



ANNUAL FINANCIAL REPORT 2012 – 2013



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Our Vision Our Values

VISION

The Royal Children's Hospital, a GREAT children's hospital, leading the way

VALUES

Unity

We work together to achieve our goals

Respect

For everyone in our care and for each other

Integrity

We act with honesty in all we do

Excellence

We strive for the highest quality in every aspect of our work

Chairman's report



The Royal Children's Hospital (RCH) is one of Australia's great hospitals, and this year we marked the first anniversary of our move into this iconic new building on Flemington Road. Home to the RCH and our campus partners, the Murdoch Childrens Research Institute and the University of Melbourne Department of Paediatrics, we now have a truly world-class facility devoted to excellence in clinical care, research, and the training and education of specialists in paediatric health.

Adjusting our work models to ensure we maximise the benefits of this building has been a 2012-13 focus for everyone at the RCH, and we have done this in partnership with our consumers: the patients and families and broader community who are the ultimate arbiter of our performance.

At the close of this year we can report that more than 50 individual consumers sit on RCH committees, sometimes as a single consumer voice working with doctors, nurses, allied health professionals and support staff to provide an important perspective and informed advice. In other cases these generous volunteers are part of a consumer-led group that takes a global view of the RCH to provide feedback about the structure and delivery of our services – the Family Advisory Council, Youth Advisory Council and the Board sub-committee, the Community Advisory Committee.

Consumer engagement was noted as an area of strong performance at the RCH in our 2013 accreditation against the Australian Commission on Safety and Quality in Health Care's National Safety and Quality Health Service Standards. The survey team spent three days examining our processes, systems and the outcomes of our work and we were very pleased to learn that we had achieved the 'met with merit' result in a number of categories.

Another area of strong performance this year has been our infection control program. Eighty per cent of patient rooms at the hospital are single bed rooms and we have used this impetus to put in place a series of measures to lessen the likelihood of a child becoming sick while they are in hospital. The result of this work is impressive: our rates on in-hospital infection have dropped in all infection categories.

To our staff, the families and friends who rely on us to care for their children, and to our many supporters across Victoria and beyond, thank you.

It is difficult to imagine having made the gains that we have over the past year without the guidance, advocacy and leadership provided by my predecessor, Tony Beddison AO. As Chair of the RCH Board for eight years Tony helped steer the RCH through its most significant change in 50 years; his legacy is this great hospital, a testament to the value of art, nature and great design in promoting better health outcomes for our children. Tony retired as Chairman in November 2012 but he remains an important friend of The Royal Children's Hospital, and we wish him well.

I wish also to thank and acknowledge my colleagues on the RCH Board for their continued efforts and support, and to congratulate Chief Executive, Professor Christine Kilpatrick and the RCH Executive for their diligence and commitment over the past year.

To our staff, the families and friends who rely on us to care for their children, and to our many supporters across Victoria and beyond, thank you.

Rob Knowles AO
Chairman

CEO's report



Financial year 2013 has been a memorable one for The Royal Children's Hospital (RCH) in which we have bid farewell to old friends, welcomed new members to our community, celebrated many successes and sought to innovatively rethink our approach to ongoing challenges.

This year, for the sixth consecutive year, we have ended the period with a balanced budget. Every member of the RCH staff of more than 4,500 has contributed to this result; we take great pride in our capacity to provide excellent paediatric clinical care within the parameters of sound financial management.

In December 2012 we faced a particular fiscal challenge with the mid-financial-year reduction of our budget by \$3.6 million. Having decided to protect patient access and bedside care from the impact of this shift we faced the unpleasant prospect of having to reduce our staff costs, which account for about 80 per cent of our annual budget.

In February and March 2013, through non-replacement of vacant roles and a small number of redundancies, we were able to generate most of the required savings. The 2012-13 budget was later reinstated but it was a difficult time for the RCH, and particularly those who were personally impacted.

There was, however, a positive outcome when we turned to our staff for suggestions of where and how we could reduce

unnecessary spending and increase our productivity and efficiency. Over the course of our three-week Innovation Campaign we received more than 200 suggestions. Of these we implemented seven immediately and referred more than 10 to unit managers for further team evaluation. We also formed a new Green Committee chaired by our Executive Director Nursing to work through the 120 suggestions related to reducing our resource consumption.

People are our most important resource and in October 2012 we conducted our first hospital-wide, online RCH Culture Survey. It told us that 81% of RCH staff are proud of the hospital and the work they do – a high satisfaction rate by Australian and international standards. But the Culture Survey also told us that we needed to be better at communicating how and why important, sometimes difficult decisions are made.

We were again humbled by the generosity of Victorians when the annual Good Friday Appeal generated a record \$16 million. Thank you.

This feedback was at the heart of our response to the December budget reduction and has guided much of our thinking and action over the subsequent six months. A series of focus groups in May and June were held to provide a safe space for staff to table any other concerns, or identify areas of our work in which more transparency or openness are needed. We have been challenged but ultimately empowered by this process and look forward to seeing the results of our next survey early in 2014.

This year has given us much to celebrate, including our first birthday celebration in our wonderful new building – which has now won more than 30 local, national and international awards for architecture, design and sustainability. And we were again humbled by the generosity of Victorians when the annual Good Friday Appeal generated a record \$16 million. Thank you. In addition, this year, more than 200 RCH staff competed in the annual Run For The Kids which takes place the weekend before Good Friday.

We also said goodbye this year to an individual who possessed extraordinary insight into our society's future paediatric healthcare needs. Dame Elisabeth Murdoch AC DBE died on December 5, 2012 at the age of 103.

We were also pleased this year to be able to invite the public to visit us, when we opened our doors for the first time as part of the annual Open House Melbourne. About 1100 lovers of great architecture came to see inside our iconic building, and we look forward to being an annual participant in this great event.

We also said goodbye this year to an individual who possessed extraordinary insight into our society's future paediatric healthcare needs. Dame Elisabeth Murdoch AC DBE died on December 5, 2012 at the age of 103. She was just 24-years-old when she joined the management committee of the then-Children's Hospital in 1933, and was a leading advocate for the construction of the new children's hospital in Parkville, which was opened in 1963 by Her Majesty, Queen Elizabeth.

Whilst she will be greatly missed, her legacy lives on through the Dame Elisabeth Murdoch Nursing Development Scholarship. This prestigious scholarship is awarded annually to an outstanding RCH nurse, enabling them to expand their knowledge and skills in paediatric nursing. This year's recipient was RCH Research Nurse Consultant Sally Lima, who is using the scholarship to explore and advance the RCH Nursing Competency Framework which supports the development of a highly and uniformly skilled nursing workforce.

Dame Elisabeth was also the patron of Murdoch Childrens Research Institute (MCRI). MCRI and the University of Melbourne Department of Paediatrics are our campus partners, a relationship which enables us to seamlessly integrate training and education, research and clinical care within one, nationally unique facility. In 2012-13 we said farewell to the CEO of MCRI, Professor Terry Dwyer, and welcomed Professor Kathryn North as the new head of this world renowned paediatric health research institute.





Two very worthy Royal Children’s Hospital (RCH) staff members were inducted into the 2013 Victorian Women’s Honour Roll. Professor Susan Sawyer, Director of the RCH Centre for Adolescent Health (CAH) and Dr Catherine Crock, RCH doctor and Executive Director of the Australian Institute for Patient and Family Centred Care, have been recognised for their outstanding contribution to the Victorian community. Presented by the Premier, The Hon Denis Napthine MP, former Minister for Women’s Affairs Ms Mary Wooldridge MP and the Minister for Women’s Affairs Ms Heidi Victoria MP, Professor Sawyer and Dr Crock were among 20 women inducted as part of the 2013 International Women’s Day celebration.

On Tuesday 19 November, at our 142nd Annual General Meeting, the first in the new hospital, we celebrated the hard work and achievements of our staff over the past year. We presented 12 awards to members of staff who were nominated by their colleagues for their outstanding contribution to the hospital.

The recipients were:

- **Chairman’s Medal**
Professor Kerr Graham,
Director RCH Gait Laboratory
- **Chairman’s Medal**
Delwyn Graham,
Manager Early Learning Centre
- **CEO Award**
Nursing Education and Research Team
- **Realising the potential of the new RCH Award**
Tony Austin
- **Innovation Award**
Liver and Intestinal Transplant Team

- **Team Award**
Pathology Collection
- **Allied Health Award**
Sue Greaves
- **Enrolled Nurse Excellence Award**
Wayne Ritchie
- **Mary Patten Award**
Janine Evans
- **Yvonne Wagner Award**
Cvetanka Bogoeska
- **Dr William Snowball Award**
Sebastian King

The RCH was recognised at the 2012 Victorian Public Healthcare Awards and won a gold, silver, highly commended and a lifetime achievement award. These were:

- **The RCH Gait Laboratory**
Gold, Healthcare Innovation Award
for Excellence in Service Provision

- **The RCH Clinical Nutrition Program**
Silver, Excellence in supporting
self-managed healthcare
- **The RCH Liver and Intestinal Transplant team**
Highly Commended, Outstanding
Achievement by a team in Healthcare
- **Frank Oberklaid**
Minister’s Award for Health Lifetime
Achievement.

Dr John Rogers, the Honorary Secretary of the RCH Medical Alumni, was awarded the Member of the Order of Australia (AM) for his significant service to medicine in the fields of clinical genetics and paediatrics in the 2013 Queen’s Birthday Honours.

Awards and accolades such as these provide welcome recognition of the work of individuals and teams, but there are many more whose work is perhaps not formally acknowledged and yet carries huge importance.

Our clinicians are among the world’s best. In theatre, in clinics and at the bedside innovation is a core part of their daily practice. We call that instinct into action in a myriad of ways every day, and it is to the credit of the staff of this hospital that, time and again, they deliver.

Our move to this amazing new facility and growing awareness of our clinical capabilities has seen record numbers of children seek care and treatment at our hospital over the past 12 months. For example, in 2012–13 there were 77,695 presentations to our Emergency Department, 4,094 more than anticipated, and we have seen similar growth in demand for inpatient care and Specialist Clinics.

We operate in an environment in which resources cannot quickly be increased to match growing demand. To manage this

growth, and to ensure that every child who comes into our care receives great care, requires us to continually innovate; to find smarter ways of working and to never stop asking ourselves, is there a better way to do this?

Our clinicians are among the world’s best. In theatre, in clinics and at the bedside innovation is a core part of their daily practice. We call that instinct into action in a myriad of ways every day, and it is to the credit of the staff of this hospital that, time and again, they deliver. Our achievements of the past 12 months are a testament to their expertise, their excellence and their commitment to the cause. My sincere thanks to each of you.

Christine Kilpatrick
Chief Executive

Board members

CHAIRMAN THE HON ROB KNOWLES AO

The Hon Rob Knowles was Victorian Minister for Health from 1996 until 1999 and MLC for Ballarat from 1976-1999. He also served as Chairman of Food Standards Australia and New Zealand; as a member of the National Health and Hospital Reform Commission and as a former Aged Care Complaints Commissioner. He is currently a Commissioner with the National Mental Health Commission; Director of the Silverchain Group of Companies IPG Pty Ltd and Drinkwise Australia Ltd; a member of the Deans External Advisory Council for the Faculty of Medicine, Health Sciences and Nursing at the University of Melbourne and a Director of the Brotherhood of St Laurence.

MS LINDA BERRY

Ms Linda Berry is a consultant 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 former non-Executive Director on the Board of State Trustees Limited.

DR JULIE CALDECOTT

Dr Julie Caldecott is a retired partner of the Boston Consulting Group and the former 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 MAX FINDLAY

Mr Max Findlay joined Programmed Maintenance Services in August 1988 and was appointed Managing Director in March 1990. He has extensive industry specific experience, including approximately 20 years of marketing and general management experience, in the industrial and manufacturing industries. Mr Findlay's experience, prior to joining Programmed Maintenance Services, included 11 years with Australian Consolidated Industries, three years with Smith and Nephew and five years with James Sephton Plastics. In his time with Programmed Maintenance Services, Mr Findlay held the positions of Business Development Manager, General Manager and Managing Director. He 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, Mr Findlay has been involved in a number of public and private company Boards.

MS JANE HUME

Ms Jane Hume has a background in Investment Banking with positions as a Vice President at Deutsche Asset Management Australia, Key Accounts Manager at Rothschild Australia Asset Management and as Investment Research Manager and Private Banker at National Australia Bank. She has a Bachelor of Commerce from the University of Melbourne, a Graduate Diploma of Arts (Political Science) from the University of Melbourne and a Graduate Diploma Finance and Investment from the Securities Institute of Australia. She has also held a number of roles in community and professional organisations, including the Committee of Management of the Post and Antenatal Depression Association (PANDA).

MR SAMMY KUMAR

Mr Sammy Kumar is a Managing Partner at PricewaterhouseCoopers (PwC) focussing on strategy and new business growth. He is a Fellow of the Institute of Chartered Accountants and has a Bachelor of Commerce Degree from Monash University. Mr Kumar has run the Australian Consulting business and is also a Board Member of PwC's China Business. Mr Kumar joined The Royal Children's Hospital Board in July 2012.

MR DAVID MANDEL

Mr David Mandel has a Bachelor of Science (Chemistry) from the University of Sussex England. He commenced his career as a marketing graduate with Unilever UK and held a number of senior management roles with Smorgon Consolidated Industries, Visy and Riverwood International Corp in both the USA and Australia, where he was Managing Director for three years from 1995 to 1997. In Australia, Riverwood was a 600 employee, five plant, \$125 million revenue folding carton business owned by the listed US multinational corporation. Mr Mandel is currently a non-executive director of Sirius Corporation Ltd and Narhex Life Sciences Ltd as well as a number of organisations in both the commercial and not-for-profit sectors.

MR JOHN RIMMER

Mr John 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 Lakshmi 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 Australasian College of Health Service Management, was a surveyor with the Australian Council on Healthcare Standards from 1995 to 2010 and is a former member of the Medical Practitioners' Board of Victoria. Dr Sumithran served on the Board of Barwon Health from July 2011 to June 2012 and has served on the Board of The Royal Children's Hospital since 1 July 2006.

MR PETER YATES AM

Mr Peter Yates has been Chairman of The Royal Children's Hospital Foundation since July 2012, having been a Director since 2001. Mr Yates is a Director of AIA Australia Limited, MOKO.mobi. and Peony Capital General Partners. He is Chairman of the Royal Institution of Australia, the Australian Science Media Centre, the Faculty of Business and Economics at Melbourne University and the FMAA. Mr Yates is Deputy Chairman of Asialink and a Director of the Myer Foundation, the Australian Chamber Orchestra, the Australia-Japan Foundation, the Centre for Independent Studies and the Centre of Excellence for Quantum Computation and Communication Technology. Mr Yates has been a Director of Publishing and Broadcasting Ltd, Crown Ltd, Foxtel Ltd, The Nine Network, Ninemsn, ticketek, Veda Ltd, Oceania capital partners Ltd, the National Portrait Gallery and The Melbourne International Arts Festival. In the June 2011 Queen's Birthday Honours, Mr Yates was awarded a Member of the Order of Australia for service to education, to the financial services industry and to a range of arts, science and charitable organisations.

Board Sub-Committee Membership

AUDIT AND CORPORATE RISK MANAGEMENT COMMITTEE

Max Findlay (Chair)
Linda Berry
Sammy Kumar
David Mandel
Ian Quick (part year)
John Rimmer

COMMUNITY ADVISORY COMMITTEE

Dr Lakshmi Sumithran (Chair)
Jane Hume

FACILITIES MANAGEMENT COMMITTEE

Max Findlay (Chair)
David Mandel

FINANCE COMMITTEE

Sammy Kumar (Chair)
Dr Julie Caldecott
David Mandel
Ian Quick (part year)
John Rimmer

INFORMATION TECHNOLOGY COMMITTEE

David Mandel (Chair)
Dr Julie Caldecott (part year)
Ian Quick (part year)
John Rimmer

INTELLECTUAL PROPERTY COMMITTEE (REQUIRED BY RCH BY-LAWS)

Whole of Board

INVESTMENT COMMITTEE

Max Findlay (Chair)
Dr Julie Caldecott
Jane Hume

PRIMARY CARE AND POPULATION HEALTH ADVISORY COMMITTEE

Dr Julie Caldecott (Chair)
Hon Rob Knowles AO
Dr Lakshmi Sumithran

QUALITY COMMITTEE

Dr Lakshmi Sumithran (Chair)
Dr Julie Caldecott
Jane Hume
John Rimmer

REMUNERATION COMMITTEE

Tony Beddison AO (Chair) (part year)
Max Findlay
Hon Rob Knowles AO (part year)
Sammy Kumar

THERAPEUTIC AND EDUCATIONAL CREATIVE ARTS COMMITTEE

Linda Berry (Chair)
Dr Julie Caldecott
Jane Hume (part year)
David Mandel

Executive staff

As at 30 June, 2013

CHIEF EXECUTIVE OFFICER

Professor Christine Kilpatrick
MBBS, MBA, MD, FRACP, FRACMA, FAICD

DEPUTY CHIEF EXECUTIVE OFFICER
EXECUTIVE DIRECTOR CLINICAL OPERATIONS

John Stanway
BEc, Grad Dip IR, FAICD

EXECUTIVE DIRECTOR PEOPLE AND CULTURE

Colin Brown
BA, MAICD

EXECUTIVE DIRECTOR COMMUNICATIONS

Jayne Dullard
BA (Hons), MAICD

EXECUTIVE DIRECTOR FINANCE AND CORPORATE SERVICES AND CHIEF FINANCIAL OFFICER

Jennifer Gale
FCPA, BBus (Acc), MAICD

EXECUTIVE DIRECTOR LEGAL AND INFORMATION SERVICES

Katherine Lorenz
BA, LLB (Hons), MAICD

EXECUTIVE DIRECTOR MEDICAL SERVICES AND CLINICAL GOVERNANCE AND CHIEF MEDICAL OFFICER

Dr Peter McDougall
MBBS, MBA, FRACP, GAICD

CHIEF OF SURGERY

Mike O'Brien
PhD, FRCSI(Paed), FRACS(Paed)

CHIEF OF PAEDIATRIC MEDICINE

Professor Colin Robertson
MBBS, MSc, MD, FRACP

EXECUTIVE DIRECTOR NURSING SERVICES AND CHIEF NURSING OFFICER

Bernadette Twomey
MN (Hons) PgDipHsc (Mgmt) BHS (Ngs),
ADN, RN, MAICD

Organisational chart



Staff summary

The Royal Children's Hospital full time equivalent (FTE) as at 30 June 2013.

Labour category	June Current month FTE		June YTD FT	
	2013	2012	2013	2012
Nursing	1,054	1,106	1,019	1,076
Administration and Clerical	645	614	589	585
Medical Support	348	364	348	356
Hotel and Allied Services	208	202	201	203
Medical Officers	112	117	108	112
Hospital Medical Officers	254	242	241	245
Sessional Clinicians	88	93	85	91
Ancillary Staff (Allied Health)	277	288	265	274
TOTAL	2,986	3,026	2,856	2,942

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, liver (with Austin Hospital) and lung (with Alfred Hospital) transplant centre as well as the national centre for the treatment of hypoplastic left heart syndrome. The hospital is the paediatric major trauma centre for Victoria, Tasmania and southern New South Wales. The hospital is the major teaching and research centre with key campus 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
- Ms Diane Watkins**
Consumer Liaison Officer, FOI Reviewer
- Ms Pam Grant**
Medical Imaging, FOI Reviewer
- Ms Martina Marinkovic**
FOI Reviewer
- Ms Sophie Garrity**
FOI Reviewer
- Ms Caroline Kennedy**
FOI Reviewer

Requests received	2012-13	2011-12
Total outcomes	1,806*	1,598
Access granted	1,718	1,448
No information available	21	15
Application withdrawn	47	58

**As of 30 June 2013, there were 20 requests received which have not yet been fully processed. The RCH has 45 days upon receipt to process requests.*

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. The RCH has privacy procedures in place and these have recently been reviewed and updated.

In May 2012, the RCH marked national Privacy Week in May with a presentation to staff by David Taylor, Director Privacy Awareness, from the Office of the Victorian Privacy Commissioner. A number of other privacy sessions were held for staff throughout the week. Communication regarding privacy is published via the RCH intranet and department education and presentations are conducted on request. 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.

PROTECTED DISCLOSURES

The Whistleblowers Protection Act 2001 has been recently replaced with the Protected Disclosures Act 2012. The RCH procedures have been amended to incorporate this new legislation.

The RCH Executive Director of Legal and Information Services is the Protected Disclosure Officer for the purpose of both Acts. During 2012-2013, there were no disclosures of corrupt or improper conduct as defined by either Act.

NATIONAL COMPETITION POLICY

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

The RCH has regard to this policy in relevant significant business activities.

EX-GRATIA PAYMENTS

Refer to Note 26 in the Financial Statements for Ex-gratia payments.

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.

For the Financial Year ending 30 June 2013, RCH does not have contracts that require separate disclosure.

RCH OCCUPATIONAL HEALTH AND SAFETY

A major initiative in 2012-13 was the development of the Occupational Health and Safety (OH&S) Implementation Plan. The RCH Board endorsed the plan to facilitate systematic, measurable and sustainable improvements in the maintenance of a safe and healthy workplace for all RCH employees, patients, parents, volunteers and visitors.

The RCH Occupational Health and Safety Consultative Committee convened throughout 2012-13 and the OH&S team continued to review and approve a range of new equipment and updated OH&S policies, procedures and guidelines. All OH&S Designated Workgroups (DWGs) met regularly and, following an organisation restructure in early 2013, the RCH OH&S Consultative Committee approved the new DWG structure.

In 2012-13 the OH&S management system continued to be developed and the OH&S team worked in a cohesive and committed manner, maintaining good working relationships with our campus partners the Murdoch Childrens Research Institute and the University of Melbourne.

A significant amount of OH&S training has been undertaken in 2012-13. Two separate

five-day Health and Safety Representative (HSR) training courses have been completed, in addition to refresher training for HSRs. Further training activities included:

- WorkCover for managers
- Manual handling
- Risk management
- Chemical management (ChemWatch)
- Safety management systems auditing

Early provision of ergonomics and rehabilitation (E&R) services for staff with a workplace musculoskeletal injury or psychological illness is associated with earlier recovery, reduced lost time and lower claims and medical costs. During 2012-13, E&R services provided by the OH&S team to staff with musculoskeletal disorders has been crucial to an overall trend of lower workers’ compensation claim frequency and costs. A key E&R initiative has been the implementation of a Six Steps to Wellness (Early Intervention) Program.

A 0.6 EFT Injury Management Coordinator has been appointed to the OH&S team focussed on injury prevention and early return to work. Injury prevention initiatives have been extensive, particularly in relation to manual handling, with risk assessments leading to the purchase of equipment minimising manual handling tasks across many areas within RCH. Manual handling of patients and materials continues to be the largest injury classification, and is thus the primary focus of RCH hazard identification and risk control strategies.

In 2012-13, claims were made for injuries including manual handling, slips, trips and falls and stress or psychiatric disorders, with varying periods of incapacity and cost. In managing claims, the RCH Work Injury Management processes are very efficient compared with industry standards. This resulted in injured workers and service providers being compensated and paid very quickly in the vast majority of circumstances. The number and duration of RCH workers compensation claims remain low when benchmarked against industry averages, with the most pleasing result being a slight decrease in total claims costs this year. In addition, the RCH suitable duties and return to work programs continue to work extremely well.

A major role of the OH&S team is to provide advice to all levels of the organisation on physical, biological and chemical hazards. OH&S advisors are frequently required to undertake extensive investigations working in collaboration with HSRs, managers, the RCH new hospital project office and Spotless facilities management.

Issues covered included:

- Occupational hygiene
- Ergonomics
- Legislative advice on a range of OH&S issues across the RCH e.g. lighting, noise, and working with carcinogens.
- Chemical safety (storage, usage, waste disposal, exposure control, monitoring exposure)

The safe management of chemicals is a significant undertaking for the RCH due to the large amount of hazardous and potentially harmful chemicals used daily as part of standard operating procedures. The RCH online chemical management database allows for quick and easy access to Material Safety Data Sheets (MSDS) and consolidation of chemical registers. The material safety data management system, ChemWatch, is available to all RCH staff.

Following a gap analysis conducted by external consultants, a pilot audit program based on AS/NZS4801 Safety Management Systems has been completed in high-risk departments. This includes training for managers and one-to-one assistance from the OH&S team. As a result of the audit, participating departments formulated their own OH&S plans incorporating areas identified for improvement and risk control plans for local health and safety hazards identified during departmental hazard inspections.

Results of the audit will be collated and reported to RCH Executive, with the intention of implementing an ongoing safety management systems audit program within departments identified as higher risk during 2012-13.

There were no regulatory non-compliance or improvement notices issued to any RCH division or operation.

In 2012-13, strong leadership from the RCH Executive has remained an important factor in maintaining a safe, healthy workplace for all RCH employees, patients, parents, volunteers and visitors.

COMPLIANCE WITH BUILDING AND MAINTENANCE PROVISIONS

The hospital is maintained by the state’s private sector partner, Children’s Health Partnership (CHP) through Spotless for a period of 25 years. Spotless has established a comprehensive management and maintenance program with specialist contractors to maintain all Essential Safety Measures (ESM) services on site. An annual certificate will be issued at the end of the reporting period.

ENVIRONMENTAL PERFORMANCE

The RCH recognises the need to have a broader view of the impact the organisation has on the environment. RCH in partnership with Spotless has regarded this view in managing resources consumption and waste generation.

ADVERTISING CAMPAIGNS

The Royal Children’s Hospital ran no advertising campaigns reportable per FRD 22D for 2012-13.

COMPLIANCE

The RCH has complied 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 2012. The 2012-13 Compliance work will be lodged by the due date of 30 September 2013.

CONSULTANCIES LESS THAN \$10,000

During the year, there were no consultancies employed for less than \$10k.

CONSULTANCIES MORE THAN \$10,000

*There is no future commitment for the services performed in the above consultancy.

Consultant	Purpose of Consultancy	Start Date	End date	Total approved project fee (excluding GST) \$	Expenditure 2012-13 (excluding GST) \$
Paxton Partners	Review of strategic options in Pathology services	Aug-12	Sep-12	40,090	24,011
Total					24,011

ADDITIONAL INFORMATION (FRD 22D)

In compliance with the requirements of FRD 22D Standard Disclosures in the Report of Operations, details in respect of the items listed below have been retained by The Royal Children’s Hospital 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 Health Service and where they can be obtained;

- d. Details of changes in prices, fees, charges, rates and levies charged by the Health Service;
- e. Details of any major external reviews carried out on the Health Service;
- f. Details of major research and development activities undertaken by the Health Service that are not otherwise covered either in the Report of Operations or in a document that contains the financial statements 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 Health Service to develop community awareness of the Health Service 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 Health Service 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 Health Service, the purposes of each committee and the extent to which those purposes have been achieved;
- l. Details of all consultancies and contractors including consultants/contractors engaged, services provided, and expenditure committed for each engagement.

2012–13 Statement of priorities

Part A: RCH strategic priorities

Priority	Action	Deliverable	Outcome
Developing a system that is responsive to people's needs	• Align service mix and distribution to address the health needs of the local population	• Hospital in the Home capacity expanded to 32 beds	• Achieved
		• Open four additional mental health inpatient beds	• Achieved
Improving every Victorian's health status and experiences	• Use existing service capability frameworks, patient pathways and clinical guidelines to support better health outcomes • Identify service users who are vulnerable to poor health, and develop interventions that improve their outcomes relative to other groups	• Ensure accreditation status maintained including implementation of recommendations arising from organisation-wide accreditation 2010 and achieving compliance with the National Safety and Quality Health Service Standards	• Achieved
		• Implement state-wide governance for Victorian Forensic Paediatric Medical Service (VFPMS)	• Achieved
Expanding service, workforce and system capacity	• Build workforce capability and flexibility to meet service requirements, and be accountable for supporting the professional education process • Identify opportunities to address workforce gaps by optimising workforce capability and capacity, and exploring alternative workforce models	• Implement new model of care (ambulatory program) for treatment of eating disorders	• Delayed Services are scheduled to commence in early 2013–14.
		• Commence state-wide primary ciliary dyskinesia diagnostic service	• Delayed Services are scheduled to commence in early 2013–14 following international search for appropriately-qualified scientist.
		• Commence implementation of RCH Management and Leadership Framework	• Achieved
Increasing the system's financial sustainability and productivity	• Examine and reduce variation in administration overheads • Identify opportunities for efficiency and better value service delivery	• Sustainable improvements to Specialist Clinics processes implemented and increased activity and revenue achieved	• Achieved
		• Improve elective surgery access	• Achieved
		• Balanced budget achieved	• Achieved
Implementing continuous improvements and innovation	• Develop and implement improvement strategies that better support patient flow and the quality and safety of hospital services • Develop and implement strategies that support service innovation and redesign	• Implement 'Good to Go' across the organisation and improvements in patient access and throughput	• Ongoing Key achievements include: – highest number of patients taken off the surgery wait list – wait list targets achieved – Hospital Initiated Postponement (HIPs) rate less than 8% for the last two quarters – Inpatient discharges before midday consistently on, or close to, target – positive trend in reduction of inlier length of stay.
		• Implement process for systematically collecting data on patient experience	• Ongoing Patient experience trackers have been piloted, with support from Family Advisory Council, in a ward-round improvement project. Internal patient satisfaction surveys were conducted in September 2012 and March 2013. The RCH awaits implementation of the Victorian Hospitals Experience Monitor in 2013–14.
		• Implement RCH Creative Arts Program	• Achieved
		• Conduct employee attitude survey	• Achieved
		• Conduct campus research and education week	• Achieved

Priority	Action	Deliverable	Outcome
Increasing accountability and transparency	<ul style="list-style-type: none"> Implement systems that support streamlined approaches to clinical governance at all levels of the organisation Increase transparency and accountability in reporting of accurate and relevant information about the organisation's performance 	<ul style="list-style-type: none"> Harmonise RCH and MCRI human resources practices 	<ul style="list-style-type: none"> Ongoing <p>Practices continue to be harmonised, where possible.</p>
		<ul style="list-style-type: none"> Implement Victorian Integrated Non-Admitted Health Minimum Dataset (VINAH) project 	<ul style="list-style-type: none"> Delayed <p>Testing and training continues whilst strategies to improve IT capability continue. Necessary upgrades within patient administration system cannot occur until the mandatory Department of Health updates are implemented. It is anticipated that the system will be operational in early 2013-14.</p>
		<ul style="list-style-type: none"> Enhance decision-making capability of managers through the provision of timely and accurate data 	<ul style="list-style-type: none"> Achieved
Improving utilisation of e-health and communications technology	<ul style="list-style-type: none"> Maximise the use of health ICT infrastructure Trial, implement and evaluate strategies that use ICT as an enabler of better patient care 	<ul style="list-style-type: none"> Complete scope for government funded IT project agreed and achieve year one deliverables 	<ul style="list-style-type: none"> Delayed <p>Request for tender for electronic medical record was released with Department of Health approval in July 2013.</p>
		<ul style="list-style-type: none"> Telehealth capability and activity increased across RCH 	<ul style="list-style-type: none"> Achieved
		<ul style="list-style-type: none"> Continue to enhance relationships with rural and regional paediatricians and general practitioners 	<ul style="list-style-type: none"> Ongoing <p>The Practical Paediatrics Program education sessions, which are designed for general practitioners, continue to be well attended and are available on-line.</p> <p>Telehealth consultations are now available for suitable patients and families, either at home or with their general practitioner, paediatrician or other local healthcare professional.</p> <p>Several strategies are in place to facilitate optimal transfer of information to rural and regional paediatricians and general practitioners.</p>

Part B: Performance priorities

FINANCIAL PERFORMANCE

Operating result	Target	2012-13 actuals
Annual Operating result (\$m)	0	0.123
WIES activity performance	Target	2012-13 actuals
Percentage of WIES (public and private) performance to target	100	98.17
Cash management	Target	2012-13 actuals
Creditors	<60 days	45 days
Debtors	<60 days	42 days

ACCESS PERFORMANCE

Note: Emergency indicators are to be reported at campus/hospital level

Emergency care	Target	2012-13 actuals
Percentage of ambulance transfers within 40 minutes	90	95.4
NEAT – Percentage of emergency presentations to physically leave the emergency department for admissions to hospital, be referred to another hospital for treatment, or be discharged within four hours (July – December 2012)	70	64
NEAT – Percentage of emergency presentations to physically leave the emergency department for admissions to hospital, be referred to another hospital for treatment, or be discharged within four hours (January – June 2013)	75	69
Number of patients with length of stay in the emergency department greater than 24 hours	0	0
Percentage of Triage Category 1 emergency patients seen immediately	100	100
Percentage of Triage Category 1 to 5 emergency patients seen within clinically recommended times	80	58
Elective surgery	Target	2012-13 actuals
Percentage of Urgency Category 1 elective patients treated within 30 days	100	100
NEST – Percentage of Urgency Category 2 elective surgery patients treated within 90 days (July – December 2012)	75	73
NEST – Percentage of Urgency Category 2 elective surgery patients treated within 90 days (January – June 2013)	80	63
NEST – Percentage of Urgency Category 3 elective surgery patients treated within 365 days (July – December 2012)	93	75
NEST – Percentage of Urgency Category 3 elective surgery patients treated within 365 days (January – June 2013)	94.5	71
Number of patients on the elective surgery waiting list	3,750	3,396
Number of Hospital Initiated Postponements per 100 scheduled admissions	8	8.5

Note: waiting list as at 30 June 2013

SERVICE PERFORMANCE

Elective surgery	Target	2012-13 actuals
Number of patients admitted from the elective surgery waiting list – quarter 1	1,830	1,842
Number of patients admitted from the elective surgery waiting list – quarter 2	1,850	1,685
Number of patients admitted from the elective surgery waiting list – quarter 3	1,714	1,703
Number of patients admitted from the elective surgery waiting list – quarter 4	1,782	1,971
Critical care	Target	2012-13 actuals
Paediatric ICU minimum operating capacity	19	19
Neonatal ICU standard operating capacity and flex capacity	13-15	13-16
Number of days operating below agreed Paediatric ICU minimum operating capacity	0	45*
Number of days operating below agreed Neonatal ICU minimum operating capacity	0	41**
Quality and safety	Target	2012-13 actuals
Health service accreditation	Full compliance	Full compliance
Cleaning standards	Full compliance	Full compliance
Hand Hygiene (rate)	70	77.6
SAB rate per occupied bed days	2/10,000	1.2/10,000
Newborns	Target	2012-13 actuals
Percentage of eligible newborns screened for hearing deficit before one month of age	>97	98.5

* Paediatric ICU reporting was revised to conform with KPI definitions and in 2013 June quarter, zero occasions were reported.

** Neonatal ICU focused on this KPI and in 2013 June quarter, seven occasions were reported.

Part C: Activity and funding

Funding type	2012-13 activity achievement
Acute admitted	
WIES Public	33,324
WIES Private	11,028
Total PPWIES (Public and Private)	44,353
WIES Renal	19
WIES DVA	0
WIES TAC	395
WIES TOTAL	44,767
Acute non-admitted	
Emergency services	
Specialist clinics	
Rehab L1 Public	2,441
Palliative Care Other	
Subacute non-admitted	
Hospital Admission Risk Program (HARP)	
Palliative Care Other non-Admitted	
Mental Health	
Mental Health – Inpatient	3,310
Mental Health – Ambulatory	36,020
Primary Health	
Community Health/Primary Care Programs	
Other	
Nationally Funded Centre activity	
Transplants – Paediatric Heart	8
Transplants – Paediatric Liver	9
Transplants – Paediatric Lung	1
Hypoplastic Left Heart Syndrome Surgery – Norwood Procedure (stage 1)	5
Hypoplastic Left Heart Syndrome Surgery – BCPS (stage 2)	7
Total funding	

Summary of Financial Results

	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000
Total Revenue	477,805	482,674	415,749	393,947
Total Expenses	528,052	487,465	433,216	416,061
Net Result for the year (inc. Capital and Specific Items)	(50,247)	(4,791)	(17,467)	(22,114)
Retained Surplus/(Accumulated Deficit)	(91,041)	(39,932)	(35,856)	(18,201)
Total Assets	1,166,561	1,135,558	221,324	239,032
Total Liabilities	1,125,593	1,044,939	110,788	111,096
Net Assets	40,968	90,619	110,536	127,936
Total Equity	40,968	90,619	110,536	127,936

Operational and financial performance 2013

The Royal Children's Hospital ended the year in a sound financial position with an Annual Operating Surplus before Capital and Specific Items of \$123k against a break even operating budget, as per the comprehensive operating statement on page 29. RCH has successfully met its Statement of Priorities Financial Target.

Summary of significant change in financial position 2013

The Royal Children’s Hospital agreed to record States’ assets and obligations in relation to the Public Private Partnership (PPP) arrangement previous year. The RCH assets includes PPP leased Assets of \$908 million and The RCH liability includes a Finance lease liability of \$952 million. The RCH has also recorded \$8.3M of depreciation charge for 3B related assets (required to be maintained by the RCH) as part of PPP assets recording requirement under the Operating Deed. The transaction has no impact to The Royal Children's Hospital annual operating result (before capital).

Subsequent events

Refer to Note 27: Events occurring after the Balance Sheet Date – nil.

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 for the year ending 30 June 2013.

Signed:



The Hon Rob Knowles ao

The Royal Children’s Hospital
Board Chairman
28 August 2013

ATTESTATION ON DATA INTEGRITY

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

Signed:



Professor Christine Kilpatrick

Chief Executive Officer
28 August 2013

ATTESTATION ON INSURANCE

I, Christine Kilpatrick, certify that The Royal Children’s Hospital (RCH) has complied with Ministerial Direction 4.5.5.1 – Insurance, except that although RCH has systems and processes in place for the valuation of losses and a contract register, it does not maintain a specific register for self-insured retained losses and contractual indemnities.

Signed:



Professor Christine Kilpatrick

Chief Executive Officer
28 August 2013

ATTESTATION FOR COMPLIANCE WITH THE AUSTRALIAN/NEW ZEALAND RISK MANAGEMENT STANDARD

I, Christine Kilpatrick certify that The Royal Children’s Hospital has risk management processes in place consistent with the AS/NZS ISO 31000:2009 (or an equivalent designated standard) and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Royal Children’s Hospital Audit and Corporate Risk Management Committee verifies this assurance and that the risk profile of The Royal Children’s Hospital has been critically reviewed within the last 12 months.

Signed:



Professor Christine Kilpatrick

Chief Executive Officer
28 August 2013

Disclosure Index

The annual report of The Royal Children’s Hospital 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
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Financial Statements

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 2013 and the financial position at that date of The Royal Children’s Hospital and Consolidated Entities as at 30 June 2013.

At the time of signing, 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.



HON ROB KNOWLES AO
Chairman

The Royal Children’s Hospital
Melbourne

28 August 2013



PROFESSOR CHRISTINE KILPATRICK
Chief Executive Officer

The Royal Children’s Hospital
Melbourne

28 August 2013



JENNIFER GALE
Executive Director Finance
and Corporate Services and CFO

The Royal Children’s Hospital
Melbourne

28 August 2013

VAGO

Victorian Auditor-General’s Office

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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 2013 of The Royal Children’s Hospital which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a statement of significant accounting policies and other explanatory information, 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 as disclosed in note 24 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 fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

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. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about 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)

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.


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 2013 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of The Royal Children's Hospital for the year ended 30 June 2013 included both in The Royal Children's Hospital's annual report and on the website. The Board Members of The Royal Children's Hospital are responsible for the integrity of The Royal Children's Hospital's website. I have not been engaged to report on the integrity of The Royal Children's Hospital's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
29 August 2013


for John Doyle
Auditor-General

The Royal Children's Hospital Comprehensive Operating Statement

For the Year Ended 30 June 2013

	Note	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
Revenue from Operating Activities	2	462,447	443,093	478,532	456,943
Revenue from Non-operating Activities	2	2,058	2,018	7,964	6,456
Employee Expenses	3	(335,602)	(323,701)	(339,922)	(328,037)
Non-Salary Labour Costs	3	(20,166)	(21,666)	(20,657)	(22,070)
Supplies and Consumables	3	(53,203)	(50,260)	(53,227)	(50,279)
Other Expenses	3	(55,410)	(49,483)	(59,723)	(53,317)
Net Result Before Capital and Specific Items		123	2	12,967	9,696
Capital Purpose Income	2	13,344	29,185	12,536	17,460
Net Gain/(Loss) on Disposal of Non-Current Assets	2c	(44)	(20,210)	(44)	(20,210)
Assets Received Free of Charge	2d	-	28,647	-	28,650
Expenditure Using Capital Purpose Income	3	(45,291)	(23,422)	(45,291)	(23,422)
Depreciation and Amortisation	4	(18,380)	(18,933)	(18,553)	(19,131)
Cumulative (gain)/loss transferred to Comprehensive Operating Statement on Sale of Financial Assets	16a	-	(59)	-	(59)
NET RESULT FOR THE YEAR		(50,247)	(4,791)	(38,385)	(7,017)
Other Comprehensive Income					
Items that may be reclassified subsequently to net result					
Available-for-sale financial assets revaluation	16a	967	(411)	11,581	(4,285)
Available-for-sale financial assets reclassification to profit or loss	16a	(121)	59	(121)	59
Items that will not be reclassified to net result					
Net fair value revaluation on Non-Financial Assets	16a	-	(14,774)	-	(14,774)
COMPREHENSIVE RESULT FOR THE YEAR		(49,401)	(19,917)	(26,925)	(26,017)

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

The Royal Children’s Hospital

Balance Sheet

As at 30 June 2013

	Note	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
Current Assets					
Cash and Cash Equivalents	5	41,034	30,054	69,358	51,016
Receivables	6	13,773	14,006	13,305	11,198
Other Financial Assets	7	-	-	43,233	48,352
Inventories	8	1,247	1,660	1,247	1,660
Prepayments		457	569	512	572
Total Current Assets		56,511	46,289	127,655	112,798
Non-Current Assets					
Receivables	6	12,118	10,299	12,118	10,299
Other Financial Assets	7	19,395	17,702	82,655	62,225
Property, Plant and Equipment	9	1,041,649	1,054,818	1,045,171	1,058,390
Intangible Assets	10	33,357	2,920	33,517	3,067
Investment Properties	11	3,531	3,531	3,531	3,531
Total Non-Current Assets		1,110,050	1,089,269	1,176,992	1,137,512
TOTAL ASSETS		1,166,561	1,135,558	1,304,647	1,250,310
Current Liabilities					
Payables	12	35,719	24,937	38,937	27,092
Employee Benefits and Related On-Cost Provisions	13	88,683	83,819	89,152	84,501
Other Liabilities	14	3,769	4,925	3,479	4,925
Total Current Liabilities		128,171	113,681	131,568	116,518
Non-Current Liabilities					
Employee Benefits and Related On-Cost Provisions	13	11,589	9,926	11,770	10,059
Interest Bearing Liabilities	14	30,000	-	30,000	-
Finance Lease Liabilities	14	952,083	917,233	952,083	917,233
Other Liabilities	14	3,750	4,099	3,750	4,099
Total Non-Current Liabilities		997,422	931,258	997,603	931,391
TOTAL LIABILITIES		1,125,593	1,044,939	1,129,171	1,047,909
NET ASSETS		40,968	90,619	175,476	202,401
EQUITY					
Property Plant and Equipment Revaluation Surplus	16a	17,928	17,928	19,781	19,781
Financial Asset Available for Sale Revaluation Surplus	16a	1,011	165	11,571	111
Restricted Specific Purpose Reserve	16a	4,641	4,029	52,196	45,887
Contributed Capital	16b	108,429	108,429	108,429	108,429
Accumulated Deficit	16c	(91,041)	(39,932)	(16,501)	28,193
TOTAL EQUITY		40,968	90,619	175,476	202,401
Commitments	20				
Contingent Assets and Contingent Liabilities	21				

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 2013

Parent		Property, Plant and Equipment Revaluation Surplus \$'000	Financial Asset Available for Sale Revaluation Surplus \$'000	Restricted Specific Purpose Surplus \$'000	Contributed Capital \$'000	Accumulated Surpluses/ (Deficits) \$'000	Total \$'000
	Note						
Balance at 1 July 2011		32,702	517	4,744	108,429	(35,856)	110,536
Net result for the year	16c	-	-	-	-	(4,791)	(4,791)
Other comprehensive income for the year	16a	(14,774)	(352)	-	-	-	(15,126)
Transfer to accumulated surplus/(deficit)	16a	-	-	(715)	-	715	-
Balance at 30 June 2012		17,928	165	4,029	108,429	(39,932)	90,619
Net result for the year	16c	-	-	-	-	(50,247)	(50,247)
Other comprehensive income for the year	16a	-	846	-	-	-	846
Equity reclassification		-	-	-	-	(250)	(250)
Transfer to accumulated surplus/(deficit)	16a	-	-	612	-	(612)	-
Balance at 30 June 2013		17,928	1,011	4,641	108,429	(91,041)	40,968
Consolidated		Property, Plant and Equipment Revaluation Surplus \$'000	Financial Asset Available for Sale Revaluation Surplus \$'000	Restricted Specific Purpose Surplus \$'000	Contributed Capital \$'000	Accumulated Surpluses/ (Deficits) \$'000	Total \$'000
	Note						
Balance at 1 July 2011		34,555	4,337	49,565	108,429	31,532	228,418
Net result for the year	16c	-	-	-	-	(7,017)	(7,017)
Other comprehensive income for the year	16a	(14,774)	(4,226)	-	-	-	(19,000)
Transfer to accumulated surplus/(deficit)	16a	-	-	(3,678)	-	3,678	-
Balance at 30 June 2012		19,781	111	45,887	108,429	28,193	202,401
Net result for the year	16c	-	-	-	-	(38,385)	(38,385)
Other comprehensive income for the year	16a	-	11,460	-	-	-	11,460
Transfer to accumulated surplus/(deficit)	16a	-	-	6,309	-	(6,309)	-
Balance at 30 June 2013		19,781	11,571	52,196	108,429	(16,501)	175,476

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 2013

Note	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Grants from Government	357,239	346,839	356,418	345,115
Patient Fees Received	17,052	14,414	17,033	14,414
Private Practice Fees Received	28,231	25,780	28,231	25,780
Donations and Bequests Received	12,204	15,250	24,362	25,345
GST Received from/(Paid to) ATO	4,898	5,811	5,304	5,761
Interest Received	1,876	1,047	11,411	3,709
Other Receipts	36,896	36,505	38,554	40,852
Total receipts	458,396	445,646	481,313	460,976
Employee Benefits Paid	(345,831)	(324,467)	(350,809)	(329,014)
Fee for Service Medical Officers	(3,187)	(3,129)	(3,187)	(3,129)
Payments for Supplies and Consumables	(50,452)	(56,733)	(50,148)	(56,791)
Other Payments	(44,840)	(45,983)	(48,834)	(49,725)
Total payments	(444,309)	(430,312)	(452,978)	(438,659)
Cash Generated from/(used in) Operations	14,087	15,334	28,336	22,317
Capital Grants from Government	77	296	77	296
Other Capital Receipts	384	2,291	-	2,291
Capital Donations and Bequests Received	1,060	12,145	252	420
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	17	15,607	30,066	25,325
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for Non-Financial Assets	(4,053)	(17,402)	(4,192)	(17,807)
Proceeds from Sale of Property, Plant and Equipment	21	393	21	393
Purchase of Investments	(2,162)	(866)	(7,718)	(1,429)
Proceeds from Sale of Investments	1,188	1,868	1,188	6,869
NET CASH OUTFLOW FROM/(USED IN) INVESTING ACTIVITIES	(5,006)	(16,007)	(10,701)	(11,974)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD	10,602	14,059	17,964	13,351
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	28,669	14,609	49,631	36,280
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	5	39,271	28,669	67,595

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

Notes to the Financial Statements
30 June 2013
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Note 1: Statement of Significant Accounting Policies

These annual financial statements represent the audited general purpose financial statements for The Royal Children's Hospital for the year ended 30 June 2013. The purpose of the report is to provide users with information about The Royal Children's Hospitals' stewardship of resources entrusted to it.

(a) Statement of Compliance

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

The financial statements also comply with relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury 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.

The annual financial statements were authorised for issue by the Board of The Royal Children's Hospital on 28 of August 2013.

(b) Basis of accounting preparation and measurement

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013, and the comparative information presented in these financial statements for the year ended 30 June 2012.

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

These financial statements are presented in Australian dollars, the functional and presentation currency of The Royal Children's Hospital.

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

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

- Non-current physical assets, which subsequent to acquisition, are measured at 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;
- Available-for-sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised; and
- The fair value of assets other than land is generally based on their depreciated replacement value.

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 judgements, 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 judgements. 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. Judgements made by management in the application of AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the subsequent reporting period, are disclosed throughout the notes to the financial statements.

(c) Reporting Entity

The financial statements include all the controlled activities of The Royal Children's Hospital.

Its principal address is:

50 Flemington Road
Parkville
Victoria 3052

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

(d) Rounding

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

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

(e) Principles of Consolidation

In accordance with AASB 127 *Consolidated and Separate Financial Statements*, the consolidated financial statements of The Royal Children's Hospital incorporates the assets and liabilities of all entities controlled by The Royal Children's Hospital as at 30 June 2013, and their income and expenses for that part of the reporting period in which control existed. Control exists when The Royal Children's Hospital has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Where control of an entity is obtained during the financial period, its results are included in the comprehensive operating statement from the date on which control commenced. Where control ceases during a financial period, the entity's results are included for that part of the period in which control existed. Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

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

- The Royal Children's Hospital's Foundation Trust Fund;
- The Royal Children's Hospital Education Institute Limited; and
- Communities That Care Limited.

The Royal Children's Hospital's Foundation Trust Fund 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 Fund.

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 of The Royal Children's Hospital's Senior Management.

In the process of preparing consolidated financial statements for The Royal Children's Hospital, all material transactions and balances between consolidated entities are eliminated.

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.

Jointly controlled assets

Interest in the Victorian Comprehensive Cancer Centre which is a jointly controlled asset is accounted by recognising in The Royal Children's Hospital's financial statements its proportionate share of assets, liabilities and any income and expenses of such assets.

(f) Scope and presentation of financial statements

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.

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* (H&CI) are funded by The Royal Children's Hospital's own activities or local initiatives and/or the Commonwealth.

Comprehensive operating statement

The comprehensive operating statement includes the subtotal entitled 'Net result Before Capital and Specific Items' 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 is 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 and Specific Items is used by the management of The Royal Children's Hospital, the Department of Health and the Victorian Government to measure the operating performance of The Royal Children's Hospital.

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 (refer Note 1 (g)). 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;
- Specific income/expense, comprises the following items, where material:
 - Write-down of non-current assets
 - Non-current asset revaluation increments/decrements
 - Diminution/impairment of investments;
- Depreciation and amortisation, as described in Note 1 (h);
- Assets provided or received free of charge, as described in Note 1 (g) and (h);
- Impairment of financial and non-financial assets, includes all impairment losses which have been recognised in accordance with Note 1 (k) and (l); and
- Expenditure using capital purpose income, comprises expenditure which either falls below the asset capitalisation threshold, 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.

Balance Sheet

Assets and Liabilities are categorised either as current or non-current.

Statement of changes in equity

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income related to other non-owner changes in equity.

Cash flow statement

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of Cash Flows*.

Comparative Information

Below are the changes to the consolidated figures from the previous year's financial report. These changes do not impact the underlying result:

- General Purpose Surplus and Private Practice funds are no longer shown separate from Accumulated Surpluses/(Deficits), as the funds have no specific restrictions or attributes that set them aside from accumulated surpluses. The change does not impact total equity;
- Comprehensive Operating Statement: The line item Facility management, life cycle and other charges under PPP arrangement, as recorded on behalf of the state has been included in Other Expenses as it is not considered sufficiently material to warrant separate presentation in the Comprehensive Operating Statement. The amount is still disclosed on a separate line in Note 3;
- Comprehensive Operating Statement: The classification between Employee Expenses and Non-Salary Labour Costs has changed; refer changes to Note 3 and 3a below. The total remains the same;
- In Note 3 and 3a comparative figures for Salaries and Wages and Agency Costs – Other are updated to correctly reflect a reclassification of Contractors and Consultants in adopting the reporting requirements of FRD 22D;
- In Note 9 the categories Buildings and Cultural Assets are no longer presented with a separate line for assets held at cost. Assets are only carried at cost as long as it is a fair approximation to fair value, and all Buildings and Cultural Assets are measured at fair value in accordance with Note 1 (l) Non-Financial Assets; and
- In Note 19 (d) the sensitivity analysis for Units in Managed Funds (Available for Sale) has been updated to reflect the risk of underlying assets in the managed funds. Where a fund has underlying assets that are subject to interest rate risk only (i.e. cash based assets), the risk for these assets has been calculated separately and presented as interest rate risk, as this is considered to give a more accurate presentation of the actual risk profile of The Royal Children's Hospital's investments. Prior year's figures have been adjusted accordingly.

(g) Income Recognition

Income is recognised in accordance with AASB 118 *Revenue* and is recognised to the extent it is probable that the economic benefits will flow to The Royal Children's Hospital and the income can be reliably measured. Unearned income at reporting date is reported as income received in advance.

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

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

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

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

Note 1: Statement of Significant Accounting Policies (continued)

Indirect Contributions from the Department of Health

Insurance and Outsourced contributions for the Public Private Partnership are 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 Metropolitan Health and Aged Care Services Division Hospital Circular 05/2013.

Patient and Resident Fees

Patient fees are recognised as revenue on an accrual basis.

Private Practice Fees

Private practice fees are recognised as revenue on an accrual basis.

Revenue from commercial activities

Revenue from commercial activities such as commercial laboratory medicine is recognised on an accrual basis.

Donations and Other Bequests

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

Dividend Revenue

Dividend Revenue is recognised when the right to receive payment is established.

Interest Revenue

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

Sale of Investments

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

Resources Received Free of Charge or for Nominal Consideration

Resources received free of charge or for nominal consideration are recognised at their fair value when the The Royal Children’s Hospital obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another Health Service or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such 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.

(h) Expense Recognition

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

Cost of Goods Sold

Costs of goods sold are recognised when the sale of an item occurs by transferring the cost of the item(s) from inventories.

Employee expenses

Employee expenses include:

- Wages and salaries;
- Annual leave;
- Sick leave;
- Accrued days off
- Long service leave; and
- Superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans.

Defined contribution superannuation plans

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

the reporting period. Contributions to defined contribution superannuation plans are expensed when incurred.

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

Employees of 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 plans provide benefits based on years of service and final average salary.

The names and details of the major employee superannuation funds and contributions made by The Royal Children’s Hospital are disclosed in Note 15: Superannuation.

Depreciation

Assets with a cost in excess of \$1,000 are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost or valuation over their estimated useful lives. 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 assets are reviewed at least annually, and adjustments made where appropriate. 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, investment properties and the Public Private Partnership (PPP) leased buildings and fittings. 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.

There is no depreciation on the PPP leased buildings and fittings as the responsibility for maintenance and replacement of the leased assets is retained by the PPP building consortium, Children’s Health Partnership Pty Ltd. As part of the assets recording requirement under the Operating Deed, the \$8.3m depreciation charge for the year relates to 3B assets which are required to be maintained by The Royal Children’s Hospital.

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

	2013	2012
Buildings		
– Structure Shell Building Fabric	52 Years	52 Years
– Site Engineering Services and Central Plant	23 years	23 years
Central Plant		
– Fit Out	23 years	23 years
– Trunk Reticulated Building Systems	24 years	24 years
Plant and Equipment (Non-Medical)	3 to 7 years	3 to 7 years
Medical Equipment	7 to 10 years	7 to 10 years
Computers and Communication	3 years	3 years
Furniture and Fittings	13 years	13 years
Motor Vehicles	10 years	10 years
Leasehold Improvements	4 to 8 Years	4 to 8 Years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate. As part of the buildings valuation, building values were separated into components and each component assessed for its useful life which is represented above.

Amortisation

Amortisation is allocated to intangible assets with finite useful lives on a systematic (typically straight-line) 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 asset concerned is tested as to whether its carrying value exceeds its recoverable amount.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually or whenever there is an indication that the asset may be impaired. The useful lives 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 the recoverable amount for each asset 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 to 23.5 year period (2012: 3 years).

Finance Costs

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

Finance costs include:

- Interest on long-term borrowings (interest expense is recognised in the period in which it is incurred); and
- Finance charges in respect of finance leases recognised by The Royal Children’s Hospital on behalf of the State of Victoria in accordance with AASB 117 *Leases*.

Other operating expenses

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

- Supplies and consumables, which are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed; and
- Bad and doubtful debts, refer to Note 1 (k) Impairment of financial assets.

Resources Provided Free of Charge or for Nominal Consideration

Resources provided free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another Health Service or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such 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.

(i) Other comprehensive income

Other comprehensive income measures the change in volume or value of assets or liabilities that do not result from transactions.

Net gain/(loss) on non-financial assets

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

- Revaluation gains/(losses) of non-financial assets, refer to Note 1 (l) Revaluations of non-current physical assets;
- Gains/(losses) on disposal of non-financial assets, recognised at the date of disposal and determined after deducting from the proceeds the carrying value of the asset at that time;
- Net gain/(loss) on financial instruments, including:
 - Realised and unrealised gains and losses from revaluation of financial instruments at fair value;

- Impairment and reversal of impairment for financial instruments at amortised cost (refer Note 1 (k)); and
- Disposals of financial assets and derecognition of financial liabilities;
- Revaluations of financial instruments at fair value, refer to Note 1 (j) Financial instruments; and
- Other gains/(losses) from other comprehensive income, including:
 - Transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

(j) Financial Instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of The Royal Children’s Hospital’s activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract.

Where relevant, for Note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

Financial assets at fair value through profit and loss

Financial assets are categorised as fair value through profit or loss at trade date if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed by The Royal Children’s Hospital based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies.

Financial instruments at fair value through profit or loss are initially measured at fair value and attributed transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result.

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 net result incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 19.

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits (refer to Note 1 (k)), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Available-for-sale financial assets

Available-for-sale financial instrument assets are those designated as available-for-sale or not classified in any other category of financial instrument asset. Such assets are initially recognised at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net result for the period. Fair value is determined in the manner described in Note 19.

Note 1: Statement of Significant Accounting Policies (continued)

Financial liabilities at amortised cost

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

Financial instrument liabilities measured at amortised cost include all of The Royal Children's Hospital's contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

The Financial Liabilities includes the Department of Health obligations to the Children's Health Partnership for the Quarterly Service Payment (QSP) for the new Royal Children's Hospital.

(k) Financial Assets

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 three months or less, which are held for the purpose of meeting short term cash commitments rather than for investment purposes, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Receivables

Receivables consist of:

- Statutory receivables, which includes predominantly amounts owing from the Victorian Government and GST input tax credits recoverable; and
- Contractual receivables, which includes mainly of debtors in relation to goods and services and accrued investment income.

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

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

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition. Collectability of debts is reviewed on an ongoing basis, and debts which are known to be uncollectible are written off. A provision for doubtful debts is recognised when there is objective evidence that an impairment loss has occurred. Bad debts are written off when identified.

Investments and Other Financial Assets

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

Investments are classified in the following categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables; and
- Available-for-sale financial assets.

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.

Investments in jointly controlled assets and operations

In respect of any interest in jointly controlled assets, The Royal Children's Hospital recognises in the financial statements:

- Its share of jointly controlled assets;
- Any liabilities that it had incurred;
- Its share of liabilities incurred jointly by the joint venture;
- Any income earned from the selling or using of its share of the output from the joint venture; and
- Any expenses incurred in relation to being an investor in the joint venture.

Derecognition of financial assets

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

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

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

Impairment of Financial Assets

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

Receivables are assessed for bad and doubtful debts on a regular basis. Bad debts considered as written off and allowances for doubtful receivables are expensed.

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

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

In order to determine an appropriate fair value as at 30 June 2013 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.

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

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;
- Impairment and reversal of impairment for financial instruments at amortised cost; and
- Disposals of financial assets.

Revaluation of Financial Instruments at Fair Value

The Revaluation gain/(loss) on financial instruments at fair value excludes dividends or interest earned on financial assets.

(l) Non-Financial Assets

Inventories

Inventories include goods held either for sale, consumption or for distribution at no or nominal cost in the ordinary course of business operations.

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.

The basis used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

Cost for all inventories is measured on the basis of weighted average cost.

Property, Plant and Equipment

All non-current physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

The initial cost for non-financial physical assets under finance lease (Refer to Note 1 (n)) is measured at the present value of the minimum lease payments committed over the lease term by the State of Victoria, each determined at the inception of the lease.

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 recognised 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.

Leasehold improvements

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

Revaluations of Non-current Physical Assets

Non-current physical assets are measured at fair value and 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 recognised in other comprehensive income, except that, to the extent that an increment reverses a revaluation decrement in respect of that same class of asset previously recognised as an expense in net result, the increment is recognised as income in the net result.

Revaluation decrements are recognised in other comprehensive income, 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 surplus.

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 de-recognition of the relevant asset.

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

Investment Properties

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 State of Victoria.

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 nor tested for impairment.

Rental revenue from the leasing of investment properties is recognised in the comprehensive operating statement in the periods in which it is receivable, on a straight line basis over the lease term.

Intangible Assets

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

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.

Other non-financial assets

Prepayments

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

Disposal of Non-Financial Assets

Any gain or loss on the sale of non-financial assets is recognised in the Comprehensive Operating Statement 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; and
- 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.

If there is an indication that there has been a change in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

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.

Note 1: Statement of Significant Accounting Policies (continued)

(m) Liabilities

Payables

Payables consist of:

- Contractual payables which consist predominantly of accounts payable representing liabilities for goods and services provided to The Royal Children’s Hospital 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 those goods and services. The normal credit terms for accounts payable are usually 60 days.
- Statutory payables, such as goods and services tax (GST) and fringe benefits tax (FBT) payables.

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

Borrowings

All borrowings are initially recognised at fair value of the consideration received, less directly attributable transaction costs (refer also to Note 1 (n) Leases). Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in net result over the period of the borrowings using the effective interest method.

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, using a discount rate that reflects the time value of money and risks specific to the provision.

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

Employee Benefits

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

Wages and Salaries, Annual Leave and Accrued Days Off

Liabilities for wages and salaries, including non-monetary benefits, annual leave, sabbatical leave and accrued days off which are 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, and are classified as current liabilities and measured at their nominal values.

Those liabilities that are not expected to be settled within 12 months are also recognised in the provision for employee benefits as current liabilities, but are 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.

On-Costs

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

Superannuation liabilities

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.

Derecognition of financial liabilities

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

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

(n) Leases

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

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

Finance Leases

The hospital facility was built through a Public Private Partnership arrangement between the State of Victoria and Children’s Health Partnership Pty Ltd. The Royal Children’s Hospital occupies the facility through a sublease agreement with Children’s Health Partnership Pty Ltd. The Royal Children’s Hospital, on behalf of the State of Victoria, agreed to record and reports the State’s obligations (including Finance Lease liability and Operating expenses) associated with The Royal Children’s Hospital’s development.

The Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, present value of the minimum lease payment, each determined at the inception of the lease. 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.

Operating Leases

Entity as lessor

Rental income from operating lease is recognised when received over the term of the relevant lease.

Entity as lessee

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. The leased asset is not recognised in the balance sheet.

Leasehold Improvements

The cost of leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or the estimated useful life of the improvements, whichever is the shorter

(o) Equity

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.

Property, Plant and Equipment Revaluation Surplus

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

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 is effectively realised, and is recognised in the comprehensive operating statement. Where a revalued financial asset is impaired that portion of the surplus which relates to that financial asset is recognised in the comprehensive operating statement.

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.

(p) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a Note (refer to Note 19) at their nominal value and are inclusive of the goods and services tax (‘GST’) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised on the balance sheet.

(q) Contingent Assets and Contingent Liabilities

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

(r) Service concession arrangements

The hospital building is maintained by Children’s Health Partnership (CHP) through Spotless, as part of the PPP arrangement. Under the agreement between CHP and The State of Victoria, CHP is responsible for the maintenance of the building for a 25-year period ending in December 2036. The State of Victoria pays CHP a quarterly service payment for the delivery of maintenance and ancillary services. The service charges have been brought to account in the operating result by recognising them as non-cash revenue and expenditure.

(s) Goods and Services Tax (‘GST’)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the 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.

(t) Foreign currency

Foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the payment.

(u) 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 revenue/expenditure for Community Health Services including health promotion and counselling, physiotherapy, speech therapy, podiatry and occupational therapy.

Note 1: Statement of Significant Accounting Policies (continued)

(v) Issued but not yet effective Australian accounting and reporting pronouncements

As at 30 June 2013, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. 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 public sector entity financial statements
AASB 9 <i>Financial instruments</i>	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>).	1 Jan 2015	Subject to AASB’s further modifications to AASB 9, together with the anticipated changes resulting from the staged projects on impairments, details of impacts will be assessed.
AASB 10 <i>Consolidated Financial Statements</i>	This Standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities and supersedes those requirements in AASB 127 <i>Consolidated and Separate Financial Statements</i> and Interpretation 112 <i>Consolidation – Special Purpose Entities</i> .	1 Jan 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. Subject to AASB’s final deliberations on ED 238 and any modifications made to AASB 10 for not-for-profit entities, The Royal Children’s Hospital will need to re-assess the nature of its relationships with other entities, including those that are not currently consolidated.
AASB 11 <i>Joint Arrangements</i>	This Standard requires entities that have an interest in arrangements that are controlled jointly to assess whether the arrangement is a joint operation or joint venture. AASB 11 shall be applied for an arrangement that is a joint operation. It also replaces parts of requirements in AASB 131 <i>Interests in Joint Ventures</i> .	1 Jan 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. Subject to AASB’s final deliberations and any modifications made to AASB 11 for not-for-profit entities, The Royal Children’s Hospital will need to assess the nature of arrangements with other entities in determining whether a joint arrangement exists in light of AASB 11.
AASB 12 <i>Disclosure of Interests in Other Entities</i>	This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements in AASB 127 and AASB 131.	1 Jan 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. Impacts on the level and nature of the disclosures will be assessed based on the eventual implications arising from AASB 10, AASB 11 and AASB 128 <i>Investments in Associates and Joint Ventures</i> .
AASB 13 <i>Fair Value Measurement</i>	This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other AASs. AASB 13 includes a ‘fair value hierarchy’ which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.	1 Jan 2013	Disclosure for fair value measurements using unobservable inputs are relatively onerous compared to disclosure for fair value measurements using observable inputs. Consequently, the Standard may increase the disclosures for public sector entities that have assets measured using depreciated replacement cost.
AASB 119 <i>Employee Benefits</i>	In this revised Standard for defined benefit superannuation plans, there is a change to the methodology in the calculation of superannuation expenses, in particular there is now a change in the split between superannuation interest expense (classified as transactions) and actuarial gains and losses (classified as ‘Other economic flows – other movements in equity’) reported on the comprehensive operating statement.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. While the total superannuation expense is unchanged, the revised methodology is expected to have a negative impact on the net result from transactions of the general government sector and for those few Victorian public sector entities that report superannuation defined benefit plans.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 127 <i>Separate Financial Statements</i>	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 Jan 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 127 in a not-for-profit context. As such, impact will be assessed after the AASB’s deliberation.
AASB 128 <i>Investments in Associates and Joint Ventures</i>	This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1 Jan 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 128 in a not-for-profit context. As such, impact will be assessed after the AASB’s deliberation.
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 1055 <i>Budgetary Reporting</i>	AASB 1055 extends the scope of budgetary reporting that is currently applicable for the whole of government and general government sector (GGS) to NFP entities within the GGS, provided that these entities present separate budget to the parliament.	1 Jan 2014	This Standard is not applicable as no budget disclosure is required.

In addition to the new standards above, the AASB has issued a list of amending standards that are not effective for the 2012–13 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting. The two AASB Interpretations in the list below are also not effective for the 2012–13 reporting period and considered to have insignificant impacts on public sector reporting.

- AASB 2009–11 *Amendments to Australian Accounting Standards arising from AASB 9*.
- AASB 2010–2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*.
- AASB 2010–7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010).
- AASB 2010–10 *Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters*.
- AASB 2011–2 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements*.
- AASB 2011–4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*.
- AASB 2011–6 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements*.
- AASB 2011–7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*.
- AASB 2011–8 *Amendments to Australian Accounting Standards arising from AASB 13*.
- AASB 2011–10 *Amendments to Australian Accounting Standards arising from AASB 119* (September 2011).
- AASB 2011–11 *Amendments to AASB 119* (September 2011) *arising from Reduced Disclosure Requirements*.

- AASB 2011–12 *Amendments to Australian Accounting Standards arising from Interpretation 20*.
- 2012–1 *Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements*.
- 2012–2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*.
- 2012–3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*.
- 2012–5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle*.
- 2012–7 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*.
- 2012–9 *Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039*.
- 2012–10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*.
- 2012–11 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments*.
- 2013–1 *Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements*.
- 2013–2 *Amendments to AASB 1038 – Regulatory Capital*.
- 2013–3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*.
- AASB *Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine*.
- AASB *Interpretation 21 Levies*.

Note 2: Revenue

	Parent					
	HSA 2013 \$'000	HSA 2012 \$'000	H&CI 2013 \$'000	H&CI 2012 \$'000	Total 2013 \$'000	Total 2012 \$'000
Revenue from Operating Activities						
Government Grants						
– Department of Human Services	6,224	5,846	-	-	6,224	5,846
– Department of Health	116,425	333,777	-	-	116,425	333,777
– Victorian Health Funding Pool(*)	219,526	-	-	-	219,526	-
– Commonwealth Government						
– Commonwealth Grant – Health Network Funding Adjustment	3,596	-	-	-	3,596	-
– Other	5,894	4,521	2,046	1,952	7,940	6,473
Total Government Grants	351,665	344,144	2,046	1,952	353,711	346,096
Indirect Contributions by Department of Health						
– Insurance	483	440	-	-	483	440
– Facility management, lifecycle and other charges under PPP arrangement	14,188	7,334	-	-	14,188	7,334
– Long Service Leave	1,820	2,672	-	-	1,820	2,672
Total Indirect Contributions by Department of Health	16,491	10,446	-	-	16,491	10,446
Patient Fees						
– Patient Fees (refer Note 2b)	15,467	12,500	2,280	1,519	17,747	14,019
Total Patient Fees	15,467	12,500	2,280	1,519	17,747	14,019
Commercial Activities and Specific Purpose Funds						
– Private Practice and other patient activity	-	-	13,694	13,127	13,694	13,127
– Commercial Laboratory Medicine	-	-	295	137	295	137
– Child Health and Information	-	-	210	201	210	201
– Community Child Care	-	-	2,183	1,506	2,183	1,506
– Educational Resource Centre	-	-	652	649	652	649
– Property Income	-	-	912	819	912	819
– Car Park Fees	-	-	6,403	5,214	6,403	5,214
– Other	-	-	4,368	2,568	4,368	2,568
Total Commercial Activities and Specific Purpose Funds	-	-	28,717	24,221	28,717	24,221
Research and Program Grants	579	764	-	-	579	764
Recoupment from Private Practice for Use of Hospital Facilities	14,242	12,516	-	-	14,242	12,516
Corporate Services	651	1,301	-	5	651	1,306
Pathology	7,624	7,681	-	-	7,624	7,681
Donations and Bequests	-	-	12,204	15,250	12,204	15,250
Other Revenue from Operating Activities	10,481	10,794	-	-	10,481	10,794
Total Revenue from Operating Activities	417,199	400,146	45,247	42,947	462,447	443,093
Revenue from Non-Operating Activities						
Interest and Dividends	-	-	2,058	2,018	2,058	2,018
Market Movement in Investments	-	-	-	-	-	-
Total Revenue from Non-Operating Activities	-	-	2,058	2,018	2,058	2,018
Revenue from Capital Purpose Income						
State Government Capital Grants						
– Department of Health-Indirect Contribution on repayment of finance lease liabilities and PPP modifications costs	-	-	11,858	14,315	11,858	14,315
– Other	-	-	77	296	77	296
Assets Received Free of Charge (refer Note 2d)	-	-	-	28,647	-	28,647
Net Gain/(Loss) on Disposal of Non-Financial Assets (refer Note 2c)	-	-	(44)	(20,212)	(44)	(20,212)
Donations and Bequests	-	-	1,060	12,145	1,060	12,145
Other Capital Purpose Income	-	-	349	2,431	349	2,431
Total Revenue from Capital Purpose Income	-	-	13,300	37,622	13,300	37,622
Available for sale Revaluation Surplus gain/(loss) recognised (refer Note 16a)	-	-	-	(59)	-	(59)
Total Revenue (refer Note 2a)	417,199	400,146	60,605	82,528	477,805	482,674

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 revenue above the net result line only, and does not reconcile to comprehensive income.

(*) The Victorian Health Funding Pool line is for reporting activity based funding payments received via the National Health Funding Administrator.

Note 2: Revenue (continued)

	Consolidated					
	HSA 2013 \$'000	HSA 2012 \$'000	H&CI 2013 \$'000	H&CI 2012 \$'000	Total 2013 \$'000	Total 2012 \$'000
Revenue from Operating Activities						
Government Grants						
– Department of Human Services	6,224	5,846	-	-	6,224	5,846
– Department of Health	116,425	333,777	212	211	116,636	333,988
– Victorian Health Funding Pool(*)	219,526	-	-	-	219,526	-
– Commonwealth Government						
– Commonwealth Grant – Health Network Funding Adjustment	3,596	-	-	-	3,596	-
– Other	5,894	4,521	2,046	1,952	7,940	6,473
Total Government Grants	351,665	344,144	2,258	2,163	353,923	346,307
Indirect Contributions by Department of Health						
– Insurance	483	440	-	-	483	440
– Facility management, lifecycle and other charges under PPP arrangement	14,188	7,334	-	-	14,188	7,334
– Long Service Leave	1,820	2,672	-	-	1,820	2,672
Total Indirect Contributions by Department of Health	16,491	10,446	-	-	16,491	10,446
Patient Fees						
– Patient Fees (refer Note 2b)	15,467	12,500	2,280	1,519	17,747	14,019
Total Patient Fees	15,467	12,500	2,280	1,519	17,747	14,019
Commercial Activities and Specific Purpose Funds						
– Private Practice and other patient activity	-	-	13,694	13,127	13,694	13,127
– Commercial Laboratory Medicine	-	-	295	137	295	137
– Child Health and Information	-	-	210	201	210	201
– Community Child Care	-	-	2,183	1,506	2,183	1,506
– Educational Resource Centre	-	-	652	649	652	649
– Property Income	-	-	973	1,105	973	1,105
– Car Park Fees	-	-	6,403	5,214	6,403	5,214
– Other	-	-	7,774	5,826	7,774	5,826
Total Commercial Activities and Specific Purpose Funds	-	-	32,184	27,765	32,184	27,765
Research and Program Grants	579	764	-	-	579	764
Recoupment from Private Practice for Use of Hospital Facilities	14,242	12,516	-	-	14,242	12,516
Corporate Services	651	1,301	-	5	651	1,306
Pathology	7,624	7,681	-	-	7,624	7,681
Donations and Bequests	-	-	24,612	25,345	24,612	25,345
Other Revenue from Operating Activities	10,481	10,794	-	-	10,481	10,794
Total Revenue from Operating Activities	417,199	400,146	61,333	56,797	478,532	456,943
Revenue from Non-Operating Activities						
Interest and Dividends	-	-	11,938	6,512	11,938	6,512
Market Movement in Investments	-	-	(3,974)	(56)	(3,974)	(56)
Total Revenue from Non-Operating Activities	-	-	7,964	6,456	7,964	6,456
Revenue from Capital Purpose Income						
State Government Capital Grants						
– Department of Health-Indirect Contribution on repayment of finance lease liabilities and PPP modifications costs	-	-	11,858	14,315	11,858	14,315
– Other	-	-	77	296	77	296
Assets Received Free of Charge (refer Note 2d)	-	-	-	28,650	-	28,650
Net Gain/(Loss) on Disposal of Non-Financial Assets (refer Note 2c)	-	-	(44)	(20,212)	(44)	(20,212)
Donations and Bequests	-	-	252	420	252	420
Other Capital Purpose Income	-	-	349	2,431	349	2,431
Total Revenue from Capital Purpose Income	-	-	12,492	25,900	12,492	25,900
Available for sale Revaluation Surplus gain/(loss) recognised (refer Note 16a)	-	-	-	(59)	-	(59)
Total Revenue (refer Note 2a)	417,199	400,146	81,789	89,094	498,988	489,240

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 revenue above the net result line only, and does not reconcile to comprehensive income.

(*) The Victorian Health Funding Pool line is for reporting activity based funding payments received via the National Health Funding Administrator.

Note 2a: Analysis of Revenue by Source

(based on the consolidated view of Note 2)

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	Primary Health	Other	Total
	2013 \$'000	2013 \$'000	2013 \$'000	2013 \$'000	2013 \$'000	2013 \$'000	2013 \$'000	2013 \$'000
Revenue from Services Supported by Health Services Agreement								
Government Grants	261,758	31,928	17,389	5,226	14,182	4,645	7,047	342,175
Commonwealth Government	7,819	1,056	-	-	100	-	515	9,490
Indirect contributions by Department of Health	2,206	97	-	-	-	-	14,188	16,491
Patient Fees (refer Note 2b)	15,339	131	-	(3)	-	-	-	15,467
Research and Program Grants	194	32	-	-	26	267	60	579
Recoupment from Private Practice for use of Hospital Facilities	11,563	2,879	-	-	-	-	(200)	14,242
Corporate Services	521	130	-	-	-	-	-	651
Pathology	6,099	1,525	-	-	-	-	-	7,624
Other	6,518	1,389	40	1,131	350	440	613	10,481
Sub-Total Revenue from Services Supported by Health Services Agreement	312,017	39,167	17,429	6,354	14,658	5,352	22,223	417,199
Revenue from Services Supported by Hospital and Community Initiatives								
Commonwealth and Government Grant	-	-	-	-	-	-	2,258	2,258
Patient Fees	-	-	-	-	-	-	2,280	2,280
Business Units and Specific Purpose Funds	-	-	-	-	-	-	32,184	32,184
Donations and Bequests (non-capital)	-	-	-	-	-	-	24,612	24,612
Revenue from Non-Operating Activities	-	-	-	-	-	-	7,964	7,964
Capital Purpose Income (refer Note 2)	-	-	-	-	-	-	12,492	12,492
Sub-Total Revenue from Services Supported by Hospital and Community Initiatives	-	-	-	-	-	-	81,789	81,789
Total Revenue	312,017	39,167	17,429	6,354	14,658	5,352	104,012	498,988

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	Primary Health	Other	Total
	2012 \$'000	2012 \$'000	2012 \$'000	2012 \$'000	2012 \$'000	2012 \$'000	2012 \$'000	2012 \$'000
Revenue from Services Supported by Health Services Agreement								
Government Grants	265,353	31,185	12,679	5,154	14,106	4,403	6,743	339,623
Commonwealth Government	3,195	799	-	-	50	-	477	4,521
Indirect contributions by Department of Health	3,024	88	-	-	-	-	7,334	10,446
Patient Fees (refer Note 2b)	12,399	93	-	-	-	-	8	12,500
Research and Program Grants	104	21	-	-	61	480	98	764
Recoupment from Private Practice for use of Hospital Facilities	10,024	2,492	-	-	-	-	-	12,516
Corporate Services	1,041	260	-	-	-	-	-	1,301
Pathology	6,145	1,536	-	-	-	-	-	7,681
Other	7,080	1,361	40	923	292	195	903	10,794
Sub-Total Revenue from Services Supported by Health Services Agreement	308,365	37,835	12,719	6,077	14,509	5,078	15,563	400,146
Revenue from Services Supported by Hospital and Community Initiatives								
Commonwealth and Government Grant	-	-	-	-	-	-	2,163	2,163
Patient Fees	-	-	-	-	-	-	1,519	1,519
Business Units and Specific Purpose Funds	-	-	-	-	-	-	27,765	27,765
Donations and Bequests (non-capital)	-	-	-	-	-	-	25,345	25,345
Revenue from Non-Operating Activities	-	-	-	-	-	-	6,456	6,456
Capital Purpose Income (refer Note 2)	-	-	-	-	-	-	25,900	25,900
Corporate Services	-	-	-	-	-	-	5	5
Other	-	-	-	-	-	-	(59)	(59)
Sub-Total Revenue from Services Supported by Hospital and Community Initiatives	-	-	-	-	-	-	89,094	89,094
Total Revenue	308,365	37,835	12,719	6,077	14,509	5,078	104,657	489,240

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.

Note 2b: Patient fees

	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
Patient Fees Raised				
Recurrent:				
Acute				
- Inpatients	14,816	12,070	14,816	12,070
- Outpatients	2,140	1,368	2,140	1,368
- Other	791	581	791	581
Total Recurrent	17,747	14,019	17,747	14,019

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

	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
Proceeds from Disposal of Non-Current Assets				
Plant and Equipment	-	391	-	391
Motor Vehicles	19	1	19	1
Total Proceeds from Disposal of Non-Current Assets	19	392	19	392
Less: Written Down Value of Non-Current Assets				
Furniture and Fittings	-	502	-	502
Plant and Equipment	-	241	-	241
Medical Equipment	34	817	34	817
Motor Vehicles	29	-	29	-
Cultural Assets	-	124	-	124
Software	-	38	-	38
Buildings	-	18,597	-	18,597
Computers and Communications	-	284	-	284
Total Written Down Value of Non-Current Assets Sold	63	20,603	63	20,603
Net Gain/(Loss) on Disposal of Non-Current Assets	(44)	(20,210)	(44)	(20,210)

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

	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
During the reporting period, the fair value of assets received free of charge, was as follows:				
Land	-	28,530	-	28,533
Cultural assets	-	25	-	25
Medical Equipment	-	92	-	92
TOTAL	-	28,647	-	28,650

Note 3: Expenses

	Parent					
	HSA 2013 \$'000	HSA 2012 \$'000	H&CI 2013 \$'000	H&CI 2012 \$'000	Total 2013 \$'000	Total 2012 \$'000
Employee Expenses						
Salaries and Wages	280,110	267,957	17,870	17,644	297,980	285,601
WorkCover Premium	1,892	2,147	372	367	2,264	2,514
Departure Packages	326	1,071	81	14	407	1,085
Long Service Leave	8,622	9,283	302	455	8,924	9,738
Superannuation	24,541	23,374	1,486	1,389	26,027	24,763
Total Employee Expenses	315,491	303,832	20,111	19,869	335,602	323,701
Non-Salary Labour Costs						
Fees for Visiting Medical Officers	1,986	2,193	1,201	936	3,187	3,129
Agency Costs – Nursing	2,385	2,398	-	-	2,385	2,398
Agency Costs – Other	9,009	9,290	909	478	9,918	9,768
Contractors and Consultants	3,618	4,670	1,058	1,701	4,676	6,371
Total Non-Salary Labour Costs	16,998	18,551	3,168	3,115	20,166	21,666
Supplies and Consumables						
Drug Supplies	20,282	18,208	343	180	20,625	18,388
S100 Drugs	27	394	-	-	27	394
Medical, Surgical Supplies and Prosthesis	23,729	22,695	110	34	23,839	22,729
Pathology Supplies	6,615	6,759	(11)	(3)	6,604	6,756
Food Supplies	2,104	1,986	4	7	2,108	1,993
Total Supplies and Consumables	52,757	50,042	446	218	53,203	50,260
Other Expenses						
Domestic Services and Supplies	3,181	3,020	44	44	3,225	3,064
Fuel, Light, Power and Water	4,185	3,367	7	14	4,192	3,381
Insurance costs funded by DH	4,142	3,908	-	-	4,142	3,908
Motor Vehicle Expenses	257	344	1	(43)	258	301
Repairs and Maintenance	2,769	2,608	206	310	2,975	2,918
Maintenance Contracts	4,400	5,037	88	84	4,488	5,121
Patient Transport	523	385	305	241	828	626
Bad and Doubtful Debts	(278)	925	10	-	(268)	925
Lease Expenses	595	636	258	225	853	861
Advertising Expenses	158	98	4	24	162	122
Postage and Telephone	1,409	1,413	101	86	1,510	1,499
Stationery	1,041	1,179	197	284	1,238	1,463
Facility management, lifecycle and other charges under PPP arrangement	14,188	7,333	-	-	14,188	7,333
Interest Expense on TCV loan	-	-	59	-	59	-
Other Administrative Expenses	9,596	8,827	7,538	8,708	17,134	17,535
Audit Fees						
- VAGO – Audit of Financial Statements	139	133	-	-	139	133
- Other External Audit Fees	-	-	-	-	-	-
- KPMG Internal Audit Fees	287	292	-	-	287	292
Total Other Expenses from Continuing Operations	46,592	39,505	8,818	9,977	55,410	49,483
Expenditure using Capital Purpose Income						
Other Expenses	-	-	242	436	242	436
Special Function Costs	-	-	-	46	-	46
Finance lease interest expense	-	-	45,049	22,940	45,049	22,940
Total Expenditure using Capital Purpose Income	-	-	45,291	23,422	45,291	23,422
Depreciation and Amortisation (refer Note 4)	-	-	18,380	18,933	18,380	18,933
Total	-	-	18,380	18,933	18,380	18,933
Total Expenses	431,838	411,930	96,214	75,534	528,052	487,465

Note 3: Expenses (continued)

	Consolidated					
	HSA 2013 \$'000	HSA 2012 \$'000	H&CI 2013 \$'000	H&CI 2012 \$'000	Total 2013 \$'000	Total 2012 \$'000
Employee Expenses						
Salaries and Wages	280,110	267,957	21,730	21,529	301,840	289,486
WorkCover Premium	1,892	2,147	430	429	2,322	2,576
Departure Packages	326	1,071	183	15	509	1,086
Long Service Leave	8,622	9,283	334	554	8,956	9,837
Superannuation	24,541	23,374	1,754	1,678	26,295	25,052
Total Employee Expenses	315,491	303,832	24,431	24,205	339,922	328,037
Non-Salary Labour Costs						
Fees for Visiting Medical Officers	1,986	2,193	1,201	936	3,187	3,129
Agency Costs – Nursing	2,385	2,398	-	-	2,385	2,398
Agency Costs – Other	9,009	9,290	1,037	627	10,046	9,917
Contractors and Consultants	3,618	4,670	1,421	1,956	5,039	6,626
Total Non-Salary Labour Costs	16,998	18,551	3,659	3,519	20,657	22,070
Supplies and Consumables						
Drug Supplies	20,282	18,208	343	180	20,625	18,388
S100 Drugs	27	394	-	-	27	394
Medical, Surgical Supplies and Prosthesis	23,729	22,695	115	38	23,844	22,733
Pathology Supplies	6,615	6,759	(11)	(3)	6,604	6,756
Food Supplies	2,104	1,986	23	22	2,127	2,008
Total Supplies and Consumables	52,757	50,042	470	237	53,227	50,279
Other Expenses						
Domestic Services and Supplies	3,181	3,020	97	47	3,278	3,067
Fuel, Light, Power and Water	4,185	3,367	17	22	4,202	3,389
Insurance costs funded by DH	4,142	3,908	-	-	4,142	3,908
Motor Vehicle Expenses	257	344	44	(1)	301	343
Repairs and Maintenance	2,769	2,608	297	365	3,066	2,973
Maintenance Contracts	4,400	5,037	97	91	4,497	5,128
Patient Transport	523	385	305	241	828	626
Bad and Doubtful Debts	(278)	925	10	-	(268)	925
Lease Expenses	595	636	332	297	927	933
Advertising Expenses	158	98	21	50	179	148
Postage and Telephone	1,409	1,413	173	157	1,582	1,570
Stationery	1,041	1,179	295	404	1,336	1,583
Facility management, lifecycle and other charges under PPP arrangement	14,188	7,333	-	-	14,188	7,333
Interest Expense on TCV loan	-	-	59	-	59	-
Other Administrative Expenses	9,596	8,827	11,313	12,073	20,909	20,901
Audit Fees						
- VAGO – Audit of Financial Statements	139	133	10	9	149	142
- Other External Audit Fees	-	-	61	56	61	56
- KPMG Internal Audit Fees	287	292	-	-	287	292
Total Other Expenses from Continuing Operations	46,592	39,505	13,131	13,811	59,723	53,317
Expenditure using Capital Purpose Income						
Other Expenses	-	-	242	436	242	436
Special Function Costs	-	-	-	46	-	46
Finance lease interest expense	-	-	45,049	22,940	45,049	22,940
Total Expenditure using Capital Purpose Income	-	-	45,291	23,422	45,291	23,422
Depreciation and Amortisation (refer Note 4)	-	-	18,553	19,131	18,553	19,131
Total	-	-	18,553	19,131	18,553	19,131
Total Expenses	431,838	411,930	105,535	84,325	537,373	496,256

Note 3a: Analysis of Expenses by Source

(based on the consolidated view of Note 3)

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	Primary Health	Other	Total
	2013 \$'000	2013 \$'000	2013 \$'000	2013 \$'000	2013 \$'000	2013 \$'000	2013 \$'000	2013 \$'000
Consolidated								
Services Supported by Health Services Agreement								
Employee Expenses	230,676	27,525	18,331	7,518	11,657	8,741	11,044	315,492
Non-Salary Labour Costs	8,717	1,382	423	3,900	1,035	126	1,415	16,998
Supplies and Consumables	42,796	6,222	982	481	71	9	2,197	52,757
Other Expenses from Continuing Operations	37,365	4,651	345	480	874	1,922	954	46,592
Sub-Total Expenses from Services Supported by Health Services Agreement	319,554	39,781	20,081	12,379	13,637	10,798	15,610	431,838
Services Supported by Hospital and Community Initiatives								
Employee Benefits	-	-	-	-	-	-	24,431	24,431
Non-Salary Labour Costs	-	-	-	-	-	-	3,659	3,659
Supplies and Consumables	-	-	-	-	-	-	470	470
Other Expenses from Continuing Operations	-	-	-	-	-	-	13,131	13,131
Sub-Total Expenses from Services Supported by Hospital and Community Initiatives	-	-	-	-	-	-	41,691	41,691
Total Expenses from Ordinary Activities before Depreciation and Specific Items	319,554	39,781	20,081	12,379	13,637	10,798	57,301	473,528
Expenditure using Capital Purpose Income								
Other expenses	-	-	-	-	-	-	242	242
Finance Lease Interest Expense	-	-	-	-	-	-	45,049	45,049
Depreciation and Amortisation (refer Note 4)	-	-	-	-	-	-	18,553	18,553
Total Expenses	319,554	39,781	20,081	12,379	13,637	10,798	121,145	537,373

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	Primary Health	Other	Total
	2012 \$'000	2012 \$'000	2012 \$'000	2012 \$'000	2012 \$'000	2012 \$'000	2012 \$'000	2012 \$'000
Consolidated								
Services Supported by Health Services Agreement								
Employee Expenses	225,144	27,635	15,344	7,155	11,125	8,556	8,873	303,832
Non-Salary Labour Costs	10,053	1,699	471	3,957	726	252	1,393	18,551
Supplies and Consumables	40,035	5,833	916	864	133	9	2,252	50,042
Other Expenses from Continuing Operations	29,353	5,566	351	411	1,074	1,741	1,009	39,505
Sub-Total Expenses from Services Supported by Health Services Agreement	304,585	40,733	17,082	12,387	13,058	10,558	13,527	411,930
Services Supported by Hospital and Community Initiatives								
Employee Benefits	-	-	-	-	-	-	24,205	24,205
Non-Salary Labour Costs	-	-	-	-	-	-	3,519	3,519
Supplies and Consumables	-	-	-	-	-	-	237	237
Other Expenses from Continuing Operations	-	-	-	-	-	-	13,811	13,811
Sub-Total Expenses from Services Supported by Hospital and Community Initiatives	-	-	-	-	-	-	41,773	41,773
Total Expenses from Ordinary Activities before Depreciation and Specific Items	304,585	40,733	17,082	12,387	13,058	10,558	55,300	453,703
Other expenses							436	436
Special Function Costs							46	46
Finance Lease Interest Expense	-	-	-	-	-	-	22,940	22,940
Depreciation and Amortisation (refer Note 4)	-	-	-	-	-	-	19,131	19,131
Total Expenses	304,585	40,733	17,082	12,387	13,058	10,558	97,853	496,256

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

	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
Private Practice Activities	11,621	11,487	11,621	11,487
Car Park	36	113	36	113
Property	15	49	15	49
Child Health and Information Centre	197	191	197	191
Early Learning Centre	1,873	1,370	1,873	1,370
Educational Resource Centre	457	511	457	511
Safety Centre	32	4	32	4
Research	5,745	5,121	5,745	5,121
Departmental and General Purpose Funds	12,567	14,333	21,715	22,926
TOTAL	32,543	33,179	41,691	41,772

Note 4: Depreciation and Amortisation

	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
Depreciation				
Buildings ⁽ⁱ⁾	1,185	10,051	1,230	10,115
Plant and Equipment	47	71	49	72
Medical Equipment	6,352	5,751	6,352	5,751
Computers and Communication	867	1,136	918	1,193
Furniture and Equipment	95	170	98	173
Motor Vehicles	26	27	35	36
3 B Equipment ⁽ⁱⁱ⁾	8,238	-	8,238	-
Total Depreciation	16,810	17,206	16,920	17,340
Amortisation				
Intangible Assets	1,570	1,727	1,633	1,791
Total Amortisation	1,570	1,727	1,633	1,791
Total Depreciation and Amortisation	18,380	18,933	18,553	19,131

(i) With the move to new RCH, the hospital has disposed of old RCH Building works and as a result the depreciation cost has decreased in 2012-13.

(ii) From 2012-13 RCH has started depreciating the 3B assets provided by the State for hospital use.

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.

	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
Cash on Hand	13	13	15	13
Cash at Bank	4,870	5,243	22,070	7,195
Deposits at Call	24,151	9,798	29,156	22,996
Fixed Deposits	12,000	15,000	18,117	20,812
TOTAL	41,034	30,054	69,358	51,016
Represented by				
Cash for Health Service Operations (as per Cash Flow Statement)*	39,271	28,669	67,595	49,631
Cash for Monies Held in Trust				
– Cash at Bank	1,763	1,385	1,763	1,385
Total Cash and Cash Equivalents	41,034	30,054	69,358	51,016

*Cash for Health Services Operations includes cash held for capital commitments and operating commitments.

Note 6: Receivables

	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
CURRENT				
Contractual				
Controlled Entity Debtors	1,256	2,282	-	-
Inter Hospital Debtors	2,391	2,439	2,391	2,439
Trade Debtors	1,841	2,660	1,874	2,771
Patient Fees	5,119	3,692	5,138	3,692
Accrued Investment Income	259	198	519	836
Diagnostic Debtors	1,222	1,539	1,222	1,539
Sundry Debtors	1,966	828	2,446	828
AEDI Commonwealth Grant	-	1,459	-	-
Less Allowance for Doubtful Debts				
Trade Debtors	194	863	194	863
Patient Fees	700	285	700	285
Sundry Debtors	299	274	299	274
Diagnostic Debtors	117	321	117	321
	12,744	13,353	12,280	10,362
Statutory				
GST Receivable	860	484	856	667
Accrued Revenue Department of Health	169	169	169	169
TOTAL CURRENT RECEIVABLES	13,773	14,006	13,305	11,197
NON-CURRENT				
Statutory				
Long Service Leave – Department of Health	12,118	10,299	12,118	10,299
TOTAL NON-CURRENT RECEIVABLES	12,118	10,299	12,118	10,299
TOTAL RECEIVABLES	25,891	24,305	25,423	21,496
(a) Movement in Allowance for Doubtful Debts				
Balance at beginning of year	1,743	827	1,743	828
Amounts written off during the year	(401)	(6)	(401)	(6)
Increase/(decrease) in allowance recognised in profit or loss	(32)	922	(32)	921
Balance at end of year	1,310	1,743	1,310	1,743

(b) Ageing analysis of receivables

Please refer Note 19b for the ageing analysis of contractual financial assets.

(c) Nature and extent of risk arising from receivables

Please refer Note 19b for the nature and extent of credit risk arising from contractual financial assets.

Note 7: Other Financial Assets

	Operating Fund		Parent Entity		Consolidated	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
CURRENT						
Held for Trading – At Fair Value through profit and loss						
Managed Funds	-	-	-	-	43,233	47,452
Term Deposit	-	-	-	-	-	900
Total Current	-	-	-	-	43,233	48,352
NON-CURRENT						
Available for Sale – At Fair Value through Other Comprehensive Income						
Managed Funds	19,395	17,702	19,395	17,702	82,655	62,225
Total Non-Current	19,395	17,702	19,395	17,702	82,655	62,225
TOTAL	19,395	17,702	19,395	17,702	125,888	110,577

Note 8: Inventories

	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
Pharmaceuticals – at cost	1,247	1,648	1,247	1,648
Gift Shop – at cost	-	12	-	12
TOTAL	1,247	1,660	1,247	1,660

Note 9: Property, Plant and Equipment

	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
Land				
Land at fair value				
Crown	75,944	75,944	75,944	75,944
Freehold	11,529	11,529	13,817	13,817
Total Land	87,473	87,473	89,761	89,761
Buildings				
Buildings at fair value	61,712	61,467	63,040	62,763
Less Accumulated Depreciation	38,149	36,963	38,507	37,277
Total Buildings	23,563	24,504	24,533	25,486
Plant and Equipment				
Plant and Equipment at fair value	868	849	904	884
Less Accumulated Depreciation	412	365	429	380
Total Plant and Equipment	456	484	475	504
Medical Equipment				
Medical Equipment at fair value	60,169	58,882	60,169	58,882
Less Accumulated Depreciation	34,706	28,386	34,706	28,386
Total Medical Equipment	25,463	30,496	25,463	30,496
Computers and Communications				
Computers and Communications at fair value	5,855	5,510	6,546	6,174
Less Accumulated Depreciation	4,547	3,686	5,067	4,154
Total Computers and Communications	1,308	1,824	1,479	2,020
Furniture and Fittings				
Furniture and Fittings at fair value	1,327	1,290	1,372	1,335
Less Accumulated Depreciation	609	514	633	535
Total Furniture and Fittings	718	776	739	800
Motor Vehicles				
Motor Vehicles at fair value	280	332	370	421
Less Accumulated Depreciation	114	152	151	179
Total Motor Vehicles	166	180	219	242
Cultural Assets				
Cultural Assets at fair value	521	521	521	521
Total Cultural Assets	521	521	521	521
Public Private Partnership (PPP) Assets				
Leased Buildings	804,020	804,020	804,020	804,020
Leased Fittings	3,703	3,703	3,703	3,703
Leased Equipment	94,446	92,787	94,446	92,787
Less Accumulated Depreciation on leased equipment	8,238	-	8,238	-
Leased Assets	893,931	900,510	893,931	900,510
Improvement on Leased Buildings and Equipment	8,050	8,050	8,050	8,050
Total PPP Assets	901,981	908,560	901,981	908,560
TOTAL	1,041,649	1,054,818	1,045,171	1,058,390

Note 9: Property, Plant and 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 are set out below.

(Note: Intangible Assets are not included in this schedule. Refer Note 10)

	Land	Buildings	Plant and Equipment	Medical Equipment	Computers and Communications	Furniture and Fittings	Motor Vehicles	Cultural Assets	PPP Assets	Total
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2011	76,006	53,449	757	23,975	2,148	1,418	243	620	-	158,616
Additions	28,530	749	61	13,648	1,079	57	35	25	908,560	952,744
Disposals	-	(18,597)	(241)	(817)	(284)	(502)	-	(124)	-	(20,565)
Net transfers between classes	-	-	-	(560)	270	-	-	-	-	(290)
Revaluation Increments/ (Decrements)	(14,775)	-	-	-	-	-	-	-	-	(14,775)
Depreciation and Amortisation (Note 4)	-	(10,115)	(72)	(5,751)	(1,193)	(173)	(36)	-	-	(17,340)
Balance at 1 July 2012	89,761	25,486	504	30,496	2,020	800	242	521	908,560	1,058,390
Additions	-	277	20	1,335	381	37	59	-	1,659	3,768
Disposals	-	-	-	(16)	(5)	-	(47)	-	-	(68)
Depreciation and Amortisation (Note 4)	-	(1,230)	(49)	(6,352)	(918)	(98)	(35)	-	(8,238)	(16,920)
Balance at 30 June 2013	89,761	24,533	475	25,463	1,479	739	219	521	901,981	1,045,171

The RCH on behalf of the State of Victoria recorded the Public Private Partnerships (PPP) assets and any other improvement to the PPP assets. The RCH maintains ownership of the Research Precinct Building, while the refurbishment is underway with an expected completion date of December 2014. The revaluation of the building will be performed once refurbishment is completed.

An annual assessment of the fair value of land and buildings was conducted by Management as at 30 June 2013. Management obtained from the Department of Health the approved Valuer-General Victoria indices for 2013 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 2013 to determine the change in fair value. As this change in fair value is immaterial, there is no requirement to adjust the carrying value of land and buildings as at 30 June 2013.

Note 10: Intangible Assets

	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
Software	12,972	10,965	13,413	11,330
Less Accumulated Amortisation	9,531	8,045	9,812	8,263
	3,441	2,920	3,601	3,067
Car park Revenue Rights ⁽ⁱ⁾	30,000	-	30,000	-
Less Accumulated Amortisation	84	-	84	-
	29,916	-	29,916	-
Total Written Down Value	33,357	2,920	33,517	3,067

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

	Car park Revenue Rights \$'000	Software \$'000	Total \$'000
Consolidated			
Balance at 1 July 2011	-	2,324	2,324
Additions	-	2,280	2,280
Disposals	-	(38)	(38)
Net transfer from PP&E	-	292	292
Amortisation (Note 4)	-	(1,791)	(1,791)
Balance at 1 July 2012	-	3,067	3,067
Additions ⁽ⁱ⁾	30,000	2,083	32,083
Amortisation (Note 4)	(84)	(1,549)	(1,633)
Balance at 30 June 2013	29,916	3,601	33,517

(i) As part of the New Royal Children's Hospital Project, it was agreed that the revenue stream associated with the 3 level underground car park (stage 1 and stage 2) would be retained by The Royal Children's Hospital, and that rights for this revenue would be financed by way of a long-term loan from the Treasury Corporation of Victoria.

Note 11: Investment Properties

	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
Balance at Beginning of Year	3,531	3,531	3,531	3,531
Balance at End of Year	3,531	3,531	3,531	3,531

Note 12: Payables

	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
CURRENT				
Contractual				
Trade Creditors	12,192	9,620	12,180	9,493
Accrued Expenses	10,823	6,471	12,374	7,836
Deposits	34	35	34	35
Sundry Creditors	1,499	1,389	3,178	2,306
	24,548	17,515	27,766	19,670
Statutory				
Superannuation and WorkCover	3,085	2,863	3,085	2,863
Department of Health	4,651	4,559	4,651	4,559
Victorian Health Funding Pool	3,435	-	3,435	-
	11,171	7,422	11,171	7,422
TOTAL CURRENT	35,719	24,937	38,937	27,092

(a) Maturity analysis of payables

Please refer Note 19c for the ageing analysis of contractual payables.

(b) Nature and extent of risk arising from payables

Please refer Note 19c for the nature and extent of risk arising from contractual payables.

Note 13: Employee Benefits and Related On-Cost Provisions

	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
CURRENT PROVISIONS				
Employee Benefits				
- unconditional and expected to be settled within 12 months (nominal value)	37,508	38,333	37,877	38,893
- unconditional and expected to be settled after 12 months (present value)	44,261	38,916	44,328	38,982
	81,769	77,249	82,205	77,875
Provisions related to employee benefit on-costs				
- unconditional and expected to be settled within 12 months (nominal value)	2,178	2,406	2,204	2,455
- unconditional and expected to be settled after 12 months (present value)	4,736	4,164	4,743	4,171
	6,914	6,570	6,947	6,626
TOTAL CURRENT PROVISIONS	88,683	83,819	89,152	84,501
NON-CURRENT PROVISIONS				
Employee Benefits	10,469	8,967	10,633	9,083
Provisions related to employee benefit on-costs	1,120	959	1,137	977
TOTAL NON-CURRENT PROVISIONS	11,589	9,926	11,770	10,060
TOTAL PROVISIONS	100,272	93,745	100,922	94,561
(a) Employee Benefits and Related On-Costs				
CURRENT EMPLOYEE BENEFITS AND RELATED ON-COSTS				
Unconditional long service leave entitlements	44,172	41,114	44,287	41,392
Annual leave entitlements	26,749	26,066	27,003	26,377
Accrued Wages and Salaries	17,153	15,845	17,238	15,922
Accrued Days Off	609	794	618	816
NON-CURRENT EMPLOYEE BENEFITS AND RELATED ON-COSTS				
Conditional long service leave entitlements (present value)	11,589	9,926	11,776	10,054
TOTAL EMPLOYEE BENEFITS	100,272	93,745	100,922	94,561
(b) Movements in Provisions				
Movement in Long Service Leave				
Balance at start of year	51,040	44,597	51,446	44,915
Provision made during the year				
- Revaluations Increments/(Decrements)	(445)	687	(445)	687
- Expense recognising Employee Service	9,585	8,999	9,493	9,122
Settlement made during the year	(4,419)	(3,243)	(4,431)	(3,278)
Balance at end of year	55,761	51,040	56,063	51,446

Note 14: Other Liabilities

	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
CURRENT				
Monies Held in Trust*				
– Patient Monies Held in Trust	429	235	429	235
– Employee Salary Packaging Monies Held in Trust	1,334	1,150	1,334	1,150
Income in Advance				
– Rental	346	348	346	348
– AEDI Commonwealth Grant	595	1,459	595	1,459
– Other	1,065	1,733	775	1,733
Total Current	3,769	4,925	3,479	4,925
NON-CURRENT				
Income in Advance				
– Rental	3,750	4,099	3,750	4,099
– TCV Loan (refer Note 10)	30,000	-	30,000	-
Finance Lease Liabilities are Payable as follows				
– Not later than one year	11,858	11,858	11,858	11,858
– Later than 1 year and not later than 5 years	296,529	226,339	296,529	226,339
– Later than 5 years	1,515,877	1,597,925	1,515,877	1,597,925
Minimum lease payments	1,824,265	1,836,122	1,824,265	1,836,122
– Less stage 2 bid price	98,526	98,526	98,526	98,526
– Less Future finance charges	768,637	813,686	768,637	813,686
– Less 3B expenditure	5,019	6,677	5,019	6,677
Total Finance Lease Liabilities	952,083	917,233	952,083	917,233
Total Non-Current	985,833	921,332	985,833	921,332
Total Other Liabilities	989,602	926,257	989,312	926,257
*Total Monies Held in Trust Represented by the following assets				
Cash Assets (Note 5)	1,763	1,385	1,763	1,385
TOTAL	1,763	1,385	1,763	1,385

Note 15: Superannuation

	Paid Contribution for the Year ⁽ⁱ⁾				Contribution Outstanding at Year End			
	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
Defined benefit plans⁽ⁱ⁾								
Health Super Scheme	747	871	753	879	81	92	81	93
Defined contribution plans								
Health Super Scheme	15,978	16,369	17,085	16,585	2,019	1,908	2,038	1,929
Hesta	5,244	4,487	5,335	4,568	672	565	685	574
Other	2,004	892	1,081	892	121	103	121	102
Total	23,974	22,619	24,255	22,924	2,893	2,668	2,924	2,699

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

(ii) Paid contributions include contributions that have been paid in relation to the reporting periods.

Note 16: Equity

	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
(a) Reserves				
Property Plant and Equipment Revaluation Surplus				
Balance at the beginning of the reporting Year	17,928	32,702	19,781	34,555
Revaluation Increment/(Decrement) ⁽ⁱ⁾				
– Land	-	(14,774)	-	(14,774)
Balance at the end of the reporting Year	17,928	17,928	19,781	19,781
Represented by:				
– Land	17,928	17,928	19,781	19,781
	17,928	17,928	19,781	19,781
Financial Assets Available-for-Sale Revaluation Surplus				
Balance at the beginning of the reporting Year	165	517	111	4,337
Valuation gain/(loss) recognised ⁽ⁱⁱ⁾	967	(411)	11,581	(4,285)
Cumulative (gain)/loss transferred to Comprehensive Operating Statement on Sale of Financial Assets	(121)	59	(121)	59
Balance at end of the reporting Year	1,011	165	11,571	111
Restricted Specific Purpose Surplus				
Balance at the beginning of the reporting Year	4,029	4,744	45,887	49,565
Transfer (to)/from Accumulated Surpluses/(Deficits)	612	(715)	6,309	(3,678)
Balance at the end of the reporting Year	4,641	4,029	52,196	45,887
Total Reserves	23,580	22,122	83,548	65,779
(b) Contributed Capital				
Balance at the beginning of the reporting Year	108,429	108,429	108,429	108,429
Balance at the end of the reporting Year	108,429	108,429	108,429	108,429
(c) Accumulated Surpluses/(Deficits)				
Balance at the beginning of the reporting Year	(39,932)	(35,856)	28,193	31,532
Equity reclassification	(250)	-	-	-
Net Result for the Year	(50,247)	(4,791)	(38,385)	(7,017)
Transfer (to)/from Reserves	(612)	715	(6,309)	3,678
Balance at the end of the reporting Year	(91,041)	(39,932)	(16,501)	28,193
Total Equity at end of financial year	40,968	90,619	175,476	202,401

(i) The Property, Plant and Equipment Revaluation Surplus balance is as a result of the revaluations of Property, Plant and Equipment, last undertaken in 2011-12. Refer Note 9.

(ii) The Financial Assets Available-For-Sale Revaluation Surplus balance is as a result of the year-on-year revaluations of Available-For-Sale Financial Assets. Where a revalued financial asset is sold, the portion of the reserve relating to that financial asset is effectively realised and reclassified to net result in the comprehensive operating statement. Where a revalued financial asset is impaired, the portion of the reserve relating to the impairment of that financial asset is reclassified to net result in the comprehensive operating statement.

	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
(d) Restricted Specific Purpose Funds				
Major Equipment Replacement	1,589	1,272	1,589	1,272
Research and Trust Funds	642	634	642	634
Education and Training	229	219	229	219
Specific Purpose Funds	1,846	1,569	1,846	1,569
Controlled Entities Restricted Funds	-	-	47,555	41,858
Funds Held in Perpetuity	335	335	335	335
Total Restricted Specific Purpose Funds	4,641	4,029	52,196	45,887

Notional amount is provided for the Private Practice Funds.

Note 17: Reconciliation of Net Result for the Year to Net Cash Inflow/(Outflow) from Operating Activities

	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
Net Result for the Year	(50,247)	(4,791)	(38,385)	(7,017)
Non-cash movements				
Depreciation and Amortisation	18,380	18,933	18,553	19,131
Facility management, lifecycle and other expenses under PPP arrangement	(11,858)	(7,334)	(11,858)	(7,334)
Department of Health - Indirect Contribution on repayment of finance lease liabilities	(14,188)	(14,315)	(14,188)	(14,315)
Facility management, lifecycle and other charges under PPP arrangement	14,188	7,333	14,188	7,333
PPP - Non-Cash Finance lease interest expense	45,049	22,940	45,049	22,940
PPP - Non-Cash Special Function Costs	-	46	-	46
Provision for Doubtful Receivables	(433)	916	(433)	915
Resources/Assets Received Free of Charge	-	(28,647)	-	(28,650)
Movements included in investing and financing activities				
Net (Gain)/Loss from Sale of Plant and Equipment	44	20,212	44	20,212
Income from Managed Funds Reinvested	-	(886)	(724)	(2,512)
Available-for-Sale Revaluation Surplus (Gain)/Loss recognised	(121)	59	(121)	59
Equity transfer from parent to controlled entities	-	-	(250)	-
Movements in assets and liabilities				
Change in Operating Assets and Liabilities				
Increase in Fair Value of Held for Trading Investments	-	-	3,974	56
Increase/(Decrease) in Payables	10,557	(98)	11,623	482
Increase in Employee Benefits	6,750	17,770	6,583	17,967
(Increase)/Decrease in Other Assets	520	(238)	441	(238)
(Increase)/Decrease in Receivables	(1,152)	(1,237)	(3,662)	(3,107)
(Decrease) in Other Liabilities	(1,883)	(597)	(2,169)	(643)
NET CASH INFLOW FROM OPERATING ACTIVITIES	15,607	30,066	28,665	25,325

Note 18: Non-Cash Financing and Investing Activities

	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
Long-term loan taken up as consideration for car park rights (refer Note 10)	(30,000)	-	(30,000)	-
Acquisition of car park rights	30,000	-	30,000	-
Acquisition of Building, Plant and Equipment by means of PPP Finance lease (refer Note 9)	1,659	908,561	1,659	908,561
Total Non-Cash Financing and Investing Activities	1,659	908,561	1,659	908,561

Note 19: Financial Instruments

(a) Financial risk management objectives and policies

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

- Cash Assets;
- Term Deposits;
- Receivables (excluding statutory receivables);
- Investments in Equities and Managed Investment Schemes; and
- Payables (excluding statutory receivables).

The obligation of fulfilling the Public Private Partnership (PPP) interest payment over the PPP term rests with Department of Health.

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.

The main purpose in holding financial instruments is to manage prudentially The Royal Children Hospital's financial risks within the government policy parameters.

Categorisation of Financial Instruments

	Consolidated Carrying Amount 2013 \$'000	Consolidated Carrying Amount 2012 \$'000
Financial Assets		
Cash and cash equivalents	69,358	51,016
Term Deposit	-	900
Available for Sale investments	82,655	62,225
Held for Trading at fair value through profit and loss	43,233	47,452
Receivables	12,280	10,362
Total Financial Assets ⁽ⁱ⁾	207,526	171,955
Financial Liabilities		
At amortised cost	1,011,612	938,288
Total Financial Liabilities ⁽ⁱⁱ⁾	1,011,612	938,288

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

(ii) The total amount of the financial liabilities disclosed includes loans from the Treasury Corporation of Victoria and PPP finance liabilities, and excludes income in advance and statutory payables (i.e. Taxes payable, Department of Health Payables and Victorian Health Funding Pool Account payables).

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

	Consolidated Net holding gain/(loss) 2013 \$'000	Consolidated Net holding gain/(loss) 2012 \$'000
Financial Assets		
Cash and cash equivalents ⁽ⁱ⁾	1,914	2,732
Held for Trading at fair value through profit and loss ⁽ⁱⁱ⁾	3,414	2,440
Available for Sale ⁽ⁱ⁾	14,096	(3,002)
Receivables ⁽ⁱ⁾	278	(924)
Total Financial Assets	19,702	1,247
Financial Liabilities		
TCV Loan	59	-
Public Private Partnership (PPP) Finance lease liabilities ⁽ⁱⁱⁱ⁾	45,049	22,940
Total Financial Liabilities	45,108	22,940

(i) For cash and cash equivalents, 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 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.

(iii) 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.

Note 19: Financial Instruments (continued)

(b) Credit Risk

The Royal Children's Hospital

Credit risk arises from the contractual financial assets of The Royal Children’s Hospital which comprises cash and deposits, non-statutory receivables and available for sale contractual financial assets. The Royal Children’s Hospital’s exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss. Credit risk is measured at fair value and is monitored on a regular basis.

The Royal Children’s Hospital manages credit risk arising from receivables by undertaking transactions predominantly 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, controlled entity debtors, 14 days for Murdoch Childrens Research Institute and seven 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.

The Royal Children’s Hospital mainly obtains contractual financial assets that are on fixed interest, except for cash assets, which are mainly cash at bank.

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-1 and not to invest directly in any derivative instruments, short selling or margin products. RCH investments are currently managed by the Victorian Funds Management Corporation (VFMC). VFMC was established under state legislation in 1994. The Minister is the Hon Michael O’Brien, the Treasurer of Victoria. VFMC reports to the Minister through the Department of Treasury and Finance.

The Royal Children's Hospital's Foundation Trust Fund

The Royal Children’s Hospital’s Foundation Trust Fund is exposed to a low level of risk in its Trade and other receivables.

The Royal Children’s Hospital’s Foundation Trust Fund manages its exposure to credit risk by only investing in accordance with the Investment policy approved by the Board, which is monitored by the Trustee’s Investment Committee. The Board permits investments in the following asset categories:

1. Unlisted units in Managed funds which are invested in:
- Equities listed on recognised stock exchanges’

▪ High yield securities in the form of loans and hybrid securities’

▪ Listed fixed interest securities listed on the ASX as well as interest rate derivatives and stock derivatives’

▪ Global fixed interest securities’ and

▪ Property development loans, infrastructure debt structured financial instruments, asset and mortgage-backed securities.
2. Fixed interest securities which have a minimum rating level AA and actively traded liquid market.
3. Cash securities which are held with Australian licensed banks that have a minimum rating level of AA.

Given these investment guidelines, the Trust does not expect any counterparty to fail to meet its obligations.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents The Royal Children’s Hospital’s and its Controlled Entities’ maximum exposure to credit risk.

Note 19: Financial Instruments (continued)

Ageing Analysis of contractual financial assets as at 30 June

	Consolidated Carrying Amount	Not Past Due and Not Impaired	Past Due but Not Impaired			Impaired Financial Assets
			Less than 1 month	1-3 Months	3 Months - 1 Year	
2013	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets						
Cash and Cash Equivalents	69,358	69,358	-	-	-	-
Receivables ⁽ⁱ⁾						
Inter Hospital Debtors	2,391	1,925	215	251	-	-
Trade Debtors	1,680	864	726	91	-	-
Patient Fees	4,438	3,445	926	67	-	-
Accrued investment income	519	519	-	-	-	-
Diagnostic Debtors	1,105	795	246	64	-	-
Sundry Debtors	2,147	2,147	-	-	-	-
Other Financial Assets						
Available for Sale – Managed Funds	82,655	82,655	-	-	-	-
Held for Trading – Managed Funds	43,233	43,233	-	-	-	-
Total Financial Assets	207,526	204,941	2,112	473	-	-
2012						
Financial Assets						
Cash and Cash Equivalents	51,016	51,016	-	-	-	-
Receivables ⁽ⁱ⁾						
Inter Hospital Debtors	2,439	1,983	438	19	-	-
Trade Debtors	1,908	1,361	462	85	-	-
Patient Fees	3,407	2,414	926	67	-	-
Accrued investment income	836	836	-	-	-	-
Diagnostic Debtors	1,218	828	284	105	-	-
Sundry Debtors	555	555	-	-	-	-
Other Financial Assets						
Available for Sale – Managed Funds	62,225	62,225	-	-	-	-
Held for Trading – Managed Funds	47,452	47,452	-	-	-	-
Term Deposit	900	900	-	-	-	-
Total Financial Assets	171,955	169,569	2,110	276	-	-

(i) Ageing analysis of financial assets exclude statutory financial assets (i.e GST input tax credit and Department of Health receivable).

There are no material financial assets which are individually determined to be impaired. Currently The Royal Children's Hospital does not hold any collateral as security nor credit enhancements relating to any of its financial assets. (2012: Nil)

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

Note 19: Financial Instruments (continued)

(c) Liquidity Risk

Liquidity risk is the risk that The Royal Children's Hospital and controlled entities would be unable to meet its financial obligations as and when they fall due. The Royal Children's Hospital's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet.

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 Royal Children's Hospital's Trust Fund minimises the exposure to liquidity risk by undertaking the following steps:

- Allowance for a solvency buffer in line with cash requirements to deliver approved business plans; and
- Maintenance of adequate liquid cash by the Trust in order to meet short-term obligations incurred by the Trust.

The Royal Children's Hospital Education Institute manages liquidity risk by monitoring forecast cash flows.

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

Maturity Analysis of financial liabilities as at 30 June

Consolidated

	Carrying Amount	Contractual Cash Flows	Maturity Dates				
			Less than 1 month	1-3 Months	3 Months – 1 Year	1-5 Years	More than 5 Years
2013	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables							
Trade Creditors and Accruals	24,554	24,554	7,279	17,272	3	-	-
Deposits	34	34	4	8	22	-	-
Sundry Creditors	3,178	3,178	1,513	1,666	-	-	-
Other Financial Liabilities ⁽ⁱ⁾							
TCV Loan ⁽ⁱⁱ⁾	30,000	30,000	-	-	-	2,963	27,037
Monies held in trust	1,763	1,763	1,763	-	-	-	-
Total Financial Liabilities	59,529	59,529	10,559	18,946	24	2,963	27,037
2012							
Payables							
Trade Creditors and Accruals	17,329	17,329	4,484	12,139	706	-	-
Deposits	35	35	3	9	23	-	-
Sundry Creditors	2,306	2,306	1,390	19	897	-	-
Other Financial Liabilities ⁽ⁱ⁾							
Monies held in trust	1,385	1,385	1,385	-	-	-	-
Total Financial Liabilities	21,055	21,055	7,262	12,167	1,626	-	-

The Royal Children's Hospital

	Carrying Amount	Contractual Cash Flows	Maturity Dates				
			Less than 1 month	1-3 Months	3 Months – 1 Year	1-5 Years	More than 5 Years
2013	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables							
Trade Creditors and Accruals	23,015	23,015	7,279	15,734	3	-	-
Deposits	34	34	4	8	22	-	-
Sundry Creditors	1,499	1,499	1,499	-	-	-	-
Other Financial Liabilities ⁽ⁱ⁾							
TCV Loan ⁽ⁱⁱ⁾	30,000	30,000	-	-	-	2,963	27,037
Monies held in trust	1,763	1,763	1,763	-	-	-	-
Total Financial Liabilities	56,311	56,311	10,545	15,741	24	2,963	27,037
2012							
Payables							
Trade Creditors and Accruals	16,091	16,091	4,484	10,902	706	-	-
Deposits	35	35	3	9	23	-	-
Sundry Creditors	1,389	1,389	1,389	-	-	-	-
Other Financial Liabilities ⁽ⁱ⁾							
Monies held in trust	1,385	1,385	1,385	-	-	-	-
Total Financial Liabilities	18,900	18,900	7,261	10,911	729	-	-

(i) Ageing analysis of financial liabilities excludes PPP finance lease liability and statutory financial liabilities (i.e GST payable). Maturity analysis of PPP finance lease liability is disclosed under Note 14 (Other Liabilities).

(ii) Current TCV loan (interest only) will mature on 31 December 2014 and will be replaced by an Interest and Capital repayment loan with a maturity date of 31 December 2036.

Note 19: Financial Instruments (continued)

(d) Market Risk

The Royal Children's Hospital's and its Controlled Entities exposure to market risk are primarily through interest rate risk and equity price risk. Exposure to foreign currency risk is discussed below. Objectives, policies and processes used to manage each of these risks are disclosed in the paragraph below.

Currency Risk

The Royal Children's Hospital and its Controlled Entities are exposed to insignificant foreign currency risk through payables relating to purchases of supplies and consumables from overseas. It is also exposed to foreign currency risk through managed investments that have exposure to overseas markets. Movement in foreign currency is reflected in the value of the underlying units in the funds.

Interest Rate Risk

Exposure to interest rate risk arises primarily from cash and cash equivalents held in floating rate facilities. The Royal Children's Hospital and controlled entities minimise interest rate risk by mainly undertaking fixed rate financial instruments. For financial liabilities, The Royal Children's Hospital and controlled entities mainly undertake financial liabilities with relatively even maturity values.

Equity Price Risks

Both The Royal Children's Hospital and The Royal Children's Hospital's Foundation Trust Fund manages the equity price risk associated with the investments in managed funds through their own Investment Committees. These sub-committees are delegated with responsibility for over seeing the development, monitoring and review of the Investment strategy and policies. The committee monitors the returns on investments, and determines the allocation between the different classes of investments available.

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

	Weighted Average Effective Interest Rates	Consolidated Carrying Amount	Interest Rate Exposure		
			Fixed Interest Rate	Variable Interest Rate	Non-Interest Bearing
2013	%	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash and Cash Equivalents	2.78%	69,358	18,117	51,241	-
Receivables ⁽ⁱ⁾					
Inter Hospital Debtors		2,391	-	-	2,391
Trade Debtors		1,680	-	-	1,680
Patient Fees		4,438	-	-	4,438
Accrued investment income		519	-	-	519
Diagnostic Debtors		1,105	-	-	1,105
Sundry Debtors		2,147	-	-	2,147
Other Financial Assets					
Available for Sale – Managed Funds	3.53%	82,655	14,180	-	68,475
Held for Trading – Managed Funds		43,233	-	-	43,233
Total Financial Assets		207,526	32,297	51,241	123,988
Financial Liabilities					
Payables					
Trade Creditors and Accruals		24,554	-	-	24,554
Deposits		34	-	-	34
Sundry Creditors		3,178	-	-	3,178
TCV Loan	2.88%	30,000	30,000	-	-
Finance Lease Liabilities	4.84%	952,083	952,083	-	-
Other Financial Liabilities					
Monies held in trust		1,763	-	-	1,763
Total Financial Liabilities		1,011,612	982,083	-	29,529

(i) The carrying amount excludes types of statutory financial assets and liabilities (GST input tax credit, GST payable, Department of Health payables, Victorian Health Funding Pool Account payables and income in advance).

The TCV loan has a fixed interest rate of 2.875% until 31 December 2014. The finance lease liability is a fixed interest rate contract at 4.84%.

Note 19: Financial Instruments (continued)

	Weighted Average Effective Interest Rates	Consolidated Carrying Amount	Interest Rate Exposure		
			Fixed Interest Rate	Variable Interest Rate	Non-Interest Bearing
2012	%	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash and Cash Equivalents	4.07%	51,016	20,812	30,204	-
Receivables					
Inter Hospital Debtors		2,439	-	-	2,439
Trade Debtors		1,908	-	-	1,908
Patient Fees		3,407	-	-	3,407
Accrued investment income		836	-	-	836
Diagnostic Debtors		1,218	-	-	1,218
Sundry Debtors		555	-	-	555
Other Financial Assets					
Available for Sale – Managed Funds	4.48%	62,225	13,005	-	49,220
Held for Trading – Managed Funds		47,452	-	-	47,452
Term Deposit	4.50%	900	900	-	-
Total Financial Assets		171,955	34,717	30,204	107,034
Financial Liabilities					
Payables					
Trade Creditors and Accruals		17,329	-	-	17,329
Deposits		35	-	-	35
Sundry Creditors		2,306	-	-	2,306
Finance Lease Liabilities	4.84%	917,233	917,233	-	-
Other Financial Liabilities					
Monies held in trust		1,385	-	-	1,385
Total Financial Liabilities		938,288	917,233	-	21,055

(i) The carrying amount excludes types of statutory financial assets and liabilities (GST input tax credit, GST payable, Department of Health payables, Victorian Health Funding Pool Account payables and income in advance).

The TCV loan has a fixed interest rate of 2.875% until 31 December 2014. The finance lease liability is a fixed interest rate contract at 4.84%.

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:

A shift of +1.00% and -1.00% in the current market interest rates from year-end rates;

A shift of +20% and -20% in current market indices.

Base rates are sourced from Victorian Funds Management Corporation.

The following table discloses the impact on net operating result and equity for each category of financial instrument at year end as presented to key management personnel, if changes in the relevant risk occur.

Financial instruments that have a fixed interest over the next 12 months are not subject to risk arising from movement in market interest rates, and have not been included in the table below.

Consolidated

	Carrying Amount	Interest Rate Risk				Price Risk			
		-1.00%		+1.00%		-20%		+20%	
2013		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial Assets									
Cash and Cash Equivalents	69,358	(694)	(694)	694	694	-	-	-	-
Investments									
Units in Managed Funds (Available for Sale)	82,655	(142)	(142)	142	142	-	(13,695)	-	13,695
Units in Managed Funds (Held for Trading)	43,233	-	-	-	-	(8,647)	(8,647)	8,647	8,647
	195,246	(835)	(835)	835	835	(8,647)	(22,342)	8,647	22,342
2012		-1.25%		+1.25%		-20%		+20%	
Financial Assets									
Cash and Cash Equivalents	51,016	(638)	(638)	638	638	-	-	-	-
Fixed rate Instruments									
Term Deposits	900	(11)	(11)	11	11	-	-	-	-
Investments									
Units in Managed Funds (Available for Sale)	62,225	(163)	(163)	163	163	-	(9,844)	-	9,844
Units in Managed Funds (Held for Trading)	47,452	-	-	-	-	(9,490)	(9,490)	9,490	9,490
	161,593	(812)	(812)	812	812	(9,490)	(19,334)	9,490	19,334

Note 19: Financial Instruments (continued)

(e) Fair Value

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

- (i) Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- (ii) Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- (iii) Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The 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	Fair Value	Consolidated Carrying Amount	Fair Value
	2013 \$'000	2013 \$'000	2012 \$'000	2012 \$'000
Financial Assets				
Cash and Cash Equivalents	69,358	69,358	51,016	51,016
Receivables				
Inter Hospital Debtors	2,391	2,391	2,439	2,439
Trade Debtors	1,680	1,680	1,908	1,908
Patient Fees	4,438	4,438	3,407	3,407
Accrued investment income	519	519	836	836
Diagnostic Debtors	1,105	1,105	1,218	1,218
Sundry Debtors	2,147	2,147	555	555
Other Financial Assets				
Available for Sale – Managed Funds	82,655	82,655	62,225	62,225
Held for Trading – Managed Funds	43,233	43,233	47,452	47,452
Term Deposit	-	-	900	900
Total Financial Assets	207,526	207,526	171,955	171,955
Financial Liabilities				
Payables				
Trade Creditors and Accruals	24,554	24,554	17,329	17,329
Deposits	34	34	35	35
Sundry Creditors	3,178	3,178	2,306	2,306
Other Financial Liabilities				
Monies held in trust	1,763	1,763	1,385	1,385
Interest Bearing Liabilities	30,000	30,000	-	-
Finance Lease Liabilities	952,083	952,083	917,233	917,233
Total Financial Liabilities	1,011,612	1,011,612	938,288	938,288

Financial assets measured at fair value

	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
2013				
Financial Assets				
Other Financial Assets				
Available for Sale – Managed Funds	82,655	14,180	68,475	-
Held for Trading – Managed Funds	43,233	-	43,233	-
Total Financial Assets	125,888	14,180	111,708	-
	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
2012				
Financial Assets				
Other Financial Assets				
Available for Sale – Managed Funds	62,225	17,702	44,523	-
Held for Trading – Managed Funds	47,452	-	47,452	-
Term Deposit	900	900	-	-
Total Financial Assets	110,577	18,602	91,976	-

Note 20: Commitments

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.

(a) Commitments other than public private partnerships

	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
Capital Expenditure Commitments				
Payable:				
Plant and Equipment	653	311	653	311
Total capital expenditure commitments	653	311	653	311
Operating Commitments				
Payable:				
Operating Commitments	7,637	4,018	7,646	4,018
Total Operating Commitments	7,637	4,018	7,646	4,018
Lease Commitments				
Commitments in relation to leases contracted for at the reporting date:				
Operating Leases ⁽ⁱ⁾	608	854	16,008	854
Total Lease Commitments	608	854	16,008	854
Total Commitments for expenditure (inclusive of GST) other than public private partnerships	8,898	5,182	24,306	5,182

(i) The Children’s Health Partnership (CHP) has entered into a sub-lease agreement with The Royal Children’s Hospital Foundation (RCHF) in relation to Part Levels 2, 3, 4 and 5 in the ‘Front Entry Building’ (48 Flemington Road, Parkville) of the New Royal Children’s Hospital. RCHF will pay a base rent of \$14m (plus GST) in respect of the premises over the terms of the sub-lease. This payment is to be made to CHP in advance as a single one-off payment on or before the commencement date which is anticipated to be 21 December 2014. RCHF will receive a fit-out payment from CHP of \$2m upon payment of the base rent. The sub-lease will expire on 21 December 2036.

(b) Public private partnerships⁽ⁱ⁾

	2013 \$'000	2012 \$'000
Commissioned public private partnerships – other commitments⁽ⁱⁱ⁾		
Children’s Health Partnership	1,864,892	1,890,539
Total commitments for public private partnerships	1,864,892	1,890,539

(i) The present values of the minimum lease payments for commissioned public private partnerships (PPPs) are recognised on the balance sheet and are not disclosed as commitments.

(ii) The year on year reduction in the PPP commitments reflects the payments made.

Source information provided by the Department of Health.

Note 20: Commitments (continued)

(c) Commitments payable (Consolidated)

Nominal Values	2013 \$'000	2012 \$'000
Capital expenditure commitments payable		
Less than 1 year	653	311
Total capital expenditure commitments	653	311
Operating commitments payable		
Less than 1 year	4,068	3,705
Later than 1 year but not later than 5 years	3,577	313
Total other expenditure commitments	7,646	4,018
Lease commitments payable		
Less than 1 year	465	519
Later than 1 year but not later than 5 years	15,543	335
Total lease commitments	16,008	854
Public private partnership commitments		
Less than 1 year	16,514	14,375
Later than 1 year but not later than 5 years	161,117	130,867
5 years or more	1,687,262	1,745,297
Total public private partnership commitments	1,864,893	1,890,539
Total commitments (inclusive of GST)	1,889,200	1,895,721
Less GST recoverable from the Australian Tax Office	2,210	471
Total commitments (exclusive of GST)	1,886,990	1,895,250

Note 21: Contingent Assets and Contingent Liabilities

Contingent Liabilities

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

There is a contingent liability in respect of grants received from the Department of Health that may be subject to recall of \$1.27 million (2012 \$2.172 million).

Note 22: Jointly Controlled Operations and Assets

Name of Entity	Principal Activity	Ownership Interest	
		2013	2012
Victorian Comprehensive Cancer Centre	The Member Entities have committed to the establishment of a world leading comprehensive cancer centre in Parkville, Victoria, through the Joint Venture, with a view to saving lives through the integration of cancer research, education and training and patient care. The Royal Children’s Hospital joined the Victoria Comprehensive Cancer Centre on 1 July 2010.	12.5%	12.5%
The Royal Children’s Hospital’s interest in assets employed in the above jointly controlled operations and assets is detailed below. The amounts are included in the financial statements and consolidated financial statements under their respective asset categories:			
		2013 \$’000	2012 \$’000
Current Assets			
Cash and Cash Equivalents		169	152
Receivables		11	32
GST Recoverable		2	1
Prepayments		17	3
Total Current Assets		199	188
Non-Current Assets			
Property, Plant and Equipment		5	5
Total Non-Current Assets		5	5
Total Assets		204	193
Current Liabilities			
Accrued Expenses		14	23
Payables		15	19
Provisions – LSL and Annual Leave		37	29
Total Current Liabilities		66	71
Non-Current Liabilities			
Provisions – LSL		6	3
Total Non-Current Liabilities		6	3
Total Liabilities		72	74
Net Assets		132	119
EQUITY			
Accumulated Surpluses/(Deficits)		132	119
Total Equity		132	119
The Royal Children’s Hospital’s interest in revenue and expenses resulting from jointly controlled operations and assets is detailed below:			
		2013 \$’000	2012 \$’000
Revenue			
Grants and Other Revenue		227	384
Interest		8	6
Goods received free of charge		-	3
Total Revenue		235	393
Expenses			
Employee Benefits		166	131
Other Expenses from Continuing Operations		55	216
Depreciation and Amortisation		1	1
Total Expenses		222	349
Net Result		13	44

Note 23: Responsible Person Disclosures

(i) Responsible Persons	Period	
Responsible Minister		
The Honourable David Davis MLC Minister for Health	1 July 2012	30 June 2013
Governing Board		
Mr Tony Beddison AO (Former Chairman)	1 July 2012	30 November 2012
Hon Rob Knowles AO (Chairman)	30 November 2012	30 June 2013
Hon Rob Knowles AO	1 July 2012	29 November 2012
Ms Linda Berry	1 July 2012	30 June 2013
Dr Julie Caldecott	1 July 2012	30 June 2013
Mr Max Findlay	1 July 2012	30 June 2013
Ms Jane Hume	1 July 2012	30 June 2013
Mr David Mandel	1 July 2012	30 June 2013
Mr Ian Quick	1 July 2012	11 December 2012
Mr John Rimmer	1 July 2012	30 June 2013
Dr Lakshmi Sumithran	1 July 2012	30 June 2013
Mr Sammy Kumar	3 July 2012	30 June 2013
Mr Peter Yates	27 November 2012	30 June 2013
Accountable Officers		
Professor Christine Kilpatrick (Chief Executive Officer)	1 July 2012	30 June 2013

(ii) Remuneration of Responsible Persons

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

	Parent 2013 No.	Parent 2012 No.	Consolidated 2013 No.	Consolidated 2012 No.
Income Band				
\$0 – \$9,999	2	-	2	-
\$10,000 – \$19,999	2	3	2	3
\$20,000 – \$29,999	7	6	7	6
\$30,000 – \$39,999	-	1	-	1
\$80,000 – \$89,999	1	1	1	1
\$440,000 – \$449,999	1	1	1	1
Total Numbers	13	12	13	12

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

	Parent Entity 2013 \$	Parent Entity 2012 \$	Consolidated 2013 \$	Consolidated 2012 \$
Total Remuneration	729,463	703,911	729,463	703,911

The responsible Minister from 1/7/12 to 30/6/13 was the Hon David Davis MLC, Minister for Health. The Minister does not receive any remuneration from The Royal Children’s Hospital. Ministerial remuneration is disclosed in the financial statements of the Department of Premier and Cabinet.

The responsible persons for The Royal Children’s Hospital’s Controlled Entities received no remuneration in the 2012-13 year. (2011-12: NIL). The Responsible persons’ profiles are disclosed in The Royal Children’s Hospital’s Controlled Entities financial statements.

Note 23: Responsible Person Disclosures (continued)

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

Mr Tony Beddison AO (Former Chairman)

Former Chairman of The Royal Children’s Hospital, Mr Tony Beddison AO is a Director of Hoban Recruitment and Director of Clicks IT Recruitment Australia.

Hoban Recruitment and Clicks IT 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 Entity 2013 \$	Parent Entity 2012 \$	Consolidated 2013 \$	Consolidated 2012 \$
Hoban Recruitment	51,915	301,680	51,915	301,680
Clicks IT Recruitment Australia	11,970	56,555	11,970	56,555

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 provided contractors and services to 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 Entity 2013 \$	Parent Entity 2012 \$	Consolidated 2013 \$	Consolidated 2012 \$
ATIVO	-	379,633	-	379,633

Controlled Entity Related Party Transactions

The Royal Children’s Hospital’s Foundation Trust Fund

The Chairman and the CEO of The Royal Children’s Hospital are also Directors of The Royal Children’s Hospital Foundation.

The transactions between the two entities relates to reimbursements made by The Royal Children’s Hospital’s Foundation Trust Fund 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 Entity 2013 \$	Parent Entity 2012 \$
Distributions and reimbursements by The Royal Children’s Hospital’s Foundation Trust Fund	16,086,506	30,779,091

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 Entity 2013 \$	Parent Entity 2012 \$
Reimbursements by The Royal Children’s Hospital Education Institute Limited for salaries, goods and services	2,336,779	2,575,291

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 Entity 2013 \$	Parent Entity 2012 \$
Reimbursements by Communities That Care Limited for salaries, goods and services	62,340	70,244

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

	Parent Entity 2013 \$	Parent Entity 2012 \$
The Royal Children’s Hospital’s Foundation Trust Fund	1,193,143	2,223,065
The Royal Children’s Hospital Education Institute Limited	61,577	52,073
Communities That Care Limited	1,534	7,819
Total amounts receivable from Controlled Entities	1,256,254	2,282,957

Note 23a: Executive Officer Disclosures

Executive Officers’ Remuneration

The numbers of executive 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. The total annualised employee equivalent provides a measure of full-time equivalent executive officers over the reporting period.

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

Income Band	Parent			
	Total Remuneration		Base Remuneration	
	2013 No.	2012 No.	2013 No.	2012 No.
\$130,000 – \$139,999	2	-	2	-
\$200,000 – \$209,999	-	1	-	3
\$210,000 – \$219,999	-	-	-	3
\$220,000 – \$229,999	-	2	-	-
\$230,000 – \$239,999	2	2	3	-
\$240,000 – \$249,999	-	1	-	-
\$250,000 – \$259,999	2	-	-	1
\$270,000 – \$279,999	-	-	1	-
\$280,000 – \$289,999	-	-	1	-
\$290,000 – \$299,999	-	1	-	-
\$300,000 – \$309,999	2	-	-	-
\$320,000 – \$329,999	-	-	-	1
\$370,000 – \$379,999	-	1	-	-
\$380,000 – \$389,999	-	-	1	-
\$410,000 – \$419,999	1	-	-	-
Total Number of executives	9	8	8	8
Total annualised employee equivalent (AEE) ^(a)	7.30	7.63	7.30	7.63
Total amount	2,276,462	2,033,737	1,945,057	1,838,101

Note: ^(a) Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

Executive Remuneration 2012-13

Two Executive Directors resigned during the year.

Note 24: Controlled Entities

Name of entity	Country of incorporation/ establishment	Equity Holding
The Royal Children's Hospital's Foundation Trust Fund	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		
	2013 \$'000	2012 \$'000
Net Result for the Year		
The Royal Children's Hospital's Foundation Trust Fund	11,376	(2,301)
The Royal Children's Hospital Education Institute Limited	98	8
Communities That Care Limited	41	24
Total Consolidated Result	11,515	(2,269)

Note 25: Remuneration of Auditors

	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
Victorian Auditor-General's Office				
Audit or review of Financial Statements	139	133	149	142
Other Service Providers				
Audit or review of Financial Statements	-	-	61	56
Total remuneration	139	133	210	198

Note 26: Ex-gratia payments

	Parent Entity 2013 \$'000	Parent Entity 2012 \$'000	Consolidated 2013 \$'000	Consolidated 2012 \$'000
Payments made to terminated employees	11	-	11	-
Ex-gratia payments	11	-	11	-

Note 27: Events occurring after the balance sheet date

At the time of authorising the financial statements, there were no events after the balance sheet date with impact on the financial statements.

Note 28: Financial dependency

The Royal Children's Hospital is wholly dependent on the continued financial support of the State Government and in particular, the Department of Health. The Department of Health has provided confirmation that it will continue to provide The Royal Children's Hospital adequate cash flow support to meet its current and future obligations as and when they fall due for a period up to September 2014.

