



the bays hospital group inc.
2010 annual report

mission statement

The Bays is a community owned health care organisation providing quality acute hospital and residential aged care services to the residents of the Mornington Peninsula and delivering a material community dividend.

We achieve these objectives by:

- Providing a workplace environment and encouraging a culture that allows us to attract and retain the best people
- Meeting the service expectations of our patients, residents, doctors and family members
- Maintaining the highest ethical standards in our dealings with all stakeholders
- Operating within a framework that allows the best possible environmental outcome
- Generating sufficient funding to maintain payment of a community dividend and appropriate levels of investment in our buildings, equipment and people.



Front cover photo: Tascha Gendre, High Dependency Unit, The Bays Hospital

contents

- chairman’s report 4
- key performance indicators..... 12
- statement by members of the board of directors 13
- income statement 14
- statement of changes in equity 14
- balance sheet 15
- cash flow statement..... 16
- notes to financial statements 17
- independent audit report..... 26
- board of directors, executive staff and auditor 27

the bays hospital group inc.

chairman's report 2010

The Bays Hospital Group has had a positive year both financially and with service delivery to the community. We have also made significant progress with the development and expansion plans that I outlined in last year's report.

mornington hospital

Occupancy, measured in terms of bed days, and theatre throughput have increased year on year – by 1.4% and 8.7% respectively. A total of 19,000 patient days, 8,000 admissions, 6,700 surgical procedures and 520 births effectively means that the hospital is regularly operating at full capacity. Hence, a major building project that I will talk about in some detail later in this report.

Patient revenue per bed day grew by 7% in 2009/10. That figure reflects a pro-active discharge planning process, coding, case mix, an ever increasing trend towards day surgery and the outcome of health fund and DVA price negotiations.

Cost control continues to be a challenge in a hospital setting. Wages movement reflects enterprise bargaining agreements, more high cost hours in the High Dependency Unit and more theatre hours. The wage cost per patient day increased by 4.5% this year. Our other major area of cost is medical supplies, again driven by increased surgical throughput and more and more disposable items of equipment. Our medical supplies cost stands at \$100 per patient day or \$286 per surgical procedure. In a number of other cost areas – food, pharmacy and linen/laundry – we held costs to the previous year's level of expenditure, an excellent result.

A number of the Management group attended a UK Nurse Expo last October. We decided to pursue that recruitment strategy in light of our level of agency nurse usage and the prospect of additional beds in the not too distant future. I am very pleased to report that up to 10 international nurses will join The Bays via this process; we hope they enjoy their new life in Mornington.

The Future Leaders Program for some of our Associate Unit Managers and other nurses, the construction of a brand new kitchen, Department of Health certification for a further two years and implementation of a new telephone and nurse call system are other 2009/10 successes that readily come to mind.

The medical consulting complex continues to grow as an integral part of the hospital. Some 17 doctors now operate full time medical practices from consulting rooms within the hospital or close by. In recent times, the Board has also agreed to enter a new long term lease with Melbourne Pathology.

Operating profit generated by the hospital and through the consulting suites was \$1.519m in 2009/10. That result compares very favorably with a \$1.099m result in 2008/09.

dialysis

The Dialysis Unit at Hastings continues to be a vital part of our infrastructure. Our 8 dialysis chairs, operating full day and half day sessions on alternative days of the week, delivered 3,557 patient treatments in 2009/10. That was a little below our 3,594 treatments in the previous year. Patient illness, hospitalisation and even transplantation can impact on patient numbers from one period to the next. Our ratio of private/public dialysis patients in 2009/10 was 73%/27% and the revenue per treatment increased by 4% across the year.

On the capital expenditure front, there have been a number of significant developments for the Unit this year. Through our own capital expenditure program, the purchase of two new chairs by Monash Medical Centre and generous donations from two community organisations, we have been able to effectively replace and upgrade almost all of our dialysis chairs. That is a wonderful outcome for patients and staff alike. Space in the old Community Health Centre has also been utilised to provide the Unit with a genuine and enlarged foyer and reception area.

All of the televisions, so important for patients receiving dialysis for up to 4 hours at a time, have been upgraded and, again with the assistance of the Monash Medical Centre, a new reverse osmosis unit was installed during the year.

As I have noted in previous years, our service continues to be superbly supported by the Monash Medical Centre in terms of technical staff, equipment and consumables.

The Dialysis unit generated an operating profit of \$192k in 2009/10, a little below 2008/09 numbers simply because of a slightly lower treatment base.

aged care

Last year I remarked on the remarkable transition in the financial fortunes of our aged care service at Hastings. That trend has continued into 2009/10 and the service has contributed an operating profit of \$399k (\$310k in 2008/09), again a tribute to a hard working Management team and staff.

Careful implementation of the still new ACFI funding tool in aged care has seen our average resident revenue per paid day increase by \$15 this year.

Staff costs are our primary cost at Hastings. In dollar terms, staff costs have increased by \$215k this year. We continue to care for a very frail clientele; currently 65 of our 75 residents are classified as requiring high level care. Historically, that figure was closer to 45 residents.

The Daphne (Dementia) Unit needs to be expanded to reflect increasing levels of dementia across the facility. Fortunately, we have recently received a grant of \$50,000 from the Ian Rollo Currie Estate Foundation to allow that vital project to proceed.

Grants have also been received to support a Veterans' Commemoration Flag pole and garden and a Carers Support Group program.

There have been a number of highlights at Hastings in the area of allied care services this year. A new dental health program was successfully implemented, we moved to a new physiotherapy provider and



Pamela Christmas with resident Linda Taranto, The Bays Aged Care Facility



Narelle Manning, Food Services, The Bays Hospital

additional aromatherapy and physiotherapy hours have been provided.

Other notable achievements this year, under the umbrella of the quality management system, include:-

- Extensive landscaping of the internal courtyard and external grounds
- Implementation of a weekly exercise class in the Nursing Home assisted by an Exercise Therapist from the local Pelican Park gymnasium
- New fittings and furnishings
- The creation of an internet café named by a resident as 'The Happy Days Café'
- Further enhancement of the Lifestyle program including more mens barbeque outings, regular cooking sessions and more theme days

I have commented in earlier reports that federal government policy does not generally allow accommodation bonds to be charged in a high level care setting. That position continues to prevail although I now believe that there is an underlying awareness on both sides of politics that an increased emphasis on accommodation bonds in aged care is required. At present, 21 or 30% of our residents at Hastings have paid an accommodation bond. In total, the value of bonds held is \$2.756m.

In summary, there have been many exciting developments at Hastings this year and an excellent operating outcome has also been achieved.



Deb Malkin, The Bays Dialysis Unit

capital expenditure

The organisation continued its commitment to the ongoing upgrading of building and equipment replacement in 2009/10. In addition, preliminary expenditure was incurred on the Mornington building development with works scheduled to commence in the new financial year.

Total capital expenditure was \$1,753,281 and was expended in the following broad categories:-

	\$
Land & Buildings	767,527
Equipment	486,742
Fixtures & Fittings	85,664
Computer & Office Equipment	30,479
Plant & Machinery	382,869

From another perspective capital expenditure associated with the operating theatre complex, hospital infrastructure and our aged care service was \$341,063, \$1,233,670 and \$178,548 respectively

Some of the major items of capital expenditure included:-

- Kitchen Renovations \$319,545 – Mornington
- External gardens and courtyard \$43,525 – Hastings
- CTG Machine \$40,643 – Somers Unit, Mornington
- Renovations and TV upgrade \$25,157 – Dialysis

At year end, the Group had cash reserves of \$3,873,581.



Pam Ritchens, The Bays Dialysis Unit

staff

The Bays continues to be a major employer on the Mornington Peninsula. Each fortnight our payroll is approximately \$620k and extends to 395 members of staff. The balance between full time, part-time and casual or nurse bank staff is 14%, 52% and 34% respectively. Turnover of permanent staff on the Mornington and Hastings campuses, measured on a monthly basis, was 0.9% and 2.14% respectively this year.

Our agency staff hours at Mornington were marginally higher than the previous year, reflecting higher occupancy and theatre numbers. However, in the last six months of the year, compared to the same period a year ago, agency hours were reduced by 847 hours. Agency staff hours at Hastings are appreciably lower this year, an improvement of 486 hours or 11.4%. More important, our reliance on agency staff at Hastings is now less than 4% of total hours worked.

The organisation also measures sick leave each fortnight as a general measure of organisational health. It is pleasing to report that sick leave at Mornington in the past few months has been 2.91% of normal hours worked, a very low figure compared to historical levels of sick leave.

During the year, the organisation recruited Neralie Thorp to the position of Public Relations Manager. Neralie has already made huge inroads in that area of operations. A very successful 'WishList' capital expenditure program, a much expanded Golf Day, an upgraded website and new brochures are examples of Neralie's excellent contribution in a short time frame.

The organisation took a decision to change its Workcare provider this year; we are now with Gallagher Bassett and look forward to improved levels of service and support in the year ahead. At year end we had 3 claims under active management.



Alicia Cooke, Steve Wilson and Jodie Cooke, Theatre, The Bays Hospital

grants & donations

In 2009/2010 The Bays Hospital Group received donations of \$261,000, allowing the purchase of equipment and the completion of projects that could not have been undertaken without the support of Trusts and Foundations. This year our fundraising diversified into new direct marketing channels as well as a dedicated Bequest Program to maximise community awareness and revenue. Both Neralie Thorp and Belinda Lawson, one of our Directors, have been instrumental in achieving this result. We are deeply grateful for the loyalty and generosity of all of our supporters.

The Tattersalls Foundation provided \$50,000 to contribute to the building project at the Mornington site. The Lioness Club of Dromana donated \$5,000 for the purchase of room furniture sets for the hospital. Bernie Taylor and his family from the Grand Hotel generously donated \$20,150 towards the refurbishment of ongoing patient rooms in the hospital. This refurbishment has now been completed and we extend our thanks to Bernie and his family for this remarkable achievement and for their continued support of The Bays.

Our Somers Maternity Unit received \$500 from Mornington Civic Bowls Club, the Rotary Club of Mount Martha contributed \$1,000 for cots, and the Collier Charitable Fund provided \$22,755 for a cosy cot resuscitaire to monitor the vital signs of newborn babies.

The Bays Aged Care Facility has received numerous donations in the last year. The Marian & E H Flack Trust provided \$13,754 for outdoor furniture. The Trust Company of Australia provided \$23,000 for lo-lo beds. Bittern Sunday Market donated \$750 for furniture. Bayne & Friend Pharmacy donated \$3,999 for a new medications trolley. The William Angliss Charitable Fund provided \$1,000 for a specialised chair. We also received a DVA Grant for \$4,000 to build a memorial garden and install a flag pole for war commemoration days. The Ian Rollo Currie Estate Foundation contributed \$50,000 for the much needed relocation and expansion of our Dementia Unit and State Trustees provided \$5,000 for a Carers Support and education program. The Hastings Pink Ladies Auxiliary contributed funds for Christmas lights, a new camera and outdoor furniture.

Our Dialysis Unit also received contributions for dialysis chairs, \$5,250 each from The Angel Op Shop and the Mornington Church of Christ Op Shop.

Individual donations and memberships amounted to \$47,523.25. James Crowder Real Estate contributed \$1,622.10 to be used for both the Hospital and the Aged Care Facility and the Ritchie's Community Benefit Donations initiative contributed \$912.54.

Going forward, The Bays is very fortunate to be the recipient of an incredibly generous \$500,000 donation from the John T Reid Charitable Trusts. That donation will be directed to the rebuilding of the hospital and will be paid across the next two financial years.

The Bays Hospital, The Bays Aged Care Facility and The Bays Dialysis Unit wish to thank the many people and organisations who gave generously and donated money throughout the year.

volunteers

The ongoing and continued support of our eighty two volunteers continues. This year we have seen the implementation of two new volunteering roles within the hospital. We now have a Transfer Bank of volunteers who accompany patients to other facilities when tests are needed, and a Trolley round at Mornington that takes newspapers and gift items to the wards. These two services are proving to be wonderful initiatives particularly for elderly and lonely patients. The Patient Liaison Officers, Flower Ladies, Gift Shop staff, knitters and The Hastings Pink Ladies Auxiliary all continue to provide a valuable, resourceful and community orientated service and one that we are extremely thankful for.

We would like to acknowledge the work of Ruth Baker, Pat Benton Lois Berg, Julia Bickers, Elaine Blake, Marge Brogden, Ann Brooksby, Nancy Brown, Joan Bures, June Cahill, Terry Canavan, Irene Carr, Lois Carter, Shirley Chapman, Bernice Chapman, Janice Danaher OAM, Elwyn de Fries, Hanny De Monte, Dorothy Dykes, Margaret Fenton, Robbyn Foster, Joan Freestone, Ruth Gibson, Denise Grace, Val Gregory, Ruth Guiliano, Nancy Hammill, Margaret Hardy, Shirley Hartley, Joy Hays, Pam Holding, Pat Hollins, Margaret Hope, Janet Hymas, Jean Jackson, Vilma Jackson, Bev Johnson, Margaret Laidlaw, Joy Larkin, Beth Lewis, Jean Limpens, Sabina Little, Audrey Gwen Lyons, Helen Madgwick, Sylvia Matheson, Rosetta Mazzullo, Anne McCormack, Winn McLoughlin, Sheila Mee, Susan Michalanney, Jenny Morabata, Rita Nagl, Gail Nemece, Margaret O'Donnell, Barbara Osborne, Pat Otto, Betty Parsons, Norma Peake, Fiona Perry, Gwen Proposch, Barbara Rice, Deborah Schlack, Ruth Seaborne, Maureen Sharman, Roy Sharman, Noel Simpson, Trish Slipais, Jo Smith, Nina Sutcliffe, Joan Thomas, Lorna Treloar, Mary Tune, Pam Turner, Kay Turner, Joyce Vicars, Gusti Vohryzka, June Whatley, Joan Whitehead, Ann Williams, Judy Wilson, Pat Wion and Carole Wooldridge.

management

Our management team has again risen to the challenge of managing a complex hospital and aged care business. The way our health system works, with health funds and governments dictating revenues and the majority of costs, particularly wages, rising faster than both CPI and revenue increases granted by health funds and government, presents challenges to management. They have to find productivity increases of approximately 2% per annum annually to just tread water. This year they have done even better, and our operating margins have increased on 2009. Generating an operating surplus is critical to our ability to survive and grow, and enables us to embark on development programs such as the one at Mornington coming up. The Board acknowledges the contribution of our Chief Executive Officer, Peter Wilkinson, Director of Nursing, Anita Woods, Chief Finance Officer, Chris Keegan, Human Resources Manager, Martin Lawley, Helen Page, our Residential Care Manager and co-Dialysis Managers, Leanne Palaster and Deborah Malkin in delivering the outcomes I report on here.

Below: Kay Peeke, Somers Unit, The Bays Hospital



I would also like to thank all of our staff for their dedication and commitment to The Bays and their care and support for our patients and residents.



Photo: Back row standing – Chris Keegan, Chief Financial Officer, Martin Lawley, Human Resources Manager, Front row seated - Helen Page, Residential Care Manager, Peter Wilkinson, Chief Executive Officer, Anita Woods, Director of Nursing

board

The Board has worked well in 2009/10. Directors attend Board meetings at both the Mornington and Hastings sites and are also committed to a host of other meetings and structures.

- Medical Advisory Committee and Operating Room Committee
- Audit Committee and Nomination & Remuneration Committee
- Meetings of Hospital Committees such as Quality & Risk Management, OH&S and Clinical Practice
- The Medications Advisory Committee at Hastings

In addition, this year we have established a temporary Committee to ensure an efficient decision making process between the Board and Management regarding the Mornington building project. Chaired by Mark Featherby with Nick Roberts and Peter Wickenden as members, they meet with Management as well as advisors and our bank on a regular basis in between Board meetings under delegation from the Board.

Our Directors bring a range of skills and experience – business, legal, accounting, nursing, medical, philanthropy, management and IT – that are of immense value to the strong governance of the organisation.



Photo: Back row standing – Mr Andrew Griffiths MBBS, MRACOG, FRANZCOG, Mr Robert Anderson, CPA, Dr Graham Cato MBBS Mon, Nicholas Roberts B. Juris., LLB. Middle row – Mr Paul Clayton LLB, Mr Mark Featherby B.Ec., LLB, Mrs Belinda Lawson. Front row – Mr Peter Wickenden FCPA, Deputy Chairman, Mr Adrian Wischer B.Ec., FAICD, AFAM Chairman

the year ahead

We live in interesting times and, at the time this note was written, we have a looming federal election and no idea which political party and philosophy will take Australia forward. It is a very important outcome from a private hospital perspective. Will private health insurance be supported? What will happen to legislation currently in the Senate to reduce the benefit of the private health insurance rebate? Will public hospitals be run locally or by regional structures?

The answer to all of those questions will determine the macro framework within which we operate.

Similarly, policy challenges exist in aged care. Which party will be brave enough to allow accommodation bonds to be raised in a high care setting? How else will there be appropriate future investment in aged care accommodation?

Locally, we will continue to provide the very best services we can to our local community.

We will embark on a major building project at Mornington and at the same time we will commence a strategic planning process for our aged care service at Hastings.

We all look forward to the challenges that 2010 /11 will inevitably bring.

building works

The past year has seen significant capital investment in our Mornington and Hastings campuses.

The internal and external gardens at Hastings, chillers, airconditioning, an internet café and, at Mornington, the kitchen project and new nurse call and generator services are cases in point.

I mentioned earlier the Board's decision to embark on a major rebuilding on the Mornington site. That project will commence shortly and all of the necessary banking and approval processes are in place. The project will deliver 19 new private rooms for overnight patient accommodation, two new operating theatres and a new, purpose built, day surgery unit. Major services have to be relocated and a new ambulance entry will be located at the front of the building.

This is a huge commitment for a small, stand alone organisation and we will look to the philanthropic trust sector and local benefactors and supporters to assist us in this endeavor.

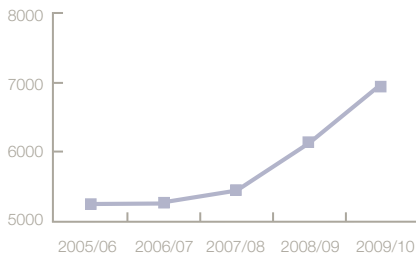
The rapid population growth on the Mornington Peninsula, and current activity levels, requires this development if The Bays is to continue its long history of meeting the health care needs of Peninsula residents.

conclusion

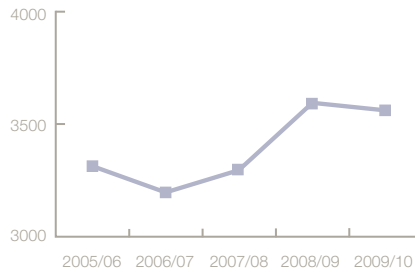
After a successful 2010, the Board looks forward to the challenges that we face in 2011, particularly the exciting building project at Mornington. I look forward to updating Members about this project at the Annual General Meeting that is to be held at Brooklands in Mornington on Wednesday 27th October 2010.

key performance indicators

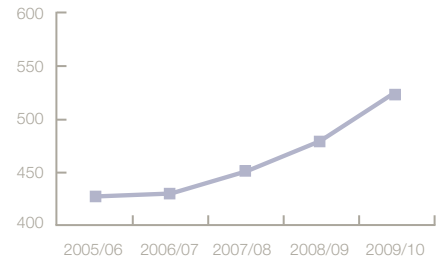
NUMBER OF OPERATIONS



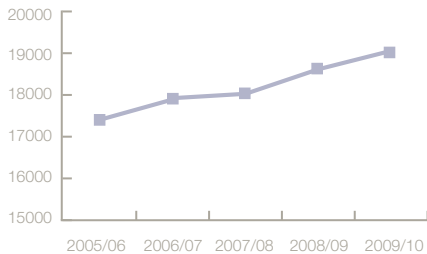
DIALYSIS TREATMENTS



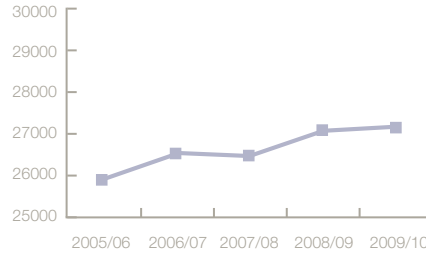
BIRTHS AT THE BAYS HOSPITAL



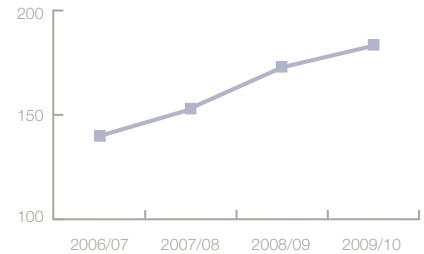
MORNINGTON BED DAYS



HASTINGS BED DAYS



AGED CARE RESIDENT FUNDING PER DAY



PATIENT DAYS 2008 – 2009

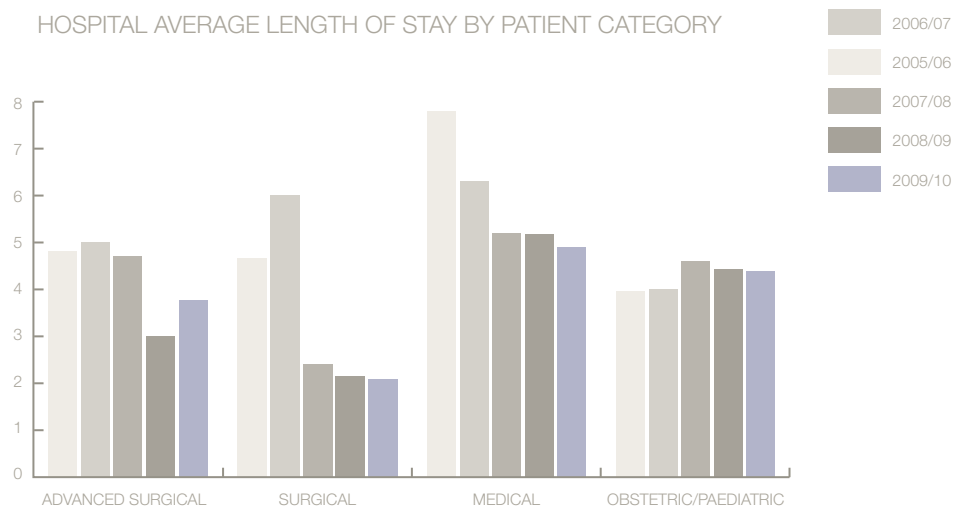


PATIENT DAYS 2009 – 2010



MEDICAL 31% SURGICAL 54% OBSTETRIC/PAEDIATRIC 15% MEDICAL 26% SURGICAL 58% OBSTETRIC/PAEDIATRIC 16%

HOSPITAL AVERAGE LENGTH OF STAY BY PATIENT CATEGORY



statement by members of the board of directors

The Board of Directors has determined that the Group is a reporting entity.

The Board of Directors has determined that this general purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the accounts.

In the opinion of the Board of Directors:

1. The financial statements present fairly the financial position of The Bays Hospital Group Inc as at 30 June 2010 and the results of the association for the year ended on that date.
2. At the date of this statement, there are reasonable grounds to believe that the debts of The Bays Hospital Group Inc will be able to be paid as and when they fall due.

During the financial year ten Board of Directors meetings were held. The number of meetings attended by each director is as follows:

Director	Meetings Attended	Meetings held during Directorship
Mr Robert Anderson	9	10
Dr Graham Cato	9	10
Mr Paul Clayton	9	10
Mr Mark Featherby	9	10
Dr Andrew Griffiths	7	10
Mrs Belinda Lawson	9	10
Mr Nicholas Roberts	8	10
Mr Peter Wickenden	10	10
Mr Adrian Wischer	10	10

This statement is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board of Directors by:

Chairman  A Wischer

Director  P Wickenden

Dated this 10th day of September 2010

statement of comprehensive income for the year ended 30 june 2010

14

	NOTE	2010	2009
		\$	\$
Continuing Operations			
Operating Revenue		25,602,823	23,384,794
Operating Expenditure	2	23,587,658	21,782,083
Operating Profit before Capital Items		2,015,166	1,602,711
Depreciation		890,404	889,829
Bank Bill Interest Expense	2	–	22,979
Operating Profit from Continuing Operations		1,124,762	689,903
Capital Grants and Donations received		261,466	132,948
Profit from Continuing Operations		1,386,228	822,851
Other Comprehensive Income			
Transfer from Aged Care Advance Account	6	–	222,745
Accumulated Funds at end of the year		1,386,228	1,045,596

statement of changes in equity as at 30 june 2010

	NOTE	2010	2009
		\$	\$
Accumulated Funds			
Balance at Start of Period		21,275,805	20,230,209
Transfer from Aged Care Advance Account	6	–	222,745
Restated Balance		21,275,805	20,452,954
Profit for the Period		1,386,228	822,851
Balance at end of Period		22,662,033	21,275,805
Reserves		682,052	682,052
Balance at End of Period		682,052	682,052

balance sheet as at 30 june 2010

	NOTE	2010	2009
		\$	\$
Current Assets			
Cash at Bank		3,873,581	2,807,547
Accounts Receivable	3	1,651,959	1,738,678
Stock of Provisions & Medicines		525,646	452,499
Other Assets	4	383,041	318,361
		6,434,227	5,317,085
Non Current Assets			
Fixed Assets	5	23,628,858	22,765,981
Total Assets		30,063,085	28,083,066
Current Liabilities			
Trade Creditors and Accrued Expenses	6	2,056,684	2,142,616
Provision for Employee Entitlements	7	1,792,252	1,557,884
Accommodation Bonds and Deposits	8	398,927	571,999
		4,247,863	4,272,499
Non Current Liabilities			
Provision for Employee Entitlements	7	224,705	270,370
Accommodation Bonds	8	2,246,432	1,582,340
		2,471,137	1,852,710
Total Liabilities		6,719,000	6,125,209
		23,344,085	21,957,857
Net Assets			
Accumulated Funds and Reserves			
Accumulated Funds		22,662,033	21,275,805
Reserves	9	682,052	682,052
Total Accumulated Funds and Reserves		23,344,085	21,957,857

cash flow statement for the year ended 30 june 2010

16

	NOTE	2010	2009
		\$	\$
Cash flows from Operating Activities			
Receipts from patients & funding agencies (incl. GST)		27,110,136	24,257,078
Payments to suppliers and employees (incl. GST)		(24,922,409)	(22,488,435)
Interest Cash Received		115,566	116,168
Interest Paid		–	(22,979)
	10	2,303,293	1,861,832
Cash flows from Investing Activities			
Purchase of Fixed Assets		(1,753,280)	(898,973)
		(1,753,280)	(898,973)
Cash flows from Financing Activities			
Accommodation bond received & Patient Deposits		516,021	402,788
Retirement of Bank Bills		–	(2,000,000)
		516,021	(1,597,212)
Net Cash Flows from Activities		1,066,034	(634,353)
Cash at Beginning of Financial Year		2,807,547	3,441,900
Cash at End of Financial Year	10	3,873,581	2,807,547

notes to financial statements for the year ended 30 june 2010

NOTE 1 – STATEMENT OF ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and the Associations Incorporations Act of Victoria.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

statement of compliance

The financial report complies with the Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards.

The Group has adopted the Amended Australian Accounting Standard AASB 101 (revised 2007) effective for year ends commencing on or after 1 January 2009. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners. Non-owners changes in equity are presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense either in one single statement, or in two linked statements. The Group has elected to present one statement.

The following is a summary of the material accounting policies adopted by the Association in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at call deposits with banks.

(b) Property, Plant and Equipment

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

The carrying values of plant and equipment are also reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any impairment exists, the assets are written down to their recoverable amount and the loss recognised in the income statement.

Depreciation

All fixed assets are depreciated over their useful lives using the diminishing value method commencing from the time the asset is held ready for use.

The useful life used for each class of depreciable asset is:

	2010
Plant & Equipment	8 – 15 years
Office Equipment	4 – 7 years
Medical Equipment	5 years
Buildings	20 – 50 years

(c) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest

Recognised as interest accrues, taking into account the yield on financial assets.

Donations

Revenue is recognised when monies are received. In kind donations or donations of assets are recognised at fair value.

(d) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year have been measured at amounts expected to be paid. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows expected to be made for those benefits.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.

(e) Goods and Services Tax (GST)

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

(f) Inventories

Inventories are valued at the lower of cost or net realisable value.

Net realisable value is determined on the basis of each inventory item.

(g) Accommodation Bonds

Liabilities are recorded in respect of accommodation bonds when entry deposits are received or receivable from aged care residents. Funds are repayable upon termination of accommodation which will occur at an indiscernible time in the future.

Accommodation bonds are measured at amortised cost using the effective interest method. It reflects the nominal liability of the Group arising under the residency agreements at balance date less any retention amounts accrued by the Group and less a discount on the anticipated cashflows expected to be paid over the period of repayment. Gains and losses are recognised in the income statement when the liabilities are de-recognised as well as through the amortisation process.

(h) Segment Reporting

The Bays Hospital Group Inc receives a Conditional Adjustment Payment, being an additional 8.75% of all aged care funding. This funding relates to the Aged Care Facility. As a requirement to continue to receive this funding, it is necessary to prepare a Segment Report as presented in Note 11.

(i) Comparative Information

Comparative information in the Income Statement is consistent with disclosure provided in the 30 June 2009 Financial Report.



Samantha Wright with residents Gertrude van der Vliet and Gwen Jenkins, The Bays Aged Care facility

	2010	2009
	\$	\$

NOTE 2 – OPERATING PROFIT

Operating profit before depreciation and abnormal items has been determined after:

(a) Charging As Expenses:		
Auditor's remuneration:		
Audit	15,160	15,160
Bank Bill Interest Expense	–	22,979
Transfers to provision for:		
Employee entitlements	188,703	167,773
Honorariums paid or due and payable to Board Directors	122,625	114,450

The number of Board Directors included in these figures is shown below in their relevant income bands:

\$1 to \$10,000	–	–
\$10,001 to \$20,000	8	8
> \$20,000	1	1

During the year, payments have been made to businesses with which Board Directors are associated. These were for goods and services supplied in the normal course of commerce comprising consulting services.

(b) Crediting as Income:		
Interest Received	129,144	116,168

NOTE 3 – ACCOUNTS RECEIVABLE

Patient Fees	1,493,149	1,510,553
Accrued Patient Fees	202,684	250,382
Less Provision for Doubtful Debts	(43,874)	(22,257)
	1,651,959	1,738,678

NOTE 4 – OTHER ASSETS

GST Paid	165,017	118,291
Prepayments	218,023	200,070
	383,040	318,361

NOTE 5 – FIXED ASSETS

Land – at Valuation	3,387,525	3,387,525
Buildings – at cost		
	22,013,434	21,297,287
Less Accumulated Depreciation	(5,302,311)	(4,951,444)
	16,711,123	16,345,843
Motor Vehicles – at cost		
	82,420	82,420
Less Accumulated Depreciation	(36,758)	(28,700)
	45,662	53,720
Furniture & Fittings – at cost		
	6,496,813	5,946,195
Less Accumulated Depreciation	(5,480,974)	(5,315,012)
	1,015,839	631,183
Computer & Office Equipment – at cost		
	536,049	505,570
Less Accumulated Depreciation	(320,186)	(269,222)
	215,863	236,348

	2010	2009
	\$	\$
NOTE 5 – FIXED ASSETS cont.		
Hospital Equipment – at cost	3,139,319	2,851,651
Less Accumulated Depreciation	(1,212,151)	(921,266)
	1,927,168	1,930,385
Plant & Machinery – at cost	437,422	269,884
Less Accumulated Depreciation	(115,300)	(92,750)
	322,122	177,134
Leasehold Improvements – at cost	40,759	39,929
Less Accumulated Depreciation	(37,203)	(36,086)
	3,557	3,843
TOTAL FIXED ASSETS	23,628,858	22,765,981

NOTE 6 – TRADE CREDITORS AND ACCRUED EXPENSES

Trade Creditors	1,429,445	1,182,248
Sundry Creditors	155,068	188,989
Accruals	237,094	584,198
Private Health Fund & Other Trade Advances	235,077	187,181
	2,056,684	2,142,616

An adjustment has been made to the Aged Care Advance to revise an amount previously shown as outstanding. The prior year impact of \$222,745 has been taken up against retained earnings at 1 July 2008.

NOTE 7 – PROVISIONS FOR EMPLOYEE ENTITLEMENTS

Current

Provision for Annual Leave	958,758	934,051
Provision for Long Service Leave	833,495	623,833
	1,792,252	1,557,884

Non Current

Provision for Long Service Leave	224,705	270,370
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NOTE 8 – ACCOMMODATION BONDS AND DEPOSITS

The organisation holds repayable bonds and deposits from residents and patients. Experience has shown that approximately 15% (25%– 2009) of the aged care bonds and all hospital deposits become repayable within twelve months of each balance date.

Current – Accommodation Bonds/Deposits	398,927	571,999
Non Current – Accommodation Bonds/Deposits	2,246,432	1,582,340
	2,645,359	2,154,339

NOTE 9 – RESERVES

	2010	2009
	\$	\$
Asset Revaluation Reserve	682,052	682,052
	682,052	682,052

NOTE 10 – STATEMENT OF CASH FLOWS

Reconciliation of net cash provided by operating activities to operating profit after income tax:

Operating Profit/(Loss) after Income Tax	1,386,228	822,851
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Add/deduct non-cash items:

Premium Accommodation Bonds	22,397	(20,470)
Depreciation expense	890,404	889,829
Retention on Entry Deposits	(47,398)	(52,371)
Writeback of Aged Care Advance	–	222,745

Changes in working capital

(Increase) / Decrease in Receivables	86,719	(167,340)
(Increase) / Decrease in Inventories	(73,147)	(49,311)
(Increase) / Decrease on Other Assets	(64,680)	936
Increase / (Decrease) in Creditors and Accruals	(85,932)	47,190
Increase / (Decrease) in Employee Provisions	188,703	167,773

Net Cash Flows from Operating Activities

2,303,293	1,861,832
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Reconciliation of cash for the purpose of the Statement of Cash Flows:

Cash includes

Cash on Hand	2,350	2,350
Cash on Deposit at call	3,871,231	2,805,197
Total Cash	3,873,581	2,807,547

NOTE 11 – SEGMENT REPORTING

	HOSPITAL	RESIDENTIAL AGED CARE	TOTAL
	2010	2010	2010
	\$	\$	\$
Revenue			
Government Subsidies	–	3,718,150	3,718,150
Resident/Patient Charges	20,769,954	1,328,787	22,098,741
Bond Retentions	–	47,398	47,398
Total Revenue	20,769,954	5,094,334	25,864,289
Expenses			
Employee Expenses	12,194,905	3,961,328	16,156,232
Depreciation & Amortisation	765,005	125,399	890,404
Other	6,690,417	741,008	7,431,425
Total Expense	19,650,327	4,827,734	24,478,061
Net Result for the Year	1,119,627	266,601	1,386,228
Current Assets	5,166,916	1,267,311	6,434,227
Non-Current Assets	18,974,823	4,654,035	23,628,858
Total Assets	24,141,739	5,921,346	30,063,085
Current Liabilities	3,411,187	836,676	4,247,863
Non-Current Liabilities	1,984,412	486,725	2,471,137
Total Liabilities	5,395,599	1,323,401	6,719,000
Net Assets	18,746,140	4,597,945	23,344,085

NOTE 11- SEGMENT REPORTING cont.

	HOSPITAL	RESIDENTIAL AGED CARE	TOTAL
	2009	2009	2009
	\$	\$	\$
Revenue			
Government Subsidies	–	3,416,309	3,416,309
Resident/Patient Charges	18,933,957	1,115,105	20,049,062
Bond Retentions	–	52,371	52,371
Total Revenue	18,933,957	4,583,785	23,517,742
Expenses			
Employee Expenses	11,570,253	3,735,892	15,306,145
Depreciation & Amortisation	768,669	121,160	889,829
Other	5,965,737	533,180	6,498,917
Total Expense	18,304,659	4,390,232	22,694,891
Net Result for the Year	629,298	193,553	822,851
Current Assets	4,241,614	1,075,471	5,317,085
Non-Current Assets	18,161,176	4,604,805	22,765,981
Total Assets	22,402,790	5,680,276	28,083,066
Current Liabilities	3,408,314	864,185	4,272,499
Non-Current Liabilities	1,477,968	374,742	1,852,710
Total Liabilities	4,886,282	1,238,927	6,125,209
Net Assets	17,516,508	4,441,349	21,957,857

The major products/services from which the above segments derive revenue are:

- Hospital – Acute Medical & Surgical Services, Obstetrics & Dialysis Services
- Residential Aged Care – Nursing Home and Hostel Accommodation

Geographical Segment

The Bays Hospital Group Inc. operates predominantly on the Mornington Peninsula.

NOTE 12 – RELATED PARTY DISCLOSURES

During the year the following were Directors for the entire period except where otherwise indicated:

Name	Fees Received \$	Post Employment Benefits	2010 \$	2009 \$
A Wischer	20,000	1,800	21,800	21,800
P Wickenden	17,500	1,575	19,075	16,350
M Featherby	12,500	1,125	13,625	10,900
N Roberts	12,500	1,125	13,625	10,900
G Cato	10,000	900	10,900	10,900
P Clayton	10,000	900	10,900	10,900
A Griffiths	10,000	900	10,900	10,900
B Lawson	10,000	900	10,900	10,900
R Anderson	10,000	900	10,900	10,900

Transactions between directors and related companies are as follows:

Director's Name/ Related Company	Description of Transaction	2010 \$	2009 \$
M Featherby / Featherby's Lawyers	Legal Services	847	4,959
P Wickenden / Burke Bond Partners	Accounting Services	1,000	–

Transactions with the above entities were made at commercial rates.

The following payments were made to executive staff during the period.

Description	Wages Paid \$	Non Monetary Benefits \$	Post Employment Benefits \$	2010 \$	2009 \$
Salary	570,920	–	51,383	622,303	611,174
Annual Leave & 27th pay	63,223		5,690	68,913	16,860

NOTE 13– FINANCIAL INSTRUMENTS

Recognised Financial Instrument	Accounting Policy	Terms and Conditions
Financial Assets		
Bank and Short Term Deposits	Valued at Cost	Funds at call attracted interest rates of between 3.1% and 4.35% over the year. The weighted average rate of return at balance date was 5.0%.
Receivables	No different from normal commercial practice.	Debtors are unsecured, not subject to interest charges and normally settled within 30 days.
Financial Liabilities		
Creditors and Accruals	Liabilities are recognised for amounts to be paid in the future for goods received and services provided to the Group as at balance date whether or not invoices have been received.	General creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice date.
Accommodation Bonds	Liabilities are recorded when deposits are received from Residents.	Funds may be repayable upon termination of accommodation which is an indiscernible time in the future.

FINANCIAL INSTRUMENTS – INTEREST RATE RISK

Exposure of the Group to interest rate risk and the effective interest rates of financial assets and financial liabilities at balance date are as follows:

	Floating Interest Rate	FIXED INTEREST MATURING IN			Non Interest Bearing	Carrying Amount	Weighted Average Interest Rate %
		1 Year or Less	1 to 5 Years	Over 5 Years			
(i) Financial Assets							
Bank & Short Term Deposits	3,873,581					3,441,900	5.00%
Debtors					1,651,959	1,651,959	N/A
(ii) Financial Liabilities							
Creditors					1,429,445	1,429,445	N/A
Resident Loans					2,645,359	2,645,359	N/A

independent audit report

26

report on the financial report

I have audited the accompanying Financial Report, being a general purpose financial report, of The Bays Hospital Group Inc, which comprises the Balance Sheet as at 30 June 2010 and the Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a Summary of Significant Accounting Policies and other Explanatory Notes and the Statement by Members of the Board of Directors.

board's responsibility for the financial report

The Board of the Association is responsible for the preparation and fair presentation of the Financial Report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Associations Incorporation Act of Victoria. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the Financial Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

auditor's responsibility

My responsibility is to express an opinion on the Financial Report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the Financial Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the Financial Report.

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

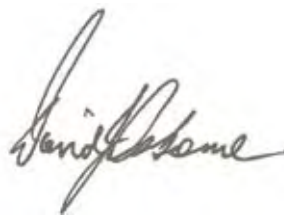
independence

In conducting my audit, I have complied with the independence requirements of Australian professional ethical pronouncements.

auditor's opinion

The Financial Report of The Bays Hospital Group Inc is in accordance with the Associations Incorporation Act of Victoria including:

- i. giving a true and fair view of the Association's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Associations Incorporation Act of Victoria.



DAVID J. OSBORNE

Certified Practising Accountant

Registered Company Auditor No 10244

C/- Shepard Webster & O'Neill Pty Ltd

434 Nepean Highway, Frankston 3199

Telephone 03 9781-2633

Dated at Frankston on the 10th of September, 2010



board of directors

Mr Adrian Wischer	Chairman
Mr Peter Wickenden	Deputy Chairman
Mr Nicholas Roberts	Secretary
Mr Robert Anderson	
Dr Graham Cato	
Mr Paul Clayton	
Mr Mark Featherby	
Dr Andrew Griffiths	
Mrs Belinda Lawson	

executive staff

Mr Peter Wilkinson	Chief Executive Officer
Mrs Anita Woods	Director of Nursing
Ms Helen Page	Residential Aged Care Manager
Mr Chris Keegan	Chief Financial Officer
Mr Martin Lawley	Human Resources Manager

auditor

Mr David Osborne	Shepard Webster & O'Neill
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