrs. B.Northeast	Board Member	01/07/2018 - 30/06/2019
South West Healthcare	Ms. K. Gaston	Board Member	01/07/2018 - 30/06/2019
South West Healthcare	Mr C.Fraser	Chief Executive Officer	01/07/2018 - 30/06/2019
South West Healthcare	Mr. A.Trigg	Chief Operating Officer	01/07/2018 - 30/06/2019
South West Healthcare	Dr. N. Van Zyl	Executive Director Medical Services	01/07/2018 - 30/06/2019
South West Healthcare	Ms. J.Clift	Executive Director Nursing & Midwifery	01/07/2018 - 30/06/2019
South West Healthcare	Mr. J.Brennan	Executive Director Service Development	01/07/2018 - 30/06/2019
South West Healthcare	Ms .K.Cook	Executive Director Mental Health Services	01/07/2018 - 30/06/2019
South West Healthcare	Ms. K.Anderson	Executive Director Primary and Community Services	01/07/2018 - 30/06/2019
South West Healthcare	Ms. L. Viljoen	Executive Director People and Culture	23/01/2019 - 30/06/2019

The compensation detailed below excludes the salaries and benefits the Portfolio Ministers receive. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968*, and is reported within the Department of Parliamentary Services' Financial Report.

COMPENSATION	2019 \$ '000's	2018 \$ '000
Short term employee benefits	1,547	1,175
Post-employment benefits	151	112
Other long-term benefits	41	31
Total	1,739	1,318

(i) Total remuneration paid to KMPs employed as a contractor during the reporting period through accounts payable has been reported under short-term employee benefits.

(ii) KMPs are also reported in Note 8.2 Responsible Persons or Note 8.3 Remuneration of Executives.

Significant transactions with government-related entities

South West Healthcare received funding from the Department of Health and Human Services of \$154,877,551 (2018: \$142,900,189).

Expenses incurred by the Health Service in delivering services and outputs are in accordance with Health Purchasing Victoria requirements.

Goods and services including procurement, diagnostics, patient meals and multi-site operational support are provided by other Victorian Health Service Providers on commercial terms.

Professional medical indemnity insurance and other insurance products are obtained from a Victorian Public Financial Corporation.

The Standing Directions of the Assistant Treasurer require the Health Service to hold cash (in excess of working capital) in accordance with the State's centralised banking arrangements. All borrowings are required to be sourced from Treasury Corporation Victorian unless an exemption has been approved by the Minister for Health and Human Services and the Treasurer.

NOTE 8.4: RELATED PARTIES (CONTINUED)

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 of Health and Human Services, all other related party transactions that involved KMPs and their close family members have been entered into on an arm's length basis. Transactions are disclosed when they are considered material to the users of the financial report in making and evaluation decisions about the allocation of scarce resources.

There were no related party transactions with Cabinet Ministers required to be disclosed in 2019.

	2019	2018
	\$ '000	\$ '000
Other Transactions of Responsible Persons and their Related Parties		
Mr S.Callaghan is a director of Callaghan Motors which provides repairs, maintenance and purchase of motor vehicles on normal commercial terms and conditions.	21	327

NOTE 8.5: REMUNERATION OF AUDITORS

	2019	2018
	\$ '000	\$ '000
Victorian Auditor-General's Office		
Audit or review of financial statement	47	46
	47	46

NOTE 8.6: AASBs ISSUED THAT ARE NOT YET EFFECTIVE

Certain new Australian accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting period. DTF assesses the impact of an these new standards and advises the Health Service of their applicability and early adoption where applicable.

As at 30 June 2019, 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.

NOTE 8.6: AASBs ISSUED THAT ARE NOT YET EFFECTIVE (CONTINUED)

Topic	Key requirements	Effective Date	Impact on Financial Statements
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015-8 Amendments to Australian Accounting Standards - Effective Date of AASB 15 has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017 for Not-for-Profit entities.	1 Jan-19	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. Revenue from grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as the performance obligations attached to the grant are satisfied. There is an expectation this will impact capital grant funding, however it is not possible to quantify the impact until such time as funding is received and projects are commenced.
AASB 2018-4 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public-Sector Licensors	AASB 2018-4 amends AASB 15 and AASB 16 to provide guidance for revenue recognition in connection with taxes and Non-IP licences for Not-for-Profit entities.	1 Jan-19	AASB 2018-4 provides additional guidance for not-for-profit public sector licenses, which include: <ul style="list-style-type: none"> • Matters to consider in distinguishing between a tax and a license, with all taxes being accounted for under AASB 1058; • IP licenses to be accounted for under AASB 15; and • Non-IP, such as casino licenses, are to be accounted for in accordance with the principles of AASB 15 after first having determined whether any part of the arrangement should be accounted for as a lease under AASB 16. There is no material financial impact expected

NOTE 8.6: AASBs ISSUED THAT ARE NOT YET EFFECTIVE (CONTINUED)

Topic	Key requirements	Effective Date	Impact on Financial Statements
<p>AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</p>	<p>AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit- entities into AASB 9 and AASB 15. This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events.</p>	<p>1 Jan-19</p>	<p>This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context. The areas within these standards that are amended for not-for-profit application include:</p> <p>AASB9</p> <ul style="list-style-type: none"> • Statutory receivables are recognised and measured similarly to financial assets. <p>AASB 15</p> <ul style="list-style-type: none"> • The 'customer' does not need to be the recipient of goods and/ or services; • The contract' could include an arrangement entered into under the direction of another party; • Contracts are enforceable if they are enforceable by legal or 'equivalent means'; • Contracts do not have to have commercial substance, only economic substance; and • Performance obligations need to be 'sufficiently specific' to be able to apply AASB 15 to these transactions. <p>The impact on reporting capital funding has potential to result in material change, however this is not able to be quantified prior to receipt of capital grants and commencement of projects.</p>

NOTE 8.6: AASBs ISSUED THAT ARE NOT YET EFFECTIVE (CONTINUED)

Topic	Key requirements	Effective Date	Impact on Financial Statements
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 Jan-20	The assessment has indicated that most operating leases, with the exception of short term and low value leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability. In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge. There will be no change for lessors as the classification of operating and finance leases remains unchanged. There is no material impact from implementation of this standard due to the lack of existing operating leases.

NOTE 8.6: AASBs ISSUED THAT ARE NOT YET EFFECTIVE (CONTINUED)

Topic	Key requirements	Effective Date	Impact on Financial Statements
AASB 2018-8 Amendments to Australian Accounting Standards – Right of Use Assets of Not-for-Profit entities	This standard amends various other accounting standards to provide an option for not-for-profit entities to not apply the fair value initial measurement requirements to a class or classes of right of use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives. This Standard also adds additional disclosure requirements to AASB 16 for not-for-profit entities that elect to apply this option.	1 Jan-20	<p>Under AASB 1058, not-for-profit entities are required to measure right-of-use assets at fair value at initial recognition for leases that have significantly below-market terms and conditions.</p> <p>For right-Of-use assets arising under leases with significantly below market terms and conditions principally to enable the entity to further its objectives (peppercorn leases), AASB 2018-8 provides a temporary option for Not- for-Profit entities to measure at initial recognition, a class or classes of right-of-use assets at cost rather than at fair value and requires disclosure of the adoption.</p> <p>The State has elected to apply the temporary option in AASB 2018-8 for not-for-profit entities to not apply the fair value provisions under AASB 1058 for these right-of-use assets. In making this election, the State considered that the methodology of valuing peppercorn leases was still being developed.</p> <p>No material impact during the period applicable under the election.</p>

NOTE 8.6: AASBs ISSUED THAT ARE NOT YET EFFECTIVE (CONTINUED)

Topic	Key requirements	Effective Date	Impact on Financial Statements
AASB 1058 Income of Not-for- Profit Entities	AASB 1058 will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 Contributions. The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context, AASB 1058 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 objective.	1 Jan-20	Grant revenue is currently recognised up front upon receipt of the funds under AASB 1004 Contributions. The timing of revenue recognition for grant agreements that fall under the scope of AASB 1058 may be deferred. For example, revenue from capital grants for the construction of assets will need to be deferred and recognised progressively as the asset is being constructed. The impact on current revenue recognition of the changes is the potential phasing and deferral of revenue recorded in the operating statement. Impact is not able to be quantified until such time as capital grants are received and projects commence.
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	This Standard principally amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.	1 Jan-20	This standard is not expected to have a significant impact on the public sector No material impact is expected

NOTE 8.6: AASBs ISSUED THAT ARE NOT YET EFFECTIVE (CONTINUED)

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2018-19 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

- AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-16 Cycle and Other Amendments
- AASB 2017-4 Amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments
- AASB 2017-6 Amendments to Australian Accounting Standards - Prepayment Features with Negative Compensation
- AASB 2017-7 Amendments to Australian Accounting Standards - Long-term Interests in Associates and Joint Ventures
- AASB 2018-1 Amendments to Australian Accounting Standards - Annual Improvements 2015 - 2017 Cycle
- AASB 2018-2 Amendments to Australian Accounting Standards - Plan Amendments, Curtailment or Settlement
- MSB 2018-3 Amendments to Australian Accounting Standards - Reduced Disclosure Requirements
- AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business

NOTE 8.7: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

NOTE 8.8: JOINTLY CONTROLLED OPERATIONS AND ASSETS

Name of Entity	Ownership Interest	
	2019	2018
	%	%
South West Alliance of Rural Health	14.92	15.45

South West Healthcare's 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 categories:

	2019	2018
	\$ '000	\$ '000
Current Assets		
Cash and Cash Equivalents	215	1,140
Receivables	935	300
Inventories	10	13
Prepayments	70	-
Total Current Assets	1,230	1,453
Non Current Assets		
Property, Plant and Equipment	887	608
Total Non Current Assets	887	608
Total Assets	2,117	2,061
Current Liabilities		
Payables	646	947
Deferred Income	98	-
Provisions	255	244
Lease Liabilities	205	331
Total Current Liabilities	1,204	1,522
Non Current Liabilities		
Employee Provisions	37	45
Lease Liabilities	313	234
Total Non Current Liabilities	350	279
Total Liabilities	1,554	1,801
Net Assets	563	260

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

Revenues		
Operating Activities	3,460	3,632
Non Operating Activities	262	117
Expenses		
Employee Expenses	1,245	1,222
Maintenance Contracts and IT Support	728	1,631
Other Expenses	959	294
Finance Costs	83	33
Depreciation and Amortisation	423	418
Total Operating Expenses	3,438	3,598
Other Economic Flows included in the result		
Revaluation of Long Service Leave	9	-
Net Result	293	151

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

NOTE 8.9: ECONOMIC DEPENDENCY

South West Healthcare is dependent on the Department of Health and Human Services for the majority of its revenue used to operate the entity. At the date of this report, the Board of Directors has no reason to believe the Department will not continue to support South West Healthcare.



LEADERS IN HEALTHCARE, PARTNERS IN WELLBEING

This year we've replaced the usage of plastic medicine cups with paper medicine cups. It's a terrific example of a SWH initiative with both environmental and financial benefits.

The new paper cups are wax-free, plastic-free and 100% biodegradable/compostable. They decompose within 2-6 weeks in general waste and have an estimated cost saving of \$65,000 a year.

We'll be able to use them 95% of the time. We'll still need to use a 30ml graduated plastic medicine cup for elixir medications (where a designated medication syringe is not used).

Go to Environmental Sustainability in this report to learn about other significant 2018-19 achievements.

TO KEEP UP TO DATE WITH ALL OUR NEWS
LIKE US ON FACEBOOK AT SWHNEWS

Photo: Acute Unit staff celebrate the arrival of the paper medicine cups. From left: associate nurse unit manager Christine Pritchard, registered nurse Jen Howe, clinical nurse specialists Steph Hughes and Narelle Grummett, registered nurse Olivia Beavis and graduate registered nurses Kerrie Griffiths and Gina Canfield.



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e frontdesk@swh.net.au

Warrnambool Base Hospital

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SWH MENTAL HEALTH SERVICES

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Hamilton

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Hamilton 3300

p 03 5551 8418

Portland

63 Julia Street
Portland 3305

p 03 5522 1000

Warrnambool

Koroit Street
Warrnambool 3280

p 03 5561 9100

South West 
Healthcare

www.southwesthealthcare.com.au



SWH AGED CARE FACILITY

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SWH COMMUNITY HEALTH CENTRES

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