

Annual Financial Report

2013-14



The Royal
Children's
Hospital
Melbourne

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Our vision and values

VISION

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

VALUES

Unity

We work as a team and in partnership with our communities

Respect

We respect the rights of all and treat people the way we would like them to treat us

Integrity

We believe that how we work is as important as the work we do

Excellence

We are committed to achieving our goals and improving outcomes

Chairman's report



As Australia's biggest and busiest specialist paediatric hospital The Royal Children's Hospital (RCH) is guided by our enduring vision to always be a GREAT children's hospital, leading the way.

Throughout 2013-14 we again saw considerable growth in demand for our services and our focus remained firmly on how we deliver great care, every day, to the patients and families who come to us for our specialist expertise.

In June 2014, after almost a year of dedicated work at all levels of the organisation, we launched the hospital's new Strategic Plan.

This plan is our guiding light. It defines our strategic priorities and the actions we will take to fulfil our vision of being a GREAT children's hospital leading the way. Importantly, our new strategic plan articulates what 'great care' is.

To the team at the RCH, great care means excellent clinical outcomes, positive experiences, timely access and no harm.

To deliver great care our strategic priorities over the coming five years will be to:

- Deliver high quality paediatric care to our community in collaboration with our partners
- Become a national centre of excellence for infant, childhood and adolescent mental health
- Build on Campus and Parkville Precinct Partnerships
- Establish a sustainable RCH Global Health Program

Our team is our greatest asset in the delivery of great care and we commit to investing in our people to retain and attract the best minds, and ensure a high performing and empowered workforce.

Our strategic plan was developed in collaboration with the RCH Board, our staff, our community advisory groups, patients and families, our campus partners and the broader community. We thank all those who have had input into this plan.

We also understand that to achieve our plan, we must work with our closest partners within paediatrics, our campus and the Parkville Precinct.

This year, our relationship with our campus partners Murdoch Childrens Research Institute (MCRI) and the University of Melbourne (UoM) Department of Paediatrics, was further strengthened when we announced the campus would be renamed Melbourne Children's.

Recognising the culture of collaborative innovation that brings our three organisations together, Melbourne Children's campus was recognised for its contribution to the profile of the city at the annual Melbourne Awards in late 2013, an achievement of which we are all very proud.

I wish to thank and acknowledge my fellow Board colleagues for their support and efforts over the past year and to congratulate CEO Professor Christine Kilpatrick and the RCH Executive for their leadership and commitment.

To all RCH staff I thank you for your dedication to our great organisation. Together, we have created an exciting vision for our organisation that will ensure the very best care for Victoria's children and adolescents.

Rob Knowles AO
Chairman

CEO's report



Financial year 2014 has been challenging and rewarding for The Royal Children's Hospital (RCH) as demand for our services has continued to grow.

In the past year, we have delivered great care to a record number of children with 83,284 children arriving for care; 243,361 appointments have been held in our specialist clinics; our theatre teams have performed 12,137 surgeries of which 7,911 were from our elective surgery waiting list and 42,503 children have stayed overnight in our wards. On any given day throughout the year, there were more than 200 children receiving care in the community through our RCH@Home service.

Over the course of the year, we have broken a number of records that deserve mention:

- 350 children presented to the Emergency Department (ED) in a single day
- 43 children were discharged home before midday in a single day. By the end of that day, 85 children had been able to return home
- 215 elective surgeries were performed in a single week
- 1,124 Specialist Clinic appointments were held in a single day
- 19,622km were travelled by the Paediatric Infant Perinatal Emergency Retrieval (PIPER) service which completed a round trip to Mumbai, India to collect an Australian baby in need of care.

Ensuring we deliver great care, while navigating the challenges of increased demand, remains the unifying focus across the organisation.

In defining great care as part of our Strategic Plan, we recognise that every staff member has a role to play in ensuring excellent clinical outcomes, positive experiences, timely access and zero harm for our patients, their families and the community who have come to hold high expectations of the RCH.

Over the past year, we have also engaged our community and asked it to tell us what great care is.

In July 2013, the RCH entered the world of social media and launched the official Royal Children's Hospital Facebook page. We launched our page with the 'Great Care Campaign' and asked our followers to tell us what it means to them.

Ensuring we deliver great care, while navigating the challenges of increased demand, remains the unifying focus across the organisation.

The insights provided by our consumers were used throughout our Strategic Planning workshops to ensure our plan reflects the needs and expectations of those who come to us for care.

Our use of social media has enabled us to connect with our community to an extent that is unrivalled across the Australian hospital sector.

As of 30 June 2014 we have more than 40,000 Facebook followers with whom we share stories from across the hospital and engage on issues affecting our health service.

In May 2014, when our Emergency Department was experiencing extraordinary demand and lengthy waiting periods, we used Facebook to talk to our community about the role of our service and to encourage confidence in primary healthcare providers.

Generating a meaningful discussion with our community about the challenges we face in managing demand will significantly support our work in delivering great care.

In the year ahead, great care will continue to shape the organisation at all levels. The principles of great care will inform our models of care, and our individual performance assessments, so we all recognise our unique role, and responsibility, in delivering outstanding healthcare.

Central to delivering great care into the future is the implementation of an Electronic Medical Record (EMR) at the RCH.

This year, we announced \$48 million in funding for an EMR with \$23.9 million invested by government, and the remaining funded by the RCH and our Foundation. With this investment, we are building our future.

Generating a meaningful discussion with our community about the challenges we face in managing demand, will significantly support our work in delivering great care.

In April 2014 we announced our intention to partner with Epic, a US-based firm widely regarded as global leaders in EMR technology, to deliver this, making us the first hospital in Australia to adopt the Epic system and, consequently, be at the forefront of EMR delivery in Australia.

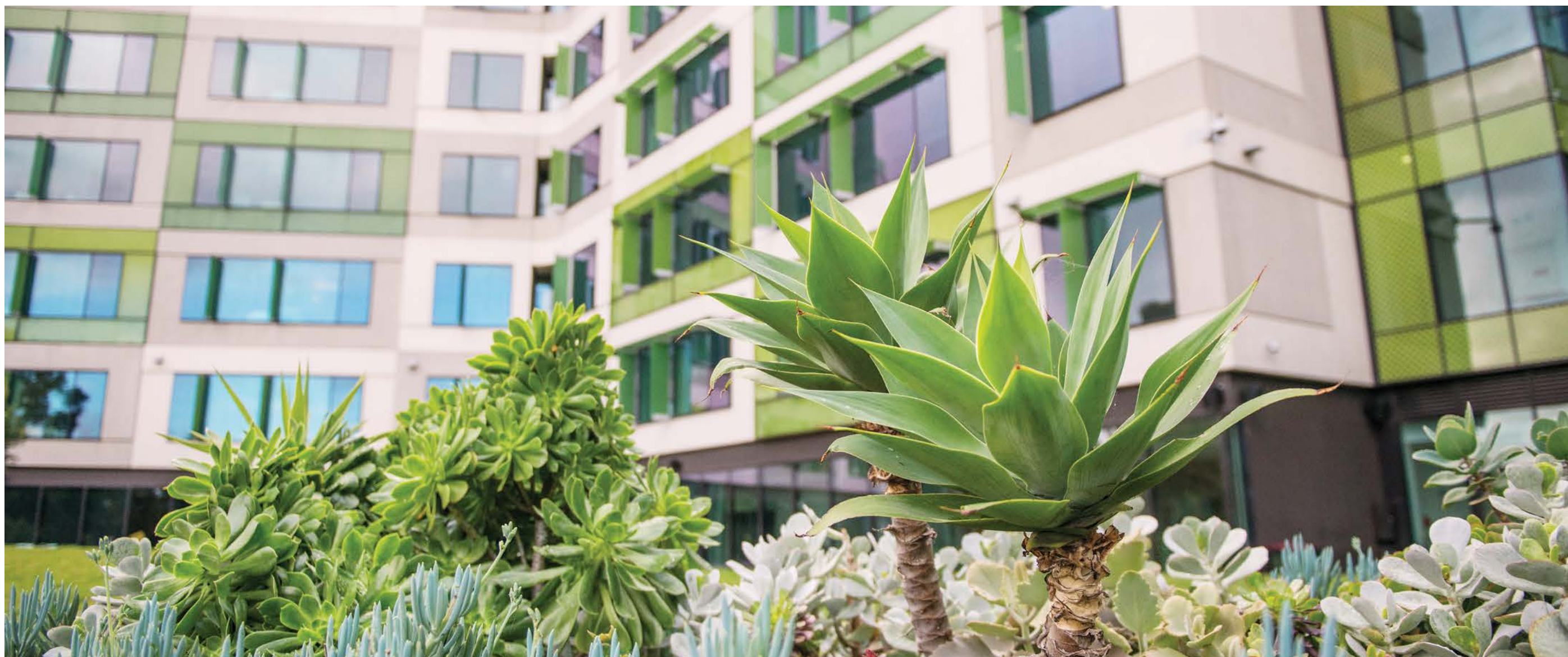
The EMR will transform clinical practice, extending its reach to influence every clinical role at the RCH. Needless to say, this is an extraordinary investment in our clinical infrastructure and will fundamentally change the way we deliver care.

To achieve this, we have begun recruiting the EMR project team that will drive the implementation hospital-wide. More than 50 positions have been created, opening up new career opportunities to RCH staff.

Another area of strong performance this year has been our staff immunisation campaign 'Get the Jab Done' which encouraged all RCH staff to be vaccinated against influenza to keep the RCH flu free.

This myth busting campaign ran over three months and focused on debunking the common excuses given for not being immunised. The success of the campaign,





and the dedicated effort of the Infection Prevention and Control team to work directly with departments, has seen our immunisation rates jump from 65 per cent last year to 81 per cent as of June 30 2014, an outstanding achievement for which I congratulate all staff involved.

This year we were again humbled by the generosity of the Victorian community when the Good Friday Appeal broke another record to raise a staggering \$16.84 million for the RCH.

Our staff also got involved and more than 200 staff and their families completed the annual Run for the Kids which takes place in the week prior to the appeal.

There has been much celebration over the past year as the RCH, and members of our staff, have been recognised for their

contribution and achievement to paediatric healthcare.

In October staff, past patients, families and original members of the RCH Heart Transplantation team, gathered to celebrate 25 years of providing life-saving surgery to children and young people across Australia.

Since its establishment in 1988, the RCH Heart Transplant Service has performed transplants for 116 patients, enhancing the lives of neonates through to young adults suffering end stage heart failure.

The celebration attracted widespread media coverage and the hospital community celebrated the milestone through the RCH Facebook and Twitter page.

On Tuesday 26 November, at our 143rd Annual General Meeting and Staff Awards night, we celebrated the extraordinary

contribution of our staff over the past 12 months.

There were ten teams and individuals who were nominated by their peers and awarded special recognition on the night.

This year we were again humbled by the generosity of the Victorian community when the Good Friday Appeal broke another record and raised a staggering \$16.84 million for the RCH.

The recipients of the 2013 awards were:

Chairman's Medal

Andrew Whittingham

CEO Award

Diane Porter
Perioperative Team

Allied Health Award

Louise Bordun
Michael Kean

Team Award

Infection Prevention and Control

Yvonne Wagner Award

Sean Beattie

Enrolled Nurse Excellence Award

Mark Justice

Mary Patten Award

Danielle Smith

Dr William Snowball Award

Amanda Gwee

Professor Frank Oberklaid was awarded the prestigious Nils Rosén von Rosenstein Medal by the Swedish Paediatric Society and the Swedish Society of Medicine. Presented every five years, this accolade recognises three physicians from around the world for outstanding contributions to the progress of paediatrics and promoting the health of children.

This kind of public recognition of our staff is testament to the calibre of the RCH team and in acknowledging them, I also acknowledge there are many, many staff whose extraordinary work behind-the-scenes remains the lifeblood of our organisation.

I sincerely thank each and every member of the RCH team for their outstanding contribution over the past 12 months. We continue to experience great challenges in providing world-class care to Victoria's sickest and most vulnerable children and it is through their dedication, innovative and commitment to excellence that we achieve this each and every day.

Christine Kilpatrick

Christine Kilpatrick
Chief Executive

Board members

Chairman

Hon Rob Knowles AO

Hon Rob Knowles AO is currently a Commissioner with the National Mental Health Commission, Director of the Silverchain Group of Companies, Global Health Ltd, IPG Pty Ltd, Drinkwise Australia Ltd and Chair of the Victorian Health Innovation and Reform Council. He is a Community Member of the Council of the Royal Australasian College of Surgeons, a member of the Dean's External Advisory Council for the Faculty of Medicine, Health Sciences and Nursing at the University of Melbourne and a Board Member of the Brotherhood of St Laurence. He was a Member of the Victorian Parliament for 24 years until 1999 serving as Minister of Health from 1996 until 1999.

Dr Julie Caldecott

MBBS (Hons), MBA (Distinction)

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. Until late 2013, Dr Caldecott was a Director of the Transport Accident Commission.

Ms Jacinda de Witts

B Ec, LLB (Hons), Grad Dip Corp & Sec Law

Ms de Witts is a Partner with the legal firm of Hive Legal and has over 15 years' private practice experience. Jacinda has extensive experience advising private sector and government clients on a broad range of commercial, corporate and regulatory matters, in particular in the health, energy and transport sectors. Jacinda has a Bachelor of Economics and a Bachelor of Laws (with first class honours) from the University of Sydney, and a Graduate Diploma in Corporations and Securities Law from the University of Melbourne.

Mr Max Findlay

Mr Max Findlay joined Programmed Maintenance Services in August 1988; was appointed Managing Director in March 1990 and retired from this role in 2008. 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

BCom, GAICD, GDip Fin & Inv, Grad Dip Arts (Politics)

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 had 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

BBus, FCA

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

Mr David Mandel

BSc Chem, FTA - Snr, CIMA, MAICD

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. Riverwood in Australia was a 600 employee, five plant, \$125 million revenue folding carton businesses owned by the listed US multinational corporation. Mr Mandel is currently a non-Executive Director of a number of organisations in both the commercial and not for profit sectors.

Mr John Rimmer

MA, FAICD

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 (2001-04). 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 has served on the Board of The Royal Children's Hospital since 1 July 2006.

Mr Peter Yates AM

BCom (Melb) Master of Science (MGT) (Stanford) MAICD, Doctorate of the University (Murdoch)

Peter has been the Chairman of The Royal Children's Hospital Foundation since July 2012, having been a Director since 2001.

Peter is Deputy Chairman of The Myer Family Company Ltd, a Director of AIA Australia Limited and MOKO.mobi. He is Chairman of the Royal Institution of Australia, the Australian Science Media Centre, the Faculty of Business and Economics at the University of Melbourne, the Royal Children's Hospital Foundation, Deputy Chairman of Asialink and the Shared Value Project. He is also Special Adviser to Chairman of Crown Resorts, Mr James Packer.

Peter is a Director of the Royal Children's Hospital, the Centre of Excellence for Quantum Computation and Communication Technology and the Centre for Independent Studies.

From 2004-07 Peter was Managing Director of Oceania Capital Partners and held the position of Chief Executive Officer of Publishing and Broadcasting Limited from 2001-04. Until 2001 he worked in the Investment Banking industry including 15 years with Macquarie Bank. He holds a Doctorate of the University from Murdoch University, a Masters degree from Stanford University Graduate School of Business and a Commerce degree from the University of Melbourne. He speaks Japanese, having studied at Keio University in Tokyo.

Peter has been a director of Publishing and Broadcasting, Crown Ltd, Foxtel Ltd, The Nine Network, Ninemsn, Ticketek, Veda Ltd, Oceania Capital Partners Ltd, the National Portrait Gallery, The Melbourne International Arts Festival, the Australian Chamber Orchestra and the Australia-Japan Foundation.

In the June 2011 Queen's Birthday Honours, Peter 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)
Jacinda de Witts
Sammy Kumar
David Mandel
John Rimmer

Community Advisory Committee

Dr Lakshmi Sumithran (Chair)
Jane Hume

Facilities Management Board Sub-committee

Max Findlay (Chair)
David Mandel

Finance

Sammy Kumar (Chair)
Dr Julie Caldecott
Max Findlay (part year)
David Mandel
John Rimmer (part year)

IT Board Sub-committee

David Mandel (Chair)
Dr Marianne Broadbent (External Appointee - part year)
Dr Julie Caldecott
John Rimmer

Intellectual Property Committee

[Required by RCH By-Laws]

Whole of Board

Investment

Max Findlay (Chair)
Dr Julie Caldecott
Jane Hume

Primary Care and Population Health Advisory Committee

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

Quality Committee

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

Remuneration Committee

Hon Rob Knowles AO (Chair)
Max Findlay
Sammy Kumar

Arts@RCH Board Sub-committee

(formerly Therapeutic and Educational Creative Arts Committee)

Jane Hume (Chair)
Dr Julie Caldecott
David Mandel

Executive staff

Chief Executive Officer

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

Deputy CEO and Executive Director Clinical Operations

John Stanway
BEc, Grad Dip IR, FAICD

Executive Director Nursing Services

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

Chief of Surgery

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

Executive Director Medical Services

Dr Peter McDougall
MBBS, MBA, FRACP, GAICD

Chief of Paediatric Medicine

Professor Colin Robertson
MBBS, MSc, MD, FRACP

Executive Director Strategy and Organisational Improvement

Jane Miller
BAppSc (Speech Path), Grad Dip Neuro,
MHlthMgmt

Executive Director Communications

Jayne Dullard
BA (Hons), MAICD

Executive Director Legal Services

Katherine Lorenz
BA, LLB (Hons), GAICD

Executive Director People and Culture

Simone Zelencich
Grad Dip Admin, MBA, MEd

Executive Director Finance and Corporate Services and Chief Financial Officer

Jennifer Gale
FCPA, BBus (Acc)

Staff summary

June Current month FTE			June YTD FTE	
Labour Category	2013	2014	2013	2014
Nursing	1,054	1,188	1,019	1,098
Administration and Clerical	645	590	589	556
Medical Support	348	367	348	351
Hotel and Allied Services	208	202	201	192
Medical Officers	112	116	108	112
Hospital Medical Officers	254	271	241	271
Sessional Clinicians	88	100	85	94
Ancillary Staff (Allied Health)	277	284	265	274
Total	2,986	3,118	2,856	2,948

Organisational chart

The Royal Children's
Hospital Board

Christine Kilpatrick
CHIEF EXECUTIVE OFFICER

Peter McDougall

EXECUTIVE DIRECTOR
MEDICAL SERVICES AND
CLINICAL GOVERNANCE AND
CHIEF MEDICAL OFFICER

Bernadette Twomey

EXECUTIVE DIRECTOR
NURSING SERVICES AND
CHIEF NURSING OFFICER

Colin Robertson

CHIEF OF MEDICINE

Mike O'Brien

CHIEF OF SURGERY

John Stanway

DEPUTY CHIEF EXECUTIVE OFFICER
EXECUTIVE DIRECTOR
CLINICAL OPERATIONS

Jennifer Gale

EXECUTIVE DIRECTOR
FINANCE AND CORPORATE SERVICES
AND CHIEF FINANCIAL OFFICER

Simone Zelencich

EXECUTIVE DIRECTOR
PEOPLE AND CULTURE

Katherine Lorenz

EXECUTIVE DIRECTOR
LEGAL AND INFORMATION SERVICES

Jayne Dullard

EXECUTIVE DIRECTOR
COMMUNICATIONS

Jane Miller

EXECUTIVE DIRECTOR
STRATEGY AND ORGANISATIONAL
IMPROVEMENT

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 hypo-plastic 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 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 Pam Grant**, Medical Imaging, FOI Reviewer
- Ms Martina Marinkovic**, FOI Reviewer
- Ms Sophie Garrity**, FOI Reviewer
- Ms Caroline Kennedy**, FOI Reviewer (01/07/2013 – 21/04/2014)

Requests received	2013-14	2012-13
Total requests	1,908	1,806
Access granted in full	1,670	1,718
No information available	29	21
Application withdrawn	63	47

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 up to date privacy procedures in place that reflect the 11 Health Privacy Principles and provide staff with information on how they apply in the hospital setting.

Privacy activities for 2013-14 have included working with the Mental Health team on implementing the changes to the Mental Health Act, providing advice on the submission of patient information, reviewing release of information processes, providing advice to the Victorian Infant Hearing Screening Program (VIHSP) on consent and the collection and management of patient information, and providing input into the campus wide Research Governance Framework. Communication regarding privacy is published via the RCH intranet and department education sessions 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

Under the Protected Disclosures Act 2012 (the Act), complaints about certain serious misconduct or corruption involving public health services in Victoria should be made directly to the Independent Broad-based Anti-corruption Commission (IBAC) in order to remain protected under the Act.

The Royal Children’s Hospital (RCH) encourages individuals to make any disclosures which are protected disclosures within the meaning of the Act with IBAC.

Carers Recognition Act 2012

The Carers Recognition Act 2012 recognises, promotes and values the role of people in care relationships. The RCH understands the different needs of persons in care relationships and that care relationships bring benefits to the patients, their carers and to the community. The RCH takes all practicable measures to ensure that its employees, agents and carers have an awareness and understanding of the care relationship principles and this is reflected in our commitment to a model of patient and family centred care and to involving carers in the development and delivery of our services.

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 the principles of this policy in relevant significant business activities.

Ex-gratia payments

Refer to Note 28 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 2014, the RCH has nil contracts which require separate disclosure.

Occupational Health and Safety (OH&S)

Throughout 2013-14 the RCH has had a significant focus on injury management and prevention as demonstrated by the greater than 50% reduction in the number of standard workers compensation claims lodged by employees when compared to 2012-13. The majority of reported injuries related to manual handling, slips, trips and falls. This year the Early Intervention Program, a proactive program changing the way staff identify and control hazards, has played a significant role in this improvement.

RCH employees are encouraged to report injuries so that preventative measures can be taken and to further create a positive health and safety workplace culture free from under-reporting, with the outcome being improved systems and controls to eliminate or minimize risks.

This year, a range of training videos have been created to compliment the extensive range of engineering and substitution risk control measures already in place within nursing services to reduce musculoskeletal injuries. The videos bridge the gap between theory and practical application of preventative solutions through training and assessment techniques. The videos form part of a suite of resources, templates and checklists, designed to support the improvement of workplace health and safety generally.

An important requirement under the OH&S legislation is to educate all employees on their roles and responsibilities, including personal accountability, in regards to OH&S. The RCH Health and Safety training during 2013-14 included:

- Induction for new employees
- Health and Safety Representative (HSR) training
- HSR refresher training
- Patient handling training
- Materials handling training
- Early intervention/WorkCover training
- Ergonomics
- Chemical management training.

Manual handling of children and adolescents in a clinical setting is a hazardous activity

that, when undertaken in unsafe conditions and without the support of a robust risk management system, places patients and staff at significant risk of a musculoskeletal injury. In order to effectively manage this risk the RCH has minimized the patient handling load on staff by investing in safe patient handling equipment. A training program has also been implemented to ensure all staff can effectively use this equipment.

The RCH Smart Move Smart Lift patient handling training program is a combination of online theory, as well as practical training and competency assessment, that aims to teach staff how, when and where to use the patient handling equipment. A series of patient handling training videos, based on core competencies, has been developed for this purpose. This audiovisual learning approach forms part of the online learning package staff complete prior to commencing hands-on training.

Chemicals management has been another key area of focus based on the large amount of hazardous and potentially harmful chemicals used each day at the RCH as part of standard operating procedures. Examples include cleaners, disinfectants, pharmaceuticals and phthalates in medical devices. We are enacting stringent chemicals management policies, above and beyond established laws, to reduce chemical exposure to safely manage and dispose of chemicals.

An on-line chemical management database ChemWatch is available to all staff for quick and easy access to Material Safety Data Sheets (MSDS) and consolidation of chemical registers. All MSDSs are now recorded in ChemWatch to manage all chemicals used within the RCH.

The RCH OH&S Consultative Committee convened throughout 2013-14. A key outcome of the new Consultative Committee is to create a greater, shared understanding of OH&S issues across the hospital campus. This structure has also provided for effective escalation of issues requiring assistance and support beyond the local work area. The forum has been an opportunity for all campus partners to come together to discuss work health and safety.

RCH recognises the need to support staffs’ psychological wellbeing as well as their

physical health. A range of ongoing initiatives across the campus aim to support staff including the Employee Assistance Program (EAP), which offers professional counselling and assistance to deal with work and life issues, a staff health and resilience program and ongoing leave management initiatives designed to embed a workplace culture based on effective self-management and work-life balance.

During 2013-14 there were no regulatory non-compliance or WorkSafe improvement notices issued to any RCH division or operation.

In April 2014, an internal audit of the RCH Work Health and Safety Risk Management Framework was conducted and recommended a number of steps to further enhance the system. The focus for the year ahead will be to implement associated management actions that embed a safety culture as a result of improved systems and processes. Continuing sponsorship and support from RCH Executive remained an important factor in the maintenance of a safe, healthy workplace for all RCH employees, patients, parents, volunteers and visitors.

Compliance with building and maintenance provisions

The New Royal Children’s Hospital (RCH) has been delivered as a Public Private Partnership (PPP) through the Partnerships Victoria policy. As part of the PPP Project Agreement, the hospital design, construction, financing and maintenance is managed by the State’s private sector partner, Children’s Health Partnership Pty Ltd (CHP).

CHP has engaged Spotless P&F Pty Ltd (Spotless) as the facilities management subcontractor over the Operating Term of the Agreement. Spotless has established an asset management framework to maintain all equipment (as defined in the Project Agreement) and Essential Safety Measures (ESM) services within the facility. Auditing of ESM maintenance is carried out by an external third-party. The ESM report issued annually verifies compliance to the ESM in accordance with the relevant Building Act and Building Regulations.

Part A

Priority	Action	Deliverable	Outcome
Developing a system that is responsive to people's needs	Implement formal advance care planning structures and processes that provide patients with opportunities to develop, review and have their expressed preferences for future treatment and care enacted.	Develop advance care planning screening process for long-stay patients in paediatric and neonatal intensive care services.	Achieved
		Conduct advance care planning screening for 75% of long-stay patients in paediatric and neonatal intensive care services.	Achieved
		Complete development of parent resource, <i>Caring Decisions: A handbook to assist parents in advance care planning for a child with a life-limiting condition.</i>	Achieved
		Evaluate acceptability and usefulness of parent resource, <i>Caring Decisions: A handbook to assist parents in advance care planning for a child with a life-limiting condition.</i>	Ongoing Evaluation planning is underway. Expected completion date: December 2014
	Contribute to area-based planning initiatives that consider health care across the care continuum.	Develop a plan for delivery of secondary and tertiary paediatric services across the north-west region in collaboration with local secondary hospitals and regional providers.	Ongoing An agreement has been reached with Barwon Health regarding RCH provision of general paediatric surgical services. A detailed analysis of the drivers of demand (Emergency Department and Specialists Clinic) is being conducted by Prof Gary Freed.
	In partnership with other local providers, apply existing service capability frameworks to maximise the use of available resources across the catchment.	Complete planning, in collaboration with RMH and RWH, for the implementation of Parkville Pathology Service (PPS).	Ongoing
		Explore feasibility of developing a coordinated approach to clinical support service delivery within Parkville Precinct.	RCH in collaboration with RMH and RWH is working with the Department of Health regarding capital funding requirements to implement the proposed PPS.
	Work and plan with key partners and service providers to respond to issues of distance and travel time experienced by some rural and regional Victorians.	Increase telehealth activity by 10%.	Achieved
Extend regional oncology outreach and shared care program (including use of telehealth) to regional services.		Achieved	

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excluding GST) \$	Expenditure 2013-14 (excluding GST) \$
Paxton Partners	Review proposed Parkville Pathology Service arrangements between Melbourne Health, The Royal Women's Hospital and The Royal Children's Hospital	Jun-13	Aug-13	14,708.33	14,708.33
Consult Health-E Pty Ltd*	Electronic Scanned Medical Records – System optimisation	Jun-13	Jul-14	72,000.00	57,000.00
Pricewaterhouse Coopers	Financial and Benefits Review for Electronic Medical Records tender	Dec-13	Feb-14	47,974.90	47,974.90
Total				134,683.23	119,683.23

Annual Financial Report 2013-14 The Royal Children's Hospital and Controlled Entities | 17

Priority	Action	Deliverable	Outcome
Improving every Victorian's health status and experiences	Improve thirty-day unplanned readmission rates.	Reduce the rate of unplanned re-admission within 30 days by 10%.	Ongoing Comprehensive review of performance completed including feedback collected from families. Expected completion date: December 2014
	Collaborate with key partners such as Medicare Locals, community health services and other providers to support local implementation of the Victorian Health and Wellbeing Plan 2011-15.	Explore feasibility of establishing general paediatric outpatient services at a local community health service.	Ongoing There have been preliminary discussions with local community health services.
		Pilot a new model for delivery of a multidisciplinary autism assessment clinic with connections to community-based services.	Achieved
	Optimise alternatives to hospital admission.	Develop and pilot a new model of care for children with medical complexity (CMC).	Achieved
	Ensure service coordination, discharge planning and referral processes support effective care transition.	Pilot electronic transmission of discharge summaries to general practitioners.	Achieved
		Improve the rate of discharge summary completion within 48 hours by 10%.	Achieved
	Use consumer feedback to improve person and family centred care and patient and patient experience.	Use social media as a means of gathering consumer feedback and use this information to improve the patient experience.	Achieved
Expanding service, workforce and system capacity	Build workforce capability and sustainability by supporting formal and informal clinical education and training for staff and health students, in particular inter-professional learning.	Ensure appropriate level of life support training is completed by 100% of junior medical staff and 100% of clinical nursing/allied health staff.	Ongoing Equipment purchased, e-learning training developed and initial program pilot with medical and nursing staff completed. Expected completion date: September 2014
		Implement and evaluate the Senior Medical Staff Leadership Development Program.	Achieved
	Work collaboratively with the department on service and capital planning to develop service and system capacity.	Improve access to neonatal services by commissioning two additional neonatal intensive care cots in January 2014.	Achieved
	Develop and implement a workforce immunisation policy that builds capacity and aligns with national guidelines, including reference to employment screening and staff immunisation assessment.	Convert existing processes into an integrated workforce immunisation procedure.	Achieved
		Integrate immunisation records with HR information systems to improve knowledge of workforce immunisation status.	Achieved

Priority	Action	Deliverable	Outcome
Increasing the system's financial sustainability and productivity	Reduce variation in health service administration costs.	Complete the review of corporate information technology systems.	Achieved
	Identify opportunities for efficiency and better value service delivery.	Improve access to MRI services by delivering an additional 300 MRI episodes per annum.	Ongoing An MRI service on alternate Sundays has commenced. Expected completion date: March 2015
Implementing continuous improvements and innovation	Develop and implement improvement strategies that optimise access, patient flow, system coordination and the quality and of hospital services.	Define 'Great Care' and measures of success in the new RCH strategic plan (2013-18).	Achieved
	Support change and innovation in practice where it is proven to deliver more effective and efficient health care.	Implement 'Good to Go' across the organisation to deliver improvements in patient access and throughput.	Achieved
		Develop Melbourne Children's Clinical Trials Centre.	Achieved
Increasing accountability and transparency	Prepare for commencement of proposed new mental health legislation in 2014.	Employ a Mental Health Act Implementation Officer to assist the mental health team to understand the legislative changes.	Achieved
		Implement changes to procedures and practices to facilitate compliance with the proposed new mental health legislation in 2014.	Achieved
	Prepare for the National Safety and Quality Health Services Standards, as applicable	Achieve level three (i.e. leader in improvement) on the Department of Health's Improvement Capability Quotient.	Achieved
		Introduce display of ward-based quality improvements and outcomes.	Ongoing Team-based improvement coaching has commenced and work continues on enhancing processes for collection and display of quality outcomes.
	Increase transparency and accountability in reporting of accurate and relevant information about the organisation's performance.	Launch Social Media Strategy.	Achieved
		Commence publishing performance data on the internet.	Achieved
		Complete implementation of Victorian Integrated Non-Admitted Health Minimum Dataset (VINAH) Project.	Ongoing Work continues on developing reporting capability. Expected completion date: September 2014
Improving utilisation of e-health and communications technology	Maximise the use of health ICT infrastructure.	Deliver tender process to select a vendor for supply of electronic medical record.	Achieved
	Trial, implement and evaluate strategies that use e-health as an enabler of better patient care.	Implement queuing system to optimise patient flow and patient experience at Specialist Clinics appointments.	Achieved
		Work with service partners to achieve goals of Paediatric Clinical Network telehealth strategic initiative.	Achieved

Part B: Performance priorities

Financial performance

Operating Result	Target	2013-14 actuals
Annual Operating result (\$m)	0	0.011
WIES activity performance	Target	2013-14 actuals
Percentage of WIES (public and private) performance to target	100	102.3
Cash management	Target	2013-14 actuals
Creditors days	<60 days	60
Debtors days	<60 days	45

Access performance

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

Emergency Care	Target	2013-14 actuals
Percentage of ambulance transfers within 40 minutes	90	96.6
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 2013)	75	70
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 2014)	81	77
Number of patients with length of stay in the emergency department greater than 24 hours	0	2
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	64
Elective Surgery	Target	2013-14 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 2013)	80	67
NEST – Percentage of Urgency Category 2 elective surgery patients treated within 90 days (January – June 2014)	88	57
NEST – Percentage of Urgency Category 3 elective surgery patients treated within 365 days (July – December 2013)	94.5	72
NEST – Percentage of Urgency Category 3 elective surgery patients treated within 365 days (January – June 2014)	97	74
Number of patients on the elective surgery waiting list	2,699	2,804
Number of Hospital Initiated Postponements per 100 scheduled admissions	<8.0	5.2

Note: waiting list as at 30 June 2014

Service performance

Elective Surgery	Target	2013-14 actuals
Number of patients admitted from the elective surgery waiting list – quarter 1	1,877	1,909
Number of patients admitted from the elective surgery waiting list – quarter 2	1,911	1,736
Number of patients admitted from the elective surgery waiting list – quarter 3	1,957	1,849
Number of patients admitted from the elective surgery waiting list – quarter 4	2,800	2,417
Critical Care	Target	2013-14 actuals
Number of days operating below agreed Paediatric ICU minimum operating capacity	0	0
Number of days operating below agreed Neonatal ICU minimum operating capacity	0	41
Quality and Safety	Target	2013-14 actuals
Health service accreditation	Full compliance	Full compliance
Cleaning standards (overall)	Full compliance	Full compliance
Cleaning standards (AQL-A)	90	97
Cleaning standards (AQL-B)	85	96
Cleaning standards (AQL-C)	85	94
Hand hygiene (rate)	70%	81%
SAB rate per occupied bed days	<2/10,000	1.4/10,000
Victorian Hospital Experience Measurement Instrument (January–June 2014)	Full compliance	Full compliance
People Matter survey	Full compliance	Full compliance
Newborns	Target	2013-14 actuals
Percentage of eligible newborns screened for hearing deficit*	>97	98.6%

*One month of age (corrected)

Part C: Activity and funding

Funding type	2013-14 activity achievement
Acute Admitted	
WIES Public	36,262
WIES Private	11,081
Total PPWIES (Public and Private)	47,343
WIES DVA	0
WIES TAC	368
WIES TOTAL	47,711
Acute non-admitted	
Emergency services	
Specialist clinics	
Subacute and Nonacute Admitted	
Rehab Public – bed days	4,380
Subacute and Nonacute Other	
Other specified funding	
Subacute non-admitted	
Health Independence Program – DVA	
Subacute non-admitted other	
Victorian artificial limb program	
Mental Health and Drug Services	
Mental Health Inpatient	3,943
Mental Health Ambulatory	30,341
Mental Health Service System Capacity	
Primary Health	
Community Health/Primary Care Programs	3,383
Community Health Other	
Other	
Nationally Funded Centre Activity	
Paediatric Heart Transplant – with VAD	3
Paediatric Heart Transplant – without VAD	5
Paediatric Lung/Heart-Lung Transplants (Alfred)	2
Paediatric Liver Transplant (Austin)	15
HLHS – Norwood Procedure	7
HLHS – BCPS (Stage 2)	4
HLHS – Fontan (Stage 3)	0

The Royal Children's Hospital

Summary of financial results

	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000
Total revenue	518,331	477,805	482,674	415,749	393,947
Total expenses	585,609	554,635	487,465	433,216	416,061
Net result for the year (inc. capital and specific items)	(67,278)	(76,830)	(4,791)	(17,467)	(22,114)
Retained surplus/(accumulated deficit)	(185,615)	(117,929)	(40,237)	(35,856)	(18,201)
Total assets	1,260,743	1,139,978	1,135,558	221,324	239,032
Total liabilities	1,166,858	1,125,898	1,045,244	110,788	111,096
Net assets	93,886	14,080	90,314	110,536	127,936
Total equity	93,886	14,080	90,314	110,536	127,936

Certain numbers above do not correspond to the 2013 and 2012 audited financial statements and reflect adjustments made as a result of a change in accounting policy and correction, refer notes to the Financial Statement; note 1 (e) and note 31.

Operational and budgetary objectives and performance against objectives

The Royal Children's Hospital (RCH) ended the year with an Annual Operating Surplus (before Capital and Specific items) of \$11k. RCH has successfully met its Statement of Priorities Financial Target, which is a break even Operating Result.

Summary of significant changes in financial position for the year

The Royal Children's Hospital agreed to record States' assets and obligations in relation to the Public Private Partnership (PPP) arrangement. Financial Year results were restated to include Leased Asset depreciations for assets under the (PPP) arrangement. The impact is an increase in depreciation charges of \$26.583k for Financial Year 2012-13 and a decrease in opening equity for the Financial Year 2013-14 of the same amount (refer to Note 31 – Restatement of comparative information for full details).

A correction to earlier periods leave balances results in decrease in Net Assets of \$305k (refer to Note 1e of the Financial Statement for more detail).

Subsequent events

Events after the balance sheet date – nil (refer note 29).

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 2014.

Signed: 

The Hon Rob Knowles AO
The Royal Children’s Hospital
Board Chairman
14 August 2014

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
14 August 2014

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
14 August 2014

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 verify 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
14 August 2014

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 compliance with statutory disclosure requirements.

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FRD 22E	Nature and range of services provided	12
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FRD 22E	Application and operation of Carers Recognition Act 2012	12
FRD 22E	Application and operation of Freedom of Information Act 1982	12
FRD 22E	Compliance with building and maintenance provisions of Building Act 1993	13
FRD 22E	Details of consultancies over \$10,000	14
FRD 22E	Details of consultancies under \$10,000	14
FRD 22E	Employment and conduct principles	10
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Financial statements



Board member’s, accountable officer’s and chief finance and accounting officer’s declaration

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 including Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes present fairly the financial transactions during the year ended 30 June 2014 and the financial position of The Royal Children’s Hospital and Consolidated Entities at 30 June 2014.

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
14 August 2014



PROFESSOR CHRISTINE KILPATRICK
Chief Executive Officer
The Royal Children’s Hospital
Melbourne
14 August 2014



JENNIFER GALE
Executive Director Finance and Corporate Services and CFO
The Royal Children’s Hospital
Melbourne
14 August 2014



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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 2014 of the The Royal Children’s Hospital which comprises comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the the Board member’s, accountable officer’s and chief finance and accounting officer’s declaration has been audited. The financial report is the consolidated financial statements of the economic entity, comprising the The Royal Children’s Hospital and the entities it controlled at the year’s end or from time to time during the financial year as disclosed in note 26 to the financial statements.

The Board Members’ Responsibility for the Financial Report

The Board Members of The Royal Children’s Hospital are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards, 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 judgment, 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 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.

The Royal Children's Hospital Comprehensive Operating Statement

For the year ended 30 June 2014

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 consolidated entity as at 30 June 2014 and of their financial performance and 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 The Royal Children's Hospital for the year ended 30 June 2014 included both in the The Royal Children's Hospital's annual report and on the website. The Board Members of the The Royal Children's Hospital are responsible for the integrity of the The Royal Children's Hospital's website. I have not been engaged to report on the integrity of the 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
18 August 2014


John Doyle
Auditor-General

	Note	Parent Entity 2014 \$'000	Parent Entity Restated ⁽ⁱ⁾ 2013 \$'000	Consolidated 2014 \$'000	Consolidated Restated ⁽ⁱ⁾ 2013 \$'000
Revenue from operating activities	2	492,501	462,447	504,006	478,532
Revenue from non-operating activities	2	2,097	2,058	11,214	7,964
Employee expenses	3	(355,960)	(335,602)	(360,218)	(339,922)
Non-salary labour costs	3	(19,269)	(20,166)	(19,506)	(20,657)
Supplies and consumables	3	(57,594)	(53,203)	(57,620)	(53,227)
Other expenses	3	(61,764)	(55,410)	(68,305)	(59,723)
Net result before capital and specific items		11	123	9,572	12,967
Capital purpose income	2	13,807	13,344	12,703	12,536
Net gain/(loss) on disposal of non-financial assets	2c	(741)	(44)	(760)	(44)
Specific income	2d	9,717	-	9,717	-
Expenditure using capital purpose income	3	(699)	(242)	(543)	(242)
Depreciation and amortisation	4	(43,510)	(44,963)	(43,694)	(45,136)
Finance cost	5	(46,814)	(45,049)	(46,814)	(45,049)
Cumulative gain/(loss) on available-for-sale financial assets transferred to operating statement	2	950	-	534	-
NET RESULT FOR THE YEAR		(67,278)	(76,830)	(59,285)	(64,968)
Other comprehensive income					
Items that may be reclassified subsequently to net result					
Changes to financial assets available-for sale revaluation surplus	18a	(213)	846	7,087	11,460
Items that will not be reclassified to net result					
Changes in physical asset revaluation surplus	18a	146,807	-	148,249	-
COMPREHENSIVE RESULT FOR THE YEAR		79,315	(75,984)	96,052	(53,508)

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

(i) Certain numbers above do not correspond to the 2013 audited financial statements and reflect adjustments made as a result of a change in accounting policy and correction, refer note 1 (e) and note 31. Where the individual line item is restated, this is also reflected in the corresponding individual note.

The Royal Children’s Hospital

Balance Sheet

As at 30 June 2014

	Note	Parent Entity 2014 \$'000	Parent Entity Restated ⁽ⁱ⁾ 2013 \$'000	Consolidated 2014 \$'000	Consolidated Restated ⁽ⁱ⁾ 2013 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	6	34,420	41,034	52,101	69,358
Receivables	7	19,309	13,773	19,490	13,305
Other financial assets	8	-	-	55,842	43,233
Inventories	9	1,097	1,247	1,107	1,247
Prepayments		1,112	457	1,149	512
Total current assets		55,938	56,511	129,690	127,655
Non-current assets					
Receivables	7	16,419	12,118	16,419	12,118
Other financial assets	8	20,792	19,395	92,789	82,655
Property, plant and equipment	10	1,131,714	1,015,066	1,137,052	1,018,588
Intangible assets	11	31,126	33,357	31,284	33,517
Investment properties	12	4,755	3,531	4,755	3,531
Total non-current assets		1,204,805	1,083,467	1,282,299	1,150,409
TOTAL ASSETS		1,260,743	1,139,978	1,411,989	1,278,064
LIABILITIES					
Current liabilities					
Payables	13	32,829	35,719	33,056	38,937
Employee benefits and related on-cost provisions	14	94,704	88,988	95,153	89,457
Borrowings	15	383	-	383	-
Other current liabilities	16	7,403	3,769	6,496	3,479
Total current liabilities		135,318	128,476	135,088	131,873
Non-current liabilities					
Employee benefits and related on-cost provisions	14	13,141	11,589	13,374	11,770
Borrowings	15	1,014,997	982,083	1,014,997	982,083
Other non-current liabilities	16	3,402	3,750	3,402	3,750
Total non-current liabilities		1,031,540	997,422	1,031,772	997,603
TOTAL LIABILITIES		1,166,858	1,125,898	1,166,860	1,129,476
NET ASSETS		93,886	14,080	245,129	148,588
EQUITY					
Property plant and equipment revaluation surplus	18a	164,735	17,928	168,030	19,781
Financial asset available for sale revaluation surplus	18a	798	1,011	18,658	11,571
Restricted specific purpose reserve	18a	5,048	4,641	59,016	52,196
Contributed capital	18b	108,919	108,429	108,919	108,429
Accumulated deficit	18c	(185,615)	(117,929)	(109,495)	(43,389)
TOTAL EQUITY		93,886	14,080	245,129	148,588
Commitments	22				
Contingent assets and contingent liabilities	23				

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

(i) Certain numbers above do not correspond to the 2013 audited financial statements and reflect adjustments made as a result of a change in accounting policy and correction, refer note 1 (e) and note 31. Where the individual line item is restated, this is also reflected in the corresponding individual note.

The Royal Children’s Hospital

Statement of Changes in Equity

For the year ended 30 June 2014

Parent	Note	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
Balance at 1 July 2012 – restated⁽ⁱ⁾		17,928	165	4,029	108,429	(40,237)	90,314
Net result for the year – restated ⁽ⁱ⁾	18c	-	-	-	-	(76,830)	(76,830)
Other comprehensive income for the year	18a	-	846	-	-	-	846
Equity reclassification	18c	-	-	-	-	(250)	(250)
Transfer to accumulated surplus/(deficit)	18a	-	-	612	-	(612)	-
Balance at 30 June 2013 – restated⁽ⁱ⁾		17,928	1,011	4,641	108,429	(117,929)	14,080
Net result for the year	18c	-	-	-	-	(67,278)	(67,278)
Other comprehensive income for the year	18a	146,807	(213)	-	-	-	146,593
Transfer to accumulated surplus/(deficit)	18a	-	-	407	-	(407)	-
Contributed capital	18b	-	-	-	490	-	490
Balance at 30 June 2014		164,735	798	5,048	108,919	(185,615)	93,886

Consolidated	Note	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
Balance at 1 July 2012		19,781	111	45,887	108,429	27,888	202,096
Net result for the year – restated ⁽ⁱ⁾	18c	-	-	-	-	(64,968)	(64,968)
Other comprehensive income for the year	18a	-	11,460	-	-	-	11,460
Transfer to accumulated surplus/(deficit)	18a	-	-	6,309	-	(6,309)	-
Balance at 30 June 2013 – restated⁽ⁱ⁾		19,781	11,571	52,196	108,429	(43,389)	148,588
Net result for the year	18c	-	-	-	-	(59,285)	(59,285)
Other comprehensive income for the year	18a	148,249	7,087	-	-	-	155,337
Transfer to accumulated surplus/(deficit)	18a	-	-	6,821	-	(6,821)	-
Contributed capital	18b	-	-	-	490	-	490
Balance at 30 June 2014		168,030	18,658	59,016	108,919	(109,495)	245,129

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

(i) Certain numbers above do not correspond to the 2013 audited financial statements and reflect adjustments made as a result of a change in accounting policy and correction, refer note 1 (e) and note 31. Where the individual line item is restated, this is also reflected in the corresponding individual note.

The Royal Children’s Hospital Cash Flow Statement

For the year ended 30 June 2014

	Note	Parent Entity 2014 \$'000	Parent Entity 2013 \$'000	Consolidated 2014 \$'000	Consolidated 2013 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts					
Operating grants from government		365,600	357,239	368,600	356,418
Patient fees received		17,739	17,052	17,757	17,033
Private practice fees received		29,407	28,231	29,407	28,231
Donations and bequests received		14,582	12,204	23,175	24,362
GST received from/(paid to) ATO		6,666	4,898	7,655	5,304
Interest received		1,483	1,876	5,079	11,411
Other receipts		42,697	36,896	42,182	38,554
Total receipts		478,174	458,396	493,855	481,313
Payments					
Employee benefits paid		(363,494)	(345,831)	(367,792)	(350,809)
Fee for Service Medical Officers		(2,901)	(3,187)	(2,901)	(3,187)
Payments for supplies and consumables		(60,632)	(50,452)	(62,159)	(50,148)
Finance cost		(860)	-	(860)	-
Other payments		(51,795)	(44,840)	(61,041)	(48,834)
Total payments		(479,683)	(444,309)	(494,752)	(452,978)
Cash generated from/(used in) operations		(1,509)	14,087	(897)	28,336
Capital grants from government		(1,049)	77	(1,049)	77
Other capital receipts		-	384	-	-
Capital donations and bequests received		1,384	1,060	317	252
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	19	(1,174)	15,607	(1,629)	28,665
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for non-financial assets		(5,483)	(4,053)	(5,735)	(4,192)
Proceeds from sale of property, plant and equipment		42	21	23	21
Purchase of investments		(5,000)	(2,162)	(18,567)	(7,718)
Proceeds from investments		5,050	1,188	8,869	1,188
Cash in former subsidiary		-	-	(167)	-
NET CASH OUTFLOW FROM/(USED IN) INVESTING ACTIVITIES		(5,391)	(5,006)	(15,578)	(10,701)
CASH FLOWS FROM FINANCING ACTIVITIES					
Contributed capital transfer from intragovernment entity		163	-	163	-
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		163	-	163	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		(6,401)	10,602	(17,043)	17,964
Cash and cash equivalents at the beginning of the year		39,271	28,669	67,595	49,631
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	32,870	39,271	50,552	67,595

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

Notes to the Financial Statements

30 June 2014

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Note 1: Summary 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 2014. 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 14 August 2014.

(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 2014, and the comparative information presented in these financial statements for the year ended 30 June 2013.

The going concern basis was used to prepare the financial statements. 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 2015. This position is reviewed annually to ensure continuity under the going concern basis.

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 a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made and are re-assessed 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 with changes reflected in the comprehensive operating statement (value through profit or loss);
- available-for-sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised (i.e. other comprehensive income – items that may be reclassified subsequent to net result); and

- the fair value of assets other than land is generally based on their depreciated replacement value.

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

Consistent with AASB 13 *Fair Value Measurement*, The Royal Children's Hospital determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, investment properties and financial instruments, and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant FRDs.

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

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

For the purpose of fair value disclosures, The Royal Children's Hospital has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, The Royal Children's Hospital determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer-General Victoria (VGV) is The Royal Children's hospital's independent valuation agency.

The Royal Children's Hospital, in conjunction with VGV monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

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.

Objectives and funding

The Royal Children's Hospital's overall objective is to improve the health and wellbeing of children and adolescents through leadership in healthcare, research and education, as well as improve the quality of life to Victorians.

The Royal Children's Hospital is predominantly funded by accrual based grant funding for the provision of outputs.

(d) 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 2014, 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

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 is deemed to be a controlled entity of The Royal Children's Hospital because the majority of the entity's 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 or operations

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.

(e) 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, comprising the following items, where material:
 - Write-down of non-current assets
 - Non-current asset revaluation increments/decrements.
- Impairment of financial and non-financial assets, including all impairment losses (and reversal of previous impairment losses), which have been recognised in accordance with note 1 (k).
- depreciation and amortisation, as described in note 1 (h).
- assets received or provided free of charge, as described in note 1 (g) and (h).
- impairment of financial and non-financial assets, including all impairment losses which have been recognised in accordance with note 1 (k).
- expenditure using capital purpose income, comprising 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 (non-current being those assets or liabilities expected to be recovered/settled more than 12 months after the reporting period), as disclosed in the notes where relevant.

Statement of changes in equity

The statement of changes in equity presents reconciliations of each non-owner and owner changes in equity from 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.

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*.

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.

Note 1: Summary of significant accounting policies

Comparative information

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

- Comprehensive Operating Statement: Finance costs have been presented on a separate line amongst the capital items, as it is considered relevant to distinguish this significant item from other capital expenses. The finance cost for 2013 has been moved accordingly out of the line 'Expenditure using capital purpose income'.
- In note 3, the line item *\$100 drugs* has been merged into Drug supplies, as it is not considered sufficiently material to warrant presentation on a separate line.
- In note 19 (2013: note 17), comparative numbers have been interchanged for the following line items (the numbers remain unchanged, they have internally swapped lines to rectify a presentational inadvertence in previous year's annual report):
 - Facility management, lifecycle and other expenses paid by DoH under PPP arrangement
 - Department of Health – indirect contribution on repayment of finance lease liabilities
 - Facility management, lifecycle and other charges under PPP arrangement.
- Depreciation for the PPP assets was restated as a result of a change in accounting policy in 2014 as directed by the Department of Health. The cumulative effect of the change is an increase in accumulated depreciation of \$26,583k and a decrease in opening equity for the financial year 2013–14 of the same amount (refer note 1 (f) and note 31 for further details).
- RCH leave balances relating to earlier periods were corrected predominantly due to system and processing issues identified in the financial year 2013–14. The cumulative effect of the correction is an increase in leave liability of \$305k and a decrease in equity of the same amount for the financial year 2012–13 (refer to opening balance of accumulated deficit for the financial year 2012–13 in note 31 and note 18 of the financial statements).

(f) Changes in accounting policies

Depreciation of Public Private Partnership (PPP) assets (accounting entries and disclosures provided by the Department of Health as noted below)

In 2014, the Department of Health reviewed its policy on the reporting of depreciation for PPP leased assets in the hospital sector. This was as a result of inconsistent reporting of depreciation by the current PPP arrangements, and to ensure consistent treatment by planned PPP arrangements.

Under The Royal Children's Hospital's PPP arrangements, a Lifecycle payment is included in the quarterly service payment to the project company. The Lifecycle payments are payments provided as compensation for expenditure incurred on programmed asset maintenance, asset refurbishment and asset replacement. The project company is expected to make replacements to the assets as required, to ensure that they are able to be used for their intended purpose over the term of the lease agreement.

Under the previous Royal Children's Hospital's policy, there was no depreciation on the PPP leased assets where lifecycle payment arrangement exists. It was believed that the residual value of the leased assets would approximate the cost of the leased asset on the ground that the project company is required to maintain and replace the assets and hand them back at the end of the lease term in a reasonably good condition, thereby limiting the amount of depreciation whilst keeping the value of the asset at approximately its cost.

The new policy requires depreciation be made on all the leased assets. Where lifecycle payment arrangements exist, the estimate of the asset's useful life must take into consideration the impact of maintenance required under the PPP arrangement and the obligation on the project company to hand over the leased assets with five years of useful life remaining at the end of the 25 years lease period. Consequently the effective useful lives for depreciation purposes is determined to be 30 years for those assets that would have a useful life shorter than 30 years without the lifecycle type of maintenance.

For buildings and building components which have useful lives of more than 30 years, the above policy does not apply and these assets are depreciated over the estimated useful lives of the buildings and building components.

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for all fair value measurements. AASB 13 does not change when a health service is required to use fair value, but provides guidance on how to measure fair value under Australian Accounting Standards when fair value is required or permitted. The Royal Children's Hospital has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revised and adjusted where applicable. In light of AASB 13, The Royal Children's Hospital has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair values recognised.

AASB 13 has predominantly impacted the disclosures of The Royal Children's Hospital. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 *Financial Instruments: Disclosures*.

The disclosure requirements of AASB 13 apply prospectively and need not to be provided for comparative periods on before initial application. Consequently, comparatives of these disclosures have not been provided for 2012–13, except for financial instruments, of which the fair value disclosures are required under AASB 7 *Financial Instruments: Disclosures*.

AASB 119 Employee Benefits

In 2013–14, The Royal Children's Hospital has applied AASB 119 *Employee Benefits* (Sep 2011, as amended), and related consequential amendments for the first time.

The revised AASB 119 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. As the current accounting policy is for the Department of Treasury and Finance to recognise and disclose the State's defined benefit liabilities in its financial statements, changes in defined benefit obligations and plan assets will have limited impact on The Royal Children's Hospital.

The revised standard also changes the definition of short-term employee benefits. These were previously benefits that were expected to be settled within 12 months after the end of the reporting period in which the employees render the related service, however, short-term employee benefits are now defined as benefits expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service. Benefits expected to be settled after 12 months after the end of the reporting period remained discounted to the present value and classified as current long term. The effect of the change in the standard largely changed the terminology used in the employee benefit classification. The change does not materially alter The Royal Children's Hospital's measurement of the annual leave provisions.

(g) Income from transactions

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 at fair value. Unearned income at reporting date is reported as income received in advance.

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

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

In accordance with AASB 1004 *Contributions*, government grants and other transfers of income (other than contributions by owners) are recognised as income when The 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.

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 (updated for 2012–13).

Patient 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 surplus.

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, which allocates interest over the relevant period.

Sale of investments

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

Fair value of assets and services 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 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 17: 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 and investment properties. Depreciation begins when the asset is available for use, which is when it is in the location and condition necessary for it to be capable of operating in a manner intended by management.

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

Non PPP assets	2014	2013
Buildings		
– Structure shell building fabric	30 to 60 years	52 Years
– Site engineering services and site works	30 to 40 years	23 years
Central plant		
– Fit out	25 to 30 years	23 years
– Trunk reticulated building systems	30 years	24 years
Plant and equipment (non medical)	3 to 7 years	3 to 7 years
Medical equipment	7 to 15 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

Note 1: Summary of significant accounting policies

PPP assets	2014	2013 (restated)
Buildings		
– Structure shell building fabric	60 years	52 Years
– Site engineering services and site works	40 years	30 years
Central plant		
– Fit out	30 years	30 years
– Trunk reticulated building systems	30 years	30 years
Plant and equipment (non medical)	30 years	30 years
Medical equipment	30 years	30 years
Computers and communication	30 years	30 years
Furniture and fittings	30 years	30 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 (2013: 3 to 23.5 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 <i>Leases</i> .		
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.		
• bad and doubtful debts, refer to note 1 (k) Impairment of financial assets.		

Fair value of assets, services and resources provided free of charge or for nominal consideration
Contribution of 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 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.
Borrowing costs of qualifying assets
In accordance with the paragraphs of AASB 123 <i>Borrowing Costs</i> applicable to not-for-profit public sector entities, The Royal Children’s Hospital continues to recognise borrowing costs immediately as an expense, to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset.
(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 (k) –Revaluations of non-current physical assets
• net gain/(loss) on disposal of non-financial assets, any gain or loss on the disposal of non-financial assets is the difference between the proceeds the carrying value of the asset at the 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
• amortisation of non-produced intangible assets, intangible non-produced assets with finite lives are amortised as another economic flow on a systematic basis over the asset’s useful life. Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management
• revaluations of financial instruments at fair value, refer to note 1 (j) Financial instruments
• share of net profits/(losses) of associates and joint entities, excluding dividends, refer to note 1 (d) Principles of consolidation
• other gains/(losses) from other comprehensive income, including: – transfer of amounts from reserves to accumulated surplus or net result due to disposal, 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 <i>Financial Instruments: Presentation</i> . 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 or 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. Any dividend or interest on a financial asset is recognised in the net result for the year.
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 21.
Reclassification of financial instruments at fair value through profit or loss
Financial instrument assets that meet the definition of loans and receivables may be reclassified out of the fair value through profit or loss category into the loans and receivables category, where they would have met the definition of loans and receivables had they not been required to be reclassified out off the fair value through profit or loss category, if there is the intention and ability to hold them for the foreseeable future or until maturity.
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 assets. 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 21.
Reclassification of available-for-sale financial assets
Available-for-sale financial instrument assets that meet the definition of loans and receivables may be classified into the loans and receivables category if there is the intention and ability to hold them for the foreseeable future or until maturity.
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 or 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 include the Department of Health’s obligations to the Children’s Health Partnership for the Quarterly Service Payment (QSP) for the new Royal Children’s Hospital.
(k) Assets
Cash and cash equivalents
Cash and cash equivalents recognised on the balance sheet comprise cash on hand and cash at bank, deposits at call and highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short term cash commitments rather than for investment purposes, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.
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 of mainly 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 the debts may not be collected. 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 or loss are subject to annual review for impairment.

Note 1: Summary of significant accounting policies

Inventories

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

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

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 revalue 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.

More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in note 10 Property, plant and equipment.

The initial cost for non-financial physical assets under finance lease (refer to note 1 (m)) 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.

Cultural, collections, heritage assets and other non-current physical assets that the State intends to preserve because of their unique historical, cultural or environmental attributes are measured at the cost of replacing the asset less any accumulated impairment. These policies and any legislative limitations and restrictions imposed on their use and/or disposal may impact their fair value.

Restrictive nature of cultural and heritage assets, Crown land and infrastructure assets

During the reporting period, The Royal Children’s Hospital may hold artwork, heritage assets, Crown land and infrastructure assets.

Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. The nature of these assets means that there are certain limitations and restrictions imposed on their use and/or disposal.

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 103E *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 and are credited directly in equity to the asset revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that same class of asset previously recognised as an expense in net result, the increment is recognised as income in the net result.

Revaluation decrements are recognised in other comprehensive income, except that, to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property plant and equipment.

Revaluation increases and revaluation decreases relating to individual assets within an asset class are offset against one another within that class but are not offset in respect of assets in different classes.

Revaluation surplus are normally not transferred to accumulated funds on de-recognition of the relevant asset.

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

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.

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.

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. Refer to note 1 (e) – Comprehensive operating statement.

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 properties 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.

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:
 - has transferred substantially all the risks and rewards of the asset; or
 - 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 2014 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

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

(I) 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 (m) 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.

The classification depends on the nature and purpose of the borrowing.

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

Note 1: Summary of significant accounting policies

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 (LSL)

The liability for LSL is recognised in the provision for employee benefits.

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

The components of this current LSL liability are measured at:

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

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

Any gain or loss followed revaluation of the present value of non-current LSL liability is recognised as a transaction in the comprehensive income statement.

Termination benefits

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

The Royal Children's Hospital recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

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.

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.

(m) 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 report the State's obligations and associated accounting transactions as provided by the Department of Health.

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 he 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.

(n) 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 by owners 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 physical 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.

(o) 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 22) 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.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) 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.

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

As at 30 June 2014, 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 2017	The preliminary assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 10 <i>Consolidated Financial Statements</i>	This Standard forms the basis for determining which entities should be consolidated into an entity’s financial statements. AASB 10 defines ‘control’ as requiring exposure or rights to variable returns and the ability to affect those returns through power over an investee, which may broaden the concept of control for public sector entities. The AASB has issued an Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities that explains and illustrates how the principles in the Standard apply from the perspective of not-for-profit entities in the private and public sectors.	1 Jan 2014 (not-for-profit entities)	For the public sector, AASB 10 builds on the control guidance that existed in AASB 127 and Interpretation 112 and is not expected to change which entities need to be consolidated. Ongoing work is being done to monitor and assess the impact of this standard.
AASB 11 <i>Joint Arrangements</i>	This Standard deals with the concept of joint control, and sets out a new principles-based approach for determining the type of joint arrangement that exists and the corresponding accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement.	1 Jan 2014 (not-for-profit entities)	Based on current assessment, entities already apply the equity method when accounting for joint ventures. It is anticipated that there would be no material impact. Ongoing work is being done to monitor and assess the impact of this standard.
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 <i>Separate Financial Statements</i> and AASB 131 <i>Interests in Joint Ventures</i> .	1 Jan 2014 (not-for-profit entities)	The new standard is likely to require additional disclosures and ongoing work is being done to determine the extent of additional disclosure required.
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)	Current assessment indicates that there is limited impact on Victorian Public Sector entities. Ongoing work is being done to monitor and assess the impact of this standard.
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)	Current assessment indicates that there is limited impact on Victorian Public Sector entities. Ongoing work is being done to monitor and assess the impact of this standard.

In addition to the new standards, the AASB has issued a list of amending standards that are not effective for the 2013–14 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 AASB Interpretation in the list below is also not effective for the 2013–14 reporting period and is considered to have insignificant impacts on public sector reporting.

- AASB 2010–7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*.
- AASB 2011–7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*.
- 2013–3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*.
- 2013–4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*.
- 2013–9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*.
- AASB Interpretation 21 *Levies*.

Note 2: Revenue

	Parent					
	HSA 2014 \$'000	HSA 2013 \$'000	H&CI 2014 \$'000	H&CI 2013 \$'000	Total 2014 \$'000	Total 2013 \$'000
Revenue from operating activities						
Government grants						
– Department of Human Services	4,756	6,224	-	-	4,756	6,224
– Department of Health	39,305	116,425	-	-	39,305	116,425
– Victorian Health Funding Pool (*)	317,243	219,526	-	-	317,243	219,526
– Commonwealth Government						
– Commonwealth Grant – Health Network Funding Adjustment	-	3,596	-	-	-	3,596
– Other	6,588	5,894	1,586	2,046	8,174	7,940
Total government grants	367,892	351,665	1,586	2,046	369,478	353,711
Indirect contributions by Department of Health						
– Insurance	246	483	-	-	246	483
– Facility management, lifecycle and other charges under PPP arrangement	16,579	14,188	-	-	16,579	14,188
– Long service leave	4,137	1,820	-	-	4,137	1,820
Total indirect contributions by Department of Health	20,962	16,491	-	-	20,962	16,491
Patient fees						
– Patient fees (refer note 2b)	14,591	15,467	2,534	2,280	17,125	17,747
Total patient fees	14,591	15,467	2,534	2,280	17,125	17,747
Commercial activities and Specific Purpose Funds						
– Private practice and other patient activity	-	-	14,826	13,694	14,826	13,694
– Commercial laboratory medicine	-	-	230	295	230	295
– Child health and information	-	-	141	210	141	210
– Community child care	-	-	2,626	2,183	2,626	2,183
– Educational resource centre	-	-	748	652	748	652
– Property income	-	-	488	912	488	912
– Car park fees	-	-	7,347	6,403	7,347	6,403
– Other	-	-	4,680	4,368	4,680	4,368
Total commercial activities and Specific Purpose Funds	-	-	31,085	28,717	31,085	28,717
Research and program grants	571	579	-	-	571	579
Recoupment from private practice for use of hospital facilities	14,387	14,242	-	-	14,387	14,242
Corporate services	219	651	-	-	219	651
Pathology	7,639	7,624	-	-	7,639	7,624
Donations and bequests	-	-	15,172	12,204	15,172	12,204
Other revenue from operating activities	15,863	10,481	-	-	15,863	10,481
Total revenue from operating activities	442,124	417,199	50,377	45,247	492,501	462,447
Revenue from non-operating activities						
Interest and dividends	-	-	2,097	2,058	2,097	2,058
Market movement in investments	-	-	-	-	-	-
Total revenue from non-operating activities	-	-	2,097	2,058	2,097	2,058
Capital purpose income						
State government capital grants						
– Department of Health – indirect contribution on repayment of finance lease liabilities and PPP modifications costs	-	-	11,858	11,858	11,858	11,858
– Other	-	-	(1,049)	77	(1,049)	77
Net gain/(loss) on disposal of non-financial assets (refer note 2c)	-	-	(741)	(44)	(741)	(44)
Donations and bequests	-	-	1,354	1,060	1,354	1,060
Changes in fair value of investment properties	-	-	1,275	-	1,275	-
Other capital purpose income	-	-	370	349	370	349
Total capital purpose income	-	-	13,066	13,300	13,066	13,300
Specific income (refer note 2d)	-	-	9,717	-	9,717	-
Cumulative gain/(loss) on available-for-sale financial assets transferred to operating statement	-	-	950	-	950	-
Total revenue (refer note 2a)	442,124	417,199	76,208	60,605	518,331	477,805

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.

	Consolidated					
	HSA 2014 \$'000	HSA 2013 \$'000	H&CI 2014 \$'000	H&CI 2013 \$'000	Total 2014 \$'000	Total 2013 \$'000
Revenue from operating activities						
Government grants						
– Department of Human Services	4,756	6,224	-	-	4,756	6,224
– Department of Health	39,305	116,425	182	212	39,487	116,636
– Victorian Health Funding Pool (*)	317,243	219,526	-	-	317,243	219,526
– Commonwealth Government						
– Commonwealth Grant – Health Network Funding Adjustment	-	3,596	-	-	-	3,596
– Other	6,588	5,894	1,586	2,046	8,174	7,940
Total government grants	367,892	351,665	1,768	2,258	369,660	353,923
Indirect contributions by Department of Health						
– Insurance	246	483	-	-	246	483
– Facility management, lifecycle and other charges under PPP arrangement	16,579	14,188	-	-	16,579	14,188
– Long service leave	4,137	1,820	-	-	4,137	1,820
Total indirect contributions by Department of Health	20,962	16,491	-	-	20,962	16,491
Patient fees						
– Patient fees (refer note 2b)	14,591	15,467	2,534	2,280	17,125	17,747
Total patient fees	14,591	15,467	2,534	2,280	17,125	17,747
Commercial activities and Specific Purpose Funds						
– Private practice and other patient activity	-	-	14,826	13,694	14,826	13,694
– Commercial laboratory medicine	-	-	230	295	230	295
– Child health and information	-	-	141	210	141	210
– Community child care	-	-	2,626	2,183	2,626	2,183
– Educational resource centre	-	-	748	652	748	652
– Property income	-	-	488	973	488	973
– Car park fees	-	-	7,347	6,403	7,347	6,403
– Other	-	-	7,895	7,774	7,895	7,774
Total commercial activities and Specific Purpose Funds	-	-	34,300	32,184	34,300	32,184
Research and program grants	571	579	-	-	571	579
Recoupment from private practice for use of hospital facilities	14,387	14,242	-	-	14,387	14,242
Corporate services	219	651	-	-	219	651
Pathology	7,639	7,624	-	-	7,639	7,624
Donations and bequests	-	-	23,280	24,612	23,280	24,612
Other revenue from operating activities	15,863	10,481	-	-	15,863	10,481
Total revenue from operating activities	442,124	417,199	61,882	61,333	504,006	478,532
Revenue from non-operating activities						
Interest and dividends	-	-	9,940	11,938	9,940	11,938
Market movement in investments	-	-	1,274	(3,974)	1,274	(3,974)
Total revenue from non-operating activities	-	-	11,214	7,964	11,214	7,964
Capital purpose income						
State government capital grants						
– Department of Health – indirect contribution on repayment of finance lease liabilities and PPP modifications costs	-	-	11,858	11,858	11,858	11,858
– Other	-	-	(1,049)	77	(1,049)	77
Net gain/(loss) on disposal of non-financial assets (refer note 2c)	-	-	(760)	(44)	(760)	(44)
Donations and bequests	-	-	271	252	271	252
Changes in fair value of investment properties	-	-	1,275	-	1,275	-
Other capital purpose income	-	-	349	349	349	349
Total capital purpose income	-	-	11,943	12,492	11,943	12,492
Specific income (refer note 2d)	-	-	9,717	-	9,717	-
Cumulative gain/(loss) on available-for-sale financial assets transferred to operating statement	-	-	534	-	534	-
Total revenue (refer note 2a)	442,124	417,199	95,291	81,789	537,415	498,988

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 2014 \$'000	Outpatients 2014 \$'000	EDS 2014 \$'000	Ambulatory 2014 \$'000	Mental health 2014 \$'000	Primary health 2014 \$'000	Other 2014 \$'000	Total 2014 \$'000
Revenue from services supported by Health Services Agreement								
Government grants	267,441	33,421	16,168	20,610	15,981	2,858	4,825	361,304
Commonwealth Government	4,767	1,192	-	-	18	-	611	6,588
Indirect contributions by Department of Health	4,334	49	-	-	-	-	16,579	20,962
Patient fees (refer note 2b)	14,440	159	-	(8)	-	-	-	14,591
Research and program grants	135	27	-	(11)	23	456	(60)	571
Recoupment from private practice for use of hospital facilities	11,520	2,867	-	-	-	-	-	14,387
Corporate services	176	44	-	-	-	-	-	219
Pathology	6,111	1,528	-	-	-	-	-	7,639
Other	10,135	2,312	124	1,163	411	130	1,588	15,863
Sub-total revenue from services supported by Health Services Agreement	319,057	41,599	16,291	21,755	16,434	3,444	23,544	442,124
Revenue from services supported by hospital and community initiatives								
Commonwealth and government grant	-	-	-	-	-	-	1,768	1,768
Patient fees	-	-	-	-	-	-	2,534	2,534
Business units and specific purpose funds	-	-	-	-	-	-	34,300	34,300
Donations and bequests (non capital)	-	-	-	-	-	-	23,280	23,280
Revenue from non-operating activities	-	-	-	-	-	-	11,214	11,214
Capital purpose income (refer note 2)	-	-	-	-	-	-	11,943	11,943
Other	-	-	-	-	-	-	10,252	10,252
Sub-total revenue from services supported by hospital and community initiatives	-	-	-	-	-	-	95,291	95,291
Total revenue	319,057	41,599	16,291	21,755	16,434	3,444	118,835	537,415

	Admitted patients 2013 \$'000	Outpatients 2013 \$'000	EDS 2013 \$'000	Ambulatory 2013 \$'000	Mental health 2013 \$'000	Primary health 2013 \$'000	Other 2013 \$'000	Total 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

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 2014 \$'000	Parent Entity 2013 \$'000	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Patient fees raised				
Recurrent:				
Acute				
- Inpatients	13,814	14,816	13,814	14,816
- Outpatients	2,401	2,140	2,401	2,140
- Other	910	791	910	791
Total recurrent	17,125	17,747	17,125	17,747

Note 2c: Net gain/(loss) on disposal of non-financial assets

	Parent Entity 2014 \$'000	Parent Entity 2013 \$'000	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Proceeds from disposal of non-current assets				
Land	42	-	42	-
Motor vehicles	-	19	-	19
Total proceeds from disposal of non-current assets	42	19	42	19
Less: written down value of non-current assets				
Land	50	-	50	-
Furniture and fittings	493	-	493	-
Plant and equipment	75	-	75	-
Medical equipment	86	34	86	34
Motor vehicles	-	29	19	29
Artwork	62	-	62	-
Computers and communications	17	-	17	-
Total written down value of non-current assets sold	783	63	802	63
Net gain/(loss) on disposal of non-current assets	(741)	(44)	(760)	(44)

Note 2d: Specific income

	Parent Entity 2014 \$'000	Parent Entity 2013 \$'000	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Specific income				
Revaluation increment of non current assets - artwork	150	-	150	-
Revaluation increment of non current assets - buildings	9,567	-	9,567	-
Total	9,717	-	9,717	-

Note 3: Expenses

	Parent					
	HSA	HSA	H&CI	H&CI	Total	Total
	2014 \$'000	2013 \$'000	2014 \$'000	Restated 2013 \$'000	2014 \$'000	Restated 2013 \$'000
Employee expenses						
Salaries and wages	294,288	280,110	19,079	17,870	313,367	297,980
WorkCover premium	1,781	1,892	374	372	2,155	2,264
Departure packages	394	326	5	81	400	407
Long service leave	11,529	8,622	386	302	11,915	8,924
Superannuation	26,644	24,541	1,478	1,486	28,123	26,027
Total employee expenses	334,637	315,491	21,323	20,111	355,960	335,602
Non salary labour costs						
Fees for visiting medical officers	1,929	1,986	972	1,201	2,901	3,187
Agency costs – nursing	1,290	2,385	-	-	1,290	2,385
Agency costs – other	7,526	9,009	1,277	909	8,803	9,918
Contractors and consultants	4,577	3,618	1,698	1,058	6,276	4,676
Total non salary labour costs	15,322	16,998	3,947	3,168	19,269	20,166
Supplies and consumables						
Drug supplies	21,715	20,309	363	343	22,078	20,652
Medical, surgical supplies and prostheses	25,752	23,729	32	110	25,784	23,839
Pathology supplies	7,468	6,615	47	(11)	7,516	6,604
Food supplies	2,212	2,104	5	4	2,217	2,108
Total supplies and consumables	57,148	52,757	446	446	57,594	53,203
Other expenses						
Domestic services and supplies	2,747	3,181	19	44	2,766	3,225
Fuel, light, power and water	4,248	4,185	3	7	4,251	4,192
Insurance costs funded by the Department of Health	4,190	4,142	-	-	4,190	4,142
Motor vehicle expenses	250	257	(3)	1	247	258
Repairs and maintenance	3,183	2,769	354	206	3,537	2,975
Maintenance contracts	5,505	4,400	96	88	5,601	4,488
Patient transport	388	523	139	305	527	828
Bad and doubtful debts	59	(278)	21	10	80	(268)
Lease expenses	628	595	284	258	912	853
Advertising expenses	247	158	1	4	248	162
Postage and telephone	1,476	1,409	81	101	1,557	1,510
Stationery	1,379	1,041	178	197	1,557	1,238
Facility management, lifecycle and other charges under PPP arrangement	16,579	14,188	-	-	16,579	14,188
Interest expense on TCV loan (refer note 5)	-	-	860	59	860	59
Other administrative expenses	10,392	9,596	7,970	7,538	18,362	17,134
Audit fees						
– VAGO – audit of financial statements	143	139	-	-	143	139
– Other external audit fees	-	-	-	-	-	-
– KPMG internal audit fees	345	287	-	-	345	287
Total other expenses from continuing operations	51,761	46,592	10,003	8,818	61,764	55,410
Expenditure using capital purpose income						
Derecognition of subsidiary	-	-	-	-	-	-
Other expenses	-	-	699	242	699	242
Finance lease interest expense (refer note 5)	-	-	46,814	45,049	46,814	45,049
Total expenditure using capital purpose income	-	-	47,513	45,291	47,513	45,291
Depreciation and amortisation (refer note 4)	-	-	43,510	44,963	43,510	44,963
Total	-	-	43,510	44,963	43,510	44,963
Total expenses	458,867	431,838	126,742	122,797	585,609	554,635

	Consolidated					
	HSA	HSA	H&CI	H&CI	Total	Total
	2014 \$'000	2013 \$'000	2014 \$'000	Restated 2013 \$'000	2014 \$'000	Restated 2013 \$'000
Employee expenses						
Salaries and wages	294,288	280,110	22,942	21,730	317,230	301,840
WorkCover premium	1,781	1,892	425	430	2,206	2,322
Departure packages	394	326	5	183	400	509
Long service leave	11,529	8,622	485	334	12,014	8,956
Superannuation	26,644	24,541	1,724	1,754	28,368	26,295
Total employee expenses	334,637	315,491	25,580	24,431	360,218	339,922
Non salary labour costs						
Fees for visiting medical officers	1,929	1,986	972	1,201	2,901	3,187
Agency costs – nursing	1,290	2,385	-	-	1,290	2,385
Agency costs – other	7,526	9,009	1,349	1,037	8,875	10,046
Contractors and consultants	4,577	3,618	1,863	1,421	6,440	5,039
Total non salary labour costs	15,322	16,998	4,184	3,659	19,506	20,657
Supplies and consumables						
Drug supplies	21,715	20,309	363	343	22,078	20,652
Medical, surgical supplies and prostheses	25,752	23,729	39	115	25,790	23,844
Pathology supplies	7,468	6,615	47	(11)	7,516	6,604
Food supplies	2,212	2,104	24	23	2,236	2,127
Total supplies and consumables	57,148	52,757	472	470	57,620	53,227
Other expenses						
Domestic services and supplies	2,747	3,181	20	97	2,767	3,278
Fuel, light, power and water	4,248	4,185	8	17	4,256	4,202
Insurance costs funded by the Department of Health	4,190	4,142	-	-	4,190	4,142
Motor vehicle expenses	250	257	43	44	293	301
Repairs and maintenance	3,183	2,769	431	297	3,614	3,066
Maintenance contracts	5,505	4,400	116	97	5,621	4,497
Patient transport	388	523	139	305	527	828
Bad and doubtful debts	59	(278)	21	10	80	(268)
Lease expenses	628	595	332	332	960	927
Advertising expenses	247	158	17	21	264	179
Postage and telephone	1,476	1,409	157	173	1,633	1,582
Stationery	1,379	1,041	338	295	1,717	1,336
Facility management, lifecycle and other charges under PPP arrangement	16,579	14,188	-	-	16,579	14,188
Interest expense on TCV loan (refer note 5)	-	-	860	59	860	59
Other administrative expenses	10,392	9,596	13,987	11,313	24,379	20,909
Audit fees						
– VAGO – audit of financial statements	143	139	4	10	147	149
– Other external audit fees	-	-	73	61	73	61
– KPMG internal audit fees	345	287	-	-	345	287
Total other expenses from continuing operations	51,761	46,592	16,544	13,131	68,305	59,723
Expenditure using capital purpose income						
Derecognition of subsidiary	-	-	152	-	152	-
Other expenses	-	-	391	242	391	242
Finance lease interest expense (refer note 5)	-	-	46,814	45,049	46,814	45,049
Total expenditure using capital purpose income	-	-	47,358	45,291	47,358	45,291
Depreciation and amortisation (refer note 4)	-	-	43,694	45,136	43,694	45,136
Total	-	-	43,694	45,136	43,694	45,136
Total expenses	458,867	431,838	137,833	132,118	596,700	563,956

Note 3a: Analysis of expenses by source

Based on the consolidated view of note 3

	Admitted Patients 2014 \$'000	Outpatients 2014 \$'000	EDS 2014 \$'000	Ambulatory 2014 \$'000	Mental Health 2014 \$'000	Primary Health 2014 \$'000	Other 2014 \$'000	Total 2014 \$'000
Consolidated								
Services supported by Health Services Agreement								
Employee expenses	244,351	29,172	21,281	7,744	12,539	9,653	9,898	334,637
Non-salary labour costs	8,135	1,506	232	3,235	825	(4)	1,393	15,322
Supplies and consumables	46,329	6,721	1,192	742	148	10	2,005	57,148
Other expenses from continuing operations	37,645	8,628	404	561	888	2,230	1,406	51,761
Sub-total expenses from services supported by Health Services Agreement	336,460	46,027	23,108	12,282	14,400	11,890	14,700	458,867
Services supported by hospital and community initiatives								
Employee benefits	-	-	-	-	-	-	25,580	25,580
Non-salary labour costs	-	-	-	-	-	-	4,184	4,184
Supplies and consumables	-	-	-	-	-	-	472	472
Other expenses from continuing operations	-	-	-	-	-	-	16,544	16,544
Sub-total expenses from services supported by hospital and community initiatives	-	-	-	-	-	-	46,781	46,781
Total expenses from ordinary activities before depreciation and specific items	336,460	46,027	23,108	12,282	14,400	11,890	61,481	505,648
Expenditure using capital purpose income								
Derecognition of subsidiary	-	-	-	-	-	-	152	152
Other expenses	-	-	-	-	-	-	391	391
Finance lease interest expense	-	-	-	-	-	-	46,814	46,814
Depreciation and amortisation (refer note 4)	-	-	-	-	-	-	43,694	43,694
Total expenses	336,460	46,027	23,108	12,282	14,400	11,890	152,533	596,700

	Admitted Patients 2013 \$'000	Outpatients 2013 \$'000	EDS 2013 \$'000	Ambulatory 2013 \$'000	Mental Health 2013 \$'000	Primary Health 2013 \$'000	Other 2013 \$'000	Total 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
Other expenses	-	-	-	-	-	-	242	242
Finance lease interest expense	-	-	-	-	-	-	45,049	45,049
Depreciation and amortisation (refer note 4)	-	-	-	-	-	-	45,136	45,136
Total expenses	319,554	39,781	20,081	12,379	13,637	10,798	147,728	563,956

Note 3b: Analysis of expenses by internal and restricted Specific Purpose Funds for Services Supported by Hospital and Community Initiatives

	Parent Entity 2014 \$'000	Parent Entity 2013 \$'000	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Commercial activities				
Private practice activities	12,641	11,621	12,641	11,621
Car park	809	36	809	36
Property	11	15	11	15
Child Health and Information Centre	134	197	134	197
Early Learning Centre	2,363	1,873	2,363	1,873
Educational Resource Centre	490	457	490	457
Safety Centre	8	32	8	32
Other activities				
Research	6,538	5,745	6,538	5,745
Departmental and General Purpose Funds	12,725	12,567	23,787	21,715
Total	35,719	32,543	46,781	41,691

Note 4: Depreciation and amortisation

	Parent Entity 2014 \$'000	Parent Entity Restated 2013 \$'000	Consolidated 2014 \$'000	Consolidated Restated 2013 \$'000
Depreciation				
Buildings	1,217	1,185	1,259	1,230
Plant and equipment	47	47	49	49
Medical equipment	12,764	6,352	12,764	6,352
Computers and communication	4,705	867	4,739	918
Furniture and equipment	93	95	96	98
Motor vehicles	40	26	48	35
Leased buildings	20,226	30,236	20,226	30,236
Leased fittings	1,446	2,168	1,446	2,168
Leased equipment ⁽ⁱ⁾	(173)	2,417	(173)	2,417
Total depreciation	40,364	43,393	40,454	43,503
Amortisation				
Intangible assets	3,145	1,570	3,240	1,633
Total amortisation	3,145	1,570	3,240	1,633
Total depreciation and amortisation	43,510	44,963	43,694	45,136

(i) Following a stock take, assets maintained by The Royal Children's Hospital were transferred out of the leased equipment pool. This has resulted in an adjustment to the accumulated depreciation in 2014.

Note 5: Finance costs

	Parent Entity 2014 \$'000	Parent Entity 2013 \$'000	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Interest expense on TCV loan	860	59	860	59
Finance charges on PPP lease ⁽ⁱ⁾	46,814	45,049	46,814	45,049
Total	47,674	45,108	47,674	45,108

(i) Finance charges in respect of assets contracted under the PPP arrangement, that The Royal Children’s Hospital reports on behalf of the State of Victoria.

Note 6: 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 2014 \$'000	Parent Entity 2013 \$'000	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Cash on hand	8	13	8	15
Cash at bank	3,669	4,870	6,122	22,070
Deposits at call	15,743	24,151	16,843	29,156
Fixed deposits	15,000	12,000	29,129	18,117
Total	34,420	41,034	52,101	69,358
Represented by:				
Cash for health service operations (as per cash flow statement) ⁽ⁱ⁾	32,870	39,271	50,552	67,595
Cash for monies held in trust				
– Cash at bank	1,550	1,763	1,550	1,763
Total cash and cash equivalents	34,420	41,034	52,101	69,358

(i) Cash for health service operations includes cash held for capital commitments and operating commitments.

Note 7: Receivables

	Parent Entity 2014 \$'000	Parent Entity 2013 \$'000	Consolidated 2014 \$'000	Consolidated 2013 \$'000
CURRENT				
Contractual				
Controlled entity debtors	1,709	1,256	-	-
Inter hospital debtors	1,782	2,391	1,782	2,391
Trade debtors	3,233	1,841	3,635	1,874
Patient fees	4,281	5,119	4,281	5,138
Accrued investment income	215	259	1,201	519
Diagnostic debtors	1,203	1,222	1,203	1,222
Sundry debtors	6,238	1,966	6,735	2,446
Less allowance for doubtful debts				
Trade debtors	359	194	359	194
Patient fees	488	700	488	700
Sundry debtors	22	299	22	299
Diagnostic debtors	82	117	82	117
	17,711	12,744	17,886	12,280
Statutory				
GST receivable	616	860	622	856
Accrued revenue Department of Health	-	169	-	169
Victorian Health Funding Pool	982	-	982	-
Total current receivables	19,309	13,773	19,490	13,305
NON-CURRENT				
Statutory				
Long service leave – Department of Health	16,255	12,118	16,256	12,118
Other				
Sundry debtors	163	-	163	-
Total non-current receivables	16,419	12,118	16,419	12,118
Total receivables	35,728	25,891	35,909	25,423
(a) Movement in allowance for doubtful debts				
Balance at the beginning of the year	1,310	1,743	1,310	1,743
Amounts written off during the year	(74)	(401)	(74)	(401)
Increase/(decrease) in allowance recognised in profit or loss	(285)	(32)	(285)	(32)
Balance at the end of the year	951	1,310	951	1,310

(b) Ageing analysis of receivables

Please refer note 21 for the ageing analysis of contractual financial assets.

(c) Nature and extent of risk arising from receivables

Please refer note 21 for the nature and extent of credit risk arising from contractual financial assets.

Note 8: Other financial assets

	Operating Fund		Parent Entity		Consolidated	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
CURRENT						
Held for trading – at fair value through profit or loss						
Managed funds	-	-	-	-	46,530	43,233
Term deposit	-	-	-	-	9,312	-
Total current	-	-	-	-	55,842	43,233
NON-CURRENT						
Available for sale – at fair value through other comprehensive income						
Managed funds	20,792	19,395	20,792	19,395	92,789	82,655
Total non-current	20,792	19,395	20,792	19,395	92,789	82,655
Total	20,792	19,395	20,792	19,395	148,631	125,888

Note 9: Inventories

	Parent Entity 2014 \$'000	Parent Entity 2013 \$'000	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Pharmaceuticals – at cost	1,097	1,247	1,097	1,247
Gift Shop – at cost	-	-	10	-
Total	1,097	1,247	1,107	1,247

Note 10: Property, plant and equipment

(a) Gross carrying amount and accumulated depreciation

	Parent Entity 2014 \$'000	Parent Entity Restated 2013 \$'000	Consolidated 2014 \$'000	Consolidated Restated 2013 \$'000
Land⁽ⁱ⁾				
Crown land at fair value for hospital use	66,132	59,513	66,132	59,513
Crown land at fair value to be returned to park land	17,605	16,431	17,605	16,431
Freehold	14,575	11,529	17,250	13,817
Total land	98,312	87,473	100,986	89,761
Buildings				
Buildings at fair value	32,739	61,712	35,162	63,040
Less accumulated depreciation	-	38,149	-	38,507
Total buildings	32,739	23,563	35,162	24,533
Plant and equipment				
Plant and equipment at fair value	738	868	784	904
Less accumulated depreciation	398	412	417	429
Total plant and equipment	340	456	367	475
Medical equipment				
Medical equipment at fair value	78,237	60,169	78,237	60,169
Less accumulated depreciation	46,807	34,706	46,807	34,706
Total medical equipment	31,430	25,463	31,430	25,463
Computers and communication				
Computers and communication at fair value	10,192	5,855	10,897	6,546
Less accumulated depreciation	8,322	4,547	8,875	5,067
Total computers and communications	1,869	1,308	2,023	1,479
Furniture and fittings				
Furniture and fittings at fair value	234	1,327	280	1,372
Less accumulated depreciation	103	609	130	633
Total furniture and fittings	131	718	150	739
Motor vehicles				
Motor vehicles at fair value	412	280	454	370
Less accumulated depreciation	154	114	155	151
Total motor vehicles	259	166	299	219
Artwork				
Artwork at fair value	814	521	814	521
Total artwork	814	521	814	521
Public Private Partnership (PPP) assets⁽ⁱ⁾				
Leased buildings	900,525	804,020	900,525	804,020
Less accumulated depreciation	-	30,236	-	30,236
Total leased buildings	900,525	773,783	900,525	773,783
Leased fittings	48,274	3,703	48,274	3,703
Less accumulated depreciation	3,614	2,168	3,614	2,168
Total leased fittings	44,660	1,535	44,660	1,535
Leased equipment	22,095	94,446	22,095	94,446
Less accumulated depreciation	2,244	2,417	2,244	2,417
Total leased equipment	19,850	92,029	19,850	92,029
Leased cultural assets	785	-	785	-
Total leased cultural assets	785	-	785	-
Total leased assets	965,821	867,348	965,821	867,348
Improvement on leased buildings and equipment	-	8,050	-	8,050
Total PPP assets	965,821	875,398	965,821	875,398
Total property, plant and equipment	1,131,714	1,015,066	1,137,052	1,018,588

(i) During the 2013–14 year, the Department of Health performed a review of componentisation of the PPP leased assets and reclassified certain categories of PPP assets.

Note 10: Property, plant and equipment (continued)

(b) Reconciliations of the carrying amounts of each class of asset for the consolidated entity

Note that intangible assets are not included in this schedule, refer note 11.

	Land	Buildings	Plant and Equipment	Medical Equipment	Computers and Communications	Furniture and Fittings	Motor Vehicles	Artwork	PPP Assets ⁽ⁱ⁾	Total
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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)	-	(34,821)	(43,503)
Balance at 1 July 2013	89,761	24,533	475	25,463	1,479	739	219	521	875,398	1,018,588
Additions	-	565	16	2,067	567	-	146	-	-	3,361
Disposals	-	-	(75)	(86)	(17)	(493)	(18)	(62)	-	(751)
Derecognition	-	-	-	-	-	-	-	-	(1,659)	(1,659)
Net transfers between classes	-	-	-	16,750	4,718	-	-	-	(21,468)	-
Revaluation increments/(decrements)	11,225	11,339	-	-	-	-	-	355	135,049	157,967
Depreciation and amortisation (note 4)	-	(1,275)	(49)	(12,764)	(4,723)	(96)	(48)	-	(21,499)	(40,454)
Balance at 30 June 2014	100,986	35,162	367	31,430	2,023	150	299	814	965,821	1,137,052

The RCH on behalf of the State of Victoria records the Public Private Partnership (PPP) assets and any other improvement to the PPP assets. RCH maintains ownership of the Research Precinct Building, while the refurbishment is underway with an expected completion date of December 2014.

An independent valuation of The Royal Children's Hospital's land and buildings was conducted by the Valuer-General Victoria to determine the fair value of the land and buildings. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments.

The Department of Health has provided revaluation amounts to be recorded for the PPP assets.

The effective date of the valuation is 30 June 2014.

Below information provided by the Department of Health in relation to current year's reallocation of PPP assets:

(i) The reason for the reallocation of the values of the PPP Assets in 2013-14 is due to an assessment by the Department of Health of the various leased asset components.

(c) Fair value measurement hierarchy for non-financial assets

	Carrying amount as at 30 June 2014	Fair value measurement at end of reporting period using ⁽ⁱ⁾		
		Level 1	Level 2	Level 3
Land at fair value				
Non-specialised land	17,250	-	17,250	-
Specialised land	83,737	-	-	83,737
Total of land at fair value	100,986			
Buildings at fair value				
Non-specialised buildings				
Specialised buildings	35,162	-	12,667	22,495
Total of building at fair value	35,162			
Plant and equipment at fair value				
Plant equipment and vehicles at fair value				
- Vehicles	299	-	-	299
- Plant and equipment	367	-	-	367
- Furniture and fittings	150	-	-	150
- Computers and communication	2,023	-	-	2,023
Total of plant, equipment and vehicles at fair value	2,840			
Medical equipment at fair value				
Medical equipment	31,430	-	-	31,430
Total medical equipment at fair value	31,430			
Artwork at fair value				
Artwork	814	-	814	-
Total artwork at fair value	814			
PPP assets at fair value				
Leased buildings	900,525	-	-	900,525
Leased fittings	44,660	-	-	44,660
Leased equipment	19,850	-	-	19,850
Leased cultural assets	785	-	785	-
Total PPP assets at fair value	965,821			
Total	1,137,052	-	31,515	1,105,536

(i) Classification in accordance with the fair value hierarchy, refer note 1.

Non-specialised land, non-specialised buildings and artwork

Non-specialised land, non-specialised buildings and artworks are valued using the market approach. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

For non-specialised land and non-specialised buildings, an independent valuation was performed by independent valuers (the Valuer-General Victoria) to determine the fair value using the market approach.

Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. An appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2014.

For artwork, valuation of the assets is determined by a comparison to similar examples of the artists work in existence throughout Australia and research on price paid for similar examples offered at auction or through art galleries in recent years.

To the extent that non-specialised land, non-specialised buildings and artworks do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach.

Specialised land and specialised buildings

The market approach is also used for specialised land and specialised buildings although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the assets being valued. Specialised assets contain significant, unobservable adjustments; therefore these assets are classified as Level 3 under the market based direct comparison approach.

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

Note 10: Property, plant and equipment (continued)

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

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

Plant and equipment

Plant and equipment is held at carrying value (depreciated cost). When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, the depreciated replacement cost is used to estimate the fair value. Unless there is market evidence that current replacement costs are significantly different from the original acquisition cost, it is considered unlikely that depreciated replacement cost will be materially different from the existing carrying value.

There were no changes in valuation techniques throughout the period to 30 June 2014.

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

(d) Reconciliation of level 3 fair value⁽ⁱ⁾

2014	Land	Buildings	Plant and equipment	Medical equipment	PPP assets
Opening balance	75,944	18,223	2,912	25,463	875,398
Purchases (sales)	-	-	125	1,981	-
Reclassification	-	-	4,718	16,750	(23,127)
Transfers in (out) of Level 3	-	-	-	-	(785)
Gains or losses recognised in net result					
– Depreciation	-	(1,025)	(4,916)	(12,764)	(21,499)
– Impairment loss	-	5,297	-	-	-
Subtotal	75,944	22,495	2,839	31,430	829,987
Items recognised in other comprehensive income					
– Revaluation	7,793	-	-	-	135,049
Subtotal	7,793	-	-	-	135,049
Closing balance	83,737	22,495	2,839	31,430	965,036

(i) Classification in accordance with the fair value hierarchy, refer note 1.

(e) Description of significant unobservable inputs to level 3 valuations

	Valuation technique ⁽ⁱ⁾	Significant unobservable inputs ⁽ⁱ⁾	Range (weighted average) ⁽ⁱⁱ⁾	Sensitivity of fair value measurement to changes in significant unobservable inputs
Specialised land				
Crown land at fair value for hospital use	Market approach	Community Service Obligation (CSO) adjustment	40–60% (39%) ⁽ⁱⁱⁱ⁾	A significant increase (decrease) in the CSO adjustment would result in a significantly lower (higher) fair value.
Crown land at fair value to be returned to Park land				
Specialised buildings				
Mental Health facility in Travencore	Depreciated replacement cost	Direct cost per square metre	\$1,325–\$2,650/m² (\$2,103)	A significant increase or decrease in direct cost per square meter adjustment would result in a significantly higher or lower fair value.
Research Precinct building		Useful life of specialised buildings	30–60 years (37 years)	A significant increase (decrease) in the estimated useful life of the assets would result in a significantly higher (lower) fair value.
Plant and equipment at fair value				
Plant and equipment	Depreciated historical cost used as a reasonable proxy for depreciated replacement cost	Useful life of PP&E	3–7 years	A significant increase (decrease) in the estimated useful life of the assets would result in a significantly higher (lower) fair value.
Furniture and fittings			13 years	
Computers and communication			3 years	
Vehicles				
Vehicles used for hospital services	Depreciated historical cost used as a reasonable proxy for depreciated replacement cost	Useful life of vehicles	10 years	A significant increase (decrease) in the estimated useful life of the assets would result in a significantly higher (lower) fair value.
Medical equipment at fair value				
Medical equipment	Depreciated historical cost used as a reasonable proxy for depreciated replacement cost	Useful life of medical equipment	7–15 years	A significant increase (decrease) in the estimated useful life of the assets would result in a significantly higher (lower) fair value.
PPP assets				
	Depreciated replacement cost	Building cost per square meter	\$1,541–\$2,724/m² (\$2,197)	Increase (decrease) in cost per square metre would result in a higher (lower) fair value.
Leased buildings		Useful life of buildings	25–60 years	A significant increase (decrease) in the estimated useful life of the assets would result in a significantly higher (lower) fair value.
Leased fittings		Useful life of fittings	30 years	
Leased equipment		Useful life of equipment	30 years	

Note 11: Intangible assets

	Parent Entity 2014 \$'000	Parent Entity 2013 \$'000	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Software	13,885	12,972	14,420	13,413
Less accumulated amortisation	11,700	9,531	12,076	9,812
	2,185	3,441	2,343	3,601
Car park revenue rights ⁽ⁱ⁾	30,000	30,000	30,000	30,000
Less accumulated amortisation	1,059	84	1,059	84
	28,941	29,916	28,941	29,916
Total written down value	31,126	33,357	31,284	33,517

Reconciliation of the consolidated 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 2012	-	3,067	3,067
Additions ⁽ⁱ⁾	30,000	2,083	32,083
Amortisation (note 4)	(84)	(1,549)	(1,633)
Balance at 1 July 2013	29,916	3,601	33,517
Additions	-	1,007	1,007
Amortisation (note 4)	(975)	(2,265)	(3,240)
Balance at 30 June 2014	28,941	2,343	31,284

(i) As part of the new Royal Children’s Hospital project, the revenue stream associated with the 3 level underground car park (stage 1 and stage 2) is retained by The Royal Children’s Hospital, and the rights for this revenue are financed by way of a long-term loan from the Treasury Corporation of Victoria.

Note 12: Investment properties

(a) Movements in carrying value for investment properties

	Parent Entity 2014 \$'000	Parent Entity 2013 \$'000	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Balance at the beginning of the year	3,531	3,531	3,531	3,531
Disposals	50	-	50	-
Net gain from fair value adjustments	1,175	-	1,175	-
Balance at the end of the year	4,755	3,531	4,755	3,531

(b) Fair value measurement hierarchy for investment properties as at 30 June 2014

	Carrying amount as at 30 June 2014	Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾	Level 2 ⁽ⁱ⁾	Level 3 ⁽ⁱ⁾
Investment properties	4,755	-	4,755	-
Total	4,755	-	4,755	-

(i) Classified in accordance with the fair value hierarchy, refer note 1.

Note 13: Payables

	Parent Entity 2014 \$'000	Parent Entity 2013 \$'000	Consolidated 2014 \$'000	Consolidated 2013 \$'000
CURRENT				
Contractual				
Trade creditors	11,522	12,192	11,599	12,180
Accrued expenses	10,555	10,823	10,692	12,374
Deposits	36	34	36	34
Sundry creditors	2,709	1,499	2,722	3,178
	24,821	24,548	25,049	27,766
Statutory				
Superannuation and WorkCover	3,309	3,085	3,309	3,085
Department of Health	4,698	4,651	4,698	4,651
Victorian Health Funding Pool	-	3,435	-	3,435
	8,007	11,171	8,007	11,171
Total current	32,829	35,719	33,056	38,937

(a) Maturity analysis of payables

Please refer note 21 (c) for the maturity analysis of contractual payables.

(b) Nature and extent of risk arising from payables

Please refer note 21 (c) for the nature and extent of risk arising from contractual payables.

Note 14: Employee benefits and related on-cost provisions

	Parent Entity	Parent Entity	Consolidated	Consolidated
	2014	Restated	2014	Restated
	\$'000	2013	\$'000	2013
		\$'000		\$'000
CURRENT PROVISIONS				
Employee benefits				
Accrued wages and salaries				
– unconditional and expected to be settled within 12 months (nominal value)	14,806	17,153	14,887	17,238
Accrued days off				
– unconditional and expected to be settled within 12 months (nominal value)	687	589	695	598
Annual leave				
– unconditional and expected to be settled within 12 months (nominal value)	19,915	16,111	20,083	16,275
– unconditional and expected to be settled after 12 months (present value)	6,277	8,318	6,331	8,385
Long service leave				
– unconditional and expected to be settled within 12 months (nominal value)	4,839	3,959	4,849	4,072
– unconditional and expected to be settled after 12 months (present value)	40,298	35,943	40,389	35,943
	86,821	82,074	87,234	82,510
Provisions related to employee benefit on-costs				
– unconditional and expected to be settled within 12 months (nominal value)	2,719	2,178	2,739	2,204
– unconditional and expected to be settled after 12 months (present value)	5,163	4,736	5,179	4,743
	7,882	6,914	7,919	6,947
Total current provisions	94,704	88,988	95,153	89,457
NON-CURRENT PROVISIONS				
Employee benefits	11,828	10,469	12,037	10,633
Provisions related to employee benefit on-costs	1,314	1,120	1,337	1,137
Total non current provisions	13,141	11,589	13,374	11,770
Total provisions	107,845	100,577	108,527	101,227
(a) Employee benefits and related on-costs				
Current employee benefits and related on-costs				
Unconditional long service leave entitlements	50,110	44,172	50,222	44,287
Annual leave entitlements	29,030	27,014	29,277	27,268
Accrued wages and salaries	14,806	17,153	14,887	17,238
Accrued days off	758	649	768	658
Non current employee benefits and related on-costs				
Conditional long service leave entitlements (present value)	13,141	11,589	13,374	11,776
Total employee benefits	107,845	100,577	108,527	101,227
(b) Movements in provisions				
Movement in long service leave:				
Balance at the beginning of the year	55,761	51,040	56,063	51,446
Provision made during the year				
– Revaluations increments/(decrements)	2,467	(445)	2,490	(445)
– Expense recognising employee service	9,424	9,585	9,500	9,493
Settlement made during the year	(4,402)	(4,419)	(4,458)	(4,431)
Balance at the end of the year	63,251	55,761	63,595	56,063

Note 15: Borrowings

(a) Loans

	Parent Entity	Parent Entity	Consolidated	Consolidated
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
CURRENT				
Australian dollar borrowings				
– TCV Loan ⁽ⁱ⁾	383	-	383	-
Total Australian dollars borrowings	383	-	383	-
Total current	383	-	383	-
NON-CURRENT				
Australian dollar borrowings				
– TCV loan ⁽ⁱ⁾	29,617	30,000	29,617	30,000
– Finance lease liability ⁽ⁱ⁾ (refer note 15b)	985,380	952,083	985,380	952,083
Total Australian dollars borrowings	1,014,997	982,083	1,014,997	982,083
Total non-current	1,014,997	982,083	1,014,997	982,083
Total borrowings	1,015,380	982,083	1,015,380	982,083

(i) Secured by the assets leased. Finance leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default. Note that the obligation of fulfilling PPP interest and principal payments over the PPP term rests with the Department of Health. The Royal Children's Hospital records on behalf of the Department of Health according to the information provided.

(ii) The TCV loan is an unsecured loan with an interest rate of 2.88%.

TCV loan

The current TCV loan (interest only) will mature on 31 December 2014 and will be replaced by an interest and principal repayment loan with a maturity date of 31 December 2036.

(b) Finance lease liabilities

PPP finance lease liability

Consolidated	Minimum future lease payments ⁽ⁱ⁾		Present value of minimum future lease payments	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Commissioned PPP related finance lease liabilities payable				
Not longer than one year	50,386	11,858	50,386	11,858
Later than 1 year and not later than 5 years	328,191	296,529	328,191	296,529
Later than 5 years	1,433,830	1,515,877	1,433,830	1,515,877
Minimum lease payments	1,812,407	1,824,265	1,812,407	1,824,265
– Less stage 2 bid price	98,526	98,526	98,526	98,526
– Less future finance charges	721,823	768,637	721,823	768,637
– Less 3B expenditure	6,678	5,019	6,678	5,019
Total finance lease liabilities	985,380	952,083	985,380	952,083
Included in the financial statements as:				
Non-current borrowings	985,380	952,083	985,380	952,083
Total finance lease liabilities	985,380	952,083	985,380	952,083

(i) Minimum future lease payments include the aggregate of all base payments and any guaranteed residual.

Source information provided by the Department of Health.

Note 16: Other liabilities

	Parent Entity 2014 \$'000	Parent Entity 2013 \$'000	Consolidated 2014 \$'000	Consolidated 2013 \$'000
CURRENT				
Monies held in trust*				
– Patient monies held in trust	243	429	243	429
– Employee salary packaging monies held in trust	1,307	1,334	1,307	1,334
Income in advance				
– Rental	349	346	349	346
– AEDI Commonwealth grant	942	595	942	595
– Other	4,561	1,065	3,655	775
Total current	7,403	3,769	6,496	3,479
NON-CURRENT				
Income in advance				
– Rental	3,402	3,750	3,402	3,750
Total non-current	3,402	3,750	3,402	3,750
Total other liabilities	10,804	7,519	9,897	7,229
*Total monies held in trust Represented by the following assets:				
Cash assets (note 6)	1,550	1,763	1,550	1,763
Total	1,550	1,763	1,550	1,763

Note 17: Superannuation

	Paid contribution for the year ⁽ⁱ⁾				Contribution outstanding at year end			
	Parent Entity 2014 \$'000	Parent Entity 2013 \$'000	Consolidated 2014 \$'000	Consolidated 2013 \$'000	Parent Entity 2014 \$'000	Parent Entity 2013 \$'000	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Defined benefit plans:⁽ⁱ⁾								
Health Super Scheme	729	747	671	753	54	81	54	81
Defined contribution plans:								
Health Super Scheme	17,529	15,978	17,978	17,085	1,537	2,019	1,537	2,038
Hesta	6,571	5,244	6,113	5,335	539	672	539	685
Other	35	2,004	1,254	1,081	104	121	104	121
Total	24,864	23,974	26,016	24,255	2,233	2,893	2,235	2,924

(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 18: Equity

	Parent Entity 2014 \$'000	Parent Entity Restated 2013 \$'000	Consolidated 2014 \$'000	Consolidated Restated 2013 \$'000
(a) Surpluses				
Property, plant and equipment revaluation surplus⁽ⁱ⁾				
Balance at the beginning of the year	17,928	17,928	19,781	19,781
Revaluation increment/(decrement) ⁽ⁱ⁾				
– Land	10,839	-	11,225	-
– Buildings	135,763	-	136,820	-
– Artwork	205	-	205	-
Balance at the end of the year	164,735	17,928	168,030	19,781
Represented by:				
– Land	28,767	17,928	31,006	19,781
– Buildings	135,763	-	136,820	-
– Artwork	205	-	205	-
	164,735	17,928	168,030	19,781
Financial assets available for sale revaluation surplus⁽ⁱⁱ⁾				
Balance at the beginning of the year	1,011	165	11,571	111
Valuation gain/(loss) recognised ⁽ⁱⁱ⁾	737	967	7,622	11,581
Cumulative (gain)/loss on available-for-sale financial assets transferred to operating statement	(950)	(121)	(534)	(121)
Balance at the end of the year	798	1,011	18,658	11,571
Restricted specific purpose surplus				
Balance at the beginning of the year	4,641	4,029	52,196	45,887
Transfer (to)/from accumulated surpluses/(deficits)	407	612	6,821	6,309
Balance at the end of the year	5,048	4,641	59,016	52,196
Total reserves	170,581	23,580	245,705	83,548
(b) Contributed capital				
Balance at the beginning of the year	108,429	108,429	108,429	108,429
Capital contribution	490	-	490	-
Balance at the end of the year	108,919	108,429	108,919	108,429
(c) Accumulated surpluses/(deficits)				
Balance at the beginning of the year ⁽ⁱⁱⁱ⁾	(117,929)	(40,237)	(43,389)	27,888
Equity reclassification	-	(250)	-	-
Net result for the year	(67,278)	(76,830)	(59,285)	(64,968)
Transfer (to)/from reserves	(407)	(612)	(6,821)	(6,309)
Balance at the end of the year	(185,615)	(117,929)	(109,495)	(43,389)
Total equity at the end of the year	93,886	14,080	245,129	148,588

(i) The property, plant and equipment revaluation surplus balance is a result of the revaluations of property, plant and equipment, last undertaken in 2014. Refer note 10. This includes assets contracted under the PPP arrangement, reported on behalf of the State of Victoria.

(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. When a revalued financial asset is sold, the portion of the reserve relating to that financial asset is realised and reclassified to net result in the comprehensive operating statement. When 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.

(iii) Accumulated surpluses/deficits at the beginning of the financial year 2013 were (\$39.9m) (parent) and \$28.2m (consolidated). These balances are restated to include the cumulative effect of leave balances relating to earlier years' leave liability.

	Parent Entity 2014 \$'000	Parent Entity 2013 \$'000	Consolidated 2014 \$'000	Consolidated 2013 \$'000
(d) Restricted specific purpose funds				
Major equipment replacement	1,860	1,589	1,860	1,589
Research and trust funds	685	642	685	642
Education and training	202	229	202	229
Specific purpose funds	1,966	1,846	1,966	1,846
Controlled entities restricted funds	-	-	53,968	47,555
Funds held in perpetuity	335	335	335	335
Total restricted specific purpose funds	5,048	4,641	59,016	52,196

Notional amount is provided for the private practice funds.

Note 19: Reconciliation of net result for the year to net cash inflow/(outflow) from operating activities

	Parent Entity 2014 \$'000	Parent Entity Restated ⁽ⁱ⁾ 2013 \$'000	Consolidated 2014 \$'000	Consolidated Restated ⁽ⁱ⁾ 2013 \$'000
Net result for the year	(67,278)	(76,830)	(59,285)	(64,968)
Non-cash movements:				
Depreciation and amortisation	43,510	44,963	43,694	45,136
Facility management, lifecycle and other expenses paid by DoH under PPP arrangement	(16,579)	(14,188)	(16,579)	(14,188)
Department of Health – indirect contribution on repayment of finance lease liabilities	(11,858)	(11,858)	(11,858)	(11,858)
Facility management, lifecycle and other charges under PPP arrangement	16,579	14,188	16,579	14,188
PPP – non-cash finance lease interest expense	46,814	45,049	46,814	45,049
Provision for doubtful receivables	(359)	(433)	(359)	(433)
Capital contributions	327	-	327	-
Movements included in investing and financing activities:				
Net (gain)/loss from sale of plant and equipment	(741)	44	(760)	44
Income from managed funds reinvested	-	-	(1,274)	(724)
Available-for-sale revaluation surplus (gain)/loss recognised	(950)	(121)	(534)	(121)
Derecognition of subsidiary recognised	-	-	152	-
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	-	-	(12,609)	3,974
Increase/(decrease) in payables	(2,890)	10,557	(5,881)	11,623
Increase in employee benefits	7,267	6,750	7,299	6,583
(Increase)/decrease in other assets	(7,165)	520	1,725	441
(Increase)/decrease in receivables	(9,477)	(1,152)	(10,127)	(3,662)
Increase/(decrease) in other liabilities	(1,659)	(1,883)	(1,620)	(2,169)
Increase/(decrease) in non interest bearing liability	3,285	-	2,668	-
Net cash inflow from operating activities	(1,174)	15,607	(1,629)	28,665

Note 20: Non-cash financing and investing activities

	Parent Entity 2014 \$'000	Parent Entity 2013 \$'000	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Long-term loan taken up as consideration for car park rights (refer note 11)	-	(30,000)	-	(30,000)
Acquisition of car park rights	-	30,000	-	30,000
Equity contribution receivable	327	-	327	-
Total non-cash financing and investing activities	327	-	327	-

Note 21: 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)
- Investment in equity instruments and managed investment schemes
- Payables (excluding statutory receivables)
- Debt securities.

The obligation of fulfilling the Public Private Partnership (PPP) interest payment over the PPP term rests with the 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 prudently The Royal Children’s Hospital’s financial risks within the government policy parameters.

Categorisation of financial instruments

	Contractual financial assets/liabilities designated at fair value through profit/loss \$'000	Contractual financial assets/liabilities held-for-trading at fair value through profit/loss \$'000	Contractual financial assets – loans and receivables \$'000	Contractual financial assets – available for sale \$'000	Contractual financial liabilities at amortised cost \$'000	Total \$'000
2014						
Contractual financial assets						
Cash and cash equivalents	-	-	52,101	-	-	52,101
Receivables	-	-	17,886	-	-	17,886
Other financial assets	-	-	-	-	-	-
– Term deposit	-	-	9,312	-	-	9,312
– Shares in other entities	46,530	-	-	92,789	-	139,319
Total financial assets⁽ⁱ⁾	46,530	-	79,299	92,789	-	218,618
Financial liabilities						
Payables	-	-	-	-	25,049	25,049
TCV loan	-	-	-	-	30,000	30,000
Finance lease liabilities	-	-	-	-	985,380	985,380
Monies held in trust	-	-	-	-	1,550	1,550
Total financial liabilities⁽ⁱⁱ⁾	-	-	-	-	1,041,979	1,041,979

	Contractual financial assets/liabilities designated at fair value through profit/loss \$'000	Contractual financial assets/liabilities held-for-trading at fair value through profit/loss \$'000	Contractual financial assets – loans and receivables \$'000	Contractual financial assets – available for sale \$'000	Contractual financial liabilities at amortised cost \$'000	Total \$'000
2013						
Contractual financial assets						
Cash and cash equivalents	-	-	69,358	-	-	69,358
Receivables	-	-	12,280	-	-	12,280
Other financial assets	-	-	-	-	-	-
– Term deposit	-	-	-	-	-	-
– Shares in other entities	43,233	-	-	82,655	-	125,888
Total financial assets⁽ⁱ⁾	43,233	-	81,638	82,655	-	207,526
Financial liabilities						
Payables	-	-	-	-	27,766	27,766
Monies held in trust	-	-	-	-	1,763	1,763
TCV loan	-	-	-	-	30,000	30,000
Finance lease liabilities	-	-	-	-	952,083	952,083
Total financial liabilities⁽ⁱⁱ⁾	-	-	-	-	1,011,612	1,011,612

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

Note 21: Financial instruments (continued)

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

	Net holding gain/(loss)	Interest income/ (expense)	Fee income/ (expense)	Impairment loss	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2014					
Financial assets					
Cash and cash equivalents ⁽ⁱ⁾	-	2,244	-	-	2,244
Held-for-trading at fair value through profit or loss ⁽ⁱⁱ⁾	-	4,105	-	-	4,105
Loans and receivables ⁽ⁱ⁾	-	(59)	-	-	(59)
Available for sale ⁽ⁱ⁾	11,952	-	-	-	11,952
Total financial assets	11,952	6,290	-	-	18,242
Financial liabilities					
At amortised cost ⁽ⁱⁱⁱ⁾	-	47,674	-	-	47,674
Total financial liabilities	-	47,674	-	-	47,674
2013					
Financial assets					
Cash and cash equivalents ⁽ⁱ⁾	-	1,914	-	-	1,914
Held-for-trading at fair value through profit or loss ⁽ⁱⁱ⁾	-	3,414	-	-	3,414
Loans and receivables ⁽ⁱ⁾	-	278	-	-	278
Available for sale ⁽ⁱ⁾	14,096	-	-	-	14,096
Total financial assets	14,096	5,606	-	-	19,702
Financial liabilities					
At amortised cost ⁽ⁱⁱⁱ⁾	-	45,108	-	-	45,108
Total financial liabilities	-	45,108	-	-	45,108

- (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.

(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, and 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 MP, 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
 - 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.

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 \$'000	1-3 Months \$'000	3 Months - 1 Year \$'000	
2014	\$'000	\$'000				\$'000
Financial assets						
Cash and cash equivalents	52,101	52,101	-	-	-	-
Receivables ⁽ⁱ⁾						
Inter hospital debtors	1,782	1,624	106	52	-	-
Trade debtors	3,276	2,388	573	314	-	-
Patient fees	3,793	3,350	377	66	-	-
Accrued investment income	1,201	1,201	-	-	-	-
Diagnostic debtors	1,121	784	252	84	-	-
Sundry debtors	6,713	5,755	573	366	19	-
Other financial assets						
Available for sale - managed funds	92,789	92,789	-	-	-	-
Held for trading - managed funds	46,530	46,530	-	-	-	-
Term deposits	9,312	9,312	-	-	-	-
Total financial assets	218,618	215,835	1,882	882	19	-
2013						
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	-	-

(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 (2013: 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.

(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.

Note 21: Financial instruments (continued)

Liquidity risk management policy

Liquidity risk is managed through regular monthly 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.
- 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
2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables							
Trade creditors and accruals	22,291	22,291	8,499	13,790	2	-	-
Deposits	36	36	3	8	20	-	5
Sundry creditors	2,722	2,722	2,703	-	19	-	-
Other financial liabilities ⁽ⁱ⁾							
TCV loan ⁽ⁱⁱ⁾	30,000	30,000	-	-	383	3,426	26,191
Monies held in trust	1,550	1,550	1,550	-	-	-	-
Total financial liabilities	56,599	56,599	12,755	13,798	424	3,426	26,196
2013							
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

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
2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables							
Trade creditors and accruals	22,077	22,077	8,413	13,662	2	-	-
Deposits	36	36	3	8	20	-	5
Sundry creditors	2,709	2,709	2,690	-	19	-	-
Other financial liabilities ⁽ⁱ⁾							
TCV loan ⁽ⁱⁱ⁾	30,000	30,000	-	-	383	3,426	26,191
Monies held in trust	1,550	1,550	1,550	-	-	-	-
Total financial liabilities	56,372	56,372	12,656	13,670	424	3,426	26,196
2013							
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

(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 15 (b) Finance lease liabilities.

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

(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 its 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 overseeing 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.

Note 21: Financial instruments (continued)

Interest rate exposure of financial assets and liabilities as at 30 June

	Weighted average effective interest rates %	Consolidated Carrying Amount \$'000	Interest rate exposure		
			Fixed interest rate \$'000	Variable interest rate \$'000	Non interest bearing \$'000
2014					
Financial assets					
Cash and cash equivalents	2.93%	52,101	29,129	22,972	-
Receivables ⁽ⁱ⁾					
Inter hospital debtors		1,782	-	-	1,782
Trade debtors		3,276	-	-	3,276
Patient fees		3,793	-	-	3,793
Accrued investment income		1,201	-	-	1,201
Diagnostic debtors		1,121	-	-	1,121
Sundry debtors		6,713	-	-	6,713
Other financial assets					
Available for sale – managed funds	3.02%	92,789	14,953	-	77,835
Held-for-trading – managed funds		46,530	-	-	46,530
Term deposit	3.61%	9,312	9,312	-	-
Total financial assets		218,618	53,394	22,972	142,251
Financial liabilities					
Payables					
Trade creditors and accruals		22,291	-	-	22,291
Deposits		36	-	-	36
Sundry creditors		2,722	-	-	2,722
TCV loan ⁽ⁱⁱ⁾	2.88%	30,000	30,000	-	-
Finance lease liabilities ⁽ⁱⁱ⁾	4.84%	985,380	985,380	-	-
Other financial liabilities					
Monies held in trust		1,550	-	-	1,550
Total financial liabilities		1,041,979	1,015,380	-	26,599
2013					
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 ⁽ⁱ⁾	2.88%	30,000	30,000	-	-
Finance lease liabilities ⁽ⁱⁱ⁾	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).

(ii) 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 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.

2014	Carrying Amount	Interest Rate Risk				Price Risk			
		-1.00%		+1.00%		-20%		+20%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets									
Cash and cash equivalents	52,101	(521)	(521)	521	521	-	-	-	-
Investments									
Units in managed funds (available for sale)	92,789	(150)	(150)	150	150	-	(15,567)	-	15,567
Units in managed funds (held for trading)	46,530	-	-	-	-	(9,306)	(9,306)	9,306	9,306
	191,420	(671)	(671)	671	671	(9,306)	(24,873)	9,306	24,874
2013		-1.00%		+1.00%		-20%		+20%	
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

(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.

Note 21: Financial instruments (continued)

Comparison between carrying amount and fair value

	Consolidated carrying amount 2014 \$'000	Fair value 2014 \$'000	Consolidated carrying amount 2013 \$'000	Fair value 2013 \$'000
Financial assets				
Cash and cash equivalents	52,101	52,101	69,358	69,358
Receivables				
Inter hospital debtors	1,782	1,782	2,391	2,391
Trade debtors	3,276	3,276	1,680	1,680
Patient fees	3,793	3,793	4,438	4,438
Accrued investment income	1,201	1,201	519	519
Diagnostic debtors	1,121	1,121	1,105	1,105
Sundry debtors	6,713	6,713	2,147	2,147
Other financial assets				
Available for sale – managed funds	92,789	92,789	82,655	82,655
Held-for-trading – managed funds	46,530	46,530	43,233	43,233
Term deposit	9,312	9,312	-	-
Total financial assets	218,618	218,618	207,526	207,526
Financial liabilities				
Payables				
Trade creditors and accruals	22,291	22,291	24,554	24,554
Deposits	36	36	34	34
Sundry creditors	2,722	2,722	3,178	3,178
Other financial liabilities				
Monies held in trust	1,550	1,550	1,763	1,763
Interest bearing liabilities	30,000	30,000	30,000	30,000
Finance lease liabilities	985,380	985,380	952,083	952,083
Total financial liabilities	1,041,979	1,041,979	1,011,612	1,011,612

Financial assets measured at fair value

	Consolidated carrying amount as at 30 June \$'000	Fair value measurement at end of reporting period using:		
2014		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Financial assets				
Other financial assets				
Available for sale – managed funds	92,789	14,953	77,835	-
Held-for-trading – managed funds	46,530	-	46,530	-
Term deposit	9,312	9,312	-	-
Total financial assets	148,631	24,266	124,365	-

	Consolidated carrying amount as at 30 June \$'000	Fair value measurement at end of reporting period using:		
2013		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
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	-

Note 22: 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 2014 \$'000	Parent Entity 2013 \$'000	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Capital expenditure commitments				
Payable:				
Plant and equipment	783	653	783	653
Total capital expenditure commitments	783	653	783	653
Operating commitments				
Payable:				
Operating commitments	13,011	7,637	13,011	7,646
Total operating commitments	13,011	7,637	13,011	7,646
Lease commitments				
Commitments in relation to leases contracted for at the reporting date:				
Operating leases ⁽ⁱ⁾	1,077	608	16,477	16,008
Total lease commitments	1,077	608	16,477	16,008
Total commitments for expenditure (inclusive of GST) other than public private partnerships	14,871	8,898	30,271	24,306

(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) 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⁾

	2014 \$'000	2013 \$'000
Commissioned public private partnerships – other commitments⁽ⁱⁱ⁾		
Children's Health Partnership	1,863,647	1,864,892
Total commitments for public private partnerships	1,863,647	1,864,892

(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 present values of the other commitments reflects the payments made, offset by the impact of the discounting period of the commissioning.

Source information provided by the Department of Health.

Note 22: Commitments (continued)

(c) Commitments payable (consolidated)

Nominal values	2014 \$'000	2013 \$'000
Capital expenditure commitments payable		
Less than 1 year	783	653
Total capital expenditure commitments	783	653
Operating commitments payable		
Less than 1 year	9,552	4,068
Later than 1 year but not later than 5 years	3,459	3,577
Total other expenditure commitments	13,011	7,646
Lease commitments payable		
Less than 1 year	15,976	465
Later than 1 year but not later than 5 years	501	15,543
Total lease commitments	16,477	16,008
Public private partnership commitments		
Less than 1 year	29,071	16,514
Later than 1 year but not later than 5 years	184,833	161,117
5 years or more	1,649,744	1,687,262
Total public private partnership commitments	1,863,647	1,864,893
Total commitments (inclusive of GST)	1,893,918	1,889,200
Less GST recoverable from the Australian Tax Office	2,752	2,210
Total commitments (exclusive of GST)	1,891,166	1,886,990

Note 23: Contingent assets and contingent liabilities

Contingent liabilities

Any claims made against The Royal Children's Hospital 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 \$0.17 million (2013: \$1.27 million).

Note 24: Jointly controlled operations and assets

Name of entity	Principal activity	Ownership interest	
		2014	2013
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 consolidated financial statements under their respective asset categories:

	2014 \$'000	2013 \$'000
Current assets		
Cash and cash equivalents	223	169
Receivables	1	11
GST recoverable	2	2
Prepayments	5	17
Total current assets	231	199
Non current assets		
Property, plant and equipment	4	5
Total non-current assets	4	5
Total assets	236	204
Current liabilities		
Accrued expenses	33	14
Payables	14	15
Provisions – LSL and annual leave	38	37
Total current liabilities	83	66
Non-current liabilities		
Provisions – LSL	7	6
Total non-current liabilities	7	6
Total liabilities	90	72
Net assets	145	132
EQUITY		
Accumulated surpluses/(deficits)	145	132
Total equity	145	132

The Royal Children's Hospital's interest in revenue and expenses resulting from jointly controlled operations and assets is detailed below:

	2014 \$'000	2013 \$'000
Revenue		
Grants and other revenue	188	227
Interest	6	8
Total revenue	194	235
Expenses		
Employee benefits	169	166
Other expenses from continuing operations	10	55
Depreciation and amortisation	1	1
Total expenses	181	222
Net result	13	13

Note 25: Responsible persons disclosures

(a) Responsible persons

	Period	
Responsible Minister		
The Honourable David Davis MLC Minister for Health	1 July 2013	30 June 2014
The Honourable Mary Woodridge MLA Minister for Mental Health	1 July 2013	30 June 2014
Governing Board		
Hon Rob Knowles AO (Chairman)	1 July 2013	30 June 2014
Dr Julie Caldecott	13 August 2013	30 June 2014
Ms Jacinda de Witts	1 July 2013	30 June 2014
Mr Max Findlay	1 July 2013	30 June 2014
Ms Jane Hume	1 July 2013	30 June 2014
Mr David Mandel	1 July 2013	30 June 2014
Mr John Rimmer	13 August 2013	30 June 2014
Dr Lakshmi Sumithran	1 July 2013	30 June 2014
Mr Sammy Kumar	1 July 2013	30 June 2014
Mr Peter Yates AM	1 July 2013	30 June 2014
Accountable Officers		
Professor Christine Kilpatrick (Chief Executive Officer)	1 July 2013	30 June 2014

(b) Remuneration of responsible persons

The number of responsible persons is shown for each relevant income band:

	Parent 2014 No.	Parent 2013 No.	Consolidated 2014 No.	Consolidated 2013 No.
Income band				
\$0 – \$9,999	-	2	-	2
\$10,000 – \$19,999	4	2	4	2
\$20,000 – \$29,999	5	7	5	7
\$40,000 – \$49,999	1	-	1	-
\$80,000 – \$89,999	-	1	-	1
\$460,000 – \$469,999	1	1	1	1
Total numbers	11	13	11	13

Total remuneration received or due and receivable by responsible persons from the reporting entity amounted to:

	Parent Entity 2014 \$	Parent Entity 2013 \$	Consolidated 2014 \$	Consolidated 2013 \$
Total remuneration	679,558	729,463	679,558	729,463

The responsible Minister from 1/7/13 to 30/6/14 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 2013–14 year (2012–13: nil). The responsible persons’ profiles are disclosed in The Royal Children’s Hospital’s controlled entities financial statements.

(c) Other transactions of responsible persons and their related parties

The Hon Rob Knowles AO (Chairman)

The Royal Children’s Hospital’s chairman, the Hon. Rob Knowles is a director of Global Health Ltd. Global Health Ltd provided services to The Royal Children’s Hospital during the financial year ended 30 June 2014. These arrangements were on normal commercial terms and conditions and in the ordinary course of business.

	Parent Entity 2014 \$	Parent Entity 2013 \$	Consolidated 2014 \$	Consolidated 2013 \$
Global Health Ltd	4,895	-	4,895	-

Mr Sammy Kumar (Director)

A director of The Royal Children’s Hospital, Mr Sammy Kumar is a partner at PricewaterhouseCoopers (PwC). PwC rendered services to The Royal Children’s Hospital during the financial year ended 30 June 2014. Mr Kumar was not involved in the services provided by PwC and these arrangements were on normal commercial terms and conditions and in the ordinary course of business.

	Parent Entity 2014 \$	Parent Entity 2013 \$	Consolidated 2014 \$	Consolidated 2013 \$
PricewaterhouseCoopers	52,772	-	52,772	-

(d) Controlled entities related parties transactions

The Royal Children’s Hospital 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 Chairman of The Royal Children’s Hospital Foundation is also a Director of The Royal Children’s Hospital.

The transactions between the two entities relate to reimbursements made by The Royal Children’s Hospital 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 2014 \$	Parent Entity 2013 \$
Distributions and reimbursements by The Royal Children’s Hospital’s Foundation Trust Fund	22,195,092	16,086,506

The Royal Children’s Hospital Education Institute Limited

The transactions between the two entities relate 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 2014 \$	Parent Entity 2013 \$
Reimbursements by The Royal Children’s Hospital Education Institute Limited for salaries, goods and services	1,887,993	2,336,779

(e) Other receivables from and payables to controlled entities

	Parent Entity 2014 \$	Parent Entity 2013 \$
The Royal Children’s Hospital’s Foundation Trust Fund	1,139,563	1,193,143
The Royal Children’s Hospital Education Institute Limited	569,783	61,577
Communities That Care Limited	-	1,534
Total amounts receivable from controlled entities	1,709,346	1,256,254

Note 25a: Executive officers 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	
	2014 No.	2013 No.	2014 No.	2013 No.
\$130,000 – \$139,999	-	2	-	2
\$160,000 – \$169,999	-	-	1	-
\$170,000 – \$179,999	-	-	1	-
\$180,000 – \$189,999	2	-	1	-
\$210,000 – \$219,999	-	-	1	-
\$220,000 – \$229,999	-	-	1	-
\$230,000 – \$239,999	-	2	1	3
\$240,000 – \$249,999	1	-	-	-
\$250,000 – \$259,999	-	2	-	-
\$260,000 – \$269,999	1	-	-	-
\$270,000 – \$279,999	2	-	2	1
\$280,000 – \$289,999	-	-	-	1
\$300,000 – \$309,999	-	2	-	-
\$310,000 – \$319,999	1	-	1	-
\$330,000 – \$339,999	1	-	-	-
\$370,000 – \$379,999	-	-	1	-
\$380,000 – \$389,999	-	-	-	1
\$410,000 – \$419,999	-	1	-	-
\$420,000 – \$429,999	1	-	-	-
\$460,000 – \$469,999	1	-	-	-
Total number of executives	10	9	10	8
Total annualised employee equivalent (AEE) (a)	9.90	7.30	9.90	7.30
Total amount	2,986,942	2,276,462	2,439,592	1,945,057

Note: annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

Executive remuneration 2013–14

Two executive directors resigned during the year.

Note 26: 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
Controlled entities contribution to the consolidated results	2014 \$ '000	2013 \$ '000
Net result for the year		
The Royal Children's Hospital's Foundation Trust Fund	7,385	11,376
The Royal Children's Hospital Education Institute Limited	102	98
Communities That Care Limited	n/a	41
Total consolidated result	7,487	11,515

Communities That Care Limited is no longer a controlled entity as of the financial year ended 30 June 2014 as The Royal Children's Hospital no longer has representatives on the Communities That Care Limited board of directors.

Note 27: Remuneration of auditors

	Parent Entity 2014 \$ '000	Parent Entity 2013 \$ '000	Consolidated 2014 \$ '000	Consolidated 2013 \$ '000
Victorian Auditor-General's Office				
Audit or review of financial statements	143	139	147	149
Other service providers				
Audit or review of financial statements	-	-	73	61
Total remuneration	143	139	220	210

Note 28: Ex-gratia payments

	Parent Entity 2014 \$ '000	Parent Entity 2013 \$ '000	Consolidated 2014 \$ '000	Consolidated 2013 \$ '000
Payments made to terminated employees	-	11	-	11
Ex-gratia payments	-	11	-	11

Note 29: 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 30: 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 2015.

Note 31: Restatement of comparative information

The accounting policy for depreciating PPP assets was changed in 2014 as directed by the Department of Health, refer note 1 (f) for further details. Also, the opening balance for employee liabilities has been corrected, refer note 1 (e). As a result, the related numbers for 2013 have been restated. The table below shows the impact of the change for each line in the comprehensive operating statement and the balance sheet.

	Note	Parent Entity 2013 Original audited amounts \$'000	Parent Entity 2013 Increase/ (decrease) \$'000	Parent Entity 2013 Restated amounts \$'000	Consolidated 2013 Original audited amounts \$'000	Consolidated 2013 Increase/ (decrease) \$'000	Consolidated 2013 Restated amounts \$'000
IMPACT ON COMPREHENSIVE OPERATING STATEMENT							
Revenue from operating activities		462,447	-	462,447	478,532	-	478,532
Revenue from non-operating activities		2,058	-	2,058	7,964	-	7,964
Employee expenses		(335,602)	-	(335,602)	(339,922)	-	(339,922)
Non salary labour costs		(20,166)	-	(20,166)	(20,657)	-	(20,657)
Supplies and consumables		(53,203)	-	(53,203)	(53,227)	-	(53,227)
Other expenses		(55,410)	-	(55,410)	(59,723)	-	(59,723)
Net result before capital and specific items		123	-	123	12,967	-	12,967
Capital purpose income		13,344	-	13,344	12,536	-	12,536
Net gain/(loss) on disposal of non-current assets		(44)	-	(44)	(44)	-	(44)
Expenditure using capital purpose income		(242)	-	(242)	(242)	-	(242)
Depreciation and amortisation ⁽ⁱ⁾		(18,380)	(26,583)	(44,963)	(18,553)	(26,583)	(45,136)
Finance cost		(45,049)	-	(45,049)	(45,049)	-	(45,049)
Net result for the year		(50,247)	(26,583)	(76,830)	(38,385)	(26,583)	(64,968)
Other comprehensive income							
Items that may be reclassified subsequently to net result							
Changes to financial assets available-for sale revaluation surplus		846	-	846	11,460	-	11,460
Comprehensive result for the year		(49,401)	(26,583)	(75,984)	(26,925)	(26,583)	(53,508)
IMPACT ON BALANCE SHEET							
ASSETS							
Current assets							
Cash and cash equivalents	6	41,034	-	41,034	69,358	-	69,358
Receivables	7	13,773	-	13,773	13,305	-	13,305
Other financial assets	8	-	-	-	43,233	-	43,233
Inventories	9	1,247	-	1,247	1,247	-	1,247
Prepayments		457	-	457	512	-	512
Total current assets		56,511	-	56,511	127,655	-	127,655
Non-current assets							
Receivables	7	12,118	-	12,118	12,118	-	12,118
Other financial assets	8	19,395	-	19,395	82,655	-	82,655
Property, plant and equipment ⁽ⁱ⁾	10	1,041,649	(26,583)	1,015,066	1,045,171	(26,583)	1,018,588
Intangible assets	11	33,357	-	33,357	33,517	-	33,517
Investment properties	12	3,531	-	3,531	3,531	-	3,531
Total non-current assets		1,110,050	(26,583)	1,083,467	1,176,992	(26,583)	1,150,409
Total assets		1,166,561	(26,583)	1,139,978	1,304,647	(26,583)	1,278,064
LIABILITIES							
Current liabilities							
Payables	13	35,719	-	35,719	38,937	-	38,937
Employee benefits and related on-cost provisions ⁽ⁱⁱ⁾	14	88,683	305	88,988	89,152	305	89,457
Other current liabilities	16	3,769	-	3,769	3,479	-	3,479
Total current liabilities		128,171	305	128,476	131,568	305	131,873
Non-current liabilities							
Employee benefits and related on-cost provisions	14	11,589	-	11,589	11,770	-	11,770
Borrowings	15	982,083	-	982,083	982,083	-	982,083
Other non-current liabilities	16	3,750	-	3,750	3,750	-	3,750
Total non-current liabilities		997,422	-	997,422	997,603	-	997,603
Total liabilities		1,125,593	305	1,125,898	1,129,171	305	1,129,476
Net assets		40,968	(26,888)	14,080	175,476	(26,888)	148,588
EQUITY							
Property plant and equipment revaluation surplus	18a	17,928	-	17,928	19,781	-	19,781
Financial asset available for sale revaluation surplus	18a	1,011	-	1,011	11,571	-	11,571
Restricted specific purpose reserve	18a	4,641	-	4,641	52,196	-	52,196
Contributed capital	18b	108,429	-	108,429	108,429	-	108,429
Accumulated deficit ⁽ⁱ⁾⁽ⁱⁱ⁾	18c	(91,041)	(26,888)	(117,929)	(16,501)	(26,888)	(43,389)
Total equity		40,968	(26,888)	14,080	175,476	(26,888)	148,588

(i) Adjustment relating to change in accounting policy as directed by the Department of Health, refer note 1 (f).

(ii) Adjustment relating to a correction, refer note 1 (e).

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