

The RCH Annual Report

Annual Financial Report 2009–2010



Celebrating 140 years 1870–2010



Celebrating 140 years 1870–2010



1870
39 Stephen St
Melbourne
(now 49 Exhibition St)

The Royal Children's Hospital (RCH) was founded in 1870 by Doctors John Singleton and William Smith in a small house in Stephen Street (now Exhibition Street) Melbourne.

While the exact date is unknown, a meeting to establish the all female hospital's committee was held on Friday 9 September 1870 and has long been regarded as the hospital's anniversary date.

The hospital was first known as the "Free Hospital for Sick Children", but the name "Melbourne Hospital for Sick Children" used from 1871, became the familiar name for many years.

The hospital moved to larger premises in Spring Street in 1873 and in 1875 purchased Sir Redmond Barry's villa in Pelham Street, Carlton. On this site the committee, under the leadership of Elizabeth Testar and Jane Murray Smith, built a new hospital in a flamboyant neo-gothic style. Outstanding among the hospital's early doctors was William Snowball (1855–1902), who pioneered paediatrics in Victoria. The hospital's nurse training school began in 1889 under the direction of Sarah Bishop (matron 1875–1899).

In 1903 the Committee changed the name of the hospital formally from "Melbourne Free Hospital for Sick Children" to "Children's Hospital".

In the 1920s and 1930s the Children's Hospital responded to the problems of poliomyelitis, tuberculosis and other crippling diseases by building an orthopaedic hospital at Mt Eliza and developing physiotherapy and other ancillary health services. The hospital underwent revolutionary changes in the 1940s and 1950s inspired by Ella Latham (president 1933–54) and Vernon Collins (medical director 1948–59), which transformed an old-fashioned charity hospital into a modern teaching hospital.

In 1953 the hospital was granted its 'Royal' prefix and in 1963, during the presidency of Dame Elisabeth Murdoch, it moved from its overcrowded site in Carlton to the present buildings in Parkville. Since then the hospital has greatly expanded its teaching and research roles and has been a leader in advances in paediatrics, particularly in the treatment of childhood cancer, the surgery of congenital abnormalities, gastroenterology, cardiac surgery and epilepsy surgery. Most families in Melbourne have called on the services of The Royal Children's Hospital at some time and the special position the hospital holds in the hearts of the people of Melbourne is demonstrated by the wonderful public support for the annual Good Friday Appeal.

And now, in parkland beside the site it has occupied for almost 50 years, the new \$1billion the RCH is taking shape. When it opens in late 2011, the new Royal Children's Hospital will provide wonderful, world class facilities for patients, families and staff. With the move to the new RCH just over one year away, it is fitting to celebrate and acknowledge our 140 year anniversary, reflecting on our past as we anticipate the exciting future in a brand new, world class children's hospital.



1873
13 Spring St
Melbourne



1876
Corner of Pelham
and Rathdowne Sts
Carlton

Contact:

The Royal Children's Hospital
50 Flemington Road, Parkville
Victoria, Australia, 3052

www.rch.org.au

ABN:

35655720546

The RCH Annual Report 2009 – 2010

Summary of Contents

Our Vision, Our Values	2
CEO and Chairman's Report	3
Members of the Board	5
Executive Staff	6
Organisational Chart	7
Statutory Statements	8
Key Financial and Service Performance Reporting	10
The RCH Financial Statements	16

Our Vision, Our Values 2007 – 2010

Vision

To be a GREAT children's hospital

Values

Unity – we work together to achieve our goals

Passion – we are passionately committed to caring for sick children and improving children's health

Integrity – we act with honesty in all we do

Excellence – we strive for the highest quality in every aspect of our work

Respect – for everyone in our care and for each other

CEO and Chairman's Report

In 2010, The Royal Children's Hospital (RCH) celebrates 140 years of providing outstanding care for Victoria's children and their families and our position as one of the world's great children's hospitals.

In our 140 year history this is without question, one of the most exciting periods with our new RCH well underway. Opening in late 2011, the new RCH will provide world class facilities befitting of our great hospital for children, families, visitors and staff. Designed to integrate seamlessly into the surrounds of Royal Park, the new RCH reflects international evidence of the importance of nature and the environment as part of the healing process.

Our New RCH

Our new hospital on Flemington Road continues to take shape with much of the construction work now complete. The \$1 billion project is on time and on budget and set to open in 2011.

When it opens, the new RCH will provide wonderful world class facilities befitting of our great hospital. The internal fitout is now well underway with many areas of the new inpatient unit being transformed with finished walls, vinyl floors, joinery and fittings.

Nature and the unique parkland of Royal Park continue to inspire the design and build of our new hospital, creating a wonderful healing environment for our patients. With 80% of patient rooms having parkland views, the hospital will truly bring the healing power of nature to the bedside.

Our staff continue to be actively involved across many aspects of the project. More than 400 staff were involved in user groups, working with architects and designers to ensure our new hospital meets the needs of patients and staff alike. In the coming year the focus will be on finalising our Move Plan and building our Move Teams to help us transition as seamlessly as possible to the new RCH.

Transformation and Redesign

To achieve our vision to be a GREAT children's hospital, we need to do more than build a new physical structure, we need to transform the way we provide care in line with contemporary evidence based practice and growing community demand in the health sector.

Change on such a scale is not easy, but is necessary if we are to continue to be at the forefront of paediatric services, not just in Australia but internationally. It is also necessary to ensure our hospital is a great place to work and supportive of all staff across the organization.

A Transformation and Redesign program has built an understanding of the need for change and identified key actions to mobilize and engage all staff in the change process in preparation for the move to the new RCH.

Separation of conjoined twins

In November 2009, a multi-disciplinary team of talented and dedicated clinicians from the hospital captured the attention of the world with the successful separation of conjoined twins in a mammoth 32 hour procedure. Proving to be one of the most extraordinary cases in medical history, the separation of the conjoined twins was the culmination of two years' extensive planning.

Teamwork and unity were critical to the successful outcome. Led by the Head of Neurosurgery Wirginia Maixner, the team included neurosurgeons, plastic surgeons, anaesthetists, nurses and other clinical staff, as well as a significant number of support staff members throughout the hospital. Through the complex procedures performed on the conjoined twins, the Victorian and the global community has again been reminded of the extraordinary work that is carried out here at the RCH.

Accreditation

Accreditation is an important requirement of all public hospitals and is one way in which we are able to demonstrate to the community that we provide the appropriate standards of care and are involved in continuous quality improvement.

The RCH participates in the Australian Council on Healthcare Standards (ACHS) accreditation program, known as the Evaluation and Quality Improvement Program 'EQUiP'. In 2007, we successfully achieved our four year accreditation status and completed the Periodic Review in 2009 with the survey team signing off all but one of the recommendations made in 2007. We are currently preparing for Organisational Wide Survey in November 2010, brought forward in consideration of the move to the new RCH in 2011.

Our Campus Partners

A key strength of the RCH is the integration of clinical care, research and education across the campus. Working with our campus partners the Murdoch Childrens Research Institute and The University of Melbourne, the RCH is committed to improving the health outcomes for children today and in the future. The Campus Council has been active in its establishment phase and a key catalyst for the establishment of Research and Education committees across the campus. Other priorities have included campus wide projects across HR, branding and fundraising.

Board Changes

In the past year, we welcomed Dennis Goldner to the RCH board. Mr Goldner is currently Chairman of the Deloitte Foundation: a member of Oxfam Australia's Audit & Finance Committees and Treasurer of Regional Arts Victoria. His career has included 19 years with Deloitte and a number of senior positions with the Victorian Government including General

Manager of the Department of Industry, Technology & Resources and Commissioner for the Victorian Government in Frankfurt Germany.

Finances

The RCH ended the year in a sound financial position with an operating surplus before Capital and Specific Items of \$0.4M against a break even operating budget.

The Victorian Comprehensive Cancer Centre

Recognising our leadership role in paediatrics and our expertise in the area of research and clinical care for young cancer patients, the RCH this year became a partner in the Victorian Comprehensive Cancer Centre (Victorian CCC).

The Victorian CCC will drive leadership and innovation in the fields of cancer treatment, research and education by having the largest concentration of cancer clinicians and researchers in the southern hemisphere, ranking it among the top ten cancer centres in the world.

The Victorian CCC will be used by clinical and research staff from the Peter MacCallum Cancer Centre, Melbourne Health (the Royal Melbourne Hospital), the University of Melbourne, the Melbourne Branch of the Ludwig Institute for Cancer Research, the Royal Women's Hospital, the Walter and Eliza Hall Institute of Medical Research and the RCH.

Run for the Kids

Now in its fifth year, the Herald Sun/City Link Run for the Kids raised a record \$1.05M towards the Good Friday Appeal. This year the RCH team had 200 enthusiastic staff who ran or walked in support of our great hospital. The walk attracts 30,000 competitors and it was great to see Premier Brumby and Minister Daniel Andrews taking part in support of the RCH.

Good Friday Appeal

The RCH has always held a special place in the hearts of all Victorians and the community, evidenced by the 79 year history of the Good Friday Appeal. We are continually inspired by the many Victorians who give so much to the Good Friday Appeal in support of our great hospital. Their compassion helps the RCH provide the best clinical care, research and services to the most vulnerable children from around the country. This year's result of \$14,462,000 was incredible – another record breaking amount.

The Good Friday Appeal helps us fund additional leading edge equipment, ground breaking research projects, specialized staff and programs that enhance patient care here at our hospital.

We would like to thank all those who donated their money and in many instances, their time and expertise, in support of our hospital. Special thanks to the Good Friday Appeal team and our appeal media partners, The Herald & Weekly Times, Channel 7 Melbourne and 3AW and Magic 1278, who help make the Good Friday Appeal such an outstanding success.

Staff Achievements

Our staff continue to demonstrate outstanding commitment to our vision and our values and we would like to congratulate all those who have achieved recognition either in hospital awards, or in the community.

Committee for Melbourne, 2010 Melbourne Achiever Award

In 2010, as testament to our leadership and advocacy role, the RCH was awarded the prestigious Committee for Melbourne, 2010 Melbourne Achiever Award, for outstanding contributions to the Melbourne community.

The RSL ANZAC of the Year Award 2010

The team that successfully separated conjoined twins Krishna and Trishna was recognized with the prestigious RSL ANZAC of the Year Award

Dame Elisabeth Murdoch AC DBE Nursing Leadership Scholarship

Sharon Downes was awarded the inaugural Dame Elisabeth Murdoch Nursing Development Scholarship in support of her research into the condition known as Pierre Robin Sequence. This rare condition causes an abnormally small jaw bone at birth, often requiring delicate surgery. Sharon, a Research Nurse in the RCH Neonatal Unit, travelled to the US and UK to observe pioneering medical techniques first hand in this area. She also attended the International Society of Craniofacial Surgeons Conference in the UK. The scholarship of \$50,000 is named in honour of Dame Elisabeth Murdoch AC DBE and her contribution to and support of The Royal Children's Hospital (RCH).

2010 Minister for Health Volunteer Awards

The Minister for Health Volunteer Awards highlight and celebrate volunteering and its significant contribution to public healthcare in Victoria. They also recognise the individuals and teams who demonstrate outstanding dedication and commitment to public healthcare in Victoria. This year our volunteers had two reasons to celebrate – we took out both a team and individual awards from a total of 20 awards presented.

The RCH splint team was recognised for more than 20 years of service to the RCH. The team is made up of many volunteers with three core members who have been responsible for leading the splint making team. Each week the team makes approximately 250 splints and together the three core members of the team alone have given 14,407 hours of voluntary service to the hospital. During this time they have helped make approximately 250,000 splints, an estimated saving of \$800,000 for The Royal Children's Hospital.

The RCH Volunteer Loula Kostas was also honoured for her 45 years volunteering service to the RCH. She commenced volunteering at the hospital in 1964 when there was an urgent call for multi-lingual volunteers. She worked in our Interpreter Service for 25 years, until she moved into another family support role in the hospital operating suite and recovery room where she continues to volunteer each week.

Annual Hospital Awards

The Royal Children's Hospital awards were presented at our last AGM to members of staff nominated by their colleagues for their contribution to the hospital in their chosen field. Congratulations to:

- Chairman's Medal – Professor John Hutson AO
- Chairman's Medal – Dr Peter McDougall
- Chairman's Medal – Sujee Panagoda
- CEO's Award – Allied Health
- Dr William Snowball Medal – Dr John Roy
- Mary Patten Award – Michelle Meehan
- Division 2 Nursing Excellence Award – Laura Grimmond
- Team Award – Emergency Clerical Team
- Yvonne Wagner Medal – Poh Chua
- Yvonne Wagner Medal – Susie Knight
- Innovation Award – 3 East Education Project
- New RCH Project Award – Neighbourhood 4 user group
- New RCH Project Award – Lab Services

Order of Australia

Australia Day Honours

Member of the Order of Australia

Professor Frank Shann AM
For service to medicine as a paediatrician, particularly as a leader in intensive care for children, through contributions to the World Health Organisation and to rural medicine, and as an advocate for child health.

Professor Garry Warne AM
For service to medicine in the field of paediatric endocrinology and to the improvement of child health care and infrastructure in developing countries.

Medal of the Order of Australia

Dr Ian Hopkins OAM
For service to medicine as a paediatric neurologist and through professional organisations.

2009 Victorian Health Care Awards

Congratulations to The Victorian Public Healthcare Award finalists 2009

- Paediatric Integrated Cancer Services was awarded joint first place in the "Improving Cancer Care in Victoria" category for the "Regional outreach and shared care program"
- The RCH Allergy and Immunology were recognized under the "Most Appropriate Care Award" category winning Silver for their "Allergy Model of Care" entry
- The RCH Nutrition and Food Services were highly commended for their work on "Food allergy meals in a paediatric hospital – a novel approach" in the "Safer Care Award" category.

Thank you

It has without doubt been a challenging and exciting year for our hospital and we sincerely thank all staff for their dedication and hard work. In our 140 year history, it is the staff who are the standouts, living our values and providing wonderful care for young children and their families. The coming year is an important one in our history and we will be working hard to ensure we support our staff and ensure that the RCH continues to be a great place to work.



Professor Christine Kilpatrick
Chief Executive Officer




Tony Beddison AO
Chairman



Members of the Board

Chairman: Mr Tony Beddison AO

Mr Beddison is Chairman of the Beddison Group, one of Australia's leading recruitment firms which he founded in 1977, comprising HOBAN Recruitment and Clicks IT Recruitment. He is a director of the Murdoch Childrens Research Institute and a director of the Australian War Memorial Anzac Foundation. He was Chairman of Melbourne 2007 FINA World Swimming Championships and was Chairman of the Australia Day Committee from 1999 until May 2004. Previously he was a Council Member of the Australian War Memorial, and Chairman of Australia Remembers (1945–95) and on the committee of the Centenary Federation.

Ms Linda Berry

Ms Berry is a senior partner with the legal firm of Minter Ellison and has been a Director of The Royal Children's Hospital since 2004. Ms Berry has extensive experience in the Health, Finance and Technology sectors, including as a former Director of the Women's and Children's Health Care Network and recently retired non-Executive Director on the Board of State Trustees Limited.

Mr Patrick Burroughs

Mr Burroughs is a chartered accountant and was a senior partner with KPMG until his retirement in 1998. He now serves as a non executive director on the Boards of a number of organisations in both the commercial and not for profit sectors.

Dr Julie Caldecott

Dr Julie Caldecott is a partner in the Melbourne office of the Boston Consulting Group and the leader of their ANZ Healthcare Practice Group. She specialises in health and public sector strategy after initially training and working as a medical practitioner. Dr Caldecott is also a non-Executive Director of the Transport Accident Commission.

Mr Julian Clarke

Mr Clarke's lifetime career has been in newspaper publishing and other media interests. He recently retired as a Director of News Limited and Managing Director of the Herald & Weekly Times (HWT). He remains a Director of HWT and was recently appointed Chairman of the Board. He has been a member of the Board of Governors of The Royal Children's Hospital Foundation since 1995 and was appointed Chairman of the Foundation in 2007. He was appointed to the Board of The Royal Children's Hospital in December 2005.

Mr Max Findlay

Max Findlay joined Programmed Maintenance Services in August 1988 and was appointed Managing Director in March 1990. Max has extensive industry specific experience, including approximately 20 years of marketing and general management experience in the industrial and manufacturing industries. Max's experience prior to joining Programmed Maintenance Services included 11 years with Australian Consolidated Industries, three years with Smith & Nephew and five years with James Sephton Plastics. In his time with Programmed Maintenance Services, Max held the positions of Business Development Manager, General Manager and Managing Director. Max has a Bachelor of Economics and Politics from Monash University and is a Fellow of the Australian Institute of Company Directors. Since retiring from Programmed Maintenance Services, Max has been involved in a number of Public and Private Company Boards.

Mr Dennis Goldner

Mr Goldner retired as a senior partner of Deloitte in 2009 after a 19 year career there. Prior to joining Deloitte in 1990, Mr Goldner held a number of senior positions with the Victorian Government including General Manager of the Dept of Industry, Technology & Resources and Commissioner for the Victorian Government in Frankfurt, Germany. In his earlier career, Mr Goldner spent eight years with the then Trade Practices Commission and several years with the Australian Embassy in Germany. Mr Goldner is currently Chairman of the Deloitte Foundation; a director of the Library Board of Victoria; Chair of Regional Arts Victoria and member of Oxfam Australia's Audit & Finance & Audit Committee.

Mr John Rimmer

Mr Rimmer was Director Policy and Planning, Health Department Victoria from 1989 to 1992 and Deputy Secretary of the Victorian Department of Premier and Cabinet from 1992 to 1995. He was founding Executive Director of Multimedia Victoria and then CEO of the National Office for the Information Economy (2001 to 2004). He is a Fellow of the Australian Institute of Company Directors and Chairman of Information City Australia Pty Ltd and Ausanda Communications Pty Ltd.

Dr Lakshmi Sumithran MBBS, MHA, FRACMA, FCHSE

After working in a wide variety of clinical settings in Malaysia, the United Kingdom and Australia, Dr Sumithran began a career in health administration. She has worked for the Commonwealth Department of Veterans Affairs and a number of public hospitals in Victoria including Box Hill Hospital, Sandringham Hospital and Southern Health.

Dr Sumithran is a Fellow of both Royal Australian College of Medical Administrators and the Australian College of Health Service Executives, and has been a surveyor with the Australian Council on Healthcare Standards since 1995. Dr Sumithran is currently a member of the Medical Practitioners' Board of Victoria and was appointed to the Board of The Royal Children's Hospital from 1 July 2006.

Board Members: Sub-committee Membership

Audit & Corporate Risk Management Committee

Patrick Burroughs (Chair)
Julian Clarke
Max Findlay
John Rimmer

Community Advisory Committee

Dr Lakshmi Sumithran (Chair)

Finance

John Rimmer (Chair)
Patrick Burroughs
Dr Julie Caldecott
Dennis Goldner
Max Findlay

Intellectual Property Committee [Required by the RCH By-Laws]

Whole of Board

Investment

Patrick Burroughs (Chair)
Dr Julie Caldecott
Max Findlay
Dennis Goldner

Primary Care & Population Health Advisory Committee

Dr Julie Caldecott (Chair)
Dr Lakshmi Sumithran

Quality Committee

Dr Lakshmi Sumithran (Chair)
Dr Julie Caldecott
Dennis Goldner
John Rimmer

Remuneration Committee

Tony Beddison AO (Chair)
Patrick Burroughs
John Rimmer

Therapeutic and Educational Creative Arts Committee

Linda Berry (Chair)
Dr Julie Caldecott
Julian Clarke

Executive Staff

as at 30 June 2010

Chief Executive Officer

Professor Christine Kilpatrick.
MBBS, MBA, MD, FRACP

Executive Director Finance and Corporate Services

John Brown. BBus, CPA

Executive Director People and Culture

Kath Brown. MMgt, Grad Dip OHM

Executive Director Communications & Marketing

Julie Browning (Waldren). B.Ed, GradDip PR

Executive Director New Hospital Project

Alex Campbell. BEc, MHA, CPA, AFCHSE

Chief of Paediatric Surgery

Clinical Associate Professor Leo Donnan.
MBBS, FRACS(Orth), FAOrthA

Executive Director, Legal Services

Christopher Gill. LLB, LLM

Executive Director Operations

Lee Martin. MAppSc

Executive Director Medical Services

Dr Peter McDougall. MBBS, MBA, FRACP

Chief of Paediatric Medicine

Professor Colin Robertson.
MBBS, MSc, MD, FRACP

Executive Director Clinical Support Services

John Stanway. BEc, Grad Dip IR

Executive Director Nursing Services

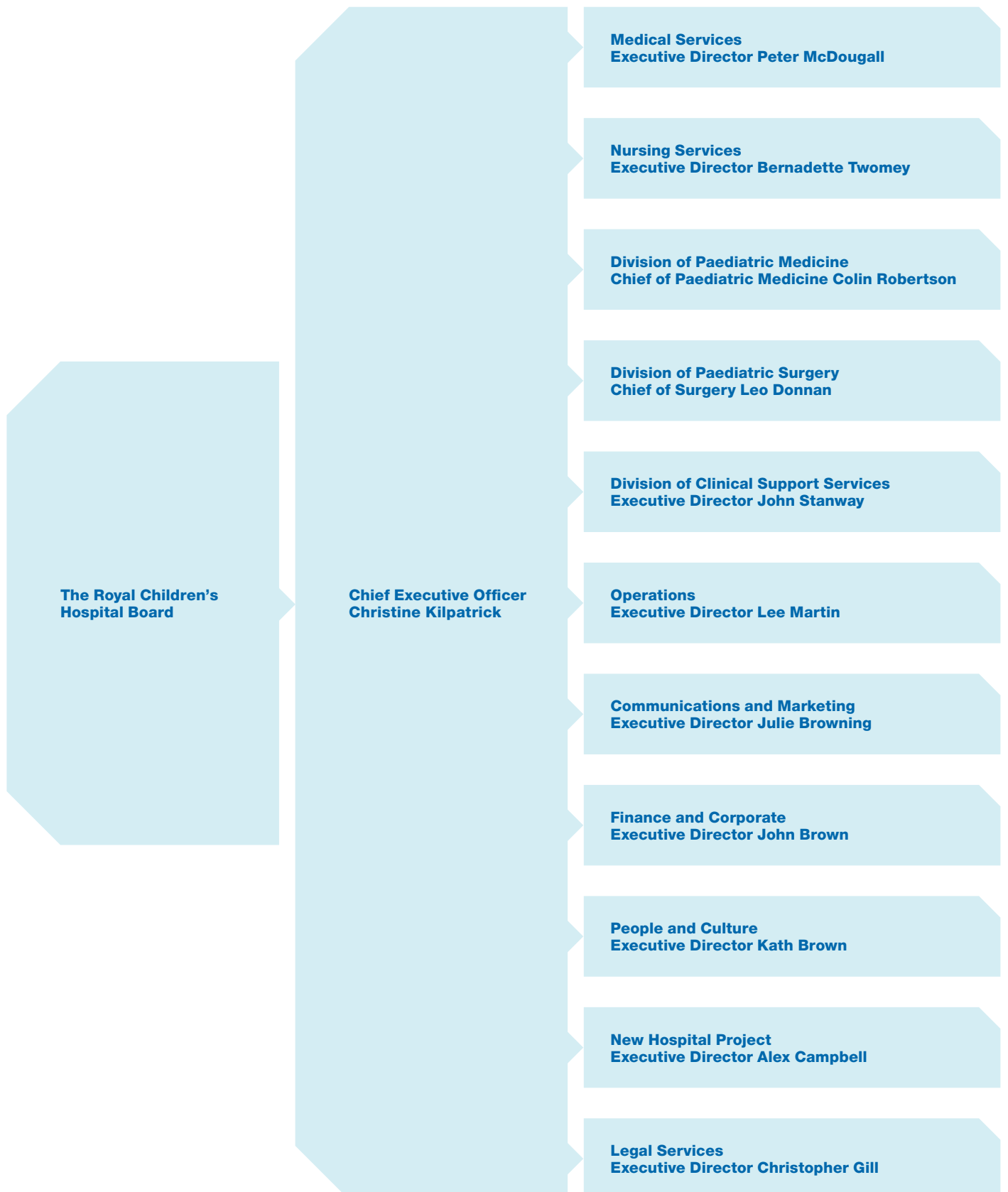
Bernadette Twomey. MN, PGDip, AND, RGON

Staff Summary

The Royal Children's Hospital full time equivalent (FTE) as at 30 June 2010

Labour Category	JUNE Current Month FTE	JUNE YTD FTE	JUNE Current Month Head Count
Nursing	1,050	977	1,293
Administration and Clerical	591	578	753
Medical Support	353	348	403
Hotel and Allied Services	210	179	255
Medical Officers	89	90	94
Hospital Medical Officers	269	314	300
Sessional Clinicians	96	91	266
Ancillary Staff (Allied Health)	279	262	361
Total	2,937	2,839	3,725

Organisational Chart



Statutory Statements

The Royal Children's Hospital (RCH) has cared for the children of Victoria since it was founded in 1870. It is internationally recognised as a leading centre for paediatric treatment, teaching and research. The hospital is accountable to the people of Victoria, through the Minister for Health.

Powers and duties

The powers and duties of the RCH are prescribed by the Health Services Act.

Nature and range of services

The RCH provides a full range of paediatric clinical and surgical services, including neonatal care, cardiac, plastic and craniofacial, orthopaedic and neurosurgery, cancer and renal services and health promotion programs. It is the national paediatric heart and liver transplant centre as well as the major trauma centre for Victoria, Tasmania and southern New South Wales. The hospital is a major teaching and research centre with key partnerships with the Murdoch Childrens Research Institute and the University of Melbourne.

Freedom of information

The Victorian *Freedom of Information (FOI) Act* 1982 provides a legally enforceable right of access to information held by government agencies. All FOI applications received by the RCH were processed in accordance with the provisions of the FOI Act. The RCH provides an annual report on FOI applications to the Department of Justice.

Nominated officers

Ms Judith Smith Freedom of Information Officer and Reviewer

Mr Chris Fitzpatrick Consumer Liaison Officer, FOI Reviewer

Pam Grant Medical Imaging, Manager Clerical & Support Services, FOI Reviewer

Dr Emma Magrath Medico-Legal Physician, FOI Reviewer

Requests Received	2009/10	2008/09
Total	1315	1159
Outcome		
Access granted	1242	982
No information available	23	22
Application withdrawn	50	155

Privacy

Kathy Cassin, Manager of Health Information Services, is the RCH Privacy Officer. Since the Health Records Act became legally binding on July 1, 2002 the RCH has aimed to ensure all staff are aware of the Act (and occasionally the Information Privacy Act, 2000) and its implications in the work place.

Department education and presentations at staff orientation continued. The RCH also conducts privacy presentations at volunteer orientation. These sessions continue to add to the solid foundation of privacy knowledge in the hospital.

The Privacy Officer continues to address general staff enquiries in relation to privacy.

In summary, privacy is part of the culture at the RCH and this will continue with the current ongoing education in place.

Whistleblowers Protection Officer

The RCH has procedures in place to facilitate the making of disclosures about improper conduct and to provide protection for whistleblowers in accordance with the *Whistleblowers Protection Act* 2001 and the Guidelines issued by the Ombudsman Victoria.

The RCH Executive Director, Legal Services is the Protected Disclosure Officer for the purpose of the Act. During 2009-2010, there were no disclosures of corrupt or improper conduct as defined by the Act and accordingly there were no referrals to or from the Ombudsman for investigation.

National Competition Policy

In accordance with the Competition Principles Agreement (CPA) Victoria is obliged to apply competitive neutrality policy and principles to all significant business activities undertaken by government agencies and local authorities.

Competitive Neutrality Policy Victoria 2000 sets out the Victorian approach to competitive neutrality. The RCH has regard to this policy in all relevant business activities.

Ex-Gratia payments

The RCH made no ex-gratia payments for the year ending 30 June 2010.

Victorian Industry Participation Policy

The RCH complies with the intent of the *Victorian Industry Participation Policy Act* 2003. The Act requires wherever possible local industry participation in supplies, taking into consideration the principle of value for money and transparent tendering processes.

Occupational health and safety

The OHS Management system continues to evolve with the changing needs of the organisation. Staff changes led to the engagement of an interim OHS Manager and the team has prepared an OHS strategy plan for 2010/11. The RCH is actively recruiting a permanent Manager Health and Safety Strategy and Services as well as a Manual Handling coordinator who will focus efforts on risk reduction with regard to patient, equipment and materials handling.

The number and duration of workers compensation claims remain lower than previous years as the OHS team focus on injury prevention and early return to work. The number of longer-term claims has been substantially reduced.

The OHS team has been active involved in preparation for the 2010 EQUiP accreditation process as well as significantly involved in New Hospital design and equipment procurement processes.

The RCH has taken a significant step forward in management of Dangerous Goods by securing, in collaboration with MCRI, a subscription to "ChemWatch", an on-line Safety Data Sheets (SDS) database. This service will provide all staff with access directly to SDS for all the chemicals we use directly from a link on our intranet page.

Education and training has been another major focus and a ½ day program for people managers has been designed and will be delivered by the University of Ballarat. The program will be complemented by on-line learning resources. In addition, Code Grey training for staff has been a significant activity as well as a series of initial and refresher training programs for our Health and Safety Representatives.

Compliance with building and maintenance provisions

We have established a comprehensive process to manage maintenance of the Essential Safety Measures (ESM). All ESM are identified on the Certificate of Occupancy issued by the building surveyor. Each ESM is maintained by the relevant experts in the industry as per certified maintenance agreements at the specified time intervals. The Building Surveyor "Philip Chun & Associates" audits the maintenance of all the ESM at the RCH facility annually and certifies the ESM report as evidence of an appropriate level of maintenance of the relevant physical fire safety measures.

Environmental performance

The RCH holds all the licences required by environmental legislation and has procedures in place to ensure that the terms of these licences are complied with.

Compliance

The RCH has complied substantially with the Tax Compliance Framework Certification and Financial Management Compliance Framework Certification in accordance with the requirements of the Victorian Public Sector Financial Management Compliance Framework for the year ended 30 June 2009. The Compliance Framework will be met by the due date of 30 September 2009.

Consultancies less than \$100k

During the year 5 consultancies were employed for minor consultancy work at a total cost of \$296,000.

Consultancies more than \$100k

There were no consultancies in excess of \$100k.

Additional information (FRD 22B Appendix)

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by the RCH and are available to the relevant Ministers, Members of Parliament and the public on request (subject to the freedom of information requirements, if applicable):

- (a) A statement of pecuniary interest has been completed.
- (b) Details of shares held by senior officers as nominee or held beneficially.
- (c) Details of publications produced by the department about the activities of the entity and where they can be obtained.
- (d) Details of changes in prices, fees, charges, rates and levies charged by the entity.
- (e) Details of any major external reviews carried out on the entity.
- (f) Details of major research and development activities undertaken by the entity that are not otherwise covered either in the Report of Operations or in a document that contains the financial report and Report of Operations.
- (g) Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit.
- (h) Details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services.
- (i) Details of assessments and measures undertaken to improve the occupational health and safety of employees.
- (j) General statement on industrial relations within the entity and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the Report of Operations.
- (k) A list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved.

Key Financial and Service Performance Reporting

Part A: Strategic priorities

No.	Planning priority	Deliverables	Outcomes
1	Organisation Improvement (Strategic goals – 1,2,3,4 and 5)	<ul style="list-style-type: none"> Develop and implement IT, Quality, Workforce, Transformation and Redesign, Communication, Research and Education plan 	<p>In 2009–10, the RCH implemented a planning framework to facilitate the achievement of its vision and enable key actions to be prioritised and monitored. There are four main components: an over-arching strategic plan, supporting plans for specific areas, an organisational business plan and divisional business plans (operational). In 2009–10, the RCH has developed a new strategic plan, which builds on our achievements and reaffirms our vision as a GREAT children's hospital, leading the way. Work on the development and implementation of our supporting plans has also progressed:</p> <ul style="list-style-type: none"> IT Strategy: A four-year IT Strategy has been developed and is currently being implemented with the key priority of achieving clinical system integration. Quality Plan: The annual quality plan was developed and implemented. Workforce: The RCH Workforce Planning Framework 2010–2013 was developed and implementation has commenced. Transformation and Redesign: A two-year transformation and redesign plan has been developed to guide the modernisation of current processes and prepare for new ways of doing business in the new RCH. Communications: A two-year communication plan has been developed and is currently being implemented. The development of this plan has involved identifying the five reasons for change. Research: The RCH campus research committee was established in 2009. Education: The RCH campus education committee was established in 2010.
2	New RCH Project (Strategic goals – 1,2 and 5)	<ul style="list-style-type: none"> Continue to work with Department of Health to meet timescales within the New Hospital plan Develop detailed work plans to integrate design, preparation and transition to the New RCH 	<ul style="list-style-type: none"> The New RCH Project continues to be on track for budget, scope and timelines. With design program completed, equipment procurement has commence, and equipment transfer audits have completed. The North Building is on target to be completed towards the end of 2010, as does the move of the Level 1 Research Facility in December this year. The target relocation date at the end of 2011 is being finalized. High level move timelines and sequence have been developed and the formal launch of the departmental move planning process will be at the end of September 2010. The RCH continues to work closely with Children's Health Partnership to ensure a safe and efficient move of over 70 departments, with over 4500 staff to be trained and oriented.
3	Campus Council (Strategic goals – 4)	<ul style="list-style-type: none"> Further enhance the partnerships with MCRI and the University of Melbourne with the introduction of a research week 	<ul style="list-style-type: none"> The RCH campus research week will be held 4–8 October 2010.
4	Improving patient access (Strategic goals – 1 and 3)	<ul style="list-style-type: none"> Improved access to cardiac surgical services Improved access to PICU 	<ul style="list-style-type: none"> Work has been completed on the streamlining of the cardiac surgery pathway of care, which has resulted in improved access to intensive care and inpatient beds and increased theatre capacity. Increased staffing has been implemented to deliver efficiencies. An improvement plan has been developed for PICU and is currently being implemented. This plan will deliver patient flow improvements and sustainable staffing model, which includes recruitment, additional training /development and retention strategies.
5	Data integrity (Strategic goals – 1 and 3)	<ul style="list-style-type: none"> Develop and implement an action plan following internal audits of VEMD and VAED data returns 	<ul style="list-style-type: none"> Processes for the collection of emergency and elective datasets have been reviewed and strategies to maintain data integrity have been implemented. These include staff training and regular process audits.
6	Continue the implementation of <i>HealthSMART</i>	<ul style="list-style-type: none"> Work with the Department of Health to implement the patient and client management system 	<ul style="list-style-type: none"> The RCH ICT Strategy includes the implementation of <i>HealthSmart</i> including the implementation of the state-wide IT platform for patient and client management systems.

Part B: Performance Priorities

Financial performance

	2009–10 Actuals
Operating result	
Annual operating result (\$m)	(22.1)

	2009–10 Actuals
Cash management/liquidity	
Creditors days	35
Debtors days	32
Net movement in cash balance (\$m)	0.58

Service performance

	2009–10 Actuals
WIES activity performance	
WIES (public and private) performance to target (%)	98.2%

	2009–10 Actuals
Elective Surgery	
Elective surgery admissions – quarter 1	1,936
Elective surgery admissions – quarter 2	1,891
Elective surgery admissions – quarter 3	1,824
Elective surgery admissions – quarter 4	1,874

	2009–10 Actual
Critical Care	
PICU minimum operating capacity	18 Beds
	Usual 24
NICU usual operating capacity and flex capacity	Flex max 26

	2009–10 Actuals
Quality and Safety	
Health service accreditation	Accreditation status maintained
Residential aged care accreditation	N/A
Cleaning standards	External audit result = 95.6% placing the RCH as second highest in the state Eight of the fourteen departments examined scored over 95%, two wards obtained a score of 100%
Submission of data to VICNISS (%)	100%
VICNISS Infection Clinical Indicators <i>Staph Aureus</i> bacteraemia	Bloodstream infections neonates and ICU Cardiac Wound infections Ventilator Acquired Pneumonia in ICU
Hand Hygiene Program compliance (%)	Regular audits indicate maintenance of hand hygiene compliance overall results as at March 2009 is 68%, exceeding DoH benchmark of 60% and representing an improvement of 26% against baseline
Victorian Patient Satisfaction Monitor	N/A Pilot modified version for paediatrics unsuccessful

	2009–10 Actuals
Maternity	
Postnatal home care	N/A

	2009–10 Actuals
Mental Health	
28 day readmission rate (%)	10

	2009–10 Actuals
Access performance	
Percentage of operating time on hospital bypass	n/a
Percentage of emergency patients admitted to an inpatient bed within 8 hours	81%
Percentage of non-admitted emergency patients with length of stay of less than 4 hours	78%
Number of patients with length of stay in the emergency department greater than 24 hours	4
Percentage of Triage Category 1 emergency patients seen immediately	100%
Percentage of Triage Category 2 emergency patients seen within 10 minutes	96%
Percentage of Triage Category 3 emergency patients seen within 30 minutes	74%

	2009–10 Actuals
Elective surgery	
Percentage of Category 1 elective patients admitted with in 30 days	100%
Percentage of Category 2 elective surgery patients waiting less than 90 days	99%
Percentage of Category 3 elective surgery patients waiting less than 365 days	99%
Number of patients on the elective surgery waiting list	1,944
Number of Hospital Initiated Postponements (HIPs) per 100 scheduled admissions	16

Part C: Activity and Funding

Activity Weighted Inlier Equivalent Separations (WIES)	2009-10 Activity Achievement
WIES Public	31,370
WIES Private	9,037
Total WIES (Public and Private)	40,407
WIES Renal	0
WIES DVA	5
WIES TAC	668
WIES TOTAL	41,080
Sub Acute Inpatient	
CRAFT	
Rehab L1 (non DVA)	
Rehab L1 (non DVA)	
Rehab L2 (non DVA)	
Rehab – Paediatric	1,984
GEM (non DVA)	
Palliative Care – Inpatient	
Transition Care (non DVA) – Bed day	
Restorative Care	
Rehab 2 – DVA	
GEM – DVA	
Palliative Care – DVA	
Ambulatory	
VACS – Allied Health	54,996
VACS – Variable	87,004
Transition Care (non DVA) – Homeday	
SACS – Non DVA	
SACS – Paediatric	
Post Acute Care	
VACS – Allied Health – DVA	
VACS – Variable – DVA	
SACS – DVA	
Post Acute Care – DVA	

Activity	Acute	Sub-Acute	Mental Health	Other	Total
Admitted Patient Separations					
Same Day	16,359	2	10		16,371
Multi Day	17,713	82	194		17,989
Total Separations	34,072	84	204		34,360
Emergency	20,776	11			20,787
Elective	13,273	34			13,307
Other including Maternity	23	39			62
Total Separations	34,072	84	204		34,360
Total WIES	41,080	0	0		41,080
Total Bed Days	98,746	1,984	2,476		103,206
Non Admitted Patients					
Emergency Department Presentations	62,898				62,898
Outpatient Services – occasions of services (VACS and Non VACS clinics)	230,668				230,668
Other Services – occasions of services	134,335		43,329		177,664
Total occasions of service	365,003		43,329		408,332
Victorian Ambulatory Classification System – Number of encounters (applicable to Health Service / hospital allocated with VACS throughput targets)	129,032				129,032

The Royal Children's Hospital Summary of Financial Results

	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000
Total Revenue	393,947	371,153	351,213	333,924	320,469
Total Expenses	416,061	405,837	356,173	331,486	314,935
Operating Surplus/(Deficit)	(22,114)	(34,684)	(4,960)	2,438	5,534
Retained Surplus/(Accumulated Deficit)	(41,322)	(11,830)	5,479	17,838	21,895
Total Assets	239,032	252,678	272,171	255,567	224,077
Total Liabilities	111,096	112,199	95,626	91,487	77,994
Net Assets	127,936	140,479	176,545	164,080	146,083
Total Equity	127,936	140,479	176,545	164,080	146,083

Revenue Indicators

	Average Collection Days	
	2010	2009
Private	32	40
TAC	-	-
VWA	-	-
Other compensable	-	-
Psychiatric	-	-
Residential aged care	-	-

Debtors Outstanding as at 30 June 2009 (\$'000)

	Under 30 Days	31-60 Days	61-90 Days	Over 90 Days	Total 30 June 2010	Total 30 June 2009
Private	2,047	794	199	344	3,384	3,113
TAC	-	-	-	-	-	-
VWA	-	-	-	-	-	-
Other compensable	-	-	-	-	-	-
Psychiatric	-	-	-	-	-	-
Residential aged care	-	-	-	-	-	-

Finances

The RCH ended the year in a sound financial position with an Operating surplus before Capital and Specific Items of \$0.4 million against a break even operating budget. While the operating result from services supported by the Statement of Priorities returned an operating loss of \$14 million this was offset by an operating surplus of \$14.4 million from Hospital and Community Initiatives. The financial result reflects the impact of the Efficiency and Effectiveness Program implemented during the financial year.

Responsible Bodies Declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present the Report of Operations for The Royal Children's Hospital Melbourne for the year ending 30 June 2010.

Signed:

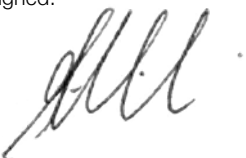


Tony Beddison AO
The Royal Children's Hospital
Board Chairman
18 August 2010

Attestation on Compliance with Australian/New Zealand Risk Management Standard

I, Christine Kilpatrick certify that The Royal Children's Hospital Melbourne has risk management processes in place consistent with *the Australian/New Zealand Risk Management Standard* and an internal control system is in place that enables the executives to understand, manage and satisfactorily control risk exposures. The *audit committee* verifies this assurance and that the risk profile of The Royal Children's Hospital Melbourne has been critically reviewed within the last 12 months.

Signed:

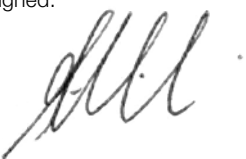


Professor Christine Kilpatrick
Chief Executive Officer
18 August 2010

Attestation on Data Integrity

I, Christine Kilpatrick certify that the The Royal Children's Hospital Melbourne has put in place appropriate internal controls and processes to ensure that reported data reflects actual performance. The Royal Children's Hospital Melbourne has critically reviewed these controls and processes during the year.

Signed:



Professor Christine Kilpatrick
Chief Executive Officer
18 August 2010

Disclosure Index

The annual report of The Royal Children's Hospital Melbourne is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Department's compliance with statutory disclosure requirements.

Legislation	Requirement	Page Reference
Ministerial Directions		
Report of Operations		
Charter and purpose		
FRD 22B	Manner of establishment and the relevant Ministers	8, 56
FRD 22B	Objectives, functions, powers and duties	8
FRD 22B	Nature and range of services provided	8
Management and structure		
FRD 22B	Organisational structure	7
Financial and other information		
FRD 10	Disclosure index	15
FRD 11	Disclosure of ex gratia payments	8
FRD 21A	Responsible person and executive officer disclosures	5, 56 – 59
FRD 22B	Application and operation of <i>Freedom of Information Act 1982</i>	8
FRD 22B	Application and operation of <i>Whistleblowers Protection Act 2001</i>	8
FRD 22B	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	9
FRD 22B	Details of consultancies over \$100,000	9
FRD 22B	Details of consultancies under \$100,000	9
FRD 22B	Major changes or factors affecting performance	3
FRD 22B	Occupational health and safety	9
FRD 22B	Operational and budgetary objectives and performance against objectives	3
FRD 22B	Significant changes in financial position during the year	3
FRD 22B	Statement of availability of other information	9
FRD 22B	Statement on National Competition Policy	8
FRD 22B	Subsequent events	60
FRD 22B	Summary of the financial results for the year	13
FRD 22B	Workforce Data Disclosures	6
FRD 25	Victorian Industry Participation Policy disclosures	8
SD 4.2(j)	Report of Operations, Responsible Body Declaration	14
SD 4.5.5	Attestation on Compliance with Australian/New Zealand Risk Management Standard	14
Financial Statements		
Financial statements required under Part 7 of the FMA		
SD 4.2(a)	Compliance with Australian accounting standards and other authoritative pronouncements	17, 26
SD 4.2(b)	Comprehensive Operating Statement	20
SD 4.2(b)	Balance Sheet	21
SD 4.2(b)	Statement of Changes in Equity	22
SD 4.2(b)	Cash Flow Statement	24
SD 4.2(c)	Accountable officer's declaration	17
SD 4.2(c)	Compliance with Ministerial Directions	17
SD 4.2(d)	Rounding of amounts	26
Legislation		
	<i>Freedom of Information Act 1982</i>	8
	<i>Whistleblowers Protection Act 2001</i>	8
	<i>Victorian Industry Participation Policy Act 2003</i>	8
	<i>Building Act 1993</i>	9
	<i>Financial Management Act 1994</i>	17, 26

The RCH Financial Statements

The Royal Children's Hospital
Board member's, accountable officer's and
chief finance and accounting officer's declaration

We certify that the attached financial statements for The Royal Children's Hospital and the Consolidated Entities have been prepared in accordance with Standing Direction 4.2 of the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards, 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 notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2010 and the financial position at that date of The Royal Children's Hospital and Consolidated Entities as at 30 June 2010.

We are not aware of any circumstances 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.



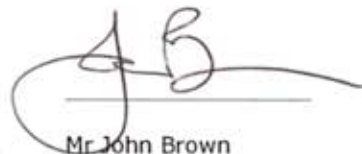
Tony Beddison AO
Chairman
The Royal Children's Hospital

Melbourne
24th August 2010



Professor Christine Kilpatrick
Accountable Officer
The Royal Children's Hospital

Melbourne
24th August 2010



Mr John Brown
Chief Finance & Accounting Officer
The Royal Children's Hospital

Melbourne
24th August 2010

INDEPENDENT AUDITOR'S REPORT

To the Board Members, The Royal Children's Hospital

The Financial Report

The accompanying financial report for the year ended 30 June 2010 of The Royal Children's Hospital which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the board member's, accountable officer's and chief finance and accounting officer's declaration, has been audited. The financial report includes the consolidated financial statements of the economic entity, comprising The Royal Children's Hospital and the entities it controlled at the year's end or from time to time during the financial year as disclosed in note 21 to the financial statements.

The Board Members' Responsibility for the Financial Report

The Board Members of The Royal Children's Hospital are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of The Royal Children's Hospital for the year ended 30 June 2010. The Board Members of the hospital are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the hospital's website.

Independence

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

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of The Royal Children's Hospital and the economic entity as at 30 June 2010 and of their financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
24 August 2010



D D R Pearson
Auditor-General

The Royal Children's Hospital Comprehensive Operating Statement

For the Year Ended 30 June 2010

	Note	Parent 2010 \$'000	Parent 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Revenue from Operating Activities	2	384,037	361,161	406,859	382,731
Revenue from Non-operating Activities	2	1,425	1,681	8,103	3,105
Employee Benefits	3	(271,675)	(256,517)	(274,917)	(259,255)
Non Salary Labour Costs	3	(19,163)	(18,026)	(19,448)	(18,135)
Supplies & Consumables	3	(47,166)	(44,064)	(47,182)	(44,067)
Other Expenses From Continuing Operations	3	(47,081)	(43,830)	(50,892)	(47,319)
Net Result Before Capital & Specific Items		377	405	22,523	17,060
Capital Purpose Income	2	7,669	7,743	6,570	5,402
Assets Received Free of Charge	2d	3	21	3	21
Specific Income	2e	308	548	308	548
Impairment of Financial Assets	3	-	(1,961)	-	(7,676)
Expenditure Using Capital Purpose Income	3	(394)	(988)	(394)	(988)
Specific Expenses	3c	-	(9,717)	-	(9,717)
Depreciation and Amortisation	4	(30,581)	(30,734)	(30,708)	(30,851)
Available-for-Sale Revaluation Surplus gain/(loss) recognised	15a	504	-	504	-
NET RESULT FOR THE YEAR		(22,114)	(34,684)	(1,194)	(26,202)
Other Comprehensive Income					
Net fair value gains/(losses) on Available for Sale Financial Investments	15a	429	544	1,283	4,256
Net fair value revaluation on Non Financial Assets	15a	9,142	(1,926)	9,441	(1,936)
COMPREHENSIVE RESULT FOR THE YEAR		(12,543)	(36,066)	9,530	(23,882)

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

The Royal Children's Hospital Balance Sheet

As at 30 June 2010

	Note	Parent 2010 \$'000	Parent 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Current Assets					
Cash and Cash Equivalents	5	23,236	23,150	49,858	59,732
Receivables	6	17,556	21,636	21,867	6,872
Other Financial Assets	7	-	-	49,569	48,250
Inventories	8	1,295	1,051	1,295	1,051
Prepayments		1,145	1,049	1,145	1,049
Total Current Assets		43,231	46,887	123,734	116,954
Non-Current Assets					
Receivables	6	5,601	6,263	5,601	6,263
Other Financial Assets	7	17,064	13,624	42,571	27,909
Property, Plant & Equipment	9	167,937	179,872	171,274	182,863
Intangible Assets	10	1,669	2,808	1,830	2,815
Investment Properties	11	3,531	3,223	3,531	3,223
Total Non-Current Assets		195,801	205,790	224,807	223,073
TOTAL ASSETS		239,032	252,676	348,541	340,027
Current Liabilities					
Payables	12	29,703	26,388	30,776	27,363
Employee Benefits and Related On-Costs Provisions	13	58,667	53,595	59,245	54,109
Other Liabilities	14	8,441	13,461	8,501	13,545
Total Current Liabilities		96,811	93,444	98,522	95,017
Non-Current Liabilities					
Employee Benefits and Related On-Costs Provisions	13	9,489	13,561	9,576	13,700
Other Liabilities	14	4,797	5,194	4,797	5,194
Total Non-Current Liabilities		14,286	18,755	14,373	18,894
TOTAL LIABILITIES		111,097	112,199	112,895	113,911
NET ASSETS		127,936	140,479	235,646	226,116
EQUITY					
Property Plant & Equipment Revaluation Surplus	15a	32,702	23,560	34,555	25,114
Financial Asset Available for Sale Revaluation Surplus	15a	450	21	1,304	21
General Purpose Reserve	15a	9,557	6,346	9,557	6,346
Restricted Specific Purpose Reserve	15a	18,120	13,953	123,123	109,620
Contributed Capital	15b	108,429	108,429	108,429	108,429
Accumulated Deficit	15c	(41,322)	(11,830)	(41,322)	(23,414)
TOTAL EQUITY	15d	127,936	140,479	235,646	226,116
Commitments for Expenditure	18				
Contingent Assets and Contingent Liabilities	19				

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

The Royal Children's Hospital Statement of Changes in Equity

For the Year Ended 30 June 2010

2010 Consolidated		Changes due to			
	Note	Equity at 1 July 2009	Comprehensive Result	Transactions with owner in its capacity as owner	Equity at 30 June 2010
		\$'000	\$'000	\$'000	\$'000
Accumulated Deficit	15c	(23,414)	(1,194)	-	(24,608)
Transfer (To)/From General Purpose Reserve		-	(3,211)	-	(3,211)
Transfer (To)/From Restricted Specific Purpose Reserve		-	(13,503)	-	(13,503)
		(23,414)	(17,908)	-	(41,322)
Contribution by Owners	15b	108,429	-	-	108,429
		108,429	-	-	108,429
Reserves					
Property Plant and Equipment Revaluation Surplus	15a	25,114	9,441	-	34,555
Available for Sale Investments Revaluation Surplus	15a	21	1,283	-	1,304
General Purpose Reserve	15a	6,346	3,211	-	9,557
Restricted Specific Purpose Reserve	15a	109,620	13,503	-	123,123
		141,101	27,438	-	168,539
Total Equity at the end of the financial year	15d	226,116	9,530	-	235,646
2009 Consolidated					
	Note	Equity at 1 July 2008	Comprehensive Result	Transactions with owner in its capacity as owner	Equity at 30 June 2009
		\$'000	\$'000	\$'000	\$'000
Accumulated Surplus/(Deficit)	15c	5,479	(26,202)	-	(20,723)
Transfer (To)/From General Purpose Reserve		-	18,105	-	18,105
Transfer (To)/From Restricted Specific Purpose Reserve		-	(20,796)	-	(20,796)
		5,479	(28,893)	-	(23,414)
Contribution by Owners	15b	108,429	-	-	108,429
		108,429	-	-	108,429
Reserves					
Property Plant and Equipment Revaluation Surplus	15a	27,050	(1,936)	-	25,114
Available for Sale Investments Revaluation Surplus	15a	(4,235)	4,256	-	21
General Purpose Reserve	15a	24,451	(18,105)	-	6,346
Restricted Specific Purpose Reserve	15a	88,824	20,796	-	109,620
		136,090	5,011	-	141,101
Total Equity at the end of the financial year	15d	249,998	(23,882)	-	226,116

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

The Royal Children's Hospital Statement of Changes in Equity (continued)

For the Year Ended 30 June 2010

		Changes due to			Equity at 30 June 2010
		Equity at 1 July 2009	Comprehensive Result	Transactions with owner in its capacity as owner	
Note	\$'000	\$'000	\$'000	\$'000	
2010 Parent					
Accumulated Surplus/(Deficit)	15c	(11,830)	(22,114)	-	(33,944)
Transfer (To)/From General Purpose Reserve		-	(3,211)	-	(3,211)
Transfer (To)/From Restricted Specific Purpose Reserve		-	(4,167)	-	(4,167)
		(11,830)	(29,492)	-	(41,322)
Contribution by Owners	15b	108,429	-	-	108,429
		108,429	-	-	108,429
Reserves					
Property Plant and Equipment Revaluation Surplus	15a	23,560	9,142	-	32,702
Available for Sale Investments Revaluation Surplus	15a	21	429	-	450
General Purpose Reserve	15a	6,346	3,211	-	9,557
Restricted Specific Purpose Reserve	15a	13,953	4,167	-	18,120
		43,880	16,949	-	60,829
Total Equity at the end of the financial year	15d	140,479	(12,543)	-	127,936

		Changes due to			Equity at 30 June 2009
		Equity at 1 July 2008	Comprehensive Result	Transactions with owner in its capacity as owner	
Note	\$'000	\$'000	\$'000	\$'000	
2009 Parent					
Accumulated Surplus/(Deficit)	15c	5,479	(34,684)	-	(29,205)
Transfer (To)/From General Purpose Reserve		-	18,105	-	18,105
Transfer (To)/From Restricted Specific Purpose Reserve		-	(730)	-	(730)
		5,479	(17,309)	-	(11,830)
Contribution by Owners	15b	108,429	-	-	108,429
		108,429	-	-	108,429
Reserves					
Property Plant and Equipment Revaluation Surplus	15a	25,486	(1,926)	-	23,560
Available for Sale Investments Revaluation Surplus	15a	(523)	544	-	21
General Purpose Reserve	15a	24,451	(18,105)	-	6,346
Restricted Specific Purpose Reserve	15a	13,223	730	-	13,953
		62,637	(18,757)	-	43,880
Total Equity at the end of the financial year	15d	176,545	(36,066)	-	140,479

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

The Royal Children's Hospital Cash Flow Statement

For the Year Ended 30 June 2010

Note	Parent 2010 \$'000	Parent 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Grants from Government	311,799	289,274	306,288	300,858
Patient Fees Received	9,615	10,142	9,615	10,142
Private Practice Fees Received	22,225	18,817	22,225	18,817
Donations and Bequests Received	12,943	11,513	19,227	30,137
GST Received from/(Paid to) ATO	6,427	6,123	6,503	5,960
Interest Received	1,348	1,783	3,256	3,535
Other Receipts	30,452	27,525	33,719	33,062
Employee Benefits Paid	(286,830)	(266,553)	(290,345)	(269,417)
Fee for Service Medical Officers	(2,702)	(2,245)	(2,702)	(2,245)
Payments for Supplies & Consumables	(51,198)	(48,842)	(51,985)	(49,893)
Other Payments	(49,946)	(46,039)	(53,264)	(48,724)
Cash Generated from Operations	4,133	1,497	2,537	32,232
Capital Grants from Government	6,037	4,262	6,037	4,262
Capital Donations and Bequests Received	1,267	3,304	168	974
NET CASH INFLOW FROM OPERATING ACTIVITIES	11,437	9,063	8,742	37,468
16				
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property, Plant & Equipment	(8,347)	(8,355)	(8,673)	(8,423)
Proceeds from Sale of Property, Plant & Equipment	-	51	-	64
Purchase of Investments	(12,943)	(2,041)	(37,999)	(9,223)
Proceeds from Sale of Investments	10,436	1,232	28,553	1,232
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(10,854)	(9,113)	(18,119)	(16,350)
CASH FLOWS FROM FINANCING ACTIVITIES				
Contributed Capital from Government	-	-	-	-
NET CASH INFLOW FROM FINANCING ACTIVITIES	-	-	-	-
NET INCREASE / (DECREASE) IN CASH HELD	583	(50)	(9,377)	21,118
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	20,682	20,732	57,264	36,146
CASH AND CASH EQUIVALENTS AT END OF PERIOD	21,265	20,682	47,887	57,264
5				

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

Notes to the Financial Statements

30 June 2010

Table of Contents

Note		
1	Statement of Significant Accounting Policies	26
2	Revenue	32
2a	Analysis of Revenue by Source	33
2b	Patient Fees	34
2c	Net Gain/(Loss) from Disposal of Non-Financial Assets	35
2d	Assets Received Free of Charge or For Nominal Consideration	35
2e	Specific Income	35
3	Expenses	36
3a	Analysis of Expenses by Source	37
3b	Analysis of Expenses by Internal and Restricted Specific Purpose Funds for Services Support by Hospital and Community Initiatives	38
3c	Specific Expenses	38
4	Depreciation and Amortisation	38
5	Cash and Cash Equivalents	39
6	Receivables	39
7	Other Financial Assets	40
8	Inventories	40
9	Property, Plant and Equipment	41
10	Intangible Assets	42
11	Investment Properties	43
12	Payables	43
13	Employee Benefits and Related On-Costs Provisions	44
14	Other Liabilities	44
15	Equity	45
16	Reconciliation of Net Result for the Year to Net Cash Inflow/(Outflow) from Operating Activities	46
17	Financial Instruments	47
18	Commitments for Expenditure	55
19	Contingent Assets and Contingent Liabilities	55
20	Responsible Person Disclosures	56
20a	Executive Officer Disclosures	59
21	Controlled Entities	60
22	Events occurring after the Balance Sheet Date	60

Note 1: Statement of Significant Accounting Policies

(a) Statement of Compliance

These financial statements are a general-purpose financial report which have been prepared in accordance with the *Financial Management Act 1994*, and applicable Australian Accounting Standards (AASs) and Australian Accounting Interpretations and other mandatory requirements. AASs include Australian equivalents to International Financial Reporting Standards.

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

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

(b) Basis of accounting preparation and measurement

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2010, and the comparative information presented in these financial statements for the year ended 30 June 2009.

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 going concern basis was used to prepare the financial statements.

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 report is prepared in accordance with the historical cost convention, except for the revaluation of certain non-current assets and financial instruments, as noted.

Particularly, exceptions to the historical cost convention include:

- Non-current physical assets, which subsequent to acquisition, are measured at valuation and are re-assessed with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair values;
- Derivative financial instruments, managed investment schemes, certain debt securities, and investment properties after initial recognition, which are measured at fair value through profit and loss; and
- Available-for-sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised.

Historical Cost is based on the fair values of the consideration given in exchange for assets.

In the application of AASs management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Reporting Entity

The financial statements include all the controlled activities of The Royal Children's Hospital. Its principle address is:

50 Flemington Road
Parkville
Victoria 3052

(d) Rounding Of Amounts

All amounts shown in the financial statements are expressed to the nearest thousand dollars unless otherwise stated.

Figures in the financial statements may not equal due to rounding.

(e) Functional and Presentation Currency

The presentation currency of The Royal Children's Hospital is the Australian dollar, which has also been identified as the functional currency of the entity.

(f) Principles of Consolidation

The assets, liabilities, incomes and expenses of all controlled entities of The Royal Children's Hospital have been included at the values shown in their audited Annual Financial Statements. Any inter-entity transactions have been eliminated on consolidation.

The consolidated financial statements include the audited financial statements of the following controlled entities:

- The Royal Children's Hospital Foundation Trust Funds
- The Royal Children's Hospital Education Institute Limited
- Communities That Care Limited

The Royal Children's Hospital Foundation Trust Funds is a controlled entity of The Royal Children's Hospital by virtue of the power to appoint a new or additional trustee of the Foundation Trust Funds.

The Royal Children's Hospital Education Institute Limited and Communities That Care Limited are deemed to be controlled entities of The Royal Children's Hospital because the majority of the entities' Board positions comprise Royal Children's Hospital Directors and Senior Management.

(g) Going Concern

The financial statements are prepared on a going concern basis.

(h) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, deposits at call and highly liquid investments with an original maturity of 3 months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

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

(i) Receivables

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 an impairment loss has occurred. Bad debts are written off when identified.

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

In accordance with Acute Health Division Hospital Circular 14/2009, Accounting for Long Service Leave, The Royal Children's Hospital has recognised a non-current receivable from the Department of Health and non-cash revenue for services provided.

(j) Inventories

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

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

(k) Investments and Other Financial Assets

Other financial assets 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.

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

The Royal Children's 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 and loss are subject to annual review for impairment.

Financial assets at fair value through profit and loss

Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in the profit and loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 17.

Available-for-sale financial assets

Available-for-sale financial assets are stated at fair value and classified as current and non current other financial assets. Gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time to the extent appropriate, the cumulative gain or loss previously recognised in equity is included in profit or loss for the period. Fair value is determined in the manner described in Note 17.

(l) Intangible Assets

Intangible assets represent identifiable non-monetary assets without physical substance including computer software and development costs.

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to The Royal Children's Hospital.

Amortisation is allocated to intangible assets with finite useful lives on a systematic basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

Intangible assets with indefinite useful lives are not amortised. The useful life of intangible assets that are not being amortised are reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. In addition, The Royal Children's Hospital tests all intangible assets with indefinite useful lives for impairment by comparing its recoverable amount with its carrying amount:

- annually, and
- whenever there is an indication that the intangible asset may be impaired.

Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

Intangible assets with finite useful lives are amortised over a 3 year period (2009: 3 years)

(m) Property, Plant and Equipment

Freehold and Crown Land is measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or constructive restrictions imposed on the land, public announcements or commitments made in relation to the intended use of the land. Theoretical opportunities that may be available in relation to the assets are not taken into account until it is virtually certain that any restrictions will no longer apply.

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

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

Cultural Assets are measured at fair value less impairment.

(n) Revaluations of Non-current Physical Assets

Non-current physical assets measured at fair value are revalued in accordance with FRD 103D (*Non Current Physical Assets*). This revaluation process normally occurs at least every five years, based upon the asset's Government Purpose Classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct

these scheduled revaluations and any interim revaluations are determined in accordance with the requirements of the FRDs. Revaluation increments or decrements arise from differences between an asset's carrying value and fair value.

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

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

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 are normally not transferred to accumulated funds on derecognition of the relevant asset.

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

(o) Investment Property

Investment properties represent properties held to earn rentals or for capital appreciation or both. Investment properties exclude properties held to meet service delivery objectives of The Royal Children's Hospital.

Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to The Royal Children's Hospital.

Subsequent to initial recognition at cost, investment properties are revalued to fair value with changes in the fair value recognised as income or expenses in the period that they arise. Investment properties are not depreciated.

Rental revenue from the leasing of investment properties is recognised in the Comprehensive Operating Statement in the periods in which it is receivable, as this represents the pattern of service rendered through the provision of the properties.

(p) Depreciation

Assets with a cost in excess of \$1,000 (2008–09 and 2009–10) are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost or valuation over their estimated useful lives. Depreciation is generally calculated on a straight-line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and depreciation method for all assets are reviewed at least annually. This depreciation charge is not funded by the Department of Health.

Depreciation is provided on property, plant and equipment, including freehold buildings, but excluding land 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.

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

	2010	2009
Buildings		
Structure Shell Building Fabric	52 Years	52 Years
Site Engineering Services and Central Plant	23 Years	23 Years
Fit Out	23 Years	23 Years
Trunk Reticulated Building Systems	24 Years	24 Years
Plant & Equipment	3 to 7 years	3 to 7 years
Medical Equipment	7 to 10 years	7 to 10 years
Computers & Communications	3 years	3 years
Furniture & Fittings	13 years	13 years
Motor Vehicles	10 years	10 years
Intangible Assets	3 years	3 years
Leasehold Improvements	4 to 8 years	6 to 7 years

Note 1: Statement of Significant Accounting Policies (continued)

As part of the Land & Buildings valuation conducted in 2009, building values were componentised and each component assessed for its expected useful life which is represented above.

The remaining useful life of buildings was also reviewed as part of the valuation of Land and Buildings as at 30 June 2009 with the depreciated replacement cost where applicable reflecting the Buildings' remaining useful life. Buildings which are due to be demolished as part of the Royal Children's Hospital redevelopment have a remaining useful life of 1.5 years from 30 June 2010.

(q) Net Gain/(Loss) on Non-Financial Assets

Net gain/(loss) on non-financial assets includes realised and unrealised gains and losses from revaluations, impairments and disposals of all physical assets and intangible assets.

Disposal of Non-Financial Assets

Any gain or loss on the sale of non-financial assets is recognised at the date that control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying value of the asset at that time.

Impairment of Non-Financial Assets

Apart from intangible assets with indefinite useful lives, all other assets are assessed annually for indications of impairment, except for:

- inventories;
- assets arising from construction contracts;
- financial instrument assets;
- investment property that is measured at fair value;

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

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

(r) Net Gain/(Loss) on Financial Instruments

Net gain/(loss) on financial instruments includes realised and unrealised gains and losses from revaluations of financial instruments that are designated at fair value through profit or loss or held-for-trading, impairment and reversal of impairment for financial instruments at amortised cost, and disposals of financial assets.

Revaluations of Financial Instruments at Fair Value

The revaluation gain/(loss) on financial instruments at fair value excludes dividends or interest earned on financial assets, which is reported as part of income from transactions.

Impairment of Financial Assets

Financial Assets have been assessed for impairment in accordance with Australian Accounting Standards. Where a financial asset's fair value at balance date has reduced by 20 per cent or more than its cost price; or where its fair value has been less than its cost price for a period of 12 or more months, the financial instrument is treated as impaired.

In order to determine an appropriate fair value as at 30 June 2010 for its portfolio of financial assets, the Royal Children's Hospital used the market value of the individual units in the funds invested which was provided by the Victorian Funds Management Corporation.

The above valuation process was used to quantify the level of impairment on the portfolio of financial assets as at year end.

(s) Payables

These amounts represent liabilities for goods and services provided prior to the end of the financial year that are unpaid, and arise when The Royal Children's Hospital becomes obliged to make future payments in respect of the purchase of these goods and services. The normal credit terms are usually Nett 30 days.

(t) Provisions

Provisions are recognised when The Royal Children's Hospital 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 provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(u) Resources Provided and Received Free of Charge or for Nominal Consideration

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

(v) Goods and Services Tax

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it 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 taxation authority is included with other receivables or payables in the balance sheet.

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

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

(w) Employee Benefits

Wages and Salaries, Annual Leave and Accrued Days Off

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accrued days off expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee's services up to the reporting date, classified as current liabilities and measured at nominal values.

Those liabilities that The Royal Children's Hospital does not expect to settle within 12 months are recognised in the provision for employee benefits as current liabilities, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long Service Leave

The Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Current Liability – unconditional LSL (representing 10 or more years of continuous service) is disclosed as a current liability regardless of whether The Royal Children's Hospital does not expect to settle the liability within 12 months as it does not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- present value – component that The Royal Children's Hospital does not expect to settle within 12 months; and
- nominal value – component that The Royal Children's Hospital expects to settle within 12 months.

Non-Current Liability – conditional LSL (representing less than 10 years of continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until 10 years of service has been completed by an employee. Conditional LSL is required to be measured at present value.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates of Commonwealth Government guaranteed securities in Australia.

Sick Leave

Sick leave entitlements are non-vesting. Accordingly no provision is recognised at year end.

Superannuation**Defined contribution plans**

Contributions to defined contribution superannuation plans are expensed when incurred.

Defined benefit plans

The amount charged to the Comprehensive Operating Statement in respect of defined benefit plan superannuation represents the contributions made by The Royal Children's Hospital to the superannuation plan in respect to the current services of current Royal Children's Hospital staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

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

The Royal Children's Hospital made contributions to the following major superannuation plans during the year:

	Contributions paid or payable for the year	
	2010 \$	2009 \$
Defined benefit plans:		
Health Super Scheme	1,155,109	1,120,312
Defined contribution plans:		
Health Super Scheme	16,354,106	15,035,195
Hesta	3,476,007	2,954,796
Other	880,071	901,886

The Royal Children's Hospital does not recognise any unfunded defined benefit liability in respect of the superannuation plans because The Royal Children's Hospital has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance administers and discloses the State's defined benefit liabilities in its financial statements.

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits.

Liabilities for termination benefits are recognised when a detailed plan for the termination has been developed and a valid expectation has been raised with those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as a provision.

On-Costs

Employee benefit on-costs, such as workers compensation and superannuation are recognised separately from provision for employee benefits.

(x) Intersegment Transactions

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

(y) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership.

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

Finance Leases

Finance leases are recognised as assets and liabilities at amounts equal to the value of the lease property or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The lease asset is depreciated over the shorter of the estimated useful life of the asset or the

term of the lease. The minimum lease payments are apportioned between reduction of the outstanding lease liability, and the periodic finance expense which is calculated using the interest rate implicit in the lease, and charged directly to the Comprehensive Operating Statement.

Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

The Royal Children's Hospital has not entered into any finance lease agreements as at 30 June 2010.

Operating Leases

Operating lease payments, including any contingent rentals, are recognised as an expense in the Comprehensive Operating Statement on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

(z) Income Recognition

Income is recognised in accordance with AASB 118 *Revenue*. Income is recognised as revenue to the extent it is earned. 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)

Grants are recognised as income when the Royal Children's Hospital gains control of the underlying assets in accordance with AASB 1004 *Contributions*. For reciprocal grants, The Royal Children's Hospital is deemed to have assumed control when the performance has occurred under the grant. For non-reciprocal grants, The Royal Children's Hospital is deemed to have assumed control when the grant is received or receivable. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

Indirect Contributions

Insurance is recognised as revenue following advice from the Department of Health.

Long Service Leave (LSL) – Revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Acute Health Division Hospital Circular 14/2009.

Patient Fees

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

Private Practice Fees

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

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 reserve, such as specific restricted purpose reserve.

Interest Revenue

Interest revenue is recognised in a time proportionate basis that takes into account the effective yield of the financial asset.

Sale of Investments

The profit/loss on sale of investments is recognised when the investment is realised.

(aa) Fund Accounting

The Royal Children's Hospital operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital Funds. The Royal Children's Hospital's Capital and Specific Purpose Funds include unspent capital donations and receipts from fund-raising activities conducted solely in respect of these funds.

(ab) Services Supported by Health Services Agreement and Services Supported by Hospital and Community Initiatives

Activities classified as Services Supported by Health Services Agreement (HSA) are substantially funded by the Department of Health and are also funded from other sources such as the Commonwealth, patients and residents, while Services Supported by Hospital and Community Initiatives (Non HSA) are funded by The Royal Children's Hospital's own activities or local initiatives and/or the Commonwealth.

Note 1: Statement of Significant Accounting Policies (continued)

(ac) Comparative Information

There have been no changes to previous year's figures other than detailed below.

Note 2 Revenue – Property Income \$162k and Car Park Income \$3,362k have been reallocated from Revenue from Non-Operating activities to revenue from Business Units and Specific Purpose Funds. This change occurred in order to align the disclosure with Department of Health reporting guidelines.

Note 2 Revenue – Commonwealth Grant revenue has increased by \$572k. Commonwealth Grants have been reallocated from Research and Program Grants which have decreased by \$195k and Other Income which has decreased by \$377k. External recoveries have been reallocated from Research and Program Grants which have reduced by \$543k to Other Income.

(ad) Property, Plant & Equipment Revaluation Surplus

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

(ae) Financial Asset Available-for-Sale Revaluation Surplus

The available-for-sale revaluation surplus arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold that portion of the surplus which relates to that financial asset, and is effectively realised, is recognised in the Comprehensive Operating Statement. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in the Comprehensive Operating Statement.

(af) General Purpose Reserve

General Purpose Reserves represent internally managed specific purpose funds that are not restricted. Internally managed specific purpose funds are funds established, managed, and controlled by the Board.

(ag) Specific Restricted Purpose Reserve

A specific restricted purpose reserve is established where The Royal Children's Hospital has possession or title to the funds but has no discretion to amend or vary the restriction and/or condition underlying the funds received.

(ah) Contributed Capital

Consistent with Australian Accounting Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities and FRD 119 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 or distributions, that have been designated as contributed capital are also treated as contributed capital.

(ai) Commitments

Commitments are not recognised on the Balance Sheet. Commitments are disclosed at their nominal value and are inclusive of the GST payable.

(aj) Contingent Assets and Contingent Liabilities

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

(ak) Net Result Before Capital and Specific Items

The subtotal entitled 'Net result Before Capital & Specific Items' is included in the Comprehensive Operating Statement to enhance the understanding of the financial performance of The Royal Children's Hospital. This subtotal reports the result excluding items such as capital grants, assets received or provided free of charge, depreciation, and items of unusual nature and amount such as specific revenues and expenses. The exclusion of these items are made to enhance matching of income and expenses so as to facilitate the comparability and consistency of results between years and Victorian Public Health Services. The Net result Before Capital & Specific Items is used by the management of The Royal Children's Hospital, the Department of Health and the Victorian Government to measure the ongoing result of Health Services in operating hospital services.

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

- Capital purpose income, which comprises all tied grants, donations and bequests received for the purpose of acquiring non-current assets, such as capital works, plant and equipment or intangible assets. It also includes donations of plant and equipment. Consequently the recognition of revenue as capital purpose income is based on the intention of the provider of the revenue at the time the revenue is provided.

- Depreciation and amortisation, as described in note 1 (l) and (p).
- Non current asset revaluation increments/decrements.
- Assets provided or received free of charge, as described in note 1 (u).
- Impairment of financial and non financial assets, includes all impairment losses which have been recognised in accordance with note 1 (q) and (t).
- Expenditure using capital purpose income, comprises expenditure which either falls below the asset capitalisation threshold note 1 (l) and (p), or doesn't meet asset recognition criteria and therefore does not result in the recognition of an asset in the balance sheet, where funding for that expenditure is from capital purpose income.

(al) Category Groups

The Royal Children's Hospital has used the following category groups for reporting purposes for the current and previous financial years.

Admitted Patient Services (Admitted Patients) comprises all recurrent health revenue/expenditure on admitted patient services, where services are delivered in public hospitals, or free standing day hospital facilities, or palliative care facilities, or rehabilitation facilities, or alcohol and drug treatment units or hospitals specialising in dental services, hearing and ophthalmic aids.

Mental Health Services (Mental Health) comprises all recurrent health revenue/expenditure on specialised mental health services (child and adolescent, general and adult, community and forensic) managed or funded by the state or territory health administrations, and includes: Admitted patient services (including forensic mental health), outpatient services, emergency department services (where it is possible to separate emergency department mental health services), community-based services, residential and ambulatory services.

Outpatient Services (Outpatients) comprises all recurrent health revenue/expenditure on public hospital type outpatient services, where services are delivered in public hospital outpatient clinics, or free standing day hospital facilities, or rehabilitation facilities, or alcohol and drug treatment units, or outpatient clinics specialising in ophthalmic aids or palliative care.

Emergency Department Services (EDS) comprises all recurrent health revenue/expenditure on emergency department services that are available free of charge to public patients.

Primary Health comprises revenue/expenditure for Community Health Services including health promotion and counselling, physiotherapy, speech therapy, podiatry and occupational therapy.

Off Campus, Ambulatory Services (Ambulatory) comprises all recurrent health revenue/expenditure on public hospital type services, provided under the following agreements: Services that are provided or received by hospitals (or area health services) but are delivered/received outside a hospital campus, services which have moved from a hospital to a community setting since June 1998, services which fall within the agreed scope of inclusions under the new system, which have been delivered within hospitals i.e. in rural/remote areas.

Other Services excluded from Australian Health Care Agreement (AHCA) (Other) comprises revenue/expenditure for services not separately classified above, including: Public health services including Laboratory testing, Blood Borne Viruses / Sexually Transmitted Infections clinical services, Koori liaison officers, immunisation and screening services, Drugs services including drug withdrawal, counselling and the needle and syringe program, Dental Health services including general and specialist dental care, school dental services and clinical education, Disability services including aids and equipment and flexible support packages to people with a disability, Community Care programs including sexual assault support, early parenting services, parenting assessment and skills development, and various support services. Health and Community Initiatives also falls in this category group.

(am) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting period. As at 30 June 2010, the following standards and interpretations had been issued but were not mandatory for financial years ending 30 June 2010. The Royal Children's Hospital has not and does not intend to adopt these standards early.

Standard/Interpretation	Summary	Applicable for Annual Reporting periods beginning on	Impact on Health Services Financial Statements
AASB 2009-5 Further amendments to Australian Accounting Standards arising from the annual improvements project [AASB 5, 8, 101, 107, 117, 118, 136 and 139]	Some amendments will result in accounting changes for presentation, recognition or measurement purposes, while other amendments will relate to terminology and editorial changes.	Beginning 1 Jan 2010	Terminology and editorial changes. Impact minor.
AASB 2009-9 Amendments to Australian Accounting Standards – additional exemptions for first-time adopters [AASB 1]	Applies to Health Services adopting Australian Accounting Standards for the first time, to ensure Health Services will not face undue cost or effort in the transition process in particular situations.	Beginning 1 Jan 2010	No impact. Relates only to first time adopters of Australian Accounting Standards.
AASB 124 Related party disclosures (Dec 2009)	Government related Health Services have been granted partial exemption with certain disclosure requirements.	Beginning 1 Jan 2011	Preliminary assessment suggests that impact is insignificant. However, the Health Service is still assessing the detailed impact and whether to early adopt.
AASB 2009-12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and Interpretations 2, 4, 16, 1039 and 1052]	This standard amends AASB 8 to require an entity to exercise judgement in assessing whether a government and Health Services known to be under the control of that government are considered a single customer for purposes of certain operating segment disclosures. This standard also makes numerous editorial amendments to other AASs.	Beginning 1 Jan 2011	AASB 8 does not apply to Health Services therefore no impact expected. Otherwise, only editorial changes arising from amendments to other standards, no major impact. Impacts of editorial amendments are not expected to be significant.
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a minimum funding requirement [AASB Interpretation 14]	Amendment to Interpretation 14 arising from the issuance of <i>Prepayments of a minimum funding requirement</i> .	Beginning 1 Jan 2011	Expected to have no significant impact.
AASB 9 Financial instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial instruments: recognition and measurement</i> (AASB 139 <i>financial Instruments: recognition and measurement</i>).	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]	This gives effect to consequential changes arising from the issuance of AASB 9.	Beginning 1 Jan 2013	Detail of impact is still being assessed.

Note 2: Revenue

	Parent						Consolidated					
	HSA 2010 \$'000	HSA 2009 \$'000	Non HSA 2010 \$'000	Non HSA 2009 \$'000	Total 2010 \$'000	Total 2009 \$'000	HSA 2010 \$'000	HSA 2009 \$'000	Non HSA 2010 \$'000	Non HSA 2009 \$'000	Total 2010 \$'000	Total 2009 \$'000
Revenue from Operating Activities												
Government Grants												
– Department of Human Services	71,313	283,864	-	-	71,313	283,864	71,313	283,864	-	-	71,313	283,864
– Department of Health	225,444	-	-	-	225,444	-	225,444	-	-	-	225,444	-
– Commonwealth Government	2,326	1,855	8,949	3,563	11,275	5,418	2,326	1,855	8,949	3,563	11,275	5,418
Total Government Grants	299,083	285,719	8,949	3,563	308,032	289,282	299,083	285,719	8,949	3,563	308,032	289,282
Indirect Contributions by Department of Health												
– Insurance	3,513	3,174	-	-	3,513	3,174	3,513	3,174	-	-	3,513	3,174
– Long Service Leave	(662)	2,003	-	-	(662)	2,003	(662)	2,003	-	-	(662)	2,003
Total Indirect Contributions by Department of Health	2,851	5,177	-	-	2,851	5,177	2,851	5,177	-	-	2,851	5,177
Patient Fees												
– Patient Fees (refer note 2b)	9,130	9,573	1,004	955	10,134	10,528	9,130	9,573	1,004	955	10,134	10,528
Total Patient Fees	9,130	9,573	1,004	955	10,134	10,528	9,130	9,573	1,004	955	10,134	10,528
Business Units and Specific Purpose Funds												
– Private Practice and other patient activity	-	-	14,497	12,654	14,497	12,654	-	-	14,497	12,654	14,497	12,654
– Child Health & Information	-	-	190	321	190	321	-	-	190	321	190	321
– Community Child Care	-	-	1,102	1,002	1,102	1,002	-	-	1,102	1,002	1,102	1,002
– Education Resource Centre	-	-	935	794	935	794	-	-	935	794	935	794
– Property Income	-	-	286	162	286	162	-	-	695	427	695	427
– Car Park Fees	-	-	3,816	3,362	3,816	3,362	-	-	3,816	3,362	3,816	3,362
– Other	-	-	4,040	4,508	4,040	4,508	-	-	7,022	7,189	7,022	7,189
Total Business Units & Specific Purpose Funds	-	-	24,866	22,803	24,866	22,803	-	-	28,257	25,749	28,257	25,749
Research & Program Grants	269	144	-	-	269	144	269	144	-	-	269	144
Recoupment from Private Practice for Use of Hospital Facilities	7,728	6,163	-	-	7,728	6,163	7,728	6,163	-	-	7,728	6,163
Corporate Services	1,288	1,353	-	-	1,288	1,353	1,288	1,353	-	-	1,288	1,353
Pathology	6,565	6,602	-	-	6,565	6,602	6,565	6,602	-	-	6,565	6,602
Donations & Bequests	-	-	12,943	11,513	12,943	11,513	-	-	32,374	30,137	32,374	30,137
Other Revenue from Operating Activities	9,361	7,596	-	-	9,361	7,596	9,361	7,596	-	-	9,361	7,596
Sub-Total Revenue from Operating Activities	336,275	322,327	47,762	38,834	384,037	361,161	336,275	322,327	70,584	60,404	406,859	382,731
Revenue from Non-Operating Activities												
Interest & Dividends	-	-	1,425	1,681	1,425	1,681	-	-	3,355	3,370	3,355	3,370
Market Movement in Investments	-	-	-	-	-	-	-	-	4,748	(265)	4,748	(265)
Sub-Total Revenue from Non-Operating Activities	-	-	1,425	1,681	1,425	1,681	-	-	8,103	3,105	8,103	3,105
Revenue from Capital Purpose Income												
State Government Capital Grants												
– Targeted Capital Works and Equipment	-	-	1,400	2,368	1,400	2,368	-	-	1,400	2,368	1,400	2,368
– Construction Projects	-	-	-	1,807	-	1,807	-	-	-	1,808	-	1,808
– Other	-	-	4,637	86	4,637	86	-	-	4,637	86	4,637	86
Assets Received Free of Charge (refer note 2d)	-	-	3	21	3	21	-	-	3	21	3	21
Net Gain/(Loss) on Disposal of Non-Current Assets (refer note 2c)	-	-	16	(191)	16	(191)	-	-	16	(202)	16	(202)
Donations and Bequests	-	-	1,267	3,304	1,267	3,304	-	-	168	974	168	974
Specific Income (refer note 2e)	-	-	308	548	308	548	-	-	308	548	308	548
Other Capital Purpose Income	-	-	349	368	349	368	-	-	349	368	349	368
Available for sale Revaluation Surplus gain recognized (refer note 15a)	-	-	504	-	504	-	-	-	504	-	504	-
Sub-Total Revenue from Capital Purpose Income	-	-	8,484	8,311	8,484	8,311	-	-	7,385	5,970	7,385	5,971
Total Revenue (refer to note 2a)	336,275	322,327	57,671	48,826	393,946	371,153	336,275	322,327	86,072	69,479	422,347	391,806

Indirect contributions by Department of Health: Department of Health makes certain payments on behalf of the Royal Children's Hospital. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

This note relates to revenues above the net result line only, and does not reconcile to comprehensive income.

Note 2a: Analysis of Revenue by Source

(based on the consolidated view of note 2)

	Admitted Patients 2010 \$'000	Outpatients 2010 \$'000	EDS 2010 \$'000	Ambulatory 2010 \$'000	Mental Health 2010 \$'000	Primary Health 2010 \$'000	Other 2010 \$'000	Total 2010 \$'000
Revenue from Services Supported by Health Services Agreement								
Government Grants	223,362	30,277	11,784	3,874	12,784	4,413	10,263	296,757
Commonwealth Government	1,147	287	-	-	140	308	444	2,326
Indirect contributions by Department of Health	2,148	703	-	-	-	-	-	2,851
Patient Fees (refer note 2)	8,843	155	-	127	5	-	-	9,130
Research & Program Grants	167	32	-	7	9	54	-	269
Recoupment from Private Practice for Use of Hospital Facilities	6,220	1,533	-	(20)	(5)	81	(81)	7,728
Corporate Services	1,029	258	-	-	-	-	-	1,288
Pathology	5,252	1,313	-	-	-	-	-	6,565
Other	6,446	1,210	59	691	245	61	649	9,361
Sub-Total Revenue from Services Supported by Health Services Agreement	254,614	35,768	11,843	4,679	13,178	4,917	11,275	336,275
Revenue from Services Supported by Hospital and Community Initiatives								
Commonwealth Government Grants	-	-	-	-	-	-	8,949	8,949
Patient Fees	-	-	-	-	-	-	1,004	1,004
Business Units & Specific Purpose Funds	-	-	-	-	-	-	28,257	28,257
Donations & Bequests (non capital)	-	-	-	-	-	-	32,374	32,374
Revenue from Non-Operating Activities	-	-	-	-	-	-	8,103	8,103
Capital Purpose Income (refer note 2)	-	-	-	-	-	-	7,385	7,385
Sub-Total Revenue from Services Supported by Hospital and Community Initiatives	-	-	-	-	-	-	86,072	86,072
Total Revenue	254,614	35,768	11,843	4,679	13,178	4,917	97,347	422,347

Note 2a: Analysis of Revenue by Source (continued)

(based on the consolidated view of note 2)

	Admitted Patients 2009 \$'000	Outpatients 2009 \$'000	EDS 2009 \$'000	Ambulatory 2009 \$'000	Mental Health 2009 \$'000	Primary Health 2009 \$'000	Other 2009 \$'000	Total 2009 \$'000
Revenue from Services Supported by Health Services Agreement								
Government Grants								
– Department of Human Services	214,670	28,314	11,107	3,350	12,249	4,146	10,026	283,864
Commonwealth Government	1,719	7	-	79	50	-	-	1,855
Indirect contributions by Department of Human Services	4,542	635	-	-	-	-	-	5,177
Patient Fees (refer note 2)	9,122	115	-	336	-	-	-	9,573
Research & Program Grants	144	-	-	-	-	-	-	144
Recoupment from Private Practice for Use of Hospital Facilities	4,994	1,232	-	(56)	(4)	(2)	-	6,163
Corporate Services	1,082	271	-	-	-	-	-	1,353
Pathology	5,282	1,320	-	-	-	-	-	6,602
Other	4,646	1,008	36	549	324	8	1,025	7,596
Sub-Total Revenue from Services Supported by Health Services Agreement	246,201	32,902	11,143	4,258	12,619	4,152	11,051	322,327
Revenue from Services Supported by Hospital and Community Initiatives								
Commonwealth Government Grant	-	-	-	-	-	-	3,563	3,563
Patient Fees	-	-	-	-	-	-	955	955
Business Units & Specific Purpose Funds	-	-	-	-	-	-	25,749	25,749
Donations & Bequests (non capital)	-	-	-	-	-	-	30,137	30,137
Revenue from Non-Operating Activities	-	-	-	-	-	-	3,105	3,105
Capital Purpose Income (refer note 2)	-	-	-	-	-	-	5,970	5,970
Sub-Total Revenue from Services Supported by Hospital and Community Initiatives	-	-	-	-	-	-	69,479	69,479
Total Revenue	246,201	32,902	11,143	4,258	12,619	4,152	80,530	391,806

Indirect contributions by Department of Health:

Department of Health makes certain payments on behalf of the The Royal Children's Hospital. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

Note 2b: Patient Fees

	Parent Entity 2010 \$'000	Parent Entity 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Patient Fees Raised				
Recurrent:				
Acute				
– Inpatients	8,223	8,818	8,223	8,818
– Outpatients	490	498	490	498
– Other	1,421	1,212	1,421	1,212
Total Recurrent	10,134	10,528	10,134	10,528

Note 2c: Net Gain/(Loss) on Disposal of Non-Financial Assets

	Parent Entity 2010 \$'000	Parent Entity 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Proceeds from Disposals of Non-Current Assets				
Plant and Equipment	60	17	60	17
Motor Vehicles	-	34	-	47
Total Proceeds from Disposal of Non-Current Assets	60	51	60	64
Less: Written Down Value of Non-Current Assets Sold				
Plant and Equipment	44	209	44	209
Motor Vehicles	-	33	-	57
Total Written Down Value of Non-Current Assets Sold	44	242	44	266
Net Gain/(Loss) on Disposal of Non-Current Assets	16	(191)	16	(202)

Note 2d: Assets Received Free of Charge or For Nominal Consideration

	Parent Entity 2010 \$'000	Parent Entity 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
During the reporting period, the fair value of assets received free of charge, was as follows:				
Motor Vehicles	-	21	-	21
Medical Equipment*	3	-	3	-
TOTAL	3	21	3	21

*One humidifier was donated to The Royal Children's Hospital during the financial year ended 30 June 2010.

Note 2e: Specific Income

	Parent Entity 2010 \$'000	Parent Entity 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Specific Income				
Revaluation Increment on Non Current Assets – Investment Land & Buildings	308	548	308	548
TOTAL	308	548	308	548

Note 3: Expenses

	Parent						Consolidated					
	HSA 2010 \$'000	HSA 2009 \$'000	Non HSA 2010 \$'000	Non HSA 2009 \$'000	Total 2010 \$'000	Total 2009 \$'000	HSA 2010 \$'000	HSA 2009 \$'000	Non HSA 2010 \$'000	Non HSA 2009 \$'000	Total 2010 \$'000	Total 2009 \$'000
Employee Benefits												
Salaries & Wages	227,538	210,873	14,269	15,158	241,807	226,031	227,538	210,873	17,050	17,439	244,588	228,312
WorkCover Premium	2,006	1,812	341	359	2,347	2,171	2,006	1,812	396	406	2,402	2,218
Departure Packages	706	955	2	29	708	984	706	955	103	145	809	1,100
Long Service Leave	4,863	7,268	151	318	5,014	7,586	4,863	7,268	218	410	5,081	7,678
Superannuation	20,642	18,641	1,157	1,104	21,799	19,745	20,642	18,641	1,395	1,307	22,037	19,948
Total Employee Benefits	255,755	239,549	15,920	16,968	271,675	256,517	255,755	239,549	19,162	19,706	274,917	259,255
Non Salary Labour Costs												
Fees for Visiting Medical Officers	1,880	1,566	822	679	2,702	2,245	1,880	1,566	822	679	2,702	2,245
Agency Costs – Nursing	1,574	1,643	-	22	1,574	1,665	1,574	1,643	-	23	1,574	1,666
Agency Costs – Other	12,962	12,415	1,925	1,701	14,887	14,116	12,962	12,415	2,210	1,809	15,172	14,224
Total Non Salary Labour Costs	16,416	15,624	2,747	2,401	19,163	18,026	16,416	15,624	3,032	2,511	19,448	18,135
Supplies and Consumables												
Drug Supplies	14,223	12,533	14	491	14,237	13,024	14,223	12,533	14	491	14,237	13,024
S100 Drugs	2,410	2,281	-	-	2,410	2,281	2,410	2,281	-	-	2,410	2,281
Medical, Surgical Supplies and Prosthesis	22,138	21,181	68	43	22,206	21,224	22,138	21,181	75	43	22,213	21,224
Pathology Supplies	6,092	5,483	3	15	6,095	5,499	6,092	5,483	3	17	6,095	5,501
Food Supplies	2,185	1,945	33	92	2,218	2,037	2,185	1,945	42	93	2,227	2,038
Total Supplies and Consumables	47,048	43,423	118	641	47,166	44,064	47,048	43,423	134	644	47,182	44,067
Other Expenses from Continuing Operations												
Domestic Services & Supplies	2,614	2,667	50	79	2,664	2,746	2,614	2,667	68	83	2,682	2,750
Fuel, Light, Power and Water	2,911	2,588	23	24	2,934	2,612	2,911	2,588	29	29	2,940	2,617
Insurance costs funded by DH	3,512	3,174	-	-	3,512	3,174	3,512	3,174	-	-	3,512	3,174
Motor Vehicle Expenses	265	289	(68)	(72)	197	217	265	289	(19)	(43)	246	246
Repairs & Maintenance	3,344	3,615	228	289	3,572	3,903	3,344	3,615	366	316	3,710	3,931
Maintenance Contracts	5,392	4,315	107	139	5,499	4,455	5,392	4,315	122	161	5,514	4,476
Patient Transport	428	445	-	1	428	446	428	445	-	1	428	446
Bad & Doubtful Debts	34	(301)	-	-	34	(301)	34	(301)	-	-	34	(301)
Lease Expenses	491	501	173	211	664	711	491	501	252	286	743	787
Postage & Telephone	1,086	1,158	82	138	1,168	1,296	1,086	1,158	167	205	1,253	1,363
Stationery	1,226	1,157	555	552	1,781	1,709	1,226	1,157	721	695	1,947	1,852
Other Administrative Expenses	9,590	9,788	14,708	12,697	24,297	22,484	9,590	9,788	17,907	15,754	27,497	25,542
Audit Fees												
– VAGO – Audit of Financial Statements	104	120	-	-	104	120	104	120	55	43	159	163
– Other	227	236	-	23	227	259	227	236	-	38	227	274
Total Other Expenses from Continuing Operations	31,224	29,751	15,858	14,080	47,081	43,830	31,224	29,751	19,668	17,567	50,892	47,319
Expenditure using Capital Purpose Income												
Other Expenses	-	-	394	988	394	988	-	-	394	988	394	988
Total Expenditure using Capital Purpose Income	-	-	394	988	394	988	-	-	394	988	394	988
Impairment of Financial Assets (refer Note 15a)												
– Available for Sale Financial Assets	-	-	-	1,961	-	1,961	-	-	-	7,676	-	7,676
Depreciation and Amortisation (refer to Note 4)	-	-	30,581	30,734	30,581	30,734	-	-	30,708	30,851	30,708	30,851
Specific Expenses (refer to Note 3c)	-	-	-	9,717	-	9,717	-	-	-	9,717	-	9,717
Total	-	-	30,581	42,413	30,581	42,413	-	-	30,708	48,244	30,708	48,244
Total Expenses	350,443	328,347	65,618	77,491	416,060	405,837	350,443	328,347	73,098	89,660	423,541	418,007

Note 3a: Analysis of Expenses by Source

(based on the consolidated view)

	Admitted Patients 2010 \$'000	Outpatients 2010 \$'000	EDS 2010 \$'000	Ambulatory 2010 \$'000	Mental Health 2010 \$'000	Primary Health 2010 \$'000	Other 2010 \$'000	Total 2010 \$'000
Services Supported by Health Services Agreement								
Employee Benefits	192,953	21,083	12,959	5,939	11,048	6,648	5,125	255,755
Non Salary Labour Costs	7,321	1,355	337	5,305	611	231	1,256	16,416
Supplies & Consumables	36,332	5,489	652	708	68	25	3,775	47,048
Other Expenses from Continuing Operations	24,861	4,064	237	192	939	286	646	31,224
Sub-Total Expenses from Services Supported by Health Services Agreement	261,467	31,991	14,185	12,144	12,666	7,190	10,802	350,443
Services Supported by Hospital and Community Initiatives								
Employee Benefits	-	-	-	-	-	-	19,162	19,162
Non Salary Labour Costs	-	-	-	-	-	-	3,032	3,032
Supplies & Consumables	-	-	-	-	-	-	134	134
Other Expenses from Continuing Operations	-	-	-	-	-	-	19,668	19,668
Sub-Total Expense from Services Supported by Hospital and Community Initiatives	-	-	-	-	-	-	41,996	41,996
Total Expenses from Ordinary Activities before Depreciation and Specific Items								
	261,467	31,991	14,185	12,144	12,666	7,190	52,798	392,439
Expenditure using Capital Purpose Income	-	-	-	-	-	-	394	394
Depreciation and Amortisation (refer note 4)	-	-	-	-	-	-	30,708	30,708
Total Expenses	261,467	31,991	14,185	12,144	12,666	7,190	83,900	423,541
	Admitted Patients 2009 \$'000	Outpatients 2009 \$'000	EDS 2009 \$'000	Ambulatory 2009 \$'000	Mental Health 2009 \$'000	Primary Health 2009 \$'000	Other 2009 \$'000	Total 2009 \$'000
Services Supported by Health Services Agreement								
Employee Benefits	180,679	20,512	12,436	5,848	10,014	5,588	4,472	239,549
Non Salary Labour Costs	6,935	1,331	534	4,543	878	221	1,182	15,624
Supplies & Consumables	33,149	5,214	654	484	97	18	3,808	43,423
Other Expenses from Continuing Operations	21,144	4,436	394	412	1,356	1,163	845	29,751
Sub-Total Expenses from Services Supported by Health Services Agreement	241,907	31,494	14,018	11,287	12,345	6,989	10,307	328,347
Services Supported by Hospital and Community Initiatives								
Employee Benefits	-	-	-	-	-	-	19,706	19,706
Non Salary Labour Costs	-	-	-	-	-	-	2,511	2,511
Supplies & Consumables	-	-	-	-	-	-	644	644
Other Expenses from Continuing Operations	-	-	-	-	-	-	17,567	17,567
Sub-Total Expense from Services Supported by Hospital and Community Initiatives	-	-	-	-	-	-	40,428	40,428
Total Expenses from Ordinary Activities before Depreciation and Specific Items								
	241,907	31,494	14,018	11,287	12,345	6,989	50,735	368,775
Expenditure using Capital Purpose Income	-	-	-	-	-	-	988	988
Impairment of Non-Current Assets	-	-	-	-	-	-	7,676	7,676
Depreciation and Amortisation (refer note 4)	-	-	-	-	-	-	30,851	30,851
Specific Expenses (refer note 3c)	-	-	-	-	-	-	9,717	9,717
Total Expenses	241,907	31,494	14,018	11,287	12,345	6,989	99,968	418,007

Note 3b: Analysis of Expenses by Internal and Restricted Specific Purpose Funds for Services Supported by Hospital and Community Initiatives

	Parent Entity 2010 \$'000	Parent Entity 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Private Practice Activities	10,622	11,607	10,622	11,607
Car Park	339	520	339	520
Property	97	214	97	214
Child Health & Information Centre	177	308	177	308
Community Child Care	1,001	980	1,001	980
Educational Resource Centre	861	608	861	608
Safety Centre	39	19	39	19
Research	4,848	5,051	4,848	5,051
Other Departmental & General Purpose Funds	16,659	13,720	24,013	21,122
TOTAL	34,643	33,027	41,996	40,428

Note 3c: Specific Expenses

	Parent Entity 2010 \$'000	Parent Entity 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Specific Expenses				
Revaluation Decrement on Non Current Assets				
– Cultural Assets	-	150	-	150
– Buildings	-	9,568	-	9,568
TOTAL	-	9,717	-	9,717

Note 4: Depreciation and Amortisation

	Parent Entity 2010 \$'000	Parent Entity 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Depreciation				
Buildings	21,552	22,535	21,607	22,598
Plant & Equipment	58	51	58	51
Medical Equipment	5,581	4,896	5,581	4,896
Computers and Communication	1,408	1,407	1,439	1,431
Furniture and Equipment	262	257	263	258
Motor Vehicles	25	26	34	39
Total Depreciation	28,886	29,172	28,982	29,273
Amortisation				
Intangible Assets	1,695	1,562	1,726	1,577
Total Amortisation	1,695	1,562	1,726	1,577
Total Depreciation & Amortisation	30,581	30,734	30,708	30,850

Note 5: Cash and Cash Equivalents

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

	Parent Entity 2010 \$'000	Parent Entity 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Cash on Hand	45	33	45	33
Cash at Bank	4,589	4,935	5,456	6,214
Deposits at Call	4,238	6,091	4,438	11,210
Bank Accepted Commercial Bills	-	-	-	30,183
Fixed Deposits	14,364	12,092	39,919	12,092
TOTAL	23,236	23,150	49,858	59,732
Represented by:				
Cash for Health Service Operations	10,005	9,880	10,005	9,880
Cash for Capital Commitments	5,071	4,383	5,071	4,383
Cash for Operating Commitments	5,133	6,091	14,975	7,986
Cash for Restricted Specific Purpose Reserves	1,056	329	17,836	35,015
Total per Cash Flow Statement	21,265	20,682	47,887	57,264
Cash for Monies Held in Trust	1,971	2,468	1,971	2,468
TOTAL	23,236	23,150	49,858	59,732

Note 6: Receivables

	Parent Entity 2010 \$'000	Parent Entity 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
CURRENT				
Contractual				
Controlled Entity Debtors	3,086	3,555	-	-
Inter Hospital Debtors	1,536	1,551	1,536	1,551
Trade Debtors	2,308	2,021	2,436	2,214
Patient Fees	2,122	1,932	2,122	1,932
Accrued Investment Income	161	84	351	252
Diagnostic Debtors	1,445	1,211	1,445	1,211
Sundry Debtors	485	275	491	287
Good Friday Appeal Funds	-	-	13,147	-
AEDI Commonwealth Grant	6,073	11,584	-	-
Less Allowance for Doubtful Debts				
Trade Debtors	247	258	248	258
Patient Fees	103	198	103	198
Sundry Debtors	132	254	132	254
Diagnostic Debtors	208	91	208	91
	16,527	21,411	20,838	6,646
Statutory				
GST Receivable	1,029	225	1,029	225
TOTAL CURRENT RECEIVABLES	17,556	21,636	21,867	6,871
NON CURRENT				
Statutory				
Long Service Leave – DH	5,601	6,263	5,601	6,263
TOTAL NON-CURRENT RECEIVABLES	5,601	6,263	5,601	6,263
TOTAL RECEIVABLES	23,157	27,899	27,468	13,134
(a) Movement in Allowance for Doubtful Debts				
Balance at beginning of year	802	1,270	802	802
Amounts written off during the year	(35)	(118)	(35)	(118)
Increase/(decrease) in allowance recognised in profit or loss	(78)	(350)	(77)	118
Balance at end of year	689	802	690	802

(b) Ageing analysis of receivables

Please refer to note 17 for the ageing analysis of receivables

(c) Nature and extent of risk arising from receivables

Please refer to note 17 for the nature and extent of credit risk arising from receivables

Note 7: Other Financial Assets

	Parent Entity 2010 \$'000	Parent Entity 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
CURRENT				
Managed Funds	-	-	47,626	36,068
Term Deposit	-	-	1,943	12,182
Total Current	-	-	49,569	48,250
NON CURRENT				
Managed Funds	17,064	13,624	42,571	27,909
Total Non Current	17,064	13,624	42,571	27,909
TOTAL	17,064	13,624	92,140	76,159
Represented by:				
Restricted Specific Purpose Reserves (refer to Note 15)	17,064	13,624	92,140	76,159
TOTAL	17,064	13,624	92,140	76,159

(a) Ageing analysis of other financial assets

Please refer to note 17 for the ageing analysis of other financial assets.

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

Please refer to note 17 for the nature and extent of credit risk arising from the other financial assets.

Note 8: Inventories

	Parent Entity 2010 \$'000	Parent Entity 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
CURRENT				
Pharmaceuticals – at cost	1,227	971	1,227	971
Gift Shop – at cost	67	80	67	80
TOTAL	1,295	1,051	1,295	1,051

Note 9: Property, Plant & Equipment

	Parent Entity 2010 \$'000	Parent Entity 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Land				
Land at Fair Value				
Crown	62,188	54,550	62,188	54,550
Freehold	11,529	10,025	13,818	12,015
Total Land	73,717	64,575	76,006	66,565
Buildings				
Buildings at Cost	317	-	318	-
Less Accumulated Depreciation	25	-	25	-
	292	-	293	-
Buildings at Fair Value	89,724	89,750	90,524	90,550
Less Accumulated Depreciation	21,528	-	21,548	-
	68,196	89,750	68,976	90,550
Building Work in Progress	-	78	-	78
Leasehold Improvements at cost	-	-	219	219
Less Accumulated Depreciation	-	-	170	137
	-	-	49	82
Total Buildings	68,488	89,828	69,318	90,710
Plant and Equipment				
Plant and Equipment at fair value	2,411	2,380	2,433	2,394
Less Accumulated Depreciation	1,835	1,777	1,849	1,791
Total Plant and Equipment	576	603	584	603
Medical Equipment				
Medical Equipment at fair value	62,294	58,711	62,294	58,711
Less Accumulated Depreciation	41,070	38,374	41,070	38,374
Total Medical Equipment	21,224	20,337	21,224	20,337
Computers and Communication				
Computers and Communication at fair value	18,447	17,460	18,915	17,818
Less Accumulated Depreciation	16,930	15,556	17,290	15,886
Total Computers and Communications	1,517	1,904	1,625	1,932
Furniture and Fittings				
Furniture and Fittings at fair value	3,331	3,286	3,381	3,313
Less Accumulated Depreciation	1,699	1,438	1,716	1,453
Total Furniture and Fittings	1,632	1,848	1,665	1,860
Motor Vehicles				
Motor Vehicles at fair value	293	276	390	372
Less Accumulated Depreciation	129	105	158	122
Total Motor Vehicles	164	171	232	250
Cultural Assets				
Cultural Assets At Cost	243	230	244	230
	243	230	244	230
Cultural Assets At Fair Value	376	376	376	376
Total Cultural Assets	619	606	620	606
TOTAL	167,937	179,872	171,274	182,863

Note 9: Property, Plant & Equipment (continued)

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

	Land \$'000	Buildings \$'000	Plant & Equipment \$'000	Medical Equipment \$'000	Computers & Communi- cations \$'000	Furniture & Fittings \$'000	Motor Vehicles \$'000	Cultural Assets \$'000	Total \$'000
Balance at 1 July 2008	68,951	121,752	381	20,562	2,929	1,944	216	521	217,256
Additions	-	674	273	4,880	434	174	130	235	6,800
Disposals	-	-	-	(209)	-	-	(57)	-	(266)
Revaluation Increments/ (Decrements)	(2,386)	(9,118)	-	-	-	-	-	(150)	(11,654)
Net Transfers between classes	-	-	-	-	-	-	-	-	-
Depreciation and Amortisation (note 4)	-	(22,598)	(51)	(4,896)	(1,431)	(258)	(39)	-	(29,273)
Balance at 1 July 2009	66,565	90,710	603	20,337	1,932	1,860	250	606	182,863
Additions	-	214	39	6,638	1,006	68	18	14	7,997
Disposals	-	-	-	(44)	-	-	-	-	(44)
Net transfers between classes	-	-	-	(126)	126	-	-	-	-
Revaluation Increments/ (Decrements)	9,441	-	-	-	-	-	-	-	9,441
Depreciation and Amortisation (note 4)	-	(21,607)	(58)	(5,581)	(1,439)	(263)	(34)	-	(28,982)
Balance at 30 June 2010	76,006	69,318	584	21,224	1,625	1,665	232	620	171,274

In November 2005 the Victorian State Government announced plans to redevelop The Royal Children's Hospital. The new site in Parkville, west of the current hospital has been chosen and construction commenced in late 2007 and is expected to be completed in 2011. Two of the current buildings will be retained under the West Option, the Research Building and Front Entry Building. The remainder of the current buildings will be demolished and the current site revegetated and returned to parkland. The estimated cost of demolition and revegetation will be incurred by the consortium responsible for the project. Therefore a provision for the demolition of buildings and reinstatement of parkland has not been raised in the Hospital's financial statements as at 30 June 2010.

An annual assessment of the fair value of land and buildings was conducted by Management as at 30 June 2010. Management obtained from DHS the approved Valuer General Victoria indices for 2010 and applied these to the carrying values of individual assets per the 2009 valuation. The indexed carrying value was then compared to the carrying values at June 2010 to determine the change in fair value. The financial impact of managements assessment of the change in fair value of land and buildings in accordance with FRD103D is a revaluation increase for land of \$9.4 million.

Note 10: Intangible Assets

	Parent Entity 2010 \$'000	Parent Entity 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Software	6,840	6,284	7,093	6,352
Less Accumulated Amortisation	5,171	3,476	5,263	3,537
Total Written Down Value	1,669	2,808	1,830	2,815

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the previous and current financial year:

	Software \$'000	Total \$'000
Consolidated		
Balance at 1 July 2008	2,746	2,746
Additions	1,646	1,646
Amortisation (note 4)	(1,577)	(1,577)
Balance at 1 July 2009	2,815	2,815
Additions	741	741
Amortisation (note 4)	(1,726)	(1,726)
Balance at 30 June 2010	1,830	1,830

Note 11: Investment Properties

	Parent Entity 2010 \$'000	Parent Entity 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Balance at Beginning of Period	3,223	2,676	3,223	2,676
Net Gain from Fair Value Adjustments	308	548	308	548
Balance at End of Period	3,531	3,223	3,531	3,223

Note 12: Payables

	Parent Entity 2010 \$'000	Parent Entity 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
CURRENT				
Contractual				
Trade Creditors	16,063	14,969	16,063	14,970
Accrued Expenses	4,329	5,597	5,402	6,571
Deposits	40	55	40	55
Sundry Creditors	1,487	993	1,487	993
	21,919	21,614	22,992	22,589
Statutory				
Superannuation and WorkCover	2,651	2,345	2,651	2,345
Department of Health	5,133	2,429	5,133	2,429
	7,784	4,774	7,784	4,774
TOTAL CURRENT	29,703	26,388	30,776	27,363

(a) Maturity analysis of payables

Please refer to note 17 for the ageing analysis of payables

(b) Nature and extent of risk arising from payables

Please refer to note 17 for the nature and extent of risk arising from payables

Note 13: Employee Benefits and Related On-Costs Provisions

	Parent Entity 2010 \$'000	Parent Entity 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
CURRENT PROVISIONS				
Employee Benefits				
– unconditional and expected to be settled within 12 months	25,465	26,813	25,977	27,282
– unconditional and expected to be settled after 12 months	28,620	22,799	28,686	22,844
	54,085	49,612	54,663	50,126
Provisions related to employee benefit on-costs				
– unconditional and expected to be settled within 12 months (nominal value)	1,640	1,576	1,640	1,576
– unconditional and expected to be settled after 12 months (present value)	2,942	2,407	2,942	2,407
	4,582	3,983	4,582	3,983
TOTAL CURRENT PROVISIONS	58,667	53,595	59,245	54,109
NON-CURRENT PROVISIONS				
Employee Benefits	8,499	12,668	8,586	12,807
Provisions related to employee benefit on-costs	990	893	990	893
TOTAL NON CURRENT PROVISIONS	9,489	13,561	9,576	13,700
CURRENT EMPLOYEE BENEFITS				
Unconditional long service leave entitlements	29,704	23,660	29,986	23,932
Annual leave entitlements	20,004	19,300	20,247	19,503
Accrued Wages and Salaries	8,295	10,076	8,332	10,103
Accrued Days Off	664	559	680	571
NON CURRENT EMPLOYEE BENEFITS				
Conditional long service leave entitlements (present value)	9,489	13,561	9,576	13,700
TOTAL EMPLOYEE BENEFITS	68,156	67,156	68,821	67,809
Movement in Long Service Leave:				
Balance at start of year	37,221	32,420	37,632	32,830
Provision made during the year	5,003	7,685	5,119	7,699
Settlement made during the year	(3,031)	(2,884)	(3,189)	(2,897)
Balance at end of year	39,193	37,221	39,562	37,632

Note 14: Other Liabilities

	Parent Entity 2010 \$'000	Parent Entity 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
CURRENT				
Monies Held in Trust*				
– Patient Monies Held in Trust	193	28	193	28
– Employee Salary Packaging Monies Held in Trust	1,778	2,440	1,778	2,440
Income in Advance				
– Rental	397	422	397	422
– AEDI Commonwealth Grant	6,073	10,521	6,073	10,521
– Other	-	50	60	134
Total Current	8,441	13,461	8,501	13,545
NON CURRENT				
Income in Advance				
– Rental	4,797	5,194	4,797	5,194
Total Non-Current	4,797	5,194	4,797	5,194
Total Other Liabilities	13,238	18,655	13,298	18,739
*Total Monies Held in Trust Represented by the following assets:				
Cash Assets (refer to Note 5)	1,971	2,468	1,971	2,468
TOTAL	1,971	2,468	1,971	2,468

Note 15: Equity

	Parent Entity 2010 \$'000	Parent Entity 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
(a) Reserves				
Property Plant & Equipment Revaluation Surplus*				
Balance at the beginning of the reporting period	23,560	25,486	25,114	27,050
Revaluation Increment/(Decrement)				
– Land	9,142	(1,926)	9,441	(1,936)
Balance at the end of the reporting period	32,702	23,560	34,555	25,114
Represented by:				
– Land	32,702	23,560	34,555	25,114
	32,702	23,560	34,555	25,114
Financial Assets Available-for-Sale Revaluation Surplus**				
Balance at the beginning of the reporting period	21	(523)	21	(4,235)
Valuation gain / (loss) recognised	933	(1,417)	1,787	(3,420)
Cumulative (gain)/loss transferred to Comprehensive Operating Statement on Sale of Financial Assets	(504)	-	(504)	-
Cumulative loss transferred to Comprehensive Operating Statement on impairment of financial assets	-	1,961	-	7,676
Balance at end of the reporting period	450	21	1,304	21
General Purpose Reserve				
Balance at the beginning of the reporting period	6,346	24,451	6,346	24,451
Transfer (to)/from Accumulated Surpluses/(Deficits)	3,211	(18,105)	3,211	(18,105)
Balance at the end of the reporting period	9,557	6,346	9,557	6,346
Restricted Specific Purpose Reserve				
Balance at the beginning of the reporting period	13,953	13,223	109,620	88,824
Transfer (to)/from Accumulated Surpluses/(Deficits)	4,167	730	13,503	20,796
Balance at the end of the reporting period	18,120	13,953	123,123	109,620
Total Reserves	60,829	43,880	168,539	141,101
(b) Contributed Capital				
Balance at the beginning of the reporting period	108,429	108,429	108,429	108,429
Balance at the end of the reporting period	108,429	108,429	108,429	108,429
(c) Accumulated Surpluses/(Deficits)				
Balance at the beginning of the reporting period	(11,830)	5,479	(23,414)	5,479
Net Result for the Year	(22,114)	(34,684)	(1,194)	(26,202)
Transfer (to)/from Reserves	(7,378)	17,375	(16,714)	(2,691)
Balance at the end of the reporting period	(41,322)	(11,830)	(41,322)	(23,414)
(d) Total Equity at end of financial year				
	127,936	140,479	235,646	226,116

* The property, plant and equipment Revaluation Surplus arises on the revaluation of property, plant and equipment.

** The financial assets available-for-sale Revaluation Surplus arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, that portion of the reserve which relates to the financial asset, and is effectively realised, is recognised in the operating statement. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in the operating statement.

Note 15: Equity (continued)

	Parent Entity 2010 \$'000	Parent Entity 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
(e) Restricted Specific Purpose Funds				
Private Practice	13,564	10,152	13,564	10,152
Major Equipment Replacement	2,021	1,729	2,021	1,729
Research & Trust Funds	493	532	493	532
Education & Training	187	198	187	198
Controlled Entity & Specific Purpose Funds	1,520	1,006	106,523	98,228
Funds Held in Perpetuity	335	335	335	335
Total Restricted Specific Purpose Funds	18,120	13,953	123,123	111,174
Represented by:				
Other Financial Assets	17,064	13,624	92,140	76,159
Receivables	-	-	13,147	-
Cash	1,056	329	17,836	35,015
Total Restricted Specific Purpose Funds	18,120	13,953	123,123	111,174

Note 16: Reconciliation of Net Result for the Year to Net Cash Inflow/(Outflow) from Operating Activities

	Parent Entity 2010 \$'000	Parent Entity 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Net Result for the Year	(22,114)	(34,684)	(1,194)	(26,202)
Depreciation & Amortisation	30,581	30,734	30,708	30,851
Revaluation Increment of Non Current Assets	(308)	(548)	(308)	(548)
Revaluation Decrement of Non Current Assets	-	9,717	-	9,717
Impairment of Financial Assets	-	1,961	-	7,676
Provision for Doubtful Debts	(112)	(469)	(111)	(469)
Resources/Assets Received Free of Charge	(3)	(21)	(3)	(21)
Net (Gain)/Loss from Sale of Plant and Equipment	(16)	192	(16)	202
Net (Gain)/Loss from Sale of Investments	-	13	-	13
Available-for-Sale Revaluation Surplus (Gain)/Loss recognised	(504)	-	(504)	-
Change in Operating Assets & Liabilities				
(Increase)/Decrease in Market Value of Investments		-	(4,748)	265
Increase in Payables	3,012	62	3,107	160
Increase in Employee Benefits	1,306	5,744	1,318	5,728
(Increase) in Other Assets	(340)	(527)	(340)	(527)
(Increase)/Decrease in Receivables	4,855	(13,208)	(14,223)	530
Increase/(Decrease) in Other Liabilities	(4,920)	10,097	(4,944)	10,093
NET CASH INFLOW FROM OPERATING ACTIVITIES	11,437	9,063	8,742	37,468

Note 17: Financial Instruments

(a) Financial risk management objectives and policies

The Royal Children's Hospital principal financial instruments comprise of:

- Cash Assets
- Term Deposits
- Receivables
- Investments in Equities and Managed Investment Schemes
- Payables

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

Categorisation of Financial Instruments

	Parent Entity Carrying Amount 2010 \$'000	Parent Entity Carrying Amount 2009 \$'000	Consolidated Carrying Amount 2010 \$'000	Consolidated Carrying Amount 2009 \$'000
Financial Assets				
Cash and cash equivalents	23,236	23,150	49,858	59,732
Term Deposit	-	-	1,943	12,182
Available for Sale at fair value through equity	17,064	13,624	42,571	27,909
Held for Trading at fair value through profit and loss	-	-	47,626	36,068
Receivables	16,527	21,411	20,838	6,646
Total Financial Assets (i)	56,827	58,186	162,836	142,537
Financial Liabilities				
At amortised cost	29,963	34,653	31,096	35,712
Total Financial Liabilities (ii)	29,963	34,653	31,096	35,712

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

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

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

	Parent Entity Carrying Amount 2010 \$'000	Parent Entity Carrying Amount 2009 \$'000	Consolidated Carrying Amount 2010 \$'000	Consolidated Carrying Amount 2009 \$'000
Financial Assets				
Cash and cash equivalents	1,425	873	3,355	2,316
Term Deposit	-	-	-	246
Available for Sale at fair value through equity	-	(1,153)	-	(6,868)
Held for Trading at fair value through profit and loss	-	-	4,748	(265)
Total Financial Assets	1,425	(280)	8,103	(4,571)
Financial Liabilities				
At amortised cost	-	-	-	-
Total Financial Liabilities	-	-	-	-

(i) For cash and cash equivalents, loans or receivables and available-for-sale financial assets, the net gain or loss is calculated by taking the interest revenue, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result;

(ii) For financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost; and

(iii) For financial assets and liabilities that are held-for-trading or designated at fair value through profit or loss, the net gain or loss is calculated by taking the movement in the fair value of the financial asset or liability.

Note 17: Financial Instruments (continued)

(b) Credit Risk

Credit risk management policy

The Royal Children's Hospital manages credit risk arising from receivables by undertaking transactions predominately with other government bodies and patients covered by Medicare and highly rated insurers. The majority of the patients are located within Australia. Standard payment terms are 30 days for Department of Health, patient debtors and large corporate clients, 14 days for Murdoch Childrens Research Institute and 7 days for all other debtors. Credit risk is also managed through debt collection procedures, including use of debt collection agency for debts outstanding for 90 days.

For other investments, The Royal Children's Hospital policy is to limit investment in securities to those with a Standard and Poor's credit rating of at least A and not to invest in any derivative instruments, short selling or margin products. All investments are currently managed by the Victorian Funds Management Corporation. VFMC was established under state legislation in 1994. The Minister is the Hon. John Lenders, the Treasurer of Victoria. VFMC reports to the Minister through the Department of Treasury and Finance.

Credit Quality

The credit quality of the financial assets of the RCH that are not past due and not impaired can be summarised as:

Department of Health, including inter-hospital debts:	The Department of Health (DH) is a department of the Victorian State Government which is AAA rated. DH represents 31% of all debtors at 30 June 2010.
Patients:	70% of all inpatient fees for Australian patients are covered by the Medicare System provided by the Federal Government. The majority of the remaining 30% of inpatient fees and other fees is covered by private health insurers.
Controlled Entities:	90% of the debt from Controlled Entities is from The Royal Children's Hospital Foundation.

Collateral

The Royal Children's Hospital does not hold any collateral against any amount receivable. (2009: Nil)

The Royal Children's Hospital's exposure to credit risk is set out in the following table.

Ageing Analysis of financial assets as at 30 June

	Consolidated Carrying Amount \$'000	Not Past Due and Not Impaired \$'000	Past Due but Not Impaired					Impaired Financial Assets \$'000
			Less than 1 month \$'000	1-3 Months \$'000	3 Months-1 Year \$'000	1-5 Years \$'000	Over 5 Years \$'000	
2010								
Financial Assets								
Cash & Cash Equivalents	49,858	49,858	-	-	-	-	-	-
Receivables								
Inter Hospital Debtors	1,536	1,228	231	77	-	-	-	-
Trade Debtors	2,189	1,440	307	442	-	-	-	-
Patient Fees	2,019	1,329	575	115	-	-	-	-
Accrued investment income	351	351	-	-	-	-	-	-
Diagnostic Debtors	1,237	994	190	53	-	-	-	-
Good Friday Appeal Funds	13,147	13,147	-	-	-	-	-	-
Sundry Debtors	359	359	-	-	-	-	-	-
Other Financial Assets								
Available for Sale – Managed Funds	42,571	42,571	-	-	-	-	-	-
Held for Trading – Managed Funds	47,626	47,626	-	-	-	-	-	-
Term Deposit	1,943	1,943	-	-	-	-	-	-
Total Financial Assets	162,836	160,846	1,303	687	-	-	-	-
2009								
Financial Assets								
Cash & Cash Equivalents	59,732	59,732	-	-	-	-	-	-
Receivables								
Inter Hospital Debtors	1,551	1,121	286	144	-	-	-	-
Trade Debtors	1,956	1,546	345	67	-	-	-	-
Patient Fees	1,734	1,195	450	87	-	-	-	-
Accrued investment income	252	252	-	-	-	-	-	-
Diagnostic Debtors	1,120	847	208	65	-	-	-	-
Sundry Debtors	33	33	-	-	-	-	-	-
Other Financial Assets								
Available for Sale – Managed Funds	27,909	27,909	-	-	-	-	-	-
Held for Trading – Managed Funds	36,068	36,068	-	-	-	-	-	-
Term Deposit	12,182	12,182	-	-	-	-	-	-
Total Financial Assets	142,537	140,885	1,289	363	-	-	-	-

Note 17: Financial Instruments (continued)

(c) Liquidity Risk

Liquidity risk management policy

Liquidity risk is managed through regular fortnightly cash grants from the Department of Health. Trade payable contracts are entered into in accordance with The Royal Children's Hospital's policies for authorisation and suppliers are periodically reviewed. The Royal Children's Hospital aims to settle all short term payables within 60 days. Any short-term or long-term borrowings entered into by The Royal Children's Hospital require approval by the State Minister for Health and State Treasurer.

The following table disclosed the contractual maturity analysis for The Royal Children's Hospital and consolidated entity's financial liabilities.

Maturity Analysis of financial liabilities as at 30 June

	Consolidated Carrying Amount \$'000	Contractual Cash Flows \$'000	Maturity Dates					
			Less than 1 month \$'000	1-3 Months \$'000	3 Months - 1 Year \$'000	1-5 Years \$'000	Over 5 Years \$'000	
2010								
Payables								
Trade Creditors and Accruals	21,465	21,465	12,553	8,675	237	-	-	
Deposits	40	40	3	10	27	-	-	
Sundry Creditors	1,487	1,487	1,487	-	-	-	-	
Other Financial Liabilities		-						
Monies held in trust	1,971	1,971	1,971	-	-	-	-	
Income in advance	6,133	6,133	566	1,518	4,049	-	-	
Total Financial Liabilities	31,096	31,096	16,580	10,203	4,313	-	-	
2009								
Payables								
Trade Creditors and Accruals	21,541	21,541	10,124	11,417	-	-	-	
Deposits	55	55	6	11	39	-	-	
Sundry Creditors	993	993	993	-	-	-	-	
Other Financial Liabilities		-						
Monies held in trust	2,468	2,468	2,468	-	-	-	-	
Income in advance	10,655	10,655	888	1,776	7,991	-	-	
Total Financial Liabilities	35,712	35,712	14,479	13,204	8,030	-	-	

The Royal Children's Hospital

	Carrying Amount \$'000	Contractual Cash Flows \$'000	Maturity Dates				
			Less than 1 month \$'000	1-3 Months \$'000	3 Months - 1 Year \$'000	1-5 Years \$'000	Over 5 Years \$'000
2010							
Payables							
Trade Creditors and Accruals	20,392	20,392	12,389	7,766	237	-	-
Deposits	40	40	3	10	27	-	-
Sundry Creditors	1,487	1,487	1,487	-	-	-	-
Other Financial Liabilities		-					
Monies held in trust	1,971	1,971	1,971	-	-	-	-
Income in advance	6,073	6,073	506	1,518	4,049	-	-
Total Financial Liabilities	29,963	29,963	16,356	9,294	4,313	-	-
2009							
Payables							
Trade Creditors and Accruals	20,566	20,566	11,048	9,518	-	-	-
Deposits	55	55	6	11	39	-	-
Sundry Creditors	993	993	993	-	-	-	-
Other Financial Liabilities		-					
Monies held in trust	2,468	2,468	2,468	-	-	-	-
Income in advance	10,571	10,571	804	1,776	7,991	-	-
Total Financial Liabilities	34,653	34,653	15,319	11,305	8,030	-	-

Note 17: Financial Instruments (continued)

(d) Market Risk

Market risk comprises interest rate risk, foreign currency risk, and equity price risk. Objectives, policies and processes used to manage each of these risks are disclosed below.

Foreign Currency Risk

The Royal Children's Hospital is exposed to insignificant foreign currency risk through its payables relating to purchases of supplies and consumables from overseas. This is because of a limited amount of purchases denominated in foreign currencies and a short timeframe between commitment and settlement.

Interest Rate Risk

Exposure to interest rate risk arises primarily from The Royal Children's Hospital's cash and cash equivalents held in floating rate facilities. The Royal Children's Hospital minimises interest rate risk by mainly undertaking fixed rate and non-interest bearing financial instruments. For financial liabilities, the Royal Children's Hospital mainly undertakes financial liabilities with relatively even maturity values.

Interest rate exposure of Financial Assets and Liabilities as at 30 June

	*Weighted Average Effective Interest Rates %	Consolidated Carrying Amount \$'000	Interest Rate Exposure		
			Fixed Interest Rate \$'000	Variable Interest Rate \$'000	Non Interest Bearing \$'000
2010					
Financial Assets					
Cash & Cash Equivalents	4.95	49,858	39,919	9,939	-
Receivables					
Inter Hospital Debtors		1,536	-	-	1,536
Trade Debtors		2,189	-	-	2,189
Patient Fees		2,019	-	-	2,019
Accrued investment income		351	-	-	351
Diagnostic Debtors		1,237	-	-	1,237
Good Friday Appeal Funds		13,147	-	-	13,147
Sundry Debtors		359	-	-	359
Other Financial Assets					
Available for Sale – Managed Funds	7.6	42,571	8,472	-	34,099
Held for Trading – Managed Funds		47,626	-	-	47,626
Term Deposit	6.0	1,943	1,943	-	-
Total Financial Assets		162,836	50,334	9,939	102,563
Financial Liabilities					
Payables					
Trade Creditors and Accruals		21,465	-	-	21,465
Deposits		40	-	-	40
Sundry Creditors		1,487	-	-	1,487
Other Financial Liabilities					
Monies held in trust		1,971	-	-	1,971
Income in advance		6,133	-	-	6,133
Total Financial Liabilities		31,096	-	-	31,096
2009					
Financial Assets					
Cash & Cash Equivalents	3.18	59,732	42,275	17,458	-
Receivables					
Inter Hospital Debtors		1,551	-	-	1,551
Trade Debtors		1,956	-	-	1,956
Patient Fees		1,734	-	-	1,734
Accrued investment income		252	-	-	252
Diagnostic Debtors		1,120	-	-	1,120
Sundry Debtors		33	-	-	33
Other Financial Assets					
Available for Sale – Managed Funds	5.45	27,909	-	585	27,324
Held for Trading – Managed Funds		36,068	-	-	36,068
Term Deposit	4.0	12,182	12,182	-	-
Total Financial Assets		142,537	54,457	18,043	70,038
Financial Liabilities					
Payables					
Trade Creditors and Accruals		21,541	-	-	21,541
Deposits		55	-	-	55
Sundry Creditors		993	-	-	993
Other Financial Liabilities					
Monies held in trust		2,468	-	-	2,468
Income in advance		10,655	-	-	10,655
Total Financial Liabilities		35,712	-	-	35,712

Note 17: Financial Instruments (continued)

(d) Market Risk (continued)

Sensitivity Disclosure Analysis

Taking into account past performance, expectations, economic forecasts, and management's knowledge and experience of the financial markets, The Royal Children's Hospital believes the following movements are 'reasonably possible' over the next 12 months:

2010: A parallel shift of +1% and -1% in market interest rates

2009: A parallel shift of +1% and -1% in market interest rates

Base rates are sourced from the Victorian Funds Management Corporation

Consolidated

	2010				
	Carrying Amount \$'000	Interest Rate Risk			
		-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial Assets					
Variable Rate Instruments					
Bank Balances	9,939	(99)	(99)	99	99
Floating Rate Instrument	-	-	-	-	-
Fixed rate Instruments					
Commercial Bills	-	-	-	-	-
Term Deposits	50,334	-	-	-	-
	60,273	(99)	(99)	99	99

Consolidated

	2009				
	Carrying Amount \$'000	Interest Rate Risk			
		-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial Assets					
Variable Rate Instruments					
Bank Balances	17,458	(175)	(175)	175	175
Floating Rate Instrument	585	(6)	(6)	6	6
Fixed rate Instruments					
Commercial Bills	30,183	-	-	-	-
Term Deposits	24,274	-	-	-	-
	72,499	(180)	(180)	180	180

Equity Price Risks

The Royal Children's Hospital

The Royal Children's Hospital is exposed to equity price risks as a result of investment in managed funds. As at 30 June 2010 The Royal Children's Hospital has \$17 million invested under the Management of the Victorian Funds Management Corporation (VFMC). The Royal Children's Hospital has the ability to direct the VFMC as to the class of investments that the fund should invest in or replace VFMC as the manager. Currently the RCH has a 75% defensive 25% growth asset allocation.

The Royal Children's Hospital manages the risk associated with these investments through the Investment Committee. This is a sub-committee of the Board, delegated with responsibility for overseeing the development, monitoring and review of The Royal Children's Hospital Investment strategy and policies. The Committee meets at least quarterly and at the meeting considers a report on The Royal Children's Hospital's investments provided by VFMC. The committee monitors the returns on investments, and determines the allocation between the different classes of investments available. In recent periods the Committee has also considered The Royal Children's Hospital's exposure to the subprime mortgage crisis and the impairment of Investments. The Royal Children's Hospital has had no exposure to subprime mortgages.

Note 17: Financial Instruments (continued)

(d) Market Risk (continued)

As at 30 June The Royal Children's Hospital had the following amounts invested in the different classes of investments:

Investment category	2010 \$'000	2009 \$'000	Benchmark
Cash	8,472	584	UBS Australian Bank Bill Index
Enhanced Cash	4,298	9,905	UBS Australian Bank Bill Index
Australian Equities	2,600	2,156	S&P/ASX 300 Accumulation Index
International Equities	1,136	979	MSCI World Index (Ex Aust, Net Div AUD)
Emerging Markets Equities	558	-	MSCI Emerging Markets Fund (Net Div in AUD)
Total	17,064	13,624	

At 30 June 2009 as disclosed in Notes 2 and 15, The Royal Children's Hospital incurred an impairment write-down of \$1.9 million as required by Australian Accounting Standards following the Global Financial Crisis and its impact on credit and equity markets.

Unrealised gains of \$1.5 million were recognised in the Asset Revaluation Surplus to 30 June 2010. These gains represent the impact of the market recovery on previously impaired assets and have substantially reversed the impact of the impairment write-down recognised in the prior financial year.

The Australian and International Equities including Emerging Markets are held by Royal Children's Hospital for the long term and are largely in passive indexed funds.

Royal Children's Hospital Foundation

The Royal Children's Hospital Foundation is exposed to equity price risks as a result of investment in managed funds. As at 30 June 2010 The Royal Children's Hospital Foundation has \$73.1 million invested with several investment managers who must meet the investment guidelines established by the trustee.

The Royal Children's Hospital Foundation manages the risk associated with these investments through the Foundation's Investment Committee. This is a sub-committee of the Foundation Board, delegated with responsibility for over seeing the development, monitoring and review of The Royal Children's Hospital Foundation's Investment strategy and policies. The Committee meets at least quarterly and more frequently in recent times to monitor portfolio performance and the impact of the Global Financial Crisis. The meeting considers a consolidated report on The Royal Children's Hospital Foundation's investments based on information provided by the fund managers. The committee monitors the returns on investments, and determines the allocation between the different classes of investments available. In recent periods the Committee has also considered the Foundation's exposure to the subprime mortgage crisis and the impairment of Investments. The Royal Children's Hospital Foundation has had no exposure to subprime mortgages.

As at 30 June The Royal Children's Hospital Foundation had the following amounts invested in the different classes of investments:

Investment category	2010 \$'000	2009 \$'000
Enhanced Cash	-	5,345
High Yield Securities (Infrastructure Investments)	47,626	30,691
Australian Equities	10,446	5,303
International Equities	15,061	8,983
Total	73,133	50,322

At 30 June 2009 as disclosed in Notes 2 and 15, the Royal Children's Hospital Foundation has incurred an impairment write-down of \$5.7M on available for sale investments as required by Australian Accounting Standards following the Global Financial Crisis and its impact on credit and equity markets.

Unrealised gains of \$0.9 million were recognised in the Asset Revaluation Reserve to 30 June 2010. These gains represent the impact of the market recovery on previously impaired assets. The Royal Children's Hospital Foundation Board expects the impairment write-down to be recouped in due course as markets recover.

The available for sale investments are held by the Royal Children's Hospital Foundation for the long term.

Note 17: Financial Instruments (continued)

(d) Market Risk (continued)

Taking into account past performance, future expectations, economic forecasts, and managements knowledge and experience of the financial markets, The Royal Children's Hospital believe that the following movements are 'reasonably possible' over the next 12 months.

A parallel shift of +12% and -12% in relevant market indices.

As at 30 June 2009 The Royal Children's Hospital's management believed that the following were a 'reasonably possible change' over the subsequent 12 months:

A parallel shift of +10% and -10% in relevant market indices.

Base rates are sourced from the Victorian Funds Management Corporation.

Consolidated

	2010					2009				
	Carrying Amount \$'000	Price Risk				Carrying Amount \$'000	Price Risk			
		-12%		+12%			-10%		+10%	
	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000		
Financial Assets										
Investments										
Units in managed funds (available for sale)	34,099	-	(4,092)	-	4,092	27,324	-	(2,732)	-	2,732
Units in managed funds (held for trading)	47,626	(5,715)	-	5,715	-	36,068	(3,607)	-	3,607	-
	81,725	(5,715)	(4,091)	5,715	4,091	63,392	(3,607)	(2,732)	3,607	2,732

The Royal Children's Hospital

	2010					2009				
	Carrying Amount \$'000	Price Risk				Carrying Amount \$'000	Price Risk			
		-12%		+12%			-10%		+10%	
	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000		
Financial Assets										
Investments										
Units in managed funds (available for sale)	17,064	-	(2,048)	-	2,048	13,039	-	(1,304)	-	1,304
	17,064	-	(2,048)	-	2,048	13,039	-	(1,304)	-	1,304

Where the investment in the managed fund is carried as an available-for-sale investment, there will be no impact on the profit and loss of The Royal Children's Hospital from movements in the unit prices, unless the instruments are considered impaired. The investment is carried in the accounts at the fair value of the underlying assets which are determined by reference to published price quotations available in the markets.

Note 17: Financial Instruments (continued)

(e) Fair Value

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

The fair value of financial instrument assets and liabilities with standard terms and conditions are traded in active liquid markets are determined with reference to quoted market prices.

The Royal Children's Hospital considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short term nature of the financial instruments and the expectation that they will be paid or received in full.

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

Comparison between carrying amount and fair value

	Consolidated Carrying Amount 2010 \$'000	Fair Value 2010 \$'000	Consolidated Carrying Amount 2009 \$'000	Fair Value 2009 \$'000
Financial Assets				
Cash & Cash Equivalents	49,858	49,858	59,732	59,732
Receivables				
Inter Hospital Debtors	1,536	1,536	1,551	1,551
Trade Debtors	2,189	2,189	1,956	1,956
Patient Fees	2,019	2,019	1,734	1,734
Accrued investment income	351	351	252	252
Diagnostic Debtors	1,237	1,237	1,120	1,120
Good Friday Appeal Funds	13,147	13,147	-	-
Sundry Debtors	359	359	33	33
Other Financial Assets				
Available for Sale – Managed Funds	42,571	42,571	27,909	27,909
Held for Trading – Managed Funds	47,626	47,626	36,068	36,068
Term Deposit	1,943	1,943	12,182	12,182
Total Financial Assets	162,836	162,836	142,537	142,537
Financial Liabilities				
Payables				
Trade Creditors and Accruals	21,465	21,465	21,541	21,541
Deposits	40	40	55	55
Sundry Creditors	1,487	1,487	993	993
Other Financial Liabilities				
Monies held in trust	1,971	1,971	2,468	2,468
Income in advance	6,133	6,133	10,655	10,655
Total Financial Liabilities	31,096	31,096	35,712	35,712

Financial assets measured at fair value

Financial instruments are required to be classified at fair value based upon the reference of the source of inputs used to derive their fair value. This classification used the following three level hierarchy.

- Level 1 : quoted prices in active markets
- Level 2 : quoted prices in non-active markets and inputs other than quoted prices that are observable, either directly or indirectly.
- Level 3 : inputs that are not based on observable market data.

	Consolidated Carrying Amount as at 30 June \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
2010				
Financial Assets				
Other Financial Assets				
Available for Sale – Managed Funds	42,571	42,571	-	-
Held for Trading – Managed Funds	47,626	47,626	-	-
Term Deposit	1,943	1,943	-	-
Total Financial Assets	92,140	92,140	-	-
2009				
Financial Assets				
Other Financial Assets				
Available for Sale – Managed Funds	27,909	27,909	-	-
Held for Trading – Managed Funds	36,068	36,068	-	-
Term Deposit	12,182	12,182	-	-
Total Financial Assets	76,159	76,159	-	-

Note 18: Commitments for Expenditure

This Note includes commitments for operating leases, capital and operating expenditure under contracts for the supply of works, services and materials insofar as they are not provided for in the Balance Sheet.

	Parent 2010 \$'000	Parent 2009 \$'000	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Capital Expenditure Commitments				
Plant and Equipment	878	3,688	878	3,688
Total	878	3,688	878	3,688
Payable				
Not later than one year	878	3,688	878	3,688
Total Capital Expenditure Commitments	878	3,688	878	3,688
Operating Commitments				
Payable				
Not later than one year	5,637	2,369	5,694	2,369
Later than one year but not later than 5 years	436	1,188	436	1,188
Total Operating Commitments	6,074	3,557	6,131	3,557
Lease Commitments				
Commitments in relation to leases contracted for at the reporting date:				
Operating Leases	691	792	806	870
Total Lease Commitments	691	792	806	870
Operating Leases				
Cancellable				
Not later than one year	524	547	603	601
Later than 1 year and not later than 5 years	167	245	203	270
TOTAL	691	792	806	870
Total Commitments for Expenditure (inclusive of GST)	7,642	8,038	7,815	8,116
less GST recoverable from the Australian Tax Office	(695)	(731)	(710)	(738)
Total Commitments for Expenditure (exclusive of GST)	6,948	7,307	7,104	7,378

Build-own-transfer arrangement – new Royal Children's Hospital

The State of Victoria has entered into a 29 year agreement in November 2007 under its Partnerships Victoria policy with Children's Health Partnership Pty Ltd (CHP) for the financing, design, construction, and maintenance for 25 years of the new Royal Children's Hospital (RCH). The construction of the new hospital is scheduled for completion in late 2011, at which time the RCH will assume the management of and responsibility for the provision of health services at the facility.

On December 2011 on completion of Stage 1 of the Project the RCH will enter into a 25 year Site sub-lease agreement in order to lease the facility from CHP. As the lease agreement meets the definition of a Finance Lease the RCH will record the Facility as a leased asset and also record a corresponding lease liability. The State will pay to CHP the Quarterly Service Payment (QSP) from the operational commencement date. Each QSP includes an allowance for the capital cost of the facility and the facilities maintenance and ancillary service to be delivered by CHP over the 25 year operating phase. The current market value of the financial commitment, as measured by the risk adjusted net present cost to the State of the QSP commencing December 2011 under the RCH Project Agreement is \$1,180.8 million (2009 \$1,099.1 million).

Note 19: Contingent Assets and Contingent Liabilities

Contingent Assets

The Royal Children's Hospital Foundation is party to a Trust Deed Poll dated 26 November 2007 whereby a third party is to procure donations from individual donors for an amount of \$35 million over four years. In the opinion of the directors, the inflow of economic benefits is not virtually certain and therefore no asset is recognised. The contingent asset will be assessed continually to ensure that developments are appropriately reflected in the consolidated financial report. It is expected that on the receipt of donations by The Royal Children's Hospital Foundation that they will be transferred to The Royal Children's Hospital. It is the intention that these funds will form part of a contribution by The Royal Children's Hospital to the redevelopment project.

Contingent Liabilities

Any claims made against The Royal Children's Hospital (RCH) are covered by public healthcare insurance managed by Victorian Managed Insurance Authority, with premiums being paid by the Department of Health.

The Royal Children's Hospital Foundation (RCHF) has entered into a funding agreement with the Commonwealth Government for the provision of \$21 million to undertake the Australian Early Development Index Project. RCHF has entered into this agreement at the request of the RCH. In consideration of RCHF entering into the funding agreement, the RCH has agreed to be responsible for the obligations and liabilities imposed on RCHF under the funding agreement, including but not limited to the indemnity granted by RCHF to the Commonwealth of Australia under clause 19 of the funding agreement.

There is a contingent liability in respect of grants received from the Department of Health that may be subject to recall of \$3.172 million (2009 Nil).

Note 20: Responsible Person Disclosures

(a) Responsible Persons

	Period	
Responsible Minister		
The Honourable Daniel Andrews MLA Minister for Health	1 July 2009	30 June 2010
Governing Board		
Mr Tony Beddison AO (Chairman)	1 July 2009	30 June 2010
Ms Linda Berry	1 July 2009	30 June 2010
Mr Patrick Burroughs	1 July 2009	30 June 2010
Dr Julie Caldecott	1 July 2009	30 June 2010
Mr Julian Clarke	1 July 2009	30 June 2010
Mr Max Findlay	1 July 2009	30 June 2010
Mr Dennis Goldner	1 July 2009	30 June 2010
Mr John Rimmer	1 July 2009	30 June 2010
Dr Lakshmi Sumithran	1 July 2009	30 June 2010
Accountable Officers		
Professor Christine Kilpatrick (Chief Executive Officer)	1 July 2009	30 June 2010

(b) Remuneration of Responsible Persons

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

Income Band	Parent 2010 No.	Parent 2009 No.	Consolidated 2010 No.	Consolidated 2009 No.
\$0 – \$9,999	-	1	-	1
\$10,000 – \$19,999	8	7	8	7
\$30,000 – \$39,999	1	1	1	1
\$80,000 – \$89,999	-	1	-	1
\$300,000 – \$309,999	-	1	-	1
\$360,000 – \$369,999	1	-	1	-
Total Numbers	10	11	10	11

Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:

	Parent 2010 \$	Parent 2009 \$	Consolidated 2010 \$	Consolidated 2009 \$
Total Remuneration	544,929	573,370	578,145	573,370

The responsible Minister from 1/7/09 to 30/6/10 was the Honourable Daniel Andrews, Minister for Health. The Minister received no remuneration from The Royal Children's Hospital. Ministerial remuneration is disclosed in the financial statements of the Department of Premier and Cabinet.

(c) Retirement Benefits of Responsible Persons

	Parent 2010 \$	Parent 2009 \$	Consolidated 2010 \$	Consolidated 2009 \$
Retirement benefits paid by the reporting entity in connection with the retirement of Responsible Persons of the reporting entity amount to:	-	150,353	-	150,353

Note 20: Responsible Persons Disclosures (continued)

(d) Other Transactions of Responsible Persons and their Related Parties

Mr Tony Beddison AO (Chairman)

A Director of The Royal Children's Hospital, Mr Tony Beddison AO is a Director of Hoban Recruitment.

Hoban Recruitment renders services to The Royal Children's Hospital. All dealings with The Royal Children's Hospital are in the ordinary course of business and are on normal commercial terms and conditions.

Hoban Recruitment rendered services to The Royal Children's Hospital for several decades prior to Mr Beddison's appointment as the Hospital's Chairman and the nature of these commercial arrangements was declared by Mr Beddison prior to his appointment as Chairman.

	Parent 2010 \$	Parent 2009 \$	Consolidated 2010 \$	Consolidated 2009 \$
Hoban Recruitment	175,206	519,962	175,206	519,962

Ms Linda Berry

A Director of The Royal Children's Hospital, Ms Linda Berry is a partner at Minter Ellison. This firm rendered services to The Royal Children's Hospital. All dealings with The Royal Children's Hospital are in the ordinary course of business and are on normal commercial terms and conditions.

	Parent 2010 \$	Parent 2009 \$	Consolidated 2010 \$	Consolidated 2009 \$
Minter Ellison	10,743	9,398	10,743	9,398

Mr Julian Clarke

A Director of The Royal Children's Hospital and Royal Children's Hospital Foundation, Mr Julian Clarke was Managing Director of the Herald & Weekly Times Ltd and currently serves as Chairman of that company. The HWT manages the Good Friday appeal and rendered services to The Royal Children's Hospital Foundation for the administrative costs necessarily incurred with the Good Friday Appeal.

	Parent 2010 \$	Parent 2009 \$	Consolidated 2010 \$	Consolidated 2009 \$
Herald & Weekly Times Ltd	995	-	888,405	865,034

The Herald & Weekly Times Ltd transferred funds to The Royal Children's Hospital Foundation during the year. These funds represent the public's donations to The Royal Children's Hospital Good Friday Appeal.

	Parent 2010 \$	Parent 2009 \$	Consolidated 2010 \$	Consolidated 2009 \$
Herald & Weekly Times Ltd	-	-	13,178,086	12,182,499

Mr Max Findlay

A Director of The Royal Children's Hospital, Mr Max Findlay was appointed a Director of Skilled Group Ltd in early 2010. ATIVO, a company within the Skilled Group, has been providing contractors and services to the RCH mainly in Engineering and Maintenance for many years. These arrangements with Skilled Group/ ATIVO pre-date Mr Findlay's appointment to the RCH Board in 2009 and are on normal commercial terms and conditions and in the ordinary course of business.

	Parent 2010 \$	Parent 2009 \$	Consolidated 2010 \$	Consolidated 2009 \$
ATIVO	687,576	-	687,576	-

Note 20: Responsible Persons Disclosures (continued)

Controlled Entity Related Party Transactions

The Royal Children's Hospital Foundation

The CEO of The Royal Children's Hospital is also a Director of The Royal Children's Hospital Foundation.

Messrs. Beddison and Clarke are Directors of The Royal Children's Hospital and The Royal Children's Hospital Foundation.

The transactions between the two entities relates to reimbursements made by The Royal Children's Hospital Foundation to The Royal Children's Hospital for goods and services and the transfer of funds by way of distributions made to the Hospital. All dealings are in the normal course of business and are on normal commercial terms and conditions.

	Parent 2010 \$	Parent 2009 \$
Distributions and reimbursements by The Royal Children's Hospital Foundation	28,874,270	22,308,992

The Royal Children's Hospital Education Institute Limited

The transactions between the two entities relates to reimbursements made by The Royal Children's Hospital Education Institute Limited to The Royal Children's Hospital for salaries, goods and services paid on its behalf. All dealings are in the normal course of business and are on normal commercial terms and conditions.

	Parent 2010 \$	Parent 2009 \$
Reimbursements by The Royal Children's Hospital Education Institute Limited for salaries, goods and services	1,795,070	1,807,764

Communities that Care Limited

The transactions between the two entities relates to reimbursements made by Communities That Care Limited to The Royal Children's Hospital for salaries, goods and services paid on its behalf. All dealings are in the normal course of business and are on normal commercial terms and conditions.

	Parent 2010 \$	Parent 2009 \$
Reimbursements by Communities That Care Limited for salaries, goods and services	45,089	50,478

(e) Other Receivables from and (Payables to) Controlled Entities

	Parent 2010 \$	Parent 2009 \$
The Royal Children's Hospital Foundation	2,839,840	3,408,957
The Royal Children's Hospital Education Institute Limited	248,104	146,209
Communities That Care Limited	(1,920)	(111)
Total amounts receivable from Controlled Entities	3,086,024	3,555,055

Note 20a: Executive Officer Disclosures

Executive Officers' Remuneration

The numbers of executive officers, other than Ministers and Accountable Officers, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits.

Total remuneration payments include bonus payments and contract renegotiations during the year.

	Parent				Consolidated			
	Total Remuneration		Base Remuneration		Total Remuneration		Base Remuneration	
	2010 No.	2009 No.	2010 No.	2009 No.	2010 No.	2009 No.	2010 No.	2009 No.
Income Band								
\$60,000 – \$69,999	-	-	1	-	-	-	2	-
\$90,000 – \$99,999	-	-	-	1	-	-	-	1
\$100,000 – \$109,999	-	1	-	-	-	1	-	-
\$110,000 – \$119,999	-	-	-	-	1	-	-	-
\$120,000 – \$129,999	1	-	1	1	1	1	1	2
\$130,000 – \$139,999	-	-	1	-	-	-	1	-
\$140,000 – \$149,999	-	1	-	1	-	1	-	1
\$150,000 – \$159,999	-	1	-	-	-	1	-	-
\$160,000 – \$169,999	1	-	1	-	1	1	1	1
\$170,000 – \$179,999	-	-	-	-	1	-	1	-
\$180,000 – \$189,999	1	-	-	-	1	-	-	-
\$190,000 – \$199,999	1	1	1	1	1	1	1	1
\$200,000 – \$209,999	1	-	1	1	2	1	2	2
\$210,000 – \$219,999	1	-	1	1	1	-	1	1
\$220,000 – \$229,999	1	1	1	1	1	1	1	1
\$230,000 – \$239,999	1	-	1	1	1	-	1	1
\$240,000 – \$249,999	-	1	-	-	-	1	-	-
\$250,000 – \$259,999	-	1	-	-	-	1	-	-
\$270,000 – \$279,999	1	1	-	-	1	1	-	-
\$330,000 – \$339,999	1	-	1	-	1	-	1	-
	10	8	10	8	13	11	13	11

Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:

	Parent				Consolidated			
	Total Remuneration		Base Remuneration		Total Remuneration		Base Remuneration	
	2010 No.	2009 No.	2010 No.	2009 No.	2010 No.	2009 No.	2010 No.	2009 No.
Total Remuneration	2,153,281	1,605,034	1,896,435	1,443,375	2,651,470	2,111,653	2,341,058	1,942,875

Executive Remuneration 2008/09

Three Executive Directors resigned during 2008/09. Two Executive Directors pro rata base salary and total remuneration was less than \$100k and therefore were not reported above.

Two Executive Directors were appointed during 2008/09. The base salary and total remuneration of one of those executive directors was less than \$100k and therefore were not reported above.

Executive Remuneration 2009/10

A new Hospital Executive Director position was created during 2009/10. Executive Director Legal Services.

Two Executive Directors resigned during 2009/10. One executive directors pro rata base salary and total remuneration was less than \$100k and therefore was not reported above.

Note 21: Controlled Entities

Name of entity	Country of incorporation/ establishment	Equity Holding
The Royal Children's Hospital Foundation Trust Funds	Australia	n/a
The Royal Children's Hospital Education Institute Limited	Australia	Limited by Guarantee
Communities That Care Limited	Australia	Limited by Guarantee

Controlled Entities Contribution to the Consolidated Results

	2010 \$'000	2009 \$'000
NET RESULT FOR THE YEAR		
The Royal Children's Hospital Foundation Trust Funds	20,826	8,340
The Royal Children's Hospital Education Institute Limited	130	108
Communities That Care Limited	(36)	34
Total Consolidated Result	20,920	8,482

Note 22: Events Occurring After the Balance Sheet Date

Effective from 1 July 2010 The Royal Children's Hospital on behalf of the three campus partners, The Royal Children's Hospital, the Murdoch Childrens Research Institute, and the Department of Paediatrics – Melbourne University has agreed to be admitted as an additional participant to the incorporated joint venture known as the Parkville Comprehensive Cancer Centre Ltd (Parkville CCC).

The Parkville CCC will be used by clinical and research staff from the joint venture members including Peter MacCallum Cancer Centre, Melbourne Health, the University of Melbourne, the Melbourne Branch of the Ludwig Institute for Cancer Research, the Royal Women's Hospital, the Walter and Eliza Hall Institute of Medical Research, and The Royal Children's Hospital.

The Parkville CCC will drive leadership and innovation in the fields of cancer treatment, research and education by having the largest concentration of cancer clinicians and researchers in the southern hemisphere, ranking it among the top ten cancer centres in the world.

Other than the matter identified above no significant events have occurred since the balance sheet date which would impact on the financial position of The Royal Children's Hospital disclosed in the balance sheet, comprehensive operating statement or cash flow statement at 30 June 2010.

Design:

Educational Resource Centre,
The Royal Children's Hospital 100990

