

MALDON  
HOSPITAL

FINANCE  
REPORT

2017 / 18

Partnering with the Community



MALDON HOSPITAL

Partnering with the Community



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## Mission

Building community health and wellbeing.

## Vision

Our vision is to be a thriving health service contributing to a happy and healthy community.

## Values and principles

### Integrity

We strive for honesty, respect and compassion to reflect our sense of pride in our hospital.

### Safety

Our aesthetic environment is secure and safe for both physical and emotional wellbeing. It is inclusive whilst being respectful of all people.

### Positivity

Creating an environment that is supportive, joyous and welcoming.

### Professional

We provide a high quality of care with qualified staff that are accountable for maintaining best practice in a confidential environment.

### Service Driven

Our services are accessible and delivered in a timely, flexible and approachable manner to achieve common goals.

### Acknowledgements and Feedback

We wish to thank everyone who contributed to this report – staff, members of the community, volunteers and clients. We value your comments and feedback, so please get in touch:

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AFS and Associates Pty Ltd



Maldon Health acknowledges the support of the Victorian Government

## Report of Operations - Financial

The information contained on this page does not form part of the audited financial results for the year ended 30 June 2018 but is based on information contained within the audited statements.

### Summary of Financial Results

For the Financial Year ended 30 June 2018

	2018	2017	2016	2015	2014
	\$	\$	\$	\$	\$
Total Revenue	5,323,339	4,912,772	4,568,865	4,613,971	4,367,844
Total Expenses	5,348,306	4,890,407	4,588,707	4,910,710	4,277,956
Other Operating Flows included in the net result	10,672	31,199	0	0	0
<b>Net Result Before Capital &amp; Specific Items*</b>	<b>279,238</b>	<b>21,484</b>	<b>45,699</b>	<b>45,787</b>	<b>19,554</b>
<b>Net Result for the Year</b>	<b>(14,295)</b>	<b>53,564</b>	<b>(19,842)</b>	<b>(296,739)</b>	<b>89,888</b>
<b>Retained Surplus/(Accumulated Deficit)</b>	<b>40,145</b>	<b>54,440</b>	<b>876</b>	<b>(78,969)</b>	<b>217,770</b>
Total Assets	16,491,515	16,557,728	16,209,160	16,014,851	16,750,179
Total Liabilities	4,436,541	4,488,459	4,242,065	4,027,914	4,466,503
<b>Net Assets</b>	<b>12,054,974</b>	<b>12,069,269</b>	<b>11,967,095</b>	<b>11,986,937</b>	<b>12,283,676</b>
<b>Equity</b>	<b>12,054,974</b>	<b>12,069,269</b>	<b>11,967,095</b>	<b>11,986,937</b>	<b>12,283,676</b>

\* The Net Result before Capital & Specific Items is the result for which the hospital is monitored in its Statement of Priorities.

### Significant Changes in Financial Position

The Cash and Cash Equivalent/Investments balances held by Maldon Hospital increased during the year by \$148,330. This increase was largely due to the surplus achieved for 2018/19 and the resulting \$396,805 cash generated from operations. This was offset by a reduction in Residential Aged Care Refundable Accommodation Deposits which is offset by an equivalent decrease in the Other Current Liabilities balance reported in the Balance Sheet.

### Operational and Budgetary Objectives and Factors Affecting Performance

Like all Health Services, Maldon Hospital is required to negotiate a Statement of Priorities with the Department of Health and Human Services each year. This document is a key accountability agreement between Maldon Hospital and the Minister for Health and Human Services. It recognises that resources are limited and that the allocation of these scarce resources needs to be prioritised. The Statement incorporates both system-wide priorities set by the Government and locally generated agency-specific priorities.

Maldon Hospital is striving to achieve operating surpluses on an ongoing basis to ensure the organisation can generate the cash needed to meet operating and capital investment requirements into the future. The Board aimed for a breakeven result before capital items and depreciation in the Statement of Priorities for the 2017/18 financial year and ended the year with a surplus result.

Both the organisation and the Department of Health and Human Services focus on the result before capital and depreciation, as depreciation is not a funded item. Funding for capital redevelopment and major equipment purchases are sourced from the Government; such funding is allocated according to need and after consideration of a supporting submission.

### Effective Financial Management

Statement of Priorities Measure	Target	2017-18 actual
<b>Finance</b>		
Operating result (\$m)	\$0	\$279,238
Average number of days to paying trade creditors	<60 days	24 days
Average number of days to receiving patient fee debtors	<60 days	31 days
Adjusted current asset ratio	0.70	1.66
Number of days available cash	14 days	232.7 days

### Events Subsequent to Balance Date

There have been no events subsequent to balance date that will have a significant effect on the operations of the of the health service in subsequent years.

# Independent Auditor’s Report

## To the Board of Maldon Hospital

<p><b>Opinion</b></p>	<p>I have audited the financial report of Maldon Hospital (the health service) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2018</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• board member's, accountable officer's and chief finance and accounting officer's declaration.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2018 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>
<p><b>Basis for Opinion</b></p>	<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>
<p><b>Other Information</b></p>	<p>The Board of the health service are responsible for the Other Information, which comprises the information in the health service’s annual report for the year ended 30 June 2018, but does not include the financial report and my auditor’s report thereon.</p> <p>My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.</p>
<p><b>Board’s responsibilities for the financial report</b></p>	<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>

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**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.

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MELBOURNE  
5 September 2018



Ron Mak  
*as delegate for the Auditor-General of Victoria*

## Maldon Hospital

### Board member's, accountable officer's and chief finance & accounting officer's declaration

The attached financial statements for *Maldon Hospital* have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2018 and the financial position of Maldon Hospital at 30 June 2018.

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.



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Vanessa Healy  
Chairperson

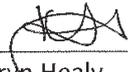
30<sup>th</sup> August 2018



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Ian Fisher  
Chief Executive Officer

30<sup>th</sup> August 2018



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Kerry Healy  
Chief Finance & Accounting Officer

30<sup>th</sup> August 2018

**Maldon Hospital**  
**Comprehensive Operating Statement**  
**For the Year Ended 2018**

	Note	2018 \$	2017 \$
Revenue from operating activities	2.1	5,149,249	4,428,664
Revenue from non-operating activities	2.1	125,490	135,180
Employee expenses	3.1	(3,421,951)	(3,115,095)
Non salary labour costs	3.1	(198,450)	(163,710)
Supplies and consumables	3.1	(341,499)	(340,383)
Administration expenses	3.1	(618,499)	(552,821)
Other expenses	3.1	(415,102)	(370,351)
<b>Net result before capital and specific items</b>		<b>279,238</b>	<b>21,484</b>
Capital purpose income	2.1	48,600	348,928
Depreciation	4.4	(343,420)	(337,788)
Expenditure for capital purpose	3.1	(9,385)	(10,259)
<b>Net result after capital and specific items</b>		<b>(24,967)</b>	<b>22,365</b>
<b>Other gains/(losses) from other economic flows</b>			
Revaluation of long service leave	3.1	10,672	31,199
<b>NET RESULT FOR THE YEAR</b>		<b>(14,295)</b>	<b>53,564</b>
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to net result</b>			
Changes to physical asset revaluation surplus	8.1 (a)	-	48,610
<b>COMPREHENSIVE RESULT FOR THE YEAR</b>		<b>(14,295)</b>	<b>102,174</b>

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

**Maldon Hospital  
Balance Sheet  
As at 30 June 2018**

	Note	2018 \$	2017 \$
<b>Current assets</b>			
Cash and cash equivalents	6.1	1,459,621	904,172
Receivables	5.1	268,166	358,386
Investments and other financial assets	4.1	5,134,422	5,541,541
Inventory		1,655	665
Prepayments and Other assets	5.3	42,021	40,715
<b>Total current assets</b>		<b>6,905,885</b>	<b>6,845,479</b>
<b>Non-current assets</b>			
Receivables	5.1	275,628	241,907
Property, plant & equipment	4.3	9,310,002	9,470,342
<b>Total non-current assets</b>		<b>9,585,630</b>	<b>9,712,249</b>
<b>TOTAL ASSETS</b>		<b>16,491,515</b>	<b>16,557,728</b>
<b>Current liabilities</b>			
Payables	5.4	184,411	223,279
Provisions	3.2	710,466	668,517
Other current liabilities	5.2	3,481,995	3,539,234
<b>Total current liabilities</b>		<b>4,376,872</b>	<b>4,431,030</b>
<b>Non-current liabilities</b>			
Provisions	3.2	59,669	57,429
<b>Total non-current liabilities</b>		<b>59,669</b>	<b>57,429</b>
<b>TOTAL LIABILITIES</b>		<b>4,436,541</b>	<b>4,488,459</b>
<b>NET ASSETS</b>		<b>12,054,974</b>	<b>12,069,269</b>
<b>EQUITY</b>			
Property, plant & equipment revaluation surplus	8.1 (a)	8,124,250	8,124,250
Contributed capital	8.1 (c)	3,890,579	3,890,579
Accumulated surpluses	8.1 (d)	40,145	54,440
<b>TOTAL EQUITY</b>		<b>12,054,974</b>	<b>12,069,269</b>

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

**Maldon Hospital**  
**Statement of Changes in Equity**  
**For the Year Ended 30 June 2018**

	Note	Property, Plant & Equipment Revaluation Surplus \$	Contributed Capital \$	Accumulated Surpluses \$	Total \$
<b>Balance at 1 July 2016</b>		<b>8,075,640</b>	<b>3,890,579</b>	<b>876</b>	<b>11,967,095</b>
Net result for the year		-	-	53,564	53,564
Transfer specific purpose funds	8.1 (b)	48,610	-	-	48,610
<b>Balance at 30 June 2017</b>		<b>8,124,250</b>	<b>3,890,579</b>	<b>54,440</b>	<b>12,069,269</b>
Net result for the year		-	-	(14,295)	(14,295)
<b>Balance at 30 June 2018</b>		<b>8,124,250</b>	<b>3,890,579</b>	<b>40,145</b>	<b>12,054,974</b>

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

**Maldon Hospital  
Cash Flow Statement  
For the Year Ended 30 June 2018**

	Note	2018 \$	2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating grants from government		3,903,134	3,372,080
Capital grants from government		10,302	294,294
Patient and resident fees received		973,910	874,470
Donations and bequests received		13,906	18,578
Interest received		148,783	135,180
GST received from/(paid to) ATO		5,016	(1,118)
Other receipts		156,970	3,379
<b>Total receipts</b>		<b>5,212,021</b>	<b>4,696,863</b>
Employee expenses paid		(3,491,679)	(3,214,236)
Non salary labour costs		(84,533)	(85,746)
Payments for supplies & consumables		(344,909)	(346,651)
Other payments		(894,095)	(957,396)
<b>Total payments</b>		<b>(4,815,216)</b>	<b>(4,604,029)</b>
<b>NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES</b>	8.2	<b>396,805</b>	<b>92,834</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Redemption/(Purchase) of Investments		368,947	(343,162)
Payments for non-financial assets		(183,080)	(145,767)
Proceeds from sale of non-financial assets		50	12,544
<b>NET CASH FLOW USED IN INVESTING ACTIVITIES</b>		<b>185,917</b>	<b>(476,385)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS HELD</b>		<b>582,722</b>	<b>(383,551)</b>
Cash and cash equivalents at beginning of financial year		<b>154,545</b>	<b>538,096</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	6.1	<b>737,267</b>	<b>154,545</b>

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

## **Basis of presentation**

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

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

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

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

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

## **Judgements and Estimates**

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

## **Note 1: Summary of significant accounting policies**

These annual financial statements represent the audited general purpose financial statements for Maldon Hospital for the period ending 30 June 2018. The report provides users with information about the Health Services' stewardship of resources entrusted to it.

### **(a) Statement of compliance**

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

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

Maldon Hospital is a not-for profit entity and therefore applies the additional Aus paragraphs applicable to "not-for-profit" Health Services under the AASBs.

The annual financial statements were authorised for issue by the Board of Maldon Hospital on 30 August 2018.

**Note 1: Summary of significant accounting policies (continued)**

**(b) Reporting entity**

The financial statements include all the controlled activities of Maldon Hospital.

Its principal address is:  
Chapel Street  
Maldon  
Victoria 3463

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

**Objectives and funding**

Maldon Hospital's overall objective is to be a thriving Health Service contributing to a happy and healthy community, as well as improve the quality of life to Victorians.

Maldon Hospital is predominantly funded by accrual based grant funding for the provision of outputs.

**(c) Basis of accounting preparation and measurement**

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2018, and the comparative information presented in these financial statements for the year ended 30 June 2017.

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

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

The financial statements, except for cash flow information, have been prepared using the accrual basis of accounting. Under the accrual basis, items are recognised as assets, liabilities, equity, income or expenses when they satisfy the definitions and recognition criteria for those items, that is they are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

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

- non-current physical assets, which subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made and are re-assessed when new indices are published by the Valuer General to ensure that the carrying amounts do not materially differ from their fair values;
- the fair value of assets other than land is generally based on their depreciated replacement value.

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

**Note 1: Summary of significant accounting policies (continued)**

**(c) Basis of accounting preparation and measurement (continued)**

**Judgements and 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, plant and equipment, (refer to Note 4.3);
- Superannuation Expense (refer to Note 3.3);
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.2);
- As part of the PP&E valuation, PP&E values were separated into components and each component assessed for its useful life (refer to Note 4.3)

**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.

**(d) Principles of consolidation**

**Intersegment Transactions**

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

**(e) Jointly Controlled Assets or Operations**

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.

In respect of any interest in joint operations, Maldon Hospital 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.

Maldon Hospital is a member of The Loddon Mallee Health Alliance (the Alliance) and retains joint control over the arrangement, which is has classified as a joint operation (refer to Note 4.2 Jointly Controlled Operations and Assets).

## Note 2: Funding delivery of our services

Maldon Hospital's overall objective is to deliver programs and services that support and enhance the wellbeing of all Victorians.

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

### Note 2.1: Analysis of Revenue by Source

	Admitted Patients 2018 \$	RAC 2018 \$	Aged Care 2018 \$	Other 2018 \$	Total 2018 \$
Government Grant	1,289,571	2,427,188	259,040	-	3,975,799
Indirect contributions by Department of Health and Human Services	11,714	24,940	1,134	-	37,788
Patient & Resident Fees	28,378	889,191	56,342	-	973,911
Loddon Mallee Rural Health Alliance	-	-	-	123,454	123,454
Other Revenue from Operating Activities	8,658	27,739	1,900	-	38,297
<b>Total Revenue from Operating Activities</b>	<b>1,338,321</b>	<b>3,369,058</b>	<b>318,416</b>	<b>123,454</b>	<b>5,149,249</b>
Interest	-	-	-	125,490	125,490
<b>Total Revenue from Non-Operating Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>125,490</b>	<b>125,490</b>
State Government Capital Grants	-	-	-	10,302	10,302
Capital Interest	-	23,292	-	-	23,292
Donations and Bequests	-	-	-	13,906	13,906
Other Capital Income	-	-	-	1,100	1,100
<b>Total Capital Purpose Income</b>	<b>-</b>	<b>23,292</b>	<b>-</b>	<b>25,308</b>	<b>48,600</b>
<b>Total Revenue</b>	<b>1,338,321</b>	<b>3,392,350</b>	<b>318,416</b>	<b>274,252</b>	<b>5,323,339</b>

	Admitted Patients 2017 \$	RAC 2017 \$	Aged Care 2017 \$	Other 2017 \$	Total 2017 \$
Government Grant	1,216,264	1,956,382	235,068	-	3,407,714
Indirect contributions by Department of Health and Human Services	3,642	7,753	352	-	11,747
Patient & Resident Fees	29,110	792,990	52,370	-	874,470
Loddon Mallee Rural Health Alliance	-	-	-	115,814	115,814
Other Revenue from Operating Activities	5,806	12,331	782	-	18,919
<b>Total Revenue from Operating Activities</b>	<b>1,254,822</b>	<b>2,769,456</b>	<b>288,572</b>	<b>115,814</b>	<b>4,428,664</b>
Interest	-	-	-	135,180	135,180
<b>Total Revenue from Non-Operating Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>135,180</b>	<b>135,180</b>
State Government Capital Grants	-	-	-	294,294	294,294
Capital Interest	-	23,513	-	-	23,513
Donations and Bequests	-	-	-	18,578	18,578
Other Capital Income	-	-	-	12,543	12,543
<b>Total Capital Purpose Income</b>	<b>-</b>	<b>23,513</b>	<b>-</b>	<b>325,415</b>	<b>348,928</b>
<b>Total Revenue</b>	<b>1,254,822</b>	<b>2,792,969</b>	<b>288,572</b>	<b>576,409</b>	<b>4,912,772</b>

Department of Health and Human Services makes certain payments on behalf of Maldon Hospital. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

## Note 2.1: Analysis of Revenue by Source (continued)

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 Maldon Hospital and the income can be reliably measured at fair value. Unearned income at reporting date is reported as income received in advance.

Amounts disclosed as revenue are where applicable, net of returns, allowances and duties and taxes.

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

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

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

### Indirect Contributions from the Department of Health and Human Services

- Insurance is recognised as revenue following advice from the Department of Health and Human Services.
- Long Service Leave (LSL) – Revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Metropolitan Health and Aged Care Services Division Hospital Circular 04/2017.

### Patient Fees

Patient fees are recognised as revenue on an accrual basis.

### Private Patient Fees

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

### Donations and Other Bequests

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

### Interest Revenue

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

### Other income

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

### Category groups

- The Maldon Hospital has used the following category groups for reporting purposes for the current and previous financial years.
- Admitted patients services (Admitted Patients) comprises all acute admitted patient services where services are delivered in public hospitals.
- Residential Aged Care including Mental Health (RAC incl. Mental Health) referred to in the past as psychogeriatric residential services, comprises those Commonwealth-licensed residential aged care services in receipt of supplementary funding from the department under the mental health program. It excludes all other residential services funded under the mental health program, such as mental health funded community care units and secure extended care units.
- Aged Care comprises a range of in home, specialist geriatric, residential care and community based programs and support services, such as Home and Community Care (HACC) that are targeted to older people, people with a disability, and their carers.
- Other Services not reported elsewhere - (Other) comprises services not separately classified above, includes: Health and Community Initiatives.

### Note 3: The cost of delivering our services

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

#### Note 3.1: Analysis of Expenses by Source

	Admitted Patients 2018 \$	RAC 2018 \$	Aged Care 2018 \$	Other 2018 \$	Total 2018 \$
Employee Expenses	933,798	2,186,297	301,856	-	3,421,951
Non Salary Labour Costs	84,533	91,188	22,729	-	198,450
Supplies & Consumables	63,041	272,715	5,743	-	341,499
Administration Expenses	173,038	389,614	46,778	9,069	618,499
Loddon Mallee Rural Health Alliance	-	-	-	125,847	125,847
Other Expenses	82,868	187,921	18,466	-	289,255
<b>Total Expenditure from Operating Activities</b>	<b>1,337,278</b>	<b>3,127,735</b>	<b>395,572</b>	<b>134,916</b>	<b>4,995,501</b>
Expenditure for Capital Purposes	-	9,385	-	-	9,385
Other (gain)/losses from other economic flows	-	-	-	(10,672)	(10,672)
Depreciation & Amortisation (refer note 4.4)	-	-	-	343,420	343,420
<b>Total other expenses</b>	<b>-</b>	<b>9,385</b>	<b>-</b>	<b>332,748</b>	<b>342,133</b>
<b>Total Expenses</b>	<b>1,337,278</b>	<b>3,137,120</b>	<b>395,572</b>	<b>467,664</b>	<b>5,337,634</b>

	Admitted Patients 2017 \$	RAC 2017 \$	Aged Care 2017 \$	Other 2017 \$	Total 2017 \$
Employee Expenses	731,977	2,072,896	310,222	-	3,115,095
Non Salary Labour Costs	98,450	64,031	1,229	-	163,710
Supplies & Consumables	62,438	273,014	4,931	-	340,383
Administration Expenses	145,425	368,531	37,865	1,000	552,821
Loddon Mallee Rural Health Alliance	-	-	-	104,553	104,553
Other Expenses	79,021	171,507	15,270	-	265,798
<b>Total Expenditure from Operating Activities</b>	<b>1,117,311</b>	<b>2,949,979</b>	<b>369,517</b>	<b>105,553</b>	<b>4,542,360</b>
Expenditure for Capital Purposes	-	-	-	10,259	10,259
Other (gain)/losses from other economic flows	-	-	-	(31,199)	(31,199)
Depreciation & Amortisation (refer note 4.4)	-	-	-	337,788	337,788
<b>Total other expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>316,848</b>	<b>316,848</b>
<b>Total Expenses</b>	<b>1,117,311</b>	<b>2,949,979</b>	<b>369,517</b>	<b>422,401</b>	<b>4,859,208</b>

### **Note 3.1: Analysis of Expenses by Source (continued)**

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

#### **Employee Expenses**

*Employee expenses include:*

- wages and salaries;
- fringe benefits tax;
- leave entitlements;
- termination payments;
- workcover premiums; and
- superannuation expenses.

#### **Other operating expenses**

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

- Supplies and Consumables - Supplies and 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.
- Fair Value of assets, services and resources provided free of charge or for nominal consideration - Contributions of resources provided free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them.

#### **Net gain/(loss) on non-financial assets**

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

- revaluation gains/(losses) of non-financial physical assets (refer to Note 4.3 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.

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

Refer to Note 1 (d) Principles of consolidation.

#### **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.

#### **De-recognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

**Note 3.2: Employee benefits in the balance sheet**

**Current Provisions**

	2018 \$	2017 \$
<b>Employee Benefits (i)</b>		
Annual leave		
- Unconditional and expected to be settled wholly within 12 months (ii)	250,172	232,818
- Unconditional and expected to be settled wholly after 12 months (iii)	43,278	38,932
Long service leave		
- Unconditional and expected to be settled wholly within 12 months (ii)	54,330	44,655
- Unconditional and expected to be settled wholly after 12 months (iii)	216,154	230,527
Accrued Days Off		
- Unconditional and expected to be settled within 12 months (ii)	6,083	2,568
Accrued Salaries and Wages		
- Unconditional and expected to be settled within 12 months (ii)	59,900	48,600
	<b>629,917</b>	<b>598,100</b>
Provisions related to Employee Benefit On-Costs		
- Unconditional and expected to be settled within 12 months (ii)	43,311	36,426
- Unconditional and expected to be settled after 12 months (iii)	37,238	33,991
	<b>80,549</b>	<b>70,417</b>
<b>Total Current Provisions</b>	<b>710,466</b>	<b>668,517</b>
<b>Non-Current Provisions</b>		
Long Service Leave	52,132	51,033
Long Service Leave related to employee benefit on-costs	7,537	6,396
<b>Total Non-Current Provisions</b>	<b>59,669</b>	<b>57,429</b>
<b>Total Provisions</b>	<b>770,135</b>	<b>725,946</b>

Notes:

(i) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees. On-costs such as worker's compensation insurance are not employee benefits and are reflected as a separate provision.

(ii) The amounts disclosed are nominal amounts

(iii) The amounts disclosed are discounted to present values

**(a) Employee Benefits and Related On-Costs**

	2018 \$	2017 \$
<b>Current Employee Benefits and related on-costs</b>		
Unconditional LSL Entitlement	309,589	309,671
Annual Leave Entitlements	334,052	307,341
Accrued Wages and Salaries	59,900	48,600
Accrued Days Off	6,925	2,905
<b>Non-Current Employee Benefits and related on-costs</b>		
Conditional Long Service Leave Entitlements	59,669	57,429
<b>Total Employee Benefits and Related On-Costs</b>	<b>770,135</b>	<b>725,946</b>

**(b) Movement in Provisions**

	2018 \$	2017 \$
<b>Movements in provisions</b>		
<b>Movement in Long Service Leave:</b>		
<b>Balance at start of year</b>	<b>367,100</b>	<b>395,776</b>
Provision made during the year		
- Revaluations	(10,672)	(31,119)
- Expense recognising Employee Service	108,774	67,151
Settlement made during the year	(95,944)	(64,708)
<b>Balance at end of year</b>	<b>369,258</b>	<b>367,100</b>

### Note 3.2: Employee benefits in the balance sheet (continued)

#### Employee Benefit Recognition

Provision is made for benefits accruing to employees in respect of wages and salaries, 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 the Health Service has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a liability is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

#### Employee benefits

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

#### Wages and salaries, annual leave, and accrued days off

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

- Undiscounted value – if the health service expects to wholly settle within 12 months; or
- Present value – if the health service does not expect to wholly settle within 12 months.

#### Long service leave (LSL)

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

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the health service does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. An unconditional right arises after a qualifying period.

The components of this current LSL liability are measured at:

- Undiscounted value – if the health service expects to wholly settle within 12 months; and
- Present value – where the entity does not expect to settle a component of this current liability within 12 months.

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

Any gain or loss followed revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in estimations e.g. bond rate movements, inflation rate movements and changes in probability factors which are then recognised as other economic flow.

#### On-costs related to employee expense

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

**Note 3.3: Superannuation**

	Paid Contribution for the Year		Contribution Outstanding at Year End	
	2018 \$	2017 \$	2018 \$	2017 \$
<b>Defined contribution plans:</b>				
First State Super	173,691	188,814	2,948	2,637
HESTA	71,203	50,443	1,209	704
Other	27,639	13,837	469	193
<b>Total</b>	<b>272,533</b>	<b>253,094</b>	<b>4,626</b>	<b>3,534</b>

Employees of the Health Service are entitled to receive superannuation benefits and the Health Services contributes to only defined contribution plans.

**Defined Contribution Superannuation Plans**

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

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 expensed in relation to the major employee superannuation funds and contributions made by the Health Service is disclosed in the table above.

#### Note 4: Key Assets to support service delivery

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

##### Note 4.1: Investments and other Financial Assets

	Capital Fund		Total	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>CURRENT</b>				
<b>Loans and receivables</b>				
Term Deposit				
Aust. Dollar Term Deposits > 3 months <sup>(i)</sup>	5,134,422	5,541,541	5,134,422	5,541,541
<b>Total Current</b>	<b>5,134,422</b>	<b>5,541,541</b>	<b>5,134,422</b>	<b>5,541,541</b>
<b>TOTAL</b>	<b>5,134,422</b>	<b>5,541,541</b>	<b>5,134,422</b>	<b>5,541,541</b>
<b>Represented by:</b>				
Health Service Investments	2,296,110	2,665,057	2,296,110	2,665,057
LMRHA Joint Operation Investments	62,411	59,918	62,411	59,918
Monies Held in Trust				
- Accommodation Bonds (Refundable Entrance Fees)	2,775,901	2,816,566	2,775,901	2,816,566
<b>TOTAL</b>	<b>5,134,422</b>	<b>5,541,541</b>	<b>5,134,422</b>	<b>5,541,541</b>

(i) Term deposits under 'Investments and other financial assets' class include only term deposits with maturity greater than 90 days.

##### (a) Ageing analysis of investments and other financial assets

Please refer to note 7.1 (c) for the ageing analysis of investments and other financial assets

##### (b) Nature and extent of risk arising from investments and other financial assets

Please refer to note 7.1 (c) for the nature and extent of credit risk arising from investments and other financial assets

##### Investments and other financial assets

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.

Hospital investments must be in accordance in Standing Direction 3.7.2 – Treasury and Investment Risk Management. 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 in the following categories:

- financial assets at fair value through profit or loss; and
- loans and receivables.

The Maldon Hospital classifies its financial assets between current and non-current assets based on the purpose for which the assets were acquired. Management determines the classification of its other financial assets at initial recognition.

Maldon Hospital assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. All financial assets, except those measured at fair value through profit or loss are subject to annual review for impairment.

#### **Note 4.1: Investments and other Financial Assets (continued)**

##### **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, Maldon Hospital management 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.

##### **Doubtful Debts**

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

#### Note 4.2: Jointly Controlled Operations and Assets

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest	
			2018 %	2017 %
<b>Joint Operations</b>				
Loddon Mallee Rural Health Alliance	Information Systems	Australia	1.66	1.52

Maldon Hospital's interest in assets employed in the above jointly controlled operations and assets is detailed below.  
The amounts are included in the financial statements under their respective asset categories:

	2018 \$	2017 \$
<b>Summarised balance sheet:</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	16,260	26,959
Investments and other financial assets	62,411	59,918
Receivables	6,853	4,738
Other	13,497	10,461
<b>Total Current Assets</b>	<b>99,021</b>	<b>102,076</b>
<b>Non-Current Assets</b>		
Property, Plant and Equipment	9,347	2,295
<b>Total Non-Current Assets</b>	<b>9,347</b>	<b>2,295</b>
<b>Total Assets</b>	<b>108,368</b>	<b>104,371</b>
<b>Current Liabilities</b>		
Payables	25,497	19,044
<b>Total Current Liabilities</b>	<b>25,497</b>	<b>19,044</b>
<b>Total Liabilities</b>	<b>25,497</b>	<b>19,044</b>
<b>Share of Joint Operation's Net Assets</b>	<b>82,871</b>	<b>85,327</b>
<b>Summarised operating statement</b>		
<b>Revenues</b>		
Operating Activities	123,454	115,814
Non-Operating Activities	-	-
<b>Total Revenue</b>	<b>123,454</b>	<b>115,814</b>
<b>Expenses</b>		
Information Technology and Administration Expenses	(125,847)	(104,554)
Non-Operating Activities	(5,007)	(4,341)
<b>Total Expenses</b>	<b>(130,854)</b>	<b>(108,895)</b>
<b>Net Result</b>	<b>(7,400)</b>	<b>6,919</b>
<b>Movements in carrying amount of interests in the Joint Venture</b>		
	2018 \$'000	2017 \$'000
Carrying amount at the beginning of the year	85,327	78,408
Share of the Joint Operation's net result	(7,400)	6,919
Change in Membership	4,944	-
	<b>82,871</b>	<b>85,327</b>

#### Contingent Liabilities and Capital Commitments

There are no contingent liabilities or capital commitments arising from the interest in joint operations.

### Note 4.3: Property, Plant and Equipment

#### (a) Gross carrying amount and accumulated depreciation

	Total 2018 \$	Total 2017 \$
<b>Land at Fair Value</b>		
Land	374,610	374,610
<b>Total Land</b>	<b>374,610</b>	<b>374,610</b>
<b>Buildings at Fair Value</b>		
Buildings Under Construction	43,125	5,977
Buildings	9,631,157	9,608,710
Less Accumulated Depreciation	(1,114,496)	(837,054)
<b>Total Buildings</b>	<b>8,559,786</b>	<b>8,777,633</b>
<b>Plant and Equipment at Fair Value</b>		
Plant and Equipment	1,006,878	891,510
Less Accumulated Depreciation	(674,158)	(617,139)
LMRHA Joint Operation Plant and Equipment	9,347	2,295
<b>Total Plant and Equipment</b>	<b>342,067</b>	<b>276,666</b>
<b>Motor Vehicles at Fair Value</b>		
Motor Vehicles	140,282	140,282
Less Accumulated Depreciation	(106,743)	(98,849)
<b>Total Motor Vehicles</b>	<b>33,539</b>	<b>41,433</b>
<b>TOTAL</b>	<b>9,310,002</b>	<b>9,470,342</b>

#### (b) Reconciliations of the carrying amounts of each class of asset

	Land \$	Buildings \$	Plant & Equipment \$	Motor Vehicles \$	Assets Under Construction \$	Total \$
<b>Balance at 1 July 2016</b>	<b>326,000</b>	<b>8,977,529</b>	<b>290,275</b>	<b>23,346</b>	<b>4,177</b>	<b>9,621,327</b>
Additions	-	70,621	41,175	32,935	1,800	146,531
Disposals	-	-	-	(7,574)	-	(7,574)
LMRHA Joint Operation Plant and Equipment	-	-	(764)	-	-	(764)
Depreciation (note 4.4)	-	(276,494)	(54,020)	(7,274)	-	(337,788)
Managerial revaluation	48,610	-	-	-	-	48,610
<b>Balance at 1 July 2017</b>	<b>374,610</b>	<b>8,771,656</b>	<b>276,666</b>	<b>41,433</b>	<b>5,977</b>	<b>9,470,342</b>
Additions	-	22,447	115,371	-	37,148	174,966
Disposals	-	-	-	-	-	-
LMRHA Joint Operation Plant and Equipment	-	-	8,114	-	-	8,114
Depreciation (note 4.4)	-	(277,442)	(58,084)	(7,894)	-	(343,420)
<b>Balance at 30 June 2018</b>	<b>374,610</b>	<b>8,516,661</b>	<b>342,067</b>	<b>33,539</b>	<b>43,125</b>	<b>9,310,002</b>

#### Land and buildings carried at valuation

The Valuer-General Victoria undertook to re-value all of Maldon Hospital's owned 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 2014.

In compliance with FRD 103F, in the year ended 30 June 2018, Maldon Hospital's management conducted an annual assessment of the fair value of land and buildings. To facilitate this, management obtained from the Department of Treasury and Finance the Valuer General Victoria indices for the financial year ended 30 June 2018.

The fair value of the land had been adjusted by a managerial revaluation in 2017. The latest indices did not require a further managerial revaluation in 2018.

### Note 4.3: Property, Plant and Equipment (continued)

#### (c) Fair value measurement hierarchy for assets

30 June 2018	Carrying amount as at 30 June 2018	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(1)</sup>	Level 2 <sup>(1)</sup>	Level 3 <sup>(1)</sup>
<b>Land at fair value</b>				
Specialised land	374,610	-	-	374,610
<b>Total of land at fair value</b>	<b>374,610</b>	-	-	<b>374,610</b>
<b>Buildings at fair value</b>				
Specialised buildings	8,516,661	-	-	8,516,661
<b>Total of building at fair value</b>	<b>8,516,661</b>	-	-	<b>8,516,661</b>
<b>Plant and equipment at fair value</b>				
Plant equipment and vehicles at fair value				
- Vehicles (ii)	33,539	-	-	33,539
- Plant and equipment	342,067	-	-	342,067
<b>Total of plant, equipment and vehicles at fair value</b>	<b>375,606</b>	-	-	<b>375,606</b>
<b>Assets under construction at fair value</b>				
Work in progress buildings	43,125	-	-	43,125
	<b>9,310,002</b>	-	-	<b>9,310,002</b>

30 June 2017	Carrying amount as at 30 June 2017	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(1)</sup>	Level 2 <sup>(1)</sup>	Level 3 <sup>(1)</sup>
<b>Land at fair value</b>				
Specialised land	374,610	-	-	374,610
<b>Total of land at fair value</b>	<b>374,610</b>	-	-	<b>374,610</b>
<b>Buildings at fair value</b>				
Specialised buildings	8,771,656	-	-	8,771,656
<b>Total of building at fair value</b>	<b>8,771,656</b>	-	-	<b>8,771,656</b>
<b>Plant and equipment at fair value</b>				
Plant equipment and vehicles at fair value				
- Vehicles (ii)	41,433	-	-	41,433
- Plant and equipment	276,666	-	-	276,666
<b>Total of plant, equipment and vehicles at fair value</b>	<b>318,099</b>	-	-	<b>318,099</b>
<b>Assets under construction at fair value</b>				
Work in progress buildings	5,977	-	-	5,977
	<b>9,470,342</b>	-	-	<b>9,470,342</b>

#### Note

<sup>(i)</sup> Classified in accordance with the fair value hierarchy.

<sup>(ii)</sup> Vehicles are categorised to Level 3 assets if the depreciated replacement cost is used in estimating the fair value.

There have been no transfers between levels during the period.

**Note 4.3: Property, Plant and Equipment (continued)**

**(d) Reconciliation of Level 3 fair value**

30 June 2018	Land	Buildings	Plant and equipment	Motor vehicles	Assets under construction	Total
<b>Opening Balance</b>	374,610	8,771,656	276,666	41,433	5,977	9,470,342
Additions/(Disposals)	-	22,447	115,371	-	37,148	174,966
<b>Gains or losses recognised in net result</b>						
- Depreciation	-	(277,442)	(58,084)	(7,894)	-	(343,420)
- LMRHA Joint Operation Asset Movements	-	-	8,114	-	-	8,114
<b>Closing Balance</b>	<b>374,610</b>	<b>8,516,661</b>	<b>342,067</b>	<b>33,539</b>	<b>43,125</b>	<b>9,310,002</b>

30 June 2017	Land	Buildings	Plant and equipment	Motor vehicles	Assets under construction	Total
<b>Opening Balance</b>	326,000	8,977,529	290,275	23,346	4,177	9,621,327
Additions/(Disposals)	-	70,621	41,175	25,361	1,800	138,957
<b>Items recognised in Other Comprehensive Income</b>						
- Managerial Revaluation	48,610	-	-	-	-	48,610
<b>Gains or losses recognised in net result</b>						
- Depreciation	-	(276,494)	(54,020)	(7,274)	-	(337,788)
- LMRHA Joint Operation Asset Movements	-	-	(764)	-	-	(764)
<b>Closing Balance</b>	<b>374,610</b>	<b>8,771,656</b>	<b>276,666</b>	<b>41,433</b>	<b>5,977</b>	<b>9,470,342</b>

### Note 4.3: Property, Plant and Equipment (continued)

#### (e) Fair value determination

Asset Class	Expected fair value level	Likely Valuation technique	Significant inputs
Specialised land	Level 3	Market approach	Community Service Obligation (CSO) adjustment
Specialised buildings	Level 3	Depreciated replacement cost	Direct cost per square metre Useful life of specialised buildings
Plant and equipment at fair value	Level 3	Depreciated replacement cost	Cost per unit Useful life of vehicles
Vehicles	Level 3	Depreciated replacement cost	Cost per unit Useful life of vehicles

There were no changes in valuation techniques throughout the period to 30th June 2018.

#### 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.

#### Subsequent Measurement

Consistent with AASB 13 Fair Value Measurement, Maldon Hospital determines the policies and procedures for recurring property, plant and equipment fair value measurements, in accordance with the requirements of AASB 13 and the relevant FRDs.

All property, plant and equipment for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy.

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

In addition, the Health Service 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 estimates and underlying assumptions are reviewed on an ongoing basis.

#### 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.

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

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

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

#### Valuation hierarchy

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

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

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.

### Note 4.3: Property, Plant and Equipment (continued)

#### (e) Fair Value determination (continued)

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

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

#### Specialised land and specialised buildings

The market approach is used for specialised land although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the assets being valued. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value. Specialised assets contain significant, unobservable adjustments; therefore these assets are classified as Level 3 under the market based direct comparison approach.

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

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

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

In June 2017 a managerial valuation was carried out in accordance with FRD 103F to revalue the land to its fair value. No revaluation was required in 2018.

#### Vehicles

Maldon Hospital 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 Maldon Health 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 amount.

There were no changes in valuation techniques throughout the period to 30 June 2018.

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

#### Revaluations of non-current physical assets

Non-current physical assets are measured at fair value and are revalued in accordance with FRD 103F *Non-current physical assets*. This revaluation process normally occurs at least every five years, based upon the asset's Government Purpose Classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations and any interim revaluations are determined in accordance with the requirements of the FRDs. Revaluation increments or decrements arise from differences between an asset's carrying amount and fair value. A managerial revaluation for the land was completed on the 30th June 2017.

Revaluation increments are recognised in 'other comprehensive income' and are credited directly in equity 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 normally transferred to accumulated funds on derecognition of the relevant asset.

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

**Note 4.4: Depreciation**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Depreciation</b>		
Buildings	277,442	276,494
Plant & Equipment	57,020	52,094
Motor Vehicles	7,894	7,274
LMRHA Joint Operation Depreciation	1,064	1,926
<b>Total Depreciation</b>	<b>343,420</b>	<b>337,788</b>

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

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

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

	<b>2018</b>	<b>2017</b>
Buildings		
- Structure Shell Building Fabric	45 to 50 years	45 to 50 years
- Site Engineering Services and Central Plant	30 to 40 years	30 to 40 years
- Fit Out	20 to 25 years	20 to 25 years
- Trunk Reticulated Building Systems	20 to 25 years	20 to 25 years
Plant & Equipment	10 years	10 years
Medical Equipment	10 years	10 years
Computers and Communication	3 years	3 years
Furniture and Fitting	10 years	10 years
Motor Vehicles	8 years	8 years

As part of the building 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 Maldon Hospital's operations.

### Note 5.1: Receivables

	2018 \$	2017 \$
<b>CURRENT</b>		
<b>Contractual</b>		
Trade Debtors	12,104	10,152
Patient and resident fees	129,562	33,444
Accrued Investment Income	55,310	52,267
Accrued Revenue - Other	27,151	218,288
LMRHA Joint Operation Receivables	7,022	2,850
	<b>231,149</b>	<b>317,001</b>
<b>Statutory</b>		
GST Receivable	34,315	39,496
LMRHA Joint Operation GST Receivable	2,702	1,889
	<b>37,017</b>	<b>41,385</b>
<b>TOTAL CURRENT RECEIVABLES</b>	<b>268,166</b>	<b>358,386</b>
<b>NON CURRENT</b>		
<b>Statutory</b>		
Long Service Leave - Department of Health and Human Services	275,628	241,907
	<b>275,628</b>	<b>241,907</b>
<b>TOTAL NON-CURRENT RECEIVABLES</b>	<b>275,628</b>	<b>241,907</b>
<b>TOTAL RECEIVABLES</b>	<b>543,794</b>	<b>600,293</b>

#### (a) Movement in the Allowance for doubtful debts

There are no movements or balances in the allowance for doubtful debts for the current reporting period.

#### (b) Ageing analysis of receivables

Please refer to note 7.1 (c) for the ageing analysis of contractual receivables.

#### (c) Nature and extent of risk arising from receivables

Please refer to note 7.1 (c) for the nature and extent of credit risk arising from contractual receivables.

#### Receivables recognition

Receivables consist of:

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

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

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

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

**Note 5.2: Other Liabilities**

	2018 \$	2017 \$
<b>CURRENT</b>		
Monies Held in Trust*		
- Patient Monies Held in Trust	12,119	18,526
- Accommodation Bonds (Refundable Entrance Fees)	3,469,876	3,520,708
<b>Total Other Liabilities</b>	<b>3,481,995</b>	<b>3,539,234</b>
<b>* Total Monies Held in Trust</b>		
<b>Represented by the following assets:</b>		
Cash and Cash Equivalents (refer to Note 6.1)	706,094	722,668
Investment and other Financial Assets (refer to Note 4.1)	2,775,901	2,816,566
<b>TOTAL</b>	<b>3,481,995</b>	<b>3,539,234</b>

**Note 5.3: Prepayments and Other Assets**

	2018 \$	2017 \$
<b>CURRENT</b>		
Prepayments	33,050	30,919
LMRHA Joint Operation Prepayments	8,971	9,796
<b>TOTAL OTHER ASSETS</b>	<b>42,021</b>	<b>40,715</b>

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

**Note 5.4: Payables**

	2018 \$	2017 \$
<b>CURRENT</b>		
<b>Contractual</b>		
Trade Creditors	-	3,577
LMRHA Joint Operation Payables	21,971	16,819
Accrued Expenses	84,882	102,198
LMRHA Accrued Expenses	3,526	2,225
	<b>110,379</b>	<b>124,819</b>
<b>Statutory</b>		
GST Payable	1,155	1,320
FBT Payable	2,589	1,582
PAYG Tax	52,179	38,503
Department of Health and Human Services Grant Recall	12,602	57,055
Commonwealth Medicare advance	5,507	-
	<b>74,032</b>	<b>98,460</b>
<b>TOTAL PAYABLES</b>	<b>184,411</b>	<b>223,279</b>

**(a) Maturity analysis of payables**

Please refer to Note 5.4(a) for the ageing analysis of contractual payables.

**(b) Nature and extent of risk arising from payables**

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

Payables consist of:

- contractual payables, classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to the Department 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.

**Note 5.4 (a): Maturity analysis of Financial Liabilities**

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

**Maturity analysis of Financial Liabilities as at 30 June 2018**

	Carrying Amount \$	Nominal Amount \$	Maturity Dates			
			Less than 1 Month \$	1-3 Months \$	3 months - 1 Year \$	1-5 Years \$
<b>2018</b>						
<b>Financial Liabilities</b>						
Payables	110,379	110,379	110,379	-	-	-
Other Financial Liabilities (i)						
- Accommodation Bonds	3,469,876	3,469,876	3,469,876	-	-	-
- Other	12,119	12,119	12,119	-	-	-
<b>Total Financial Liabilities</b>	<b>3,592,374</b>	<b>3,592,374</b>	<b>3,592,374</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2017</b>						
<b>Financial Liabilities</b>						
Payables	124,819	124,819	124,819	-	-	-
Other Financial Liabilities (i)						
- Accommodation Bonds	3,520,708	3,520,708	3,520,708	-	-	-
- Other	18,526	18,526	18,526	-	-	-
<b>Total Financial Liabilities</b>	<b>3,664,053</b>	<b>3,664,053</b>	<b>3,664,053</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

## Note 6: How we finance our operations

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

### Note 6.1: Cash and Cash Equivalents

	2018 \$	2017 \$
Cash on hand	1,650	950
Cash at bank	935,166	903,222
Deposits at call	522,805	-
<b>Total Cash and Cash Equivalents</b>	<b>1,459,621</b>	<b>904,172</b>
<b>Represented by:</b>		
Cash for Health Service Operations (as per Cash Flow Statement)	737,267	154,545
Share of Net Cash of Joint Operation (refer Note 4.2)	16,260	26,959
Cash for Monies Held in Trust (refer Note 5.2)		
- Patient Trust Monies	12,119	18,526
- Accommodation Bonds	693,975	704,142
<b>Total Cash and Cash Equivalents</b>	<b>1,459,621</b>	<b>904,172</b>

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

### Note 6.2: Commitments for expenditure

#### Contracted capital commitment

Capital commitments and other expenditure commitments contracted for as at the end of the reporting period do not require disclosure where the commitments are for the supply of inventories and have been recognised as liabilities in the balance sheet.

There are no commitments for operating leases, capital or non capital commitments as at 30 June 2018 and 2017.

## Note 7: Risks, contingencies & valuation uncertainties

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

### Note 7.1: Financial Instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Health Services'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

	Contractual financial assets - loans and receivables	Contractual financial liabilities at amortised cost	Total
	\$	\$	\$
<b>2018</b>			
<b>Contractual Financial Assets</b>			
Cash and cash equivalents	1,459,621	-	1,459,621
Receivables			
- Trade Debtors	12,104	-	12,104
- Other Receivables	219,045	-	219,045
Other Financial Assets			
- Term Deposit	-	-	-
- LMRHA Joint Operation Investments	62,411	-	62,411
<b>Total Financial Assets <sup>(i)</sup></b>	<b>1,753,181</b>	<b>-</b>	<b>1,753,181</b>
<b>Financial Liabilities</b>			
Payables	-	110,379	110,379
Other Financial Liabilities			
- Accommodation bonds	-	3,469,876	3,469,876
- Other	-	12,119	12,119
<b>Total Financial Liabilities <sup>(ii)</sup></b>	<b>-</b>	<b>3,592,374</b>	<b>3,592,374</b>

	Contractual financial assets - loans and receivables	Contractual financial liabilities at amortised cost	Total
	\$	\$	\$
<b>2017</b>			
<b>Contractual Financial Assets</b>			
Cash and cash equivalents	904,172	-	904,172
Receivables			
- Trade Debtors	10,152	-	10,152
- Other Receivables	306,849	-	306,849
Other Financial Assets			
- Term Deposit	5,481,623	-	5,481,623
- LMRHA Joint Operation Investments	59,918	-	59,918
<b>Total Financial Assets <sup>(i)</sup></b>	<b>6,762,714</b>	<b>-</b>	<b>6,762,714</b>
<b>Financial Liabilities</b>			
Payables	-	124,819	124,819
Other Financial Liabilities			
- Accommodation bonds	-	3,520,708	3,520,708
- Other	-	18,526	18,526
<b>Total Financial Liabilities <sup>(ii)</sup></b>	<b>-</b>	<b>3,664,053</b>	<b>3,664,053</b>

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

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

**Note 7.1: Financial Instruments (continued)**

**(b) Net holding gain/(loss) on financial instruments by category**

	Interest Income/(Expense)	Total
	\$	\$
<b>2018</b>		
<b>Financial Assets <sup>(i)</sup></b>		
Cash and Cash Equivalents	42,296	42,296
Financial Assets - Loans and Receivables	106,487	106,487
<b>Total Financial Assets</b>	<b>148,783</b>	<b>148,783</b>
<b>Financial Liabilities</b>		
Financial Liabilities at Amortised Cost	(9,367)	(9,367)
<b>Total Financial Liabilities</b>	<b>(9,367)</b>	<b>(9,367)</b>
<b>2017</b>		
<b>Financial Assets <sup>(i)</sup></b>		
Cash and Cash Equivalents	25,893	25,893
Financial Assets - Loans and Receivables	132,800	132,800
<b>Total Financial Assets</b>	<b>158,693</b>	<b>158,693</b>
<b>Financial Liabilities</b>		
Financial Liabilities at Amortised Cost	(9,149)	(9,149)
<b>Total Financial Liabilities</b>	<b>(9,149)</b>	<b>(9,149)</b>

(i) For cash and cash equivalents and loans or receivables, the net gain or loss is calculated by taking the movement in the fair value of the asset and interest revenue, minus any impairment recognised in the net result.

(ii) For financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense measured at amortised cost.

**Note 7.1: Financial Instruments (continued)**

**(c) Credit risk (continued)**

**Ageing analysis of Financial Assets as at 30 June**

	Carrying Amount \$	Not Past Due and Not Impaired \$	Past Due But Not Impaired				Impaired Financial Assets \$
			Less than 1 Month \$	1-3 Months \$	3 months - 1 Year \$	1-5 Years \$	
<b>2018</b>							
<b>Financial Assets</b>							
Cash and Cash Equivalents	1,459,621	1,459,621	-	-	-	-	-
Receivables							
- Trade Debtors	12,104	10,134	885	-	1,085	-	-
- Other Receivables	219,045	125,318	29,625	18,974	45,128	-	-
Other Financial Assets							
- Term Deposits	5,072,011	5,072,011	-	-	-	-	-
- LMRHA Joint Operation Investments	62,411	62,411	-	-	-	-	-
<b>Total Financial Assets</b>	<b>6,825,192</b>	<b>6,729,495</b>	<b>30,510</b>	<b>18,974</b>	<b>46,213</b>	<b>0</b>	<b>0</b>
<b>2017</b>							
<b>Financial Assets</b>							
Cash and Cash Equivalents	904,172	904,172	-	-	-	-	-
Receivables							
- Trade Debtors	10,152	6,762	1,730	-	1,660	-	-
- Other Receivables	306,849	254,582	12,837	16,494	22,936	-	-
Other Financial Assets							
- Term Deposit	5,481,623	5,481,623	-	-	-	-	-
- LMRHA Joint Operation Investments	59,918	59,918	-	-	-	-	-
<b>Total Financial Assets</b>	<b>6,762,714</b>	<b>6,707,057</b>	<b>14,567</b>	<b>16,494</b>	<b>24,596</b>	<b>0</b>	<b>0</b>

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

**Contractual Financial Assets that are either past due or impaired**

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

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

## Note 7.1: Financial Instruments (continued)

### Categories of Financial Instruments

#### Loans and Receivables and cash

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). The Health Service recognises the following assets in this category:

- cash assets
- term deposits
- receivables (excluding statutory receivables)
- payables (excluding statutory payables)
- accommodation bonds and other monies held in trust.

#### Financial Liabilities at Amortised Cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Comprehensive Operating Statement over the period of the interest-bearing liability.

Financial instrument liabilities measured at amortised cost include all of Maldon Hospital's contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through the Comprehensive Operating Statement.

The Health Service makes limited use of this classification because any sale or reclassification of more than an insignificant amount of held to maturity investments not close to their maturity, would result in the whole category being reclassified as available-for-sale. The held to maturity category includes certain term deposits and debt securities for which the Health Service intends to hold to maturity.

#### Impairment of non-financial assets

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

#### Financial liabilities at amortised cost

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. Maldon Hospital recognises the following liabilities in this category:

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

#### Offsetting financial instruments

Financial instrument assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, the Health Service concerned has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Some master netting arrangements do not result in an offset of balance sheet assets and liabilities. Where the Health Service does not have a legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default, insolvency or bankruptcy, they are reported on a gross basis.

#### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement.

#### Market Risk

Maldon Hospital's exposure to market risk is primarily through interest rate risk with only insignificant exposure to foreign currency and other price risks. Exposure to interest rate risk is considered immaterial, arising primarily through Maldon Hospital's interest bearing assets. Minimisation of risk is achieved by undertaking fixed rate or non-interest bearing financial instruments. In regards to financial liabilities, Maldon Hospital undertakes financial liabilities with relatively even maturity profiles.

## Note 7.2: Contingent Assets and Contingent Liabilities

There are no contingent assets and contingent liabilities.

## Note 8: Other Disclosures

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

### Note 8.1: Equity

	2018 \$	2017 \$
<b>(a) Surpluses</b>		
<b>Property, Plant &amp; Equipment Revaluation Surplus<sup>1</sup></b>		
Balance at the beginning of the reporting period		
- Land	250,610	202,000
- Buildings	7,873,640	7,873,640
Revaluation Increment/(Decrements)		
- Land	-	48,610
<b>Balance at the end of the reporting period</b>	<b>8,124,250</b>	<b>8,124,250</b>
<b>Represented by:</b>		
- Land	250,610	250,610
- Buildings	7,873,640	7,873,640
<b>Total Surpluses</b>	<b>8,124,250</b>	<b>8,124,250</b>
<b>(b) Contributed Capital</b>		
Balance at the beginning of the reporting period	3,890,579	3,890,579
<b>Balance at the end of the reporting period</b>	<b>3,890,579</b>	<b>3,890,579</b>
<b>(c) Accumulated Surpluses</b>		
Balance at the beginning of the reporting period	54,440	876
Net Result for the Year	(14,295)	53,564
<b>Balance at the end of the reporting period</b>	<b>40,145</b>	<b>54,440</b>
<b>Total Equity at end of financial year</b>	<b>12,054,974</b>	<b>12,069,269</b>

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

#### Contributed capital

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

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

#### Property, plant and equipment revaluation surplus

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

**Note 8.2: Reconciliation of Net Result for the Year to Net Cash from Operating Activities**

	2018	2017
	\$	\$
<b>Net result for the period</b>	(14,295)	53,564
<b>Non-cash movements:</b>		
Depreciation and amortisation	343,420	337,788
Share of Joint Operation	8,156	-
<b>Movements included in investing and financing activities</b>		
Gain on sale of non-financial assets	-	(4,970)
<b>Movements in assets and liabilities:</b>		
Change in operating assets and liabilities		
(Increase)/decrease in receivables	56,499	(254,689)
(Increase)/decrease in inventory	(990)	(360)
(Increase)/decrease in prepayments	(1,306)	(7,623)
Increase/(decrease) in payables	(38,868)	(9,698)
Increase/(decrease) in provisions	44,189	(21,178)
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>396,805</b>	<b>92,834</b>

### Note 8.3: Responsible Persons Disclosures

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

#### Responsible Ministers:

The Honourable Jill Hennessy, Minister for Health, Minister for Ambulance Services

1/7/2017 - 30/6/2018

The Honourable Martin Foley, Minister for Housing, Disability and Ageing, Minister for Mental Health

1/7/2017 - 30/6/2018

#### Governing Boards

Mrs Vanessa Healy

1/7/2017 - 30/6/2018

Mr Stephen Gardner

1/7/2017 - 30/6/2018

Mrs Julie Green

1/7/2017 - 30/6/2018

Mrs Pam Millwood

1/7/2017 - 30/6/2018

Ms Cindy Schultz-Ferguson

1/7/2017 - 30/6/2018

Mr Colin Thornton

1/7/2017 - 30/6/2018

Mr James Downing

1/7/2017 - 30/6/2018

Mr Dallas Coghill

1/7/2017 - 30/6/2018

#### Accountable Officers

Mr Ian Fisher

1/7/2017 - 30/6/2018

#### Remuneration of Responsible Persons

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

#### Income Band

\$0 - \$9,999

#### Total Numbers

	2018 No.	2017 No.
	9	9
	<b>9</b>	<b>9</b>
<b>Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:</b>	<b>\$4,000</b>	<b>\$4,000</b>

Amounts relating to Responsible Ministers are reported in the financial statements of the Department of Parliamentary Services.

#### Other Transactions of Responsible Persons and their Related Parties

There are no other transactions between the Health Service and responsible persons and their related parties to be reported.

The Accountable Officer is remunerated by Castlemaine Health and details are reported in Note 8.5.

### Note 8.4: Executive Officer Disclosures

#### Executive Officers' Remuneration

There are no executive officers whose total remuneration exceeds \$100,000.

### Note 8.5: Related Parties

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

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

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

During the year, Castlemaine Health, an Organisation of which Ian Fisher, Chief Executive Officer, is also the Chief Executive Officer, continued its extensive provision of contracted services. The contracted services involve the provision of extensive administration services such as Finance, IT, HR, and Food Services. The value of the contract during 2017-18 was \$222,323. Other non-contracted services occur as required. The value of net transactions for the 2017-18 financial year between Maldon Hospital and Castlemaine Health are \$664,690. All other transactions that have occurred with KMP and their related parties have been trivial or domestic in nature. In this context, transactions are only disclosed when they are considered of interest to users of the financial report in making and evaluation decisions about the allocation of scarce resources.

Maldon Hospital received funding from the Department of Health and Human Services of \$2,235,374 (2017 \$2,060,864)

### Note 8.6: Payments to Other Personnel

Payments to other personnel (i.e. contractors with significant management responsibilities)

Expense Band	2018	2017
	No.	No.
\$150,000 plus	1	1
<b>Total expenses (exclusive of GST)</b>	<b>\$ 166,959</b>	<b>\$ 159,183</b>

In accordance with FRD 21C the following disclosures are made in relation to other personnel of Maldon Hospital i.e. Contractors charged with significant management responsibilities. Castlemaine Health are responsible for planning, directing or controlling, directly or indirectly, Maldon Hospital Activities.

### Note 8.7: Remuneration of auditors

	2018	2017
	\$	\$
<b>Victorian Auditor-General's Office</b>		
Audit or review of financial statement	14,500	12,000
	<b>14,500</b>	<b>12,000</b>

### Note 8.8: Events Occurring after the Balance Sheet Date

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

### Note 8.9: Economic Dependency

Maldon Hospital 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 Maldon Hospital.

#### Note 8.10: AASBs issued that are not yet effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2018 reporting period. DTF assesses the impact of all these new standards and advises the Health Service of their applicability and early adoption where applicable.

As at 30 June 2018, 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. Maldon Hospital has not and does not intend to adopt these standards early.

Standard/Interpretation <sup>1</sup>	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 Financial Instruments	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedge accounting model and a revised impairment loss model to recognise expected impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. The initial application of AASB 9 is not expected to significantly impact the financial position however there will be a change to the way financial instruments are classified and new disclosure requirements.
AASB 2014-1 Amendments to Australian Accounting Standards	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018, and to amend reduced disclosure requirements.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
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.	1 Jan 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	Amends the measurement of trade receivables and the recognition of dividends as follows: <ul style="list-style-type: none"> <li>• Trade receivables that do not have a significant financing component, are to be measured at their transaction price, at initial recognition.</li> <li>• Dividends are recognised in the profit and loss only when: <ul style="list-style-type: none"> <li>o the entity's right to receive payment of the dividend is established;</li> <li>o it is probable that the economic benefits associated with the dividend will flow to the entity; and</li> <li>o the amount can be measured reliably.</li> </ul> </li> </ul>	1 Jan 2018, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 Jan 2018	This amending standard will defer the application period of AASB 15 for for-profit entities to the 2018-19 reporting period in accordance with the transition requirements.

**Note 8.10: AASBs issued that are not yet effective (continued)**

AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	<p>This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require:</p> <ul style="list-style-type: none"> <li>• A promise to transfer to a customer a good or service that is ‘distinct’ to be recognised as a separate performance obligation;</li> <li>• For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and</li> <li>• For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).</li> </ul>	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified for AASB 15 above.
AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities	This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 Jan 2019	This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period.
AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities	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.	1 Jan 2019	<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>AASB 9</p> <ul style="list-style-type: none"> <li>• Statutory receivables are recognised and measured similarly to financial assets</li> </ul> <p>AASB 15</p> <ul style="list-style-type: none"> <li>• The “customer” does not need to be the recipient of goods and/or services;</li> <li>• The “contract” could include an arrangement entered into under the direction of another party;</li> <li>• Contracts are enforceable if they are enforceable by legal or “equivalent means”;</li> <li>• Contracts do not have to have commercial substance, only economic substance; and</li> <li>• Performance obligations need to be “sufficiently specific” to be able to apply AASB 15 to these transactions.</li> </ul>
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of operating leases (which are currently not recognised) on balance sheet.	1 Jan 2019	<p>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.</p> <p>In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge.</p> <p>There will be no change for lessors as the classification of operating and finance leases remains unchanged.</p>

**Note 8.10: AASBs issued that are not yet effective (continued)**

AASB 1058 Income of Not-for-Profit Entities	<p>AASB 1058 standard 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.</p> <p>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,</p> <p>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.</p>	1 Jan 2019	<p>The current revenue recognition for grants is to recognise revenue up front upon receipt of the funds.</p> <p>This may change under AASB 1058, as capital grants for the construction of assets will need to be deferred. Income will be recognised over time, upon completion and satisfaction of performance obligations for assets being constructed, or income will be recognised at a point in time for acquisition of assets.</p> <p>The revenue recognition for operating grants will need to be analysed to establish whether the requirements under other applicable standards need to be considered for recognition of liabilities (which will have the effect of deferring the income associated with these grants). Only after that analysis would it be possible to conclude whether there are any changes to operating grants. The impact on current revenue recognition of the changes is the phasing and timing of revenue recorded in the profit and loss statement.</p>
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**Note 8.11: Alternative presentation of comprehensive operating statement  
For the Year Ended 30 June 2018**

	Note	2018	2017
Grants			
Operating	2.1	4,137,040	3,535,275
Capital	2.1	47,500	336,385
Interest and Dividends	2.1	125,490	135,180
Sales of Goods and Services		1,012,208	893,389
Other income			
Other capital income	2.1	1,100	12,543
<b>Revenue from Transactions</b>		<b>5,323,338</b>	<b>4,912,772</b>
Employee Expenses	3.1	(3,421,951)	(3,115,095)
Operating Expenses			
Supplies and consumables	3.1	(341,499)	(340,383)
Non salary labour costs	3.1	(198,449)	(163,710)
Other		(1,033,601)	(923,172)
Non-Operating Expenses			
Expenditure for Capital Purpose	3.1	(9,385)	(10,259)
Depreciation and Amortisation	4.4	(343,420)	(337,788)
<b>Expenses from Transactions</b>		<b>(5,348,305)</b>	<b>(4,890,407)</b>
<b>Net Result from Transactions</b>		<b>(24,967)</b>	<b>22,365</b>
<b>Other economic flows included in net result</b>			
Other gains/(losses) from other economic flows	3.1	10,672	31,199
<b>Total other economic flows included in net result</b>		<b>10,672</b>	<b>31,199</b>
<b>Net result from continuing operations</b>		<b>(14,295)</b>	<b>53,564</b>
Net result from discontinued operations		-	-
<b>NET RESULT FOR THE YEAR ^</b>		<b>(14,295)</b>	<b>53,564</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to net result</b>			
Changes in physical asset revaluation surplus	8.1 (a)	-	48,610
<b>Total other comprehensive income</b>		<b>-</b>	<b>48,610</b>
<b>Comprehensive result</b>		<b>(14,295)</b>	<b>102,174</b>





**MALDON HOSPITAL**

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