



The Royal
Children's
Hospital
Melbourne

Annual Financial Report **2014-15**

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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



Throughout 2014-15 The Royal Children's Hospital (RCH) continued to improve and expand our services, in the face of ever increasing demand and a commitment to deliver great care, every day, to the patients and families who come to us for our specialist expertise.

This year accreditation has been awarded to the RCH against EQUiP National, National Mental Health Standards and National Safety and Quality Health Service Standards.

The accreditation process is an important requirement of all public hospitals and is one way in which we are able to demonstrate to the community that we provide the appropriate standards of care and are involved in continuous quality improvement. It is public recognition of achievement of accreditation standards by a health care organisation, demonstrated through an independent external peer assessment of that organisation's level of performance in relation to the standards.

I am delighted that the surveyors found the RCH to have a strong culture of safety and quality, and that our philosophy of delivering Great Care is very evident. The report detailed how we continue to embed new models of care tailored to the needs of children and are developing liaisons with other service providers in the state.

The Surveyors also found the governance of our organisation to be clear and effective with thorough planning and clearly defined organisational processes and ethical business decisions in keeping with our strategic direction.

I am delighted that the RCH continues to be recognised for excellence in all areas, both clinical and corporate. The latter includes the hospital's commitment to seeking formal feedback from consumers and increasing consumer participation where possible on governance committees.

To achieve our vision to be a GREAT children's hospital, the RCH has continued its work on an electronic medical record which is due to launch in 2016. This large undertaking has been extensively planned and has covered all necessary preparation.

This project represents a transformation in patient experience, work flow and operational efficiency. Change on such a scale is not easy, but is necessary if we are to continue to be at the forefront of paediatric services, not just in Australia but internationally.

I would like to acknowledge and thank my fellow Board members for their hard work over the past year, and to commend CEO Professor Christine Kilpatrick and the RCH Executive for their accomplished leadership in 2014-15.

I sincerely thank all RCH staff members and volunteers for their commitment to our patients and families. Each and every individual working in the hospital is making a direct and invaluable contribution to the Victorian community. It is a true privilege to work with such a committed, diverse and talented group, and I look forward to another year.

Rob Knowles AO
Chairman

CEO's report



The past financial year has been both challenging and rewarding for The Royal Children's Hospital (RCH).

In the past year, more than 84,482 children received urgent care in the Emergency Department; 237,407 appointments were held in our specialist clinics; our theatre teams performed more than 19,000 surgeries of which 8,615 were from our elective surgery waiting list, and 46,178 children were admitted to our wards. On any given day throughout the year, there were more than 400 children receiving care in the community through our RCH@Home and Palliative Care services.

This year the hospital made significant advances in access to elective surgery. Admissions to the hospital from the waiting list have increased, and the overall size of the waiting list has decreased. On average the RCH has added 733 children to the elective surgery waiting list per month this financial year, up from 671 children per month last year. The length of stay for patients at the hospital has also decreased by ten per cent, allowing patients to go home to their families eight hours earlier on average.

As a Nationally Funded Centre (NFC) for complex cardiac surgery and transplantation, the RCH has performed exceptionally this financial year. Over the 2014-15 period, the hospital performed 43 NFC procedures, an increase from 36 procedures last year. These included ten heart transplants, the most ever performed in 12 months at the

hospital. Similarly, the renal transplant teams have performed 13 kidney transplants with our partners at the Austin, a significant increase on the eight procedures performed the previous year.

In May 2015 the RCH was assessed by our peers from around the country, and received accreditation from the Australian Council on Healthcare Standards. Accreditation tests that systems are in place and working effectively to promote and support safe patient care and continuous quality improvement.

As the pace of change and complexity in healthcare continues to accelerate, the RCH recognises the importance of cultural change, working together and performance expectation. Together, the RCH cohort has embarked on a project to create a Clinician Compact, an agreement that clearly states the commitment of hospital staff and leadership to one another, values and principles that we stand for, and our joint accountability towards patient care. Work on this compact will continue throughout the next financial year.

As the pace of change and complexity in healthcare continues to accelerate, the RCH recognises the importance of cultural change, working together and performance expectation.

Last year the RCH began the process of implementing an Electronic Medical Record (EMR), which is now well underway. The EMR will use the latest technology to give us a smart record, with inbuilt features that will improve the safety and care our patients receive. A project team of more than 70 staff from across the hospital are now leading the design and build of the new EMR in collaboration with RCH departments and working groups.



As a Nationally Funded Centre (NFC) for complex cardiac surgery and transplantation, the RCH has performed exceptionally this financial year.



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The generosity of Victorians last year saw an extraordinary \$41.4 million raised by The Royal Children's Hospital Foundation, of which \$17.1 million came through the Good Friday Appeal.

All staff will receive training, support, education and information to help them confidently transition to the EMR in April 2016 and beyond.

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The Royal Children's Hospital Foundation, of which \$17.1 million came through the Good Friday Appeal. My sincere thanks to our friends and supporters across the State; we are humbled by your generosity.

At our 144th Annual General Meeting and Staff Awards night, we celebrated the extraordinary contribution of our staff over the past twelve months.

In recognition of all staff members' roles and responsibility in delivering Great Care, and through consultation with staff across the organisation, five new awards were included this year.

The inaugural CEO Great Care awards for Excellent Clinical Outcomes, Positive Experience, Timely Access and Zero Harm identify outstanding examples of the principles of Great Care. The Consumer Choice Award is another new staff award, selected by our community for providing outstanding patient and family centred care.

The recipients of the 2014 awards were:

Chairman's Medal

Dr Simon Harvey
Director of the Children's Epilepsy Program

CEO Great Care Award for Excellent Clinical Outcomes

Dr Jenny Hynson
Head of the Victorian Paediatric Palliative Care Program

CEO Great Care Award for Positive Experience

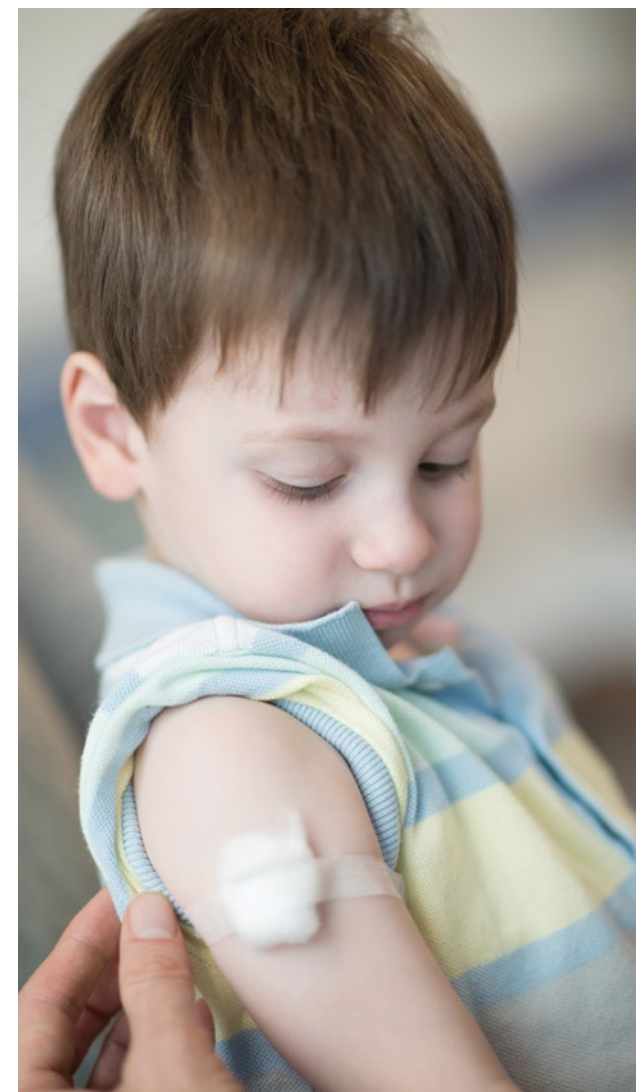
Dr Georgia Paxton
Consultant Paediatrician and Clinical Lead in Immigrant Health

CEO Great Care Award for Timely Access

The Emergency Observation Ward team

CEO Great Care Award for Zero Harm

The Autism Multi-Disciplinary Assessment Clinic Team



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Allied Health Award

Steve Horton
Director of Perfusion

Administrative Excellence Award

Helen Rowan
Manager of Family Services and Volunteers

Mary Patten Award

Adrian Hutchinson
Nursing Lead

Dr William Snowball Award

Michael Barrett
Emergency Fellow

Consumer Choice Award

Michelle Yeo
Paediatrician at the Centre for Adolescent Health

This financial year also brought significant challenges. In May the RCH appeared at the Royal Commission into Institutional

Responses to Child Sexual Abuse, in relation to the investigation of the experience of a person who, having been an inpatient here in the early 1980s, subsequently reported having been sexually assaulted by a hospital volunteer.

The evidence was extremely difficult to hear, however it was central to the process of making stronger institutions across Australia.

Former CEO John De Campo and I appeared at the hearing on behalf of the RCH. I outlined the hospital's framework of 24 policies and more than 400 procedures that define how we do our work at the RCH; and detailed those with specific relevance to the Commission case study. These policies and procedures include how we screen and recruit staff and volunteers, recognise and report suspected instances of abuse, and respond to issues raised by consumers.

To the staff and volunteers of the RCH, your commitment to the delivery of great care is what defines this hospital. Thank you for your expertise, your collegiality, and your determination to always provide our young patients and their families with the best possible healthcare.

It is a privilege to work alongside you, and I look forward to doing so again in 2015-16.

Christine Kilpatrick

Christine Kilpatrick
Chief Executive

Board member profiles

Chairman Hon Rob Knowles AO

Hon Rob Knowles AO was Victorian Minister for Health from 1996 until 1999 and MLC for Ballarat from 1976–99. He has also served as Chairman of Food Standards Australia and New Zealand; as a member of the National Health and Hospital Reform Commission and as a former Aged Care Complaints Commissioner. He is currently a Director of Silver Chain Group of companies, Global Health Ltd, IPG Ltd, Drinkwise Australia Ltd and Chair of the Brotherhood of St Laurence.

Dr Christine Cunningham

Dr Christine Cunningham is a statistician and researcher with a doctorate from the University of Melbourne and a Master’s Degree in Science. Christine currently works as a consultant researcher particularly in the areas of service outcomes and governance. Christine has held a variety of clinical, policy, analysis and research roles. Dr Cunningham has also served on the Board of Northeast Health Wangaratta, a sub-regional public health service from 2006–14 and was Chairman from 2009–14.

Ms Jacinda de Witts

Ms Jacinda de Witts is a Principal with the legal firm of Hive Legal and has 20 years’ 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 & Nephew and five years with James Sephton Plastics. In his time with Programmed Maintenance Services, Mr Findlay held the positions of Business Development Manager, General Manager and Managing Director. He has a Bachelor of Economics and Politics from Monash University and is a Fellow of the Australian Institute of Company Directors. Since retiring from Programmed Maintenance Services, Mr Findlay has been involved in a number of Public and Private Company Boards.

Ms Jane Hume

Ms Jane Hume has a background in Investment Banking with positions as a Vice President at Deutsche Asset Management Australia, Key Accounts Manager at Rothschild Australia Asset Management and as Investment Research Manager and Private Banker at National Australia Bank. She is currently the Superannuation Policy Strategist at Australian Super. Jane has a Bachelor of Commerce degree 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 governance roles in community and professional organisations, including the committee of management of the Post and Antenatal Depression Association (PANDA), and as a Director at Federation Square.

Mr Sammy Kumar

Mr Sammy Kumar is a Managing Partner at PricewaterhouseCoopers focussing on Strategy and New Business Growth. He is a Fellow of the Institute of Chartered Accountants and has a Bachelor of Commerce Degree from Monash University. Sammy’s background includes time in running the Australian Consulting business and is also a Board Member of PwC’s China Consulting business and PwC’s Strategy&™

business. Sammy joined the Board of The Royal Children’s Hospital in July 2012.

Mr David Lau

Mr David Lau is Industry Lead for Health at Optus, responsible for the development and implementation of health sector strategies, business and product development, and thought leadership. David’s background is as a clinician, hospital executive, and consultant. Amongst various roles, he has been an Executive Director at the Royal Victorian Eye and Ear Hospital, Director of Pharmacy at Eastern Health, President of the Pharmacy Board of Victoria, Chair of the Victorian Pharmacy Authority, and a board member of North Yarra Community Health.

Mr David Mandel

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

Dr Linden Smibert

Dr Linden Smibert is a general practitioner with over 30 years of clinical experience. For many years she owned and operated her own practice in Hawthorn. The practice grew considerably under her direction and although she has sold it, she still works there part time. About 15 years ago she became involved in the Divisions of General Practice and was instrumental in the amalgamation of two, becoming chair of the new organisation, Melbourne East GP network. Then more recently this transformed to become Inner East Medicare Local of which

she is currently the Chair. She also chairs Networking Health Victoria, and is a director of Vincentcare. She has been a director on a number of other Boards in the Education and NFP sector.

Mr Peter Yates AM

Mr Peter Yates AM is Deputy Chairman of The Myer Family Investments Ltd and a Director of AIA Australia Limited. He is Chairman of the Royal Institution of Australia, the Australian Science Media Centre, the Faculty of Business and Economics at University of Melbourne, The Royal Children’s Hospital Foundation, the Shared Value Project and Deputy Chairman of Asialink. Peter is a Director of The Royal Children’s Hospital and the Australian Chamber Orchestra and serves on the advisory boards of the Australian Research Council, the Centre of Excellence for Quantum Computation and Communication Technology at UNSW and the NHMRC Centre for Personalised Immunology at ANU. 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 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, Centre for Independent Studies, MOKO.mobi 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
Dr Linden Smibert

Community Advisory Committee

Jane Hume (Chair)
Dr Christine Cunningham

Finance Committee

(incorporating Facilities Management Board Sub-committee, IT Board Sub-committee and Investment Committee)
Sammy Kumar (Chair)
Robert Green (External Member)
Max Findlay
Jane Hume
David Lau
David Mandel

Intellectual Property Committee

[Required by RCH By-Laws]
Whole of Board

Quality and Service Planning Committee

(incorporating Primary Care and Population Health Advisory Committee)
Dr Christine Cunningham (Chair)
Jacinda de Witts
Dean Griggs (External Member)
David Lau
Dr Linden Smibert

Remuneration Committee

Hon Rob Knowles AO (Chair)
Max Findlay
Sammy Kumar

Executive staff

Chief Executive Officer

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

Executive Director Communications

Jayne Dullard
BA (Hons), GAICD

Executive Director Corporate Services and Chief Financial Officer

Jennifer Gale
FCPA, BBus (Acc), MAICD

Executive Director Legal and Information Services

Katherine Lorenz
BA, LLB (Hons), GAICD
Until 17 April 2015

Executive Director Medical Services

Dr Peter McDougall
MBBS, MBA, FRACP, GAICD

Executive Director Strategy and Organisational Improvement

Jane Miller
BAppSc (Speech Path), GradDipNeuro,
MHlthMgmt, GAICD

Chief of Surgery

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

Chief of Medicine

Professor Colin Robertson
MBBS, MSc, MD, FRACP, MAICD

Deputy CEO and Executive Director Clinical Operations

John Stanway
BEc, Grad Dip IR, FAICD

Executive Director Nursing and Allied Health Chief Nursing Officer

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

Executive Director People and Culture

Simone Zelencich
Grad Dip Admin, MBA, M.Ed, GAICD

Organisational chart

John Stanway

DEPUTY CHIEF EXECUTIVE OFFICER
EXECUTIVE DIRECTOR
CLINICAL OPERATIONS

Jayne Dullard

EXECUTIVE DIRECTOR
COMMUNICATIONS

Jennifer Gale

EXECUTIVE DIRECTOR
CORPORATE SERVICES AND
CHIEF FINANCIAL OFFICER

Katherine Lorenz

EXECUTIVE DIRECTOR
LEGAL AND INFORMATION SERVICES

Peter McDougall

EXECUTIVE DIRECTOR
MEDICAL SERVICES AND
CLINICAL GOVERNANCE AND
CHIEF MEDICAL OFFICER

Jane Miller

EXECUTIVE DIRECTOR
STRATEGY AND ORGANISATIONAL
IMPROVEMENT

Mike O'Brien

CHIEF OF SURGERY

Colin Robertson

CHIEF OF MEDICINE

Bernadette Twomey

EXECUTIVE DIRECTOR
NURSING AND ALLIED HEALTH
CHIEF NURSING OFFICER

Simone Zelencich

EXECUTIVE DIRECTOR
PEOPLE AND CULTURE

Staff summary

Labour Category	June Current month FTE		June YTD FTE	
	2014	2015	2014	2015
Nursing	1,188	1,211	1,098	1,188
Administration and Clerical	590	628	556	610
Medical Support	367	370	351	364
Hotel and Allied Services	202	204	192	205
Medical Officers	116	129	112	123
Hospital Medical Officers	271	274	271	275
Sessional Clinicians	100	96	94	96
Ancillary Staff (Allied Health)	284	284	274	285
Total	3,118	3,196	2,948	3,146

Application of employment and conduct principles

The Royal Children's Hospital (RCH) has adopted the Code of Conduct for Victorian Public Sector Employees issued by the State Services Authority (SSA) and is founded upon the public sector values and employment principles of the Public Administration Act 2004 and The Financial Management Compliance Framework. All employees are required to comply with these values, principles and policy on ethical standards in all their undertakings.

Employment decisions at the RCH are based on merit and the RCH provides equal employment opportunity for all employees. Grievance and dispute resolution processes are in place that provide fairness and protect employees from negative consequences as a result of accessing formal redress processes.



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 1998*.

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 Tammy O'Connor**, Senior Legal Counsel
- Ms Judith Smith**, FOI Officer and Reviewer
- Ms Sophie Garrity**, FOI Reviewer
- Ms Paige Farrow**, FOI Reviewer
- Ms Martina Marinkovic**, FOI Reviewer
- Ms Lauren Harris**, FOI Reviewer

Requests received	2014-15	2013-14
Total requests	611*	1908
Access granted in full	422	1670
No information available	18	29
Application withdrawn	55	63

*There has been a significant reduction in the number of FOI requests in 2014-15, as requests for medical imaging records, by parents/patients, have been processed outside the freedom of information process as and from July 2014.

Privacy

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

In May 2015, the RCH marked national Privacy Awareness Week with a presentation 'Privacy by Design' delivered to staff by David Taylor, Manager, Stakeholder Engagement, from the Office of the Commissioner for Privacy and Data Protection. A RCH intranet news item was also placed on the intranet to communicate to staff about Privacy Awareness Week and the presentation. Communication regarding general privacy compliance is published via the RCH intranet using 'Intranet News' items and video Shortcuts, and department education and presentations are conducted on request. These activities play an important role in building a 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.

National Competition Policy

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

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

Ex-gratia payments

Nil

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 2015, RCH had two contracts that require separate disclosure. These contracts are for the MR PET scanner and the Electronic Medical Record project.

In line with the *Victorian Industry Participation Policy Act 2003*, local industry participation has been encouraged for both contracts.

Carers Recognition Act 2012

The Carers Recognition Act 2012 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 the community. The RCH takes all practicable measures to ensure that its employees, agents and carers have an awareness and understanding of the care 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.

RCH Occupational Health and Safety (OH&S)

The RCH Health and Safety governance structure, system and processes have been progressively reviewed, refreshed and implemented throughout the hospital; for the effective management of organisational risks and support of the provision of Great Care.

Education of the workforce in relation to workplace health and safety obligations has been enhanced with the development of the Safe Workplace Behaviour Procedure, and associated on line training module for all employees. A dedicated five module training program for line managers was also provided, supporting areas of operational practice including:

- Psychological Wellness and Safety/Building Resilience
- Risk Management Training
- Manual Handling
- WorkCover and Early Intervention
- Chemical Management

An important requirement under the OH&S legislation is to educate all employees on their roles and responsibilities, including personal accountability. Annual refreshers for staff and managers, as well as induction of WHS obligations for new managers appointed throughout the year, will be provided in support of our ongoing commitment and shared understanding for a safety culture.

A concerted effort throughout 2014-15 on embedding a safety culture through the establishment of initiatives in the areas of

Staff Health and Wellbeing and Injury Management and Prevention has occurred. This can be best demonstrated with an almost 50 per cent reduction in the number of standard workers' compensation claims, lodged by employees, as compared to 2013-14. Based on the positive experience of the Early Intervention Program, a foundation for proactive intervention in the way RCH staff identify and control hazards, improved performance of employee health and safety is being sustained. An early intervention approach has ensured that return to work plans were developed for all compensable and non-compensable injuries during 2014-15 to facilitate with early return to work outcomes. The RCH early intervention program continued to provide support and assistance where managers or staff identified physical and psychological conditions. Through the program many symptoms and early onset conditions were successfully managed through to recovery. Since January 2015, a total 33 injuries have been effectively managed.

RCH supports and recognises the benefits of consulting with employees on matters that will affect their health and safety. Workplace Health and Safety Committees continue to provide a regular forum for collaboration and for addressing ongoing and emerging risks. This regular, proactive dialogue has contributed to a number of innovative health and safety risk management solutions. The WHS team have worked closely with Department managers, health and safety representatives and suppliers to design and purchase items that have eliminated or significantly reduced occupational risks in the workplace.

The RCH Workplace Health and Safety Consultative Committee convened throughout 2015. A key outcome of the refreshed Consultative Committee approach has been the shared understanding and awareness more generally of WHS issues existing across the hospital and what it means to embed a safety culture. This structure has also provided for effective escalation of issues requiring assistance and support beyond the local work area.

RCH recognises the need to support staffs psychological wellbeing as well as their physical health. As a result, a range of

ongoing initiatives across the campus have been implemented during 2014-15 aimed to support staff including:

Free on-line health assessment

This was made available to all RCH staff and was a great opportunity for individuals to learn a bit more about the state of their own health. The assessment also allowed staff to receive a personalised report of their general health and health risks, including their 'health age'.

Employee Assistance program

The contract for an Employee Assistance provider went to tender in April 2015 with a strong response from a number of experienced organisations. A preferred provider was chosen and a new contract has since been signed with Converge International. As an experienced provider within the public health setting, Converge International is able to meet the needs of the RCH workforce through the provision of a comprehensive program comprising of: Employee Assist (employee counselling, trauma management), ManagerAssist, ConflictAssist, CareerAssist, LifestyleAssist and MoneyAssist. All employees and their immediate family members have access to the program.

RCH Peer Support Program

The Peer Support Program was established in 2015. This is an RCH initiative which provides a formal and accessible program for staff and volunteers to seek support and guidance from trained co-workers. It is a contact, support and referral service with an emphasis on brief, practical interventions providing staff with support across a range of work and non-work related issues. A two-day induction program was held to equip staff who have nominated to perform this role.

RCH Health and Wellbeing program: Committee and Champions

Approximately 45 Wellbeing Champions have volunteered to be part of the RCH Health and Wellbeing program that focuses on promotion of wellbeing information and events, and aims to increase staff engagement and connectedness to RCH. Campus wide promotion of the wellbeing seminars has seen a positive response as

evidenced by attendance numbers at the seminars held during the first half of 2015. The themes are chosen for broad appeal and topics have included: *Supercharge your Diet, Preventing Burn-out, Dealing with Challenging People and Mental Health in the Workplace*. Comprising representatives from key portfolios across RCH and campus partners, the RCH Health and Wellbeing Committee meets monthly in response to a number of programs and initiatives being considered for development.

Healthy Together Achievement Program

In February 2015, RCH registered to participate in the Federal and State governments' jointly-funded initiative *Healthy Together Achievement Program*. This was an important step in our journey towards embedding workplace health and wellbeing into the culture of RCH over the next three years. The Achievement Program provides a framework underpinned by World Health Organisation best practice benchmarks, within which the RCH Staff Health and Wellbeing program will be delivered.

Staff Resilience pilot program

During 2014-15 a Staff Health and Resilience pilot program was delivered to all Nurse Unit Managers and Allied Health managers. This four-module training program focussed on the building of resilience in teams and addressing specific stressors in the workplace.

Patient handling

The manual handling of people 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 our patients and staff at significant risk of a musculoskeletal injury. As part of a system designed to manage this risk, a training and competency assessment program has been implemented. There are now 93 patient handling trainers across RCH, with training sessions held on an ongoing basis.

Chemicals management

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 recorded in ChemWatch to manage all chemicals used within the RCH.

Compliance with building and maintenance provisions

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

An external Building Surveyor will audit the maintenance of all the ESM at the RCH facility annually and certify the ESM report as evidence of an appropriate level of maintenance of the relevant physical fire safety measures.

Environmental performance

The RCH is managed by the state's private sector partner, Children's Health Partnership (CHP) and Spotless Service. CHP and the RCH hold all licences required by environment legislation and have procedures in place to ensure that the terms of these licences are complied with.

Advertising campaigns

The Royal Children's Hospital ran no advertising campaigns reportable per FRD 22F for the 2014-15 period.

Consultancies less than \$10,000

Nil

Additional information (FRD 22F)

In compliance with the requirements of FRD 22C Standard Disclosures in the Report of Operations, details in respect of the items listed below have been retained by The Royal Children's Hospital and are available to the relevant Ministers, Members of Parliament and the public on request (subject to the freedom of information requirements, if applicable):

- a) A completed statement of pecuniary interest;
- b) Details of shares held by senior officers as nominee or held beneficially;
- c) Details of publications produced by the Department about the activities of the Health Service and where they can be obtained;
- d) Details of changes in prices, fees, charges, rates and levies charged by the Health Service;
- e) Details of any major external reviews carried out on the Health Service;

Consultancies more than \$10,000

In 2014-15, there were five consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2014-15 in relation to these consultancies is \$163,689.35 (excl. GST).

Details of individual consultancies are below.

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excluding GST) \$	Expenditure 2014-15 (excluding GST) \$
Price Water House Coopers	Reviews carried out on Electronic Medical Records project under three separate consultancy engagements: 1. Business case costing 2. Project reporting and procurement processes 3. Project implementation support and infrastructure advice.	Jul-14	Oct-14	108,200.00	103,780.35
Price Water House Coopers	Strategic review done for Centre for Adolescent Health programme areas of research, education and clinical care.	Aug-13	May-14	55,000.00	55,109.00
Consult Health-E Pty Ltd	Electronic Scanned Medical Records – system optimisation ⁽ⁱ⁾	Jun-13	Jul-14	72,000.00	4,800.00
Total				235,200.00	163,689.35

(i) Note: For Consult Health-E Pty Ltd \$67,800 was paid in previous financial years and the balance \$4,800 was paid in 2014-15 financial year.

2014-15 Statement of priorities

Part A

Priority	Action	Deliverable	Outcome
Developing a system that is responsive to people's needs	Develop an organisational policy for the provision of safe, high quality end of life care in acute and subacute settings with clear guidance about the role of, and access to, specialist palliative care.	Enhance the provision end of life care by reviewing and updating advance care planning and bereavement care procedures.	Achieved
	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.	Improve advance care planning by completing the evaluation regarding acceptability and usefulness of parent resource, Caring Decisions: A handbook to assist parents in advance care planning for a child with a life-limiting condition.	Not achieved Collection of feedback commenced in October 2014 and the evaluation to be completed by September 2015.
	Implement an organisation-wide policy for responding to clinical and non-clinical violence and aggression by patients, staff and visitors (including code grey) that aligns with departmental guidance (2014).	Enhance our ability to manage clinical and non-clinical violence and aggression by implementing a modular approach to violence and aggression prevention training across the RCH.	Not achieved Modules developed and trialled in the Emergency Department.5 Roll-out across the RCH to be completed by December 2015.
	Optimise timely access to specialist care through the implementation of the Access Policy for Specialist Clinics.	Facilitate timely access to Specialist Clinics services by implementing the Access Policy for Specialist Clinics.	Not achieved Implementation commenced June 2014 and RCH to be compliant by September 2015.
Improving every Victorian's health status and experiences	Use consumer feedback to improve person and family-centred care, health service practice and patient experience.	Enhance the delivery of patient and family-centred care by increasing consumer engagement including involvement of consumers in appointment committees.	Achieved
		Increase knowledge about health service utilisation by collecting data about the drivers of demand for emergency department services.	Achieved
	Optimise alternatives to hospital admission.	Improve care coordination and reduce avoidable hospital admissions by piloting a new model of care for children with medical complexity.	Achieved
		Increase system capacity by increasing hospital-in-the-home utilisation by 10%.	Achieved
	Improve discharge planning processes to enhance effective care transition.	Improve timeliness of discharge information transfer by increasing electronic transmission of discharge summaries to general practitioners by 50%.	Achieved

Priority	Action	Deliverable	Outcome
Expanding service, workforce and system capacity	Develop and implement a workforce immunisation plan that includes pre-employment screening and immunisation assessment for existing staff that work in high risk areas in order to align with Australian infection control and immunisation guidelines.	Align with the Australian infection control and immunisation guidelines by developing a workforce immunisation procedure and associated plan for implementation.	Achieved
	Build workforces capability and sustainability by supporting formal and informal clinical education and training for staff and health students, in particular inter-professional learning.	Build workforce capability by delivering inter-professional skills and communication training through the RCH Simulation Program.	Achieved
	Work collaboratively with the department on service and capital planning to develop service and system capacity.	Improve access to neonatal services by opening two additional neonatal intensive care cots.	Achieved
		Expand the RCH workforce by transferring the Paediatric Metabolic Service from the Victorian Clinical Genetics Service and identifying opportunities for further service integration.	Achieved
Increasing the system's financial sustainability and productivity	Identify opportunities for efficiency and better value service delivery	Enhance procurement efficiency by implementing e-procurement software.	Not achieved An iprocurement solution has been configured with implementation to be informed by a supply chain review that will be completed by November 2015.
		Improve the efficiency of Specialist Clinics operations by implementing Q-Flow, a patient queuing/flow system.	Achieved
Implementing continuous improvements and innovation	Develop a focus on 'systems thinking' to drive improved integration and networking across healthcare settings.	Facilitate the delivery of GREAT Care by developing and implementing a framework for building improvement capability in the workforce.	Achieved
	Drive improved health outcomes through a strong focus on patient centred care in the planning, delivery and evaluation of services and the development of new models for putting patients first.	Work towards reducing unwanted variation in care and improving patient safety by reviewing and improving systems for delivery of care after-hours (i.e. overnight and weekends).	Achieved
Increasing accountability and transparency	Undertake an annual board assessment to identify and develop board capability to ensure all board members are well equipped to effectively discharge their responsibilities.	Build board capability by conducting a board review and addressing opportunities for improvement.	Achieved
Improving utilisation of e-health and communications technology.	Trial, implement and evaluate strategies that use e-health as an enabler of better patient care.	Realise the potential of e-health technology by commencing implementation of an electronic medical record (EMR) and achieving certification of all EMR staff.	Achieved
	Utilise telehealth to better connect service providers and consumers to appropriate and timely services.	Enhance access to telehealth services by increasing activity by 10%.	Achieved

Part B: Performance priorities

Safety and quality performance

Safety and Quality	Target	2014-15 actuals
Health service accreditation	Full compliance	Full compliance
Cleaning standards (Overall)	Full compliance	Full compliance
Cleaning standards (AQL-A)	90%	98%
Cleaning standards (AQL-B)	85%	98%
Cleaning standards (AQL-C)	85%	98%
Healthcare worker immunisation – influenza	75%	83%
Submission of data to VICNISS	Full compliance	Full compliance
Hand hygiene (rate)	80%	81.8%
Hand hygiene audit period 3 – Nov 14	75%	80.8%
Hand hygiene audit period 1 – March 15	77%	83.5%
Hand hygiene audit period 2 – June 15	80%	81.2%
SAB rate per occupied bed days	<2/10,000	Awaiting data
Victorian Hospital Experience Survey	Full compliance	Full compliance
People Matter Survey	Full compliance	Full compliance
ICU central line associated blood stream infections ICU CLABSI	No outliers	Awaiting data
Mental health – Post-discharge follow-up	75	Awaiting data
Mental health – Seclusion rate per occupied bed days	< 15/1,000	Awaiting data
Patient safety culture	80	92
Health service accreditation	Full compliance	Full compliance
Newborns	Target	2014-15 actuals
Percentage of eligible newborns screened for hearing deficit before one month of age	>97	98.8

Financial sustainability performance

Operating Result	Target	2014-15 actuals
Annual operating result (\$m)	0.000	0.002
WIES activity performance	Target	2014-15 actuals
Percentage of WIES ⁽¹⁾ (public and private) performance to target	100	103
Cash management	Target	2014-15 actuals
Creditors	< 60 days	42
Debtors	< 60 days	45

(1) WIES is a Weighted Inlier Equivalent Separation

Asset Management	Target	2014-15 actuals
Asset management plan	Full compliance	Full compliance

Access performance

Emergency Care	Target	2014-15 actuals
Percentage of ambulance transfers within 40 minutes*	90	97
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	81	78
Number of patients with length of stay in the emergency department greater than 24 hours	0	1
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%	60%
Number of patients with length of stay in the emergency department greater than 24 hours	0	1

*YTD average to 31 May 15 only. Q2 data is excluded as was never available due to industrial bans in relation to the paramedic EBA.

Elective Surgery	Target	2014-15 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	88	64
NEST – Percentage of urgency category 3 elective surgery patients treated within 365 days	97	84
Number of patients on the elective surgery waiting list ⁽¹⁾	2,547	2,280
Number of Hospital Initiated Postponements per 100 scheduled admissions	8.0	5.0
Number of patients admitted from the elective surgery waiting list – quarter 1	2,200	2,293
Number of patients admitted from the elective surgery waiting list – quarter 2	2,193	2,084
Number of patients admitted from the elective surgery waiting list – quarter 3	1,994	2,013
Number of patients admitted from the elective surgery waiting list – quarter 4	2,006	2,225
Number of patients admitted from the elective surgery waiting list – annual total	8,393	8,615

(1) The target shown is the number of patients on the elective surgery waiting list as at 30 June 2015.

Critical Care	Target	2014-15 actuals
Number of days operating below agreed paediatric ICU minimum operating capacity ⁽²⁾	0	2
Number of days operating below agreed neonatal ICU minimum operating capacity ^{(3)*}	0	34

(2) The agreed minimum operating capacity is 19 ICU equivalents.

(3) The standard operating capacity and flex capacity is 18–22.

*DHHS receives monthly data from VICPIC; this data is reported back to the CEO for performance monitoring. The data reported in the DHHS report is the number of days the NICU was closed. This does not fully comply with the SoP and PMF definition of days closed AND operating below the agreed standard operating capacity (18 cots). The number reported in this annual report does fully comply with the SoP and PMF definitions.

The Royal Children's Hospital

Summary of financial results

Part C: Activity and funding

Funding type	2014-15 Activity achievement	Activity target
Acute Admitted		
WIES public	38,442	38,143
WIES private	11,905	10,509
Total PPWIES (Public and private)	50,347	48,652
WIES TAC	548	382
WIES total	50,895	49,034
Subacute and nonacute admitted		
Rehab public – bed days	3,841	4,464
Rehab private – bed days	665	284
Subacute and nonacute other		
Other specified funding		
Subacute non-admitted		
Health Independence Program – DVA	30,554	23,266
Mental health and drug services		
Mental health inpatient – Wot*	4,159	6,612
Mental health ambulatory*	32,350	31,000
Primary health		
Community health/primary care programs	1,327	1,988
Other		
Nationally funded centre activity		
Paediatric heart transplant – with VAD	6	-
Paediatric heart transplant – without VAD	4	-
Paediatric lung transplants (Alfred)	3	-
Paediatric liver transplant*	14	-
HLHS – Norwood procedure	9	-
HLHS – BCPS (Stage 2)	7	-
HLHS – Fontan (Stage 3)	0	-

*Interim data from DHHS recorded on 8 July 2015, subject to change as data is finalised.

	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000
Total revenue	607,903	518,331	477,805	482,674	415,749
Total expenses	633,468	585,609	554,635	487,465	433,216
Net result for the year (inc. capital and specific items)	(25,565)	(67,278)	(76,830)	(4,791)	(17,467)
Retained surplus/(accumulated deficit)	(210,064)	(185,615)	(117,929)	(40,237)	(35,856)
Total assets	1,329,391	1,260,743	1,139,978	1,135,558	221,324
Total liabilities	1,270,324	1,166,858	1,125,898	1,045,244	110,788
Net assets	59,068	93,886	14,080	90,314	110,536
Total equity	59,068	93,886	14,080	90,314	110,536

Certain numbers above do not correspond to the 2013 and 2012 audited financial statements and reflect adjustments made as a result of correction of public private partnership (PPP) entries recorded on behalf of Department of Health and Human Services (DHHS).

Operational and budgetary objectives and performance against those objectives

The Royal Children's Hospital (RCH) ended the year with an annual operating surplus (before capital and specific items) of \$2k. The RCH has successfully met its statement of priorities financial target, which is a break even operating result.

Summary of significant change in financial position during the year

RCH financial position includes PPP transactions, which the RCH agrees to record on behalf of the state since financial year 2012-13. The net impact to the financial position of the RCH in financial year 2014-15 is \$ 25.4m.

Other significant transactions occurred in financial year 2014-15 are:

- The disposal of land valuing \$ 17.4m (refer to Note 10b in the financial statements section) as part of the order (Gazette no S 34 on 25 February 2015) to transfer the old hospital land to Department of Environment, Land, Water and Planning. Accordingly land was transferred from the RCH to DHHS.
- Increase in fair value of land by \$8.5m due to annual fair value assessment in accordance to the financial reporting direction 103F for non-financial physical assets (refer to Note 10b in the financial statements section).

Subsequent events

Events after the balance sheet date – nil (refer Note 28 in the financial statements section).

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 2015.

Signed:



The Hon Rob Knowles AO
The Royal Children’s Hospital, Board Chairman
19 August 2015

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
19 August 2015

Attestation on Risk Management Framework and Processes

I, Christine Kilpatrick certify that The Royal Children’s Hospital has complied with Ministerial Standing Direction 4.5.5 Risk management framework and processes. The Royal Children’s Hospital Audit Committee verifies this.

Signed:



Professor Christine Kilpatrick
Chief Executive Officer
19 August 2015

Compliance with DataVic Access Policy

Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, the information included in this Annual Report will be available at www.rch.org.au/publications in machine readable format.

Disclosure index

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

Legislation	Requirement	Page reference
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Report of operations		
Charter and purpose		
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FRD 22F	Nature and range of services provided	12
Management and structure		
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FRD 22F	Application and operation of Protected Disclosure 2012	12
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FRD 22F	Details of consultancies under \$10,000	15
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FRD 25B	Victorian Industry Participation Policy disclosures	12
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SD 4.2(g)	Specific information requirements	2–20
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Financial statements

Board Member's, Accountable Officer's and Chief Finance and Accounting Officer's Declaration

We certify that the attached financial statements for The Royal Children's Hospital and the Consolidated Entities have been prepared in accordance with Standing Direction 4.2 of the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards, Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2015 and the financial position at that date of The Royal Children's Hospital and Consolidated Entities as at 30 June 2015.

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
19 August 2015



PROFESSOR CHRISTINE KILPATRICK

Chief Executive Officer
The Royal Children's Hospital
Melbourne
19 August 2015



JENNIFER GALE

Executive Director Corporate Services and CFO
The Royal Children's Hospital
Melbourne
19 August 2015

VAGO

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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 2015 of 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 consolidated entity, comprising The Royal Children's Hospital and the entities it controlled at the year's end or from time to time during the financial year as disclosed in note 26 to the consolidated 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 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.

Auditing in the Public Interest

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 2015 and 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 Australian accounting profession.

MELBOURNE
21 August 2015


John Doyle
Auditor-General

The Royal Children's Hospital Comprehensive operating statement

For the year ended 30 June 2015

	Note	Parent entity 2015 \$'000	Parent entity 2014 \$'000	Consolidated 2015 \$'000	Consolidated 2014 \$'000
Revenue from operating activities	2	537,887	492,501	549,337	504,006
Revenue from non-operating activities	2	2,138	2,097	14,228	11,214
Employee expenses	3	(379,700)	(355,960)	(383,962)	(360,218)
Non-salary labour costs	3	(19,529)	(19,269)	(18,992)	(19,506)
Supplies and consumables	3	(63,997)	(57,594)	(64,000)	(57,620)
Other expenses	3	(76,797)	(61,764)	(76,433)	(68,305)
Net result before capital and specific items		2	11	20,179	9,572
Capital purpose income	2	67,413	13,807	62,629	12,703
Net gain/(loss) on disposal of non-financial assets	2a	(54)	(741)	(54)	(760)
Specific income	2b	-	9,717	-	9,717
Expenditure for capital purpose	3	(2,219)	(699)	(2,401)	(543)
Depreciation and amortisation	4	(39,540)	(43,510)	(39,843)	(43,694)
Finance cost	5	(51,685)	(46,814)	(51,685)	(46,814)
Available-for-sale revaluation surplus gain/(loss) recognised	2	519	950	5,303	534
NET RESULT FOR THE YEAR		(25,565)	(67,278)	(5,872)	(59,285)
Other comprehensive income					
Items that may be reclassified subsequently to net result					
Changes to financial assets available-for-sale revaluation surplus	18a	(123)	(213)	(890)	7,087
Items that will not be reclassified to net result					
Changes in property plant and equipment revaluation surplus	18a	8,474	146,807	8,474	148,249
COMPREHENSIVE RESULT FOR THE YEAR		(17,214)	79,315	1,712	96,052

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

The Royal Children's Hospital Balance sheet

As at 30 June 2015

	Note	Parent entity 2015 \$'000	Parent entity 2014 \$'000	Consolidated 2015 \$'000	Consolidated 2014 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	6	26,480	34,420	47,791	52,101
Receivables	7	19,689	19,309	17,441	19,490
Investments and other financial assets	8	-	-	44,399	55,842
Inventories	9	1,257	1,097	1,307	1,107
Prepayments		954	1,112	1,005	1,149
Total current assets		48,380	55,938	111,943	129,691
Non-current assets					
Receivables	7	19,141	16,419	19,141	16,419
Investments and other financial assets	8	22,143	20,792	102,725	92,789
Property, plant and equipment	10	1,194,684	1,131,714	1,204,525	1,137,052
Intangible assets	11	40,288	31,126	54,208	31,284
Investment properties	12	4,755	4,755	4,755	4,755
Total non-current assets		1,281,011	1,204,805	1,385,355	1,282,299
TOTAL ASSETS		1,329,391	1,260,743	1,497,298	1,411,989
LIABILITIES					
Current liabilities					
Payables ⁽ⁱ⁾	13	22,682	34,135	26,190	34,363
Provisions	14	98,162	94,704	98,707	95,153
Borrowings	15	794	383	794	383
Other current liabilities ⁽ⁱⁱ⁾	16	11,905	6,096	3,418	5,189
Total current liabilities		133,543	135,318	129,110	135,088
Non-current liabilities					
Provisions	14	13,698	13,141	13,859	13,374
Borrowings	15	1,120,029	1,014,997	1,120,029	1,014,997
Other non-current liabilities	16	3,053	3,402	5,022	3,402
Total non-current liabilities		1,136,781	1,031,540	1,138,910	1,031,772
TOTAL LIABILITIES		1,270,324	1,166,858	1,268,020	1,166,860
NET ASSETS		59,068	93,886	229,277	245,129
EQUITY					
Property plant and equipment revaluation surplus	18a	172,035	164,735	175,330	168,030
Financial asset available for sale revaluation surplus	18a	675	798	17,768	18,658
Restricted specific purpose surplus ⁽ⁱⁱⁱ⁾	18a	5,106	5,048	84,375	78,436
Contributed capital	18b	91,315	108,919	91,315	108,919
Accumulated deficit ⁽ⁱⁱⁱ⁾	18c	(210,064)	(185,615)	(139,511)	(128,914)
TOTAL EQUITY		59,068	93,886	229,277	245,129
Commitments	22				
Contingent assets and contingent liabilities	23				

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

(i) Reclassification (by \$1,306k) of employee salary packaging from 'Other Liabilities' to 'Payables' as per guidelines issued by Department of Health and Human Services.

(ii) Reclassifications (by \$19,420k) between Restricted specific purpose surplus and Accumulated deficit to align consolidated equity with Royal Children's Hospital Foundation equity classification in the Annual Financial Report.

The Royal Children's Hospital Statement of changes in equity

For the year ended 30 June 2015

	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 2013 – restated⁽ⁱ⁾							
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) ⁽ⁱⁱ⁾	18c	-	-	1,379	-	(1,379)	-
Contributed capital	18b	-	-	-	490	-	490
Balance at 30 June 2014 – restated⁽ⁱ⁾		168,030	18,658	78,436	108,919	(128,914)	245,130
Net result for the year	18c	-	-	-	-	(5,871)	(5,871)
Other comprehensive income for the year	18a	8,474	(890)	-	-	-	7,584
Transfer to accumulated surplus/(deficit)	18c	(1,174)	-	5,939	-	(4,725)	40
Contributed capital	18b	-	-	-	(17,605)	-	(17,605)
Balance at 30 June 2015		175,330	17,768	84,375	91,315	(139,510)	229,277
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 2013							
Net result for the year		-	-	-	-	(67,278)	(67,278)
Other comprehensive income for the year		146,807	(213)	-	-	-	146,593
Transfer to accumulated surplus/(deficit)		-	-	407	-	(407)	-
Contributed capital		-	-	-	490	-	490
Balance at 30 June 2014		164,735	798	5,048	108,919	(185,615)	93,886
Net result for the year		-	-	-	-	(25,565)	(25,565)
Other comprehensive income for the year		8,474	(123)	-	-	-	8,351
Transfer to accumulated surplus/(deficit)		(1,174)	-	58	-	1,116	-
Contributed capital		-	-	-	(17,605)	-	(17,605)
Balance at 30 June 2015		172,035	675	5,106	91,315	(210,064)	59,068

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

(i) Restated due to reclassifications between restricted specific purpose surplus and accumulated deficit to align consolidated equity with The Royal Children's Hospital Foundation equity classification in the Annual Financial Report.

1 July 2013 balances for restricted specific purpose surplus and accumulated deficit reclassified by \$24,861k.

Transferred to accumulated surplus/(deficit) for 2014 reclassified by \$5,442k.

30 June 2014 balances for restricted specific purpose surplus and accumulated deficit reclassified by \$19,420k.

The Royal Children's Hospital

Cash flow statement

For the year ended 30 June 2015

	Note	Parent entity 2015 \$'000	Parent entity 2014 \$'000	Consolidated 2015 \$'000	Consolidated 2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating grants from government		390,997	365,600	394,099	368,600
Patient fees received		19,096	17,739	19,096	17,757
Private practice fees received		29,470	29,407	29,470	29,407
Donations and bequests received		26,852	14,582	23,166	23,175
GST received from/(paid to) ATO		9,441	6,666	10,325	7,655
Interest received		2,690	1,483	20,367	5,079
Other receipts		39,343	42,697	51,798	42,182
Total receipts		517,889	478,174	548,321	493,855
Employee expenses paid ⁽ⁱ⁾		(388,501)	(361,944)	(392,849)	(366,242)
Fee for Service Medical Officers		(2,711)	(2,901)	(2,711)	(2,901)
Payments for supplies and consumables		(77,724)	(60,632)	(78,324)	(62,159)
Finance cost		(1,553)	(860)	(1,553)	(860)
Other payments		(55,543)	(51,795)	(71,731)	(61,041)
Total payments		(526,032)	(478,133)	(547,168)	(493,202)
Cash generated from/(used in) operations		(8,143)	41	1,152	653
Capital grants from government		13,444	(1,049)	13,444	(1,049)
Other capital receipts		-	-	(2,200)	-
Capital donations and bequests received		2,681	1,384	-	317
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	19	7,982	376	12,396	(79)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for non-financial assets		(15,964)	(5,483)	(30,596)	(5,735)
Proceeds from sale of non financial assets		41	42	41	23
Purchase of investments		-	(5,000)	(16,705)	(18,567)
Proceeds from sale of investments		-	5,050	30,553	8,869
Cash in former subsidiary		-	-	-	(167)
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		(15,922)	(5,391)	(16,707)	(15,578)
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⁽ⁱ⁾		(7,940)	(4,851)	(4,311)	(15,493)
Cash and cash equivalents at the beginning of financial year		34,420	39,271	52,102	67,595
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	6	26,480	34,420	47,791	52,102

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

(i) As per guidelines issued by Department of Health and Human Services for Annual financial report presentation, the RCH has presented the employee salary packaging monies under cash and cash equivalent. This change has resulted in comparative figure change on employee expenses paid line and net increase/(decrease) in cash and cash equivalents held for 2014 period. The change in value is by \$1,550k.

Notes to the Financial Statements

30 June 2015

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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 2015. The purpose of the report is to provide users with information about The Royal Children's Hospital's 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 19 August 2015.

(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 2015, and the comparative information presented in these financial statements for the year ended 30 June 2014.

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 and Human Services. The Department of Health and Human Services 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 2016. 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 in 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 10 Consolidated Financial Statements:

- 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 2015, and their income and expenses for that part of the reporting period in which control existed; and
- the consolidated financial statements exclude bodies of The Royal Children's Hospital that are not controlled by The Royal Children's Hospital, and therefore are not consolidated.

Control exists when The Royal Children's Hospital has the power to govern the financial and operating policies of a Health Service so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The consolidated financial statements include the audited financial statements of the controlled entities listed in Note 26.

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.

Entities consolidated into The Royal Children's Hospital reporting entity include audited results of below 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

Interests in jointly controlled assets or operations are not consolidated by The Royal Children's Hospital but are accounted for in accordance with the policy outlined in Note 1(k): Financial 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 fundraising 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 Human Services 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 Human Services and the Victorian Government to measure the operating performance of The Royal Children's Hospital.

Capital and specific items, which are excluded from this subtotal, 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;
- 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);
- 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.

Note 1: Summary of significant accounting policies (continued)

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.

Comparative information

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

- Comparative numbers have been changed between restricted special purpose surplus and accumulated surpluses/(deficit) to align the equity presentation with The Royal Children's Hospital Foundation's Annual Financial Report presentation. Due to above consolidated balance sheet, consolidated statement of changes in equity and Note 18 for equity has been changed. Please refer to these notes for more details.
- As per guidelines issued by Department of Health and Human Services for Annual Financial Report presentation and disclosure purposes, the RCH has presented the employee salary packaging monies under cash and cash equivalent. This change has impacted the comparative numbers in balance sheet, cash flow statement, payables (Note 13) and other liabilities (Note 16). Please refer to these notes for further details.
- In Note 11: Comparative numbers for 2014 have been changed by \$317k between amortisation for software and car park revenue rights.

(f) Changes in accounting policies

Subsequent to the 2013-14 reporting period, the following new and revised Standards have been adopted for the first time in the current period with their financial impacts disclosed.

AASB 10 Consolidated Financial Statements

AASB 10 provides a new approach to determine whether an entity has control over another entity, and therefore must present consolidated financial statements. The new approach requires the satisfaction of **all three** criteria for control to exist over an entity for financial reporting purposes:

- (a) The investor has power over the investee;
- (b) The investor has exposure, or rights to variable returns from its involvement with the investee; and
- (c) The investor has the ability to use its power over the investee to affect the amount of investor's returns.

Based on the new criteria prescribed in AASB 10, The Royal Children's Hospital has reviewed the existing arrangements to determine if there are any additional entities that need to be consolidated into the group.

Based on the reviews conducted there are no changes to the number of consolidating entities.

AASB 11 Joint Arrangements

In accordance with AASB 11, there are two types of joint arrangements, i.e. joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportionate consolidation of joint ventures is no longer permitted.

The Royal Children's Hospital has reviewed its existing contractual arrangements with other entities to ensure they are aligned with the new classifications under AASB 11 and found no change.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 *Disclosure of Interests in Other Entities* prescribes the disclosure requirements for an entity's interests in subsidiaries, associates and joint arrangements; and extends to the entity's association with unconsolidated structured entities.

The Royal Children's Hospital has disclosed information about its interests in associates and joint ventures, including any significant judgement and assumptions used in determining the type of joint arrangement in which it has an interest.

(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 and Human Services

Insurance and outsourced contributions for the Public Private Partnership are recognised as revenue following advice from the Department of Health and Human Services.

Long Service Leave (LSL) – revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Metropolitan Health and Aged Care Services Division Hospital Circular 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 and Human Services.

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	2015	2014
Buildings		
– Structure shell building fabric	30 – 60 years	30 – 60 years
– Site engineering services and site works	30 – 40 years	30 – 40 years
Central plant		
– Fit out	25 – 30 years	25 – 30 years
– Trunk reticulated building systems	30 years	30 years
Plant and equipment (non medical)	3 – 7 years	3 – 7 years
Medical equipment	7 – 15 years	7 – 15 years
Computers and communication	3 years	3 years
Furniture and fittings	13 years	13 years
Motor vehicles	10 years	10 years
Leasehold improvements	4 – 8 years	4 – 8 years

Note 1: Summary of significant accounting policies (continued)

PPP assets	2015	2014
Buildings		
– Structure shell building fabric	60 years	60 years
– Site engineering services and site works	40 years	40 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 (2014: 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);
- finance charges in respect of finance leases recognised by The Royal Children’s Hospital on behalf of the State of Victoria in accordance with AASB 117 *Leases*.

Other operating expenses

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

- supplies and consumables, which are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.
- 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 *Borrowing Costs* 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).

- 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 *Financial Instruments: Presentation*. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract.

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

The following refers to financial instruments unless otherwise stated.

Financial assets at fair value through profit 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 of 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 and Human Services’ obligations to the Children’s Health Partnership for the Quarterly Service Payment (QSP) for The 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.

Note 1: Summary of significant accounting policies (continued)

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.

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.

Artwork

Measured at full value less any impairment based on analysis of sale of comparable objects.

Restrictive nature of cultural and heritage assets, Crown land and other non-current physical assets

During the reporting period, The Royal Children’s Hospital held artwork, Crown land and other non-current physical 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 103F *Non Current Physical Assets*. This revaluation process normally occurs at least every five years, based upon the asset’s Government Purpose Classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations and any interim revaluations are determined in accordance with the requirements of the FRDs. Revaluation increments or decrements arise from differences between an asset’s carrying 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 derecognition of the relevant asset.

In accordance with FRD 103F, 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 rights.

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;
- 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 joint operations

In respect of any interest in joint operations, 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 per cent or more than its cost price or where its fair value has been less than its cost price for a period of 12 or more months, the financial asset is treated as impaired.

In order to determine an appropriate fair value as at 30 June 2015 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*.

Note 1: Summary of significant accounting policies (continued)

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.

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 and Human Services.

The Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, present value of the minimum lease payment, each determined at the inception of the lease. Minimum lease payments are apportioned between reduction of the outstanding lease liability, and the periodic finance expense which is calculated using the interest rate implicit in the lease, and charged directly to the comprehensive operating statement.

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

Operating leases

Entity as lessor

Rental income from operating lease(s) 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.

Note 1: Summary of significant accounting policies (continued)

(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 acute and subacute admitted patient services, where services are delivered in public hospitals.

Mental health services (mental health) comprises all specialised mental health services providing a range of inpatient and ambulatory services which treat and support people with a mental illness and their families and carers. These services aim to identify mental illness early, and seek to reduce its impact through providing timely acute care services and support for those living with a mental illness.

Non admitted services comprises acute and subacute non admitted services, where services are delivered in public hospital clinics and provide models of integrated community care, which significantly reduces the demand for hospital beds and supports the transition from hospital to home in a safe and timely manner.

Emergency department services (EDS) comprises all emergency department services.

Primary, community and dental health comprises a range of home based, community based, community, primary health and dental services including health promotion and counselling and a range of dental health services.

Other services not reported elsewhere (other) comprises services not separately classified above, including laboratory testing, clinical services, allied health, junior medical training and various support services. Health and Community Initiatives also falls into this category group.

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

As at 30 June 2015, 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>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The 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 14 <i>Regulatory Deferral Accounts</i> #	AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP.	1 Jan 2016	The assessment has indicated that there is no expected impact , as those that conduct rate-regulated activities have already adopted Australian Accounting Standards.
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2017 (Exposure draft 263 – potential deferral to 1 Jan 2018)	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. A potential impact will be the upfront recognition of revenue from licenses that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening returned earnings if there are no former performance obligations outstanding.
AASB 1056 <i>Superannuation Entities</i> #	AASB 1056 replaces AAS 25 <i>Financial Reporting by Superannuation Plans</i> . The standard was developed in light of changes in recent years, developments in the superannuation industry and Australia's adoption of IFRS. Some of the key changes in AASB 1056 include: <ul style="list-style-type: none">the level of integration between AASB 1056 and other AASB standardsa revised definition of a superannuation entityrevised and consistent content for the financial statementsuse of fair value rather than net market value for measuring assets and liabilitiesrevised member liability recognition and measurement requirementsrevised disclosure principles.	1 July 2016	The assessment has indicated that there will be no impact on the entity, as the Accounting Standard only affects superannuation entities' own reporting.
AASB 2014 1 <i>Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.

Standard/interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2014 4 <i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation</i> [AASB 116 & AASB 138]	Amends AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> to: <ul style="list-style-type: none">• establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset;• prohibit the use of revenue based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset.	1 Jan 2016	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.
AASB 2014 9 <i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements</i> [AASB 1, 127 and 128]	Amends AASB 127 <i>Separate Financial Statements</i> to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 Jan 2016	The assessment indicates that there is no expected impact as the entity will continue to account for the investments in subsidiaries, joint ventures and associates using the cost method as mandated if separate financial statements are presented in accordance with FRD 113A.
AASB 2014 10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> [AASB 10 and AASB 128]	AASB 2014-10 amends AASB 10 <i>Consolidated Financial Statements</i> and AASB 128 <i>Investments in Associates</i> to ensure consistent treatment in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that: <ul style="list-style-type: none">• a full gain or loss to be recognised by the investor when a transaction involves a business (whether it is housed in a subsidiary or not); and• a partial gain or loss to be recognised by the parent when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	1 Jan 2016	The assessment has indicated that there is limited impact, as the revisions to AASB 10 and AASB 128 are guidance in nature.
AASB 2015 6 <i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</i> [AASB 10, AASB 124 and AASB 1049]	The Amendments extend the scope of AASB 124 <i>Related Party Disclosures</i> to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 Jan 2016	The amending standard will result in extended disclosures on the entity’s key management personnel (KMP), and the related party transactions.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2014–15 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.

- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*
- AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
- AASB 2014 1 *Amendments to Australian Accounting Standards [PART D – Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts only]*#
- AASB 2014 3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]*
- AASB 2014 5 *Amendments to Australian Accounting Standards arising from AASB 15*
- AASB 2014 6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]*
- AASB 2014 7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*
- AASB 2014 8 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]*
- AASB 2015 2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]*
- AASB 2015 3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*
- AASB 2015 4 *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent [AASB 127, AASB 128]*#
- AASB 2015 5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12, AASB 128]*#

This standard or amendment may not be relevant to Victorian not-for-profit entities when operative.

Note 2: Analysis of revenue by source

Consolidated	Admitted patients 2015 \$'000	Non-admitted 2015 \$'000	EDs 2015 \$'000	Mental health 2015 \$'000	Primary health 2015 \$'000	Other 2015 \$'000	Total 2015 \$'000
Government grants	288,322	55,345	18,708	16,761	390	3,874	383,401
Commonwealth government	6,716	1,679	-	200	-	543	9,139
Indirect contributions by Department of Health and Human Services	2,910	47	-	-	-	28,516	31,472
Patient fees	18,441	203	-	-	-	-	18,644
Research and program grants	240	34	-	51	561	3,069	3,956
Recoupment from private practice for use of hospital facilities	12,330	3,074	-	-	-	-	15,404
Corporate services	179	45	-	-	-	-	223
Pathology	6,047	1,512	-	-	-	-	7,558
Business units and specific purpose funds	-	-	-	-	-	56,029	56,029
Other revenue from operating activities	8,030	2,732	36	112	616	11,984	23,511
Total revenue from operating activities	343,215	64,671	18,744	17,125	1,567	104,016	549,337
Interest and dividends	-	-	-	-	-	14,228	14,228
Other revenue from non-operating activities	-	-	-	-	-	-	-
Total revenue from non-operating activities	-	-	-	-	-	14,228	14,228
Capital purpose income (excluding interest)	-	-	-	-	-	62,575	62,575
Total capital purpose income	-	-	-	-	-	62,575	62,575
Available-for-sale revaluation surplus gain/(loss) recognised	-	-	-	-	-	5,303	5,303
Total revenue	343,215	64,671	18,744	17,125	1,567	186,122	631,444

Consolidated	Admitted patients 2014 \$'000	Non-Admitted 2014 \$'000	EDs 2014 \$'000	Mental health 2014 \$'000	Primary health 2014 \$'000	Other 2014 \$'000	Total 2014 \$'000
Government grants	267,441	54,031	16,168	15,981	2,858	4,825	361,304
Commonwealth government	4,767	1,192	-	18	-	2,379	8,356
Indirect contributions by Department of Health and Human Services	4,334	49	-	-	-	16,579	20,962
Patient fees	14,440	151	-	-	-	2,534	17,125
Research and program grants	135	17	-	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
Business units and specific purpose funds	-	-	-	-	-	50,234	50,234
Other revenue from operating activities	10,135	3,475	124	411	130	8,935	23,210
Total revenue from operating activities	319,057	63,354	16,291	16,434	3,444	85,426	504,006
Interest and dividends	-	-	-	-	-	9,940	9,940
Other revenue from non-operating activities	-	-	-	-	-	1,274	1,274
Total revenue from non-operating activities	-	-	-	-	-	11,214	11,214
Capital purpose income (excluding interest)	-	-	-	-	-	11,943	11,943
Total capital purpose income	-	-	-	-	-	11,943	11,943
Specific Income	-	-	-	-	-	9,717	9,717
Available-for-sale revaluation surplus gain/(loss) recognised	-	-	-	-	-	534	534
Total revenue	319,057	63,354	16,291	16,434	3,444	118,835	537,415

Indirect contributions by Department of Health and Human Services: Department of Health and Human Services 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 2a: Net gain/(loss) on disposal of non-financial assets

	Consolidated 2015 \$'000	Consolidated 2014 \$'000
Proceeds from disposal of non-current assets		
Land	-	42
Medical equipment	41	-
Total proceeds from disposal of non-current assets	41	42
Less: written down value of non-current assets disposed		
Land	-	50
Furniture and fittings	-	493
Plant and equipment	-	75
Medical equipment	93	86
Motor vehicles	-	19
Artwork	-	62
Computers and communications	2	17
Total written down value of non-current assets sold	95	802
Net gain/(loss) on disposal of non-financial assets	(54)	(760)

Note 2b: Specific income

	Consolidated 2015 \$'000	Consolidated 2014 \$'000
Specific income		
Revaluation increment of non current assets - artwork	-	150
Revaluation increment of non current assets - buildings	-	9,567
Total	-	9,717

Note 3: Analysis of expenses by source

	Admitted patients 2015 \$'000	Non-admitted 2015 \$'000	EDs 2015 \$'000	Mental health 2015 \$'000	Primary health 2015 \$'000	Other 2015 \$'000	Total 2015 \$'000
Consolidated							
Employee expenses	263,661	38,538	22,872	12,984	10,249	35,658	383,962
Non-salary labour costs	7,305	4,629	201	860	92	5,906	18,992
Supplies and consumables	51,877	8,172	1,292	127	16	2,517	64,000
Other expenses	46,930	11,505	416	835	1,848	14,899	76,433
Total expenditure from operating activities	369,773	62,844	24,780	14,805	12,206	58,979	543,387
Expenditure for Capital Purposes	-	-	-	-	-	2,401	2,401
Derecognition of subsidiary	-	-	-	-	-	-	-
Depreciation and amortisation (refer Note 4)	-	-	-	-	-	39,843	39,843
Finance lease interest expense	-	-	-	-	-	51,685	51,685
Total other expenses	-	-	-	-	-	93,929	93,929
Total expenses	369,773	62,844	24,780	14,805	12,206	152,908	637,316

	Admitted patients 2014 \$'000	Non-Admitted 2014 \$'000	EDs 2014 \$'000	Mental health 2014 \$'000	Primary health 2014 \$'000	Other 2014 \$'000	Total 2014 \$'000
Consolidated							
Employee expenses	244,351	36,916	21,281	12,539	9,653	35,478	360,218
Non-salary labour costs	8,135	4,741	232	825	(4)	5,576	19,506
Supplies and consumables	46,329	7,463	1,192	148	10	2,477	57,620
Other expenses	37,645	9,188	404	888	2,230	17,950	68,305
Total expenditure from operating activities	336,460	58,309	23,108	14,400	11,890	61,481	505,648
Expenditure for capital purposes	-	-	-	-	-	391	391
Derecognition of subsidiary	-	-	-	-	-	152	152
Depreciation and amortisation (refer Note 4)	-	-	-	-	-	43,694	43,694
Finance lease interest expense	-	-	-	-	-	46,814	46,814
Total other expenses	-	-	-	-	-	91,052	91,052
Total expenses	336,460	58,309	23,108	14,400	11,890	152,533	596,700

Note 3a: Analysis of revenue and expenses by internally managed and restricted specific purpose funds

	Expense ⁽ⁱ⁾		Revenue ⁽ⁱ⁾	
	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Consolidated 2015 \$'000	Consolidated 2014 \$'000
Commercial activities				
Private practice activities	14,893	12,641	18,065	17,672
Car park	1,375	809	8,889	7,345
Property expense/revenue	16	11	450	407
Child Health and Information Centre	216	134	229	141
Early Learning Centre	2,621	2,363	2,991	2,626
Educational Resource Centre	574	490	767	748
Safety Centre	1	8	2	8
Other activities				
Research and scholarship	11,007	6,538	11,087	6,613
Departmental and general purpose funds	12,332	23,787	13,549	14,673
Total	43,034	46,781	56,029	50,234

(i) Restricted and internally managed specific purpose funds revenue and expenses are classified as 'other' in Note 2 and Note 3 respectively.

Note 4: Depreciation and amortisation

	Consolidated 2015 \$'000	Consolidated 2014 \$'000
Depreciation		
Buildings	798	1,259
Plant and equipment	577	49
Medical equipment ⁽ⁱ⁾	8,730	12,764
Computers and communication ⁽ⁱ⁾	1,718	4,739
Furniture and equipment	62	96
Motor vehicles	42	48
Leased buildings	22,826	20,226
Leased fittings	1,446	1,446
Leased equipment ⁽ⁱ⁾	1,165	(173)
Total depreciation	37,364	40,454
Amortisation		
Intangible assets	2,480	3,240
Total amortisation	2,480	3,240
Total depreciation and amortisation	39,843	43,694

(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

	Consolidated 2015 \$'000	Consolidated 2014 \$'000
Interest expense on TCV loan	1,170	860
Finance charges on PPP lease ⁽ⁱ⁾	50,515	46,814
Total finance costs	51,685	47,674

(i) Finance charges in respect of assets contracted under the PPP arrangement, are reported 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.

	Consolidated 2015 \$'000	Consolidated 2014 \$'000
Cash on hand	8	8
Monies held in trust	387	1,550
Monies held on behalf of employees (salary packaging)	2,947	1,307
Cash at bank	40,678	3,265
Deposits at call	3,598	16,843
Fixed deposits	173	29,129
Total cash and cash equivalents	47,791	52,101
Represented by:		
Cash for health service operations (as per cash flow statement) ⁽ⁱ⁾	47,791	52,101
Total cash and cash equivalents	47,791	52,101

(i) Cash for health service operations includes cash held for capital commitments, operating commitments and salary packaging monies held on behalf of employees.

Note 7: Receivables

	Consolidated 2015 \$'000	Consolidated 2014 \$'000
CURRENT		
Contractual		
Inter hospital debtors	1,710	1,782
Trade debtors	3,457	3,635
Patient fees	6,513	4,281
Accrued investment income	222	1,201
Diagnostic debtors	940	1,203
Sundry debtors	5,173	6,735
Less allowance for doubtful debts		
Trade debtors	32	359
Patient fees	729	488
Sundry debtors	22	22
Diagnostic debtors	76	82
	17,155	17,886
Statutory		
GST receivable	-	622
Accrued revenue Department of Health and Human Services	114	-
Victorian Health Funding Pool	172	982
Total current receivables	17,441	19,490
NON-CURRENT		
Contractual		
Intra hospital	163	163
Statutory		
Accrued revenue Department of Health and Human Services	18,978	16,256
Total non-current receivables	19,141	16,419
Total receivables	36,582	35,909
(a) Movement in allowance for doubtful debts		
Balance at the beginning of the year	951	1,310
Amounts written off during the year	(165)	(74)
Increase/(decrease) in allowance recognised in net result	74	(285)
Balance at the end of the year	859	951
(b) Ageing analysis of receivables		
Please refer Note 21b for the ageing analysis of contractual financial assets.		
(c) Nature and extent of risk arising from receivables		
Please refer Note 21b for the nature and extent of credit risk arising from contractual financial assets.		

Note 8: Investments and other financial assets

	Operating fund		Consolidated	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
CURRENT				
Held for trading – at fair value through profit or loss				
Managed funds ⁽ⁱ⁾	-	-	44,399	46,530
Term deposit	-	-	-	9,312
Total current	-	-	44,399	55,842
NON-CURRENT				
Available for sale – at fair value through other comprehensive income				
Managed funds ⁽ⁱ⁾	22,143	20,792	102,725	92,789
Total non-current	22,143	20,792	102,725	92,789
Total investments and other financial assets	22,143	20,792	147,123	148,631
Represented by:				
Health service investments	22,143	20,792	22,143	20,792
Investments held by The Royal Children's Hospital Foundation ⁽ⁱ⁾			124,980	127,840
Total investments and other financial assets	22,143	20,792	147,123	148,631

(i) The managed funds consists of investments held by The Royal Children's Hospital (RCH) and The Royal Children's Hospital Foundation (RCHF). The RCHF is consolidated into the RCH for reporting purposes as it is the ultimate beneficiary of the RCHF.

The RCHF is registered under the Australian Charities and Not-for-profits Commission and is not subject to reporting requirements under the *Financial Management Act 1994* or Standing Directions from the Minister for Finance or the directions from the Minister for Health under the *Health Services Act 1988*.

(a) Ageing analysis of receivables

Please refer Note 21b for the ageing analysis of investments and other financial assets.

(b) Nature and extent of risk arising from receivables

Please refer Note 21b for the nature and extent of credit risk arising from investments and other financial assets.

Note 9: Inventories

	Consolidated 2015 \$'000	Consolidated 2014 \$'000
Pharmaceuticals – at cost	1,257	1,097
Gift shop – at cost	51	10
Total inventories	1,307	1,107

Note 10: Property, plant and equipment

(a) Gross carrying amount and accumulated depreciation

	Consolidated 2015 \$'000	Consolidated 2014 \$'000
Land		
Crown land at fair value for hospital use	72,679	66,132
Crown land at fair value to be returned to park land ⁽ⁱ⁾	-	17,605
Freehold	19,247	17,250
Total land	91,926	100,986
Buildings		
Buildings at fair value	40,239	35,162
Less accumulated depreciation	1,296	-
Total buildings	38,943	35,162
Plant and equipment		
Plant and equipment at fair value	2,176	784
Less accumulated depreciation	960	417
Total plant and equipment	1,216	367
Medical equipment		
Medical equipment at fair value	78,916	78,237
Less accumulated depreciation	54,559	46,807
Total medical equipment	24,357	31,430
Computers and communication		
Computers and communication at fair value	11,163	10,897
Less accumulated depreciation	9,761	8,875
Total computers and communications	1,402	2,023
Furniture and fittings		
Furniture and fittings at fair value	402	280
Less accumulated depreciation	139	130
Total furniture and fittings	263	150
Motor vehicles		
Motor vehicles at fair value	454	454
Less accumulated depreciation	196	155
Total motor vehicles	257	299
Artwork		
Artwork at fair value	816	814
Total artwork	816	814
Public Private Partnership (PPP) assets		
Leased buildings	999,051	900,525
Less accumulated depreciation	22,826	-
Total leased buildings	976,225	900,525
Leased fittings	48,274	48,274
Less accumulated depreciation	5,060	3,614
Total leased fittings	43,214	44,660
Leased equipment	28,529	22,095
Less accumulated depreciation	3,409	2,244
Total leased equipment	25,120	19,850
Leased cultural assets	785	785
Total leased cultural assets	785	785
Total leased assets	1,045,343	965,821
Total PPP assets	1,045,343	965,821
Total property, plant and equipment	1,204,525	1,137,052

(i) Land for the old hospital site (Crown allotment 2634 parish Jika Jika) has been transferred to Department of Health and Human Services as per Victorian Government Gazette on 25 February 2015. The value of the land was \$17,605k.

Note 10: Property, plant and equipment (continued)

(b) Reconciliations of the carrying amounts of each class of assets

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 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 1 July 2014	100,986	35,162	367	31,430	2,023	150	299	814	965,821	1,137,052
Additions	-	4,578	1,432	1,583	1,202	185	-	3	105,698	114,680
Disposals	(17,605)	-	-	(93)	(2)	-	-	-	-	(17,700)
Derecognition	-	-	-	-	-	-	-	-	-	-
Net transfers between classes	-	-	(6)	167	(152)	(9)	-	-	(736)	(736)
Revaluation increments/(decrements)	8,545	-	-	-	-	-	-	-	-	8,545
Depreciation and amortisation (Note 4)	-	(798)	(578)	(8,730)	(1,669)	(62)	(42)	-	(25,437)	(37,316)
Balance at 30 June 2015	91,926	38,942	1,215	24,357	1,402	263	257	816	1,045,346	1,204,525

The RCH on behalf of the State of Victoria records the Public Private Partnership (PPP) assets and any other additions and improvement to the PPP assets.

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 effective date of the valuation is 30 June 2014.

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

Land for the old hospital site (Crown allotment 2634 parish Jika Jika) has been transferred to Department of Health and Human Services as per Victorian Government Gazette on 25 February 2015. The value of the land was \$17,605k.

In June 2015 a managerial valuation was carried out in accordance with Financial Reporting Direction 103F to revalue the land to its fair value.

Below information provided by the Department of Health and Human Services in relation to 2014 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 and Human Services of the various leased asset components.

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

Consolidated	Carrying amount as at 30 June 2015	Fair value measurement at end of reporting period using ⁽ⁱ⁾ :		
		Level 1	Level 2	Level 3
Land at fair value				
Non-specialised land	19,247	-	19,247	-
Specialised land	72,679	-	-	72,679
Total of land at fair value	91,926			
Buildings at fair value				
Specialised buildings	38,943	-	16,861	22,082
Total of building at fair value	38,943			
Plant and equipment at fair value				
Plant equipment and vehicles at fair value				
- Vehicles	257	-	-	257
- Plant and equipment	1,216	-	-	1,216
- Furniture and fittings	263	-	-	263
- Computers and communication	1,402	-	-	1,402
Total of plant, equipment and vehicles at fair value	3,139			
Medical equipment at fair value				
Medical equipment	24,357	-	-	24,357
Total medical equipment at fair value	24,357			
Artwork at fair value				
Artwork	816	-	816	-
Total artwork at fair value	816			
PPP assets at fair value				
Leased buildings	976,225	-	-	976,225
Leased fittings	43,214	-	-	43,214
Leased equipment	25,120	-	-	25,120
Leased cultural assets	785	-	785	-
Total PPP assets at fair value	1,045,343			
Total	1,204,525	-	37,709	1,166,816

Note 10: Property, plant and equipment (continued)

Consolidated	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				
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.

In June 2015 a managerial valuation was carried out in accordance with Financial Reporting Direction 103F to revalue the land to its fair value.

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.

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.

In June 2015 a managerial valuation was carried out in accordance with Financial Reporting Direction 103F to revalue the land to its fair value.

Land for the old hospital site (Crown allotment 2634 parish Jika Jika) has been transferred to Department of Health and Human Services as per Victorian Government Gazette on 25 February 2015. The value of the land was \$17,605k.

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 2015.

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⁾

Consolidated 2015	Land	Buildings	Plant and equipment	Medical equipment	PPP assets
Opening balance	83,737	22,495	2,848	31,430	965,036
Purchases (sales)	-	-	2,807	1,490	105,698
Reclassification	-	-	(167)	167	47
Transfers in (out) of Level 3	-	-	-	-	(785)
Gains or losses recognised in net result					
- Depreciation	-	(413)	(2,351)	(8,730)	(25,437)
- Impairment loss	-	-	-	-	-
Subtotal	83,737	22,082	3,138	24,357	1,044,559
Items recognised in other comprehensive income					
- Revaluation	(11,057)	-	-	-	-
Subtotal	(11,057)	-	-	-	-
Closing balance	72,679	22,082	3,138	24,357	1,044,559

Consolidated 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.

Note 10: Property, plant and equipment (continued)

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

2015	Valuation technique ⁽ⁱ⁾	Significant unobservable inputs ⁽ⁱ⁾	Range (weighted average) ⁽ⁱ⁾	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%)	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/m ² (\$2,157)	A significant increase or decrease in direct cost per square metre 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 Furniture and fittings Computers and communication	Depreciated historical cost used as a reasonable proxy for depreciated replacement cost	Useful life of PP&E	3 – 7 years 13 years 3 years	A significant increase (decrease) in the estimated useful life of the assets would result in a significantly higher (lower) fair value.
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 metre	\$1,541 – \$2,724/m ² (\$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	

(i) There is no change to the significant unobservable inputs to Level 3 valuations from prior year.

Note 11: Intangible assets

	Consolidated 2015 \$'000	Consolidated 2014 \$'000
Software	26,035	14,420
Less accumulated amortisation ⁽ⁱ⁾	12,966	11,759
	13,069	2,661
Car park revenue rights ⁽ⁱⁱ⁾	30,000	30,000
Less accumulated amortisation ⁽ⁱ⁾	2,649	1,377
	27,351	28,623
Prepaid rent	14,000	-
Less accumulated amortisation	212	-
	13,788	-
Total intangible assets	54,208	31,284

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 2013	29,916	3,601	33,517
Additions	-	1,007	1,007
Amortisation (Note 4) ⁽ⁱ⁾	(1,293)	(1,946)	(3,240)
Balance at 1 July 2014	28,623	2,662	31,284
Additions	-	11,616	11,616
Amortisation (Note 4)	(1,272)	(1,207)	(2,480)
Balance at 30 June 2015	27,351	13,070	40,421

(i) Comparative numbers for 2014 have been changed by \$317k between amortisation for software and car park revenue rights.

(ii) 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. The rights for this revenue are financed by way of a long-term loan from the Treasury Corporation of Victoria (TCV).

Note 12: Investment properties

(a) Movements in carrying value for investment properties

	Consolidated 2015 \$'000	Consolidated 2014 \$'000
Balance at the beginning of the year	4,755	3,531
Additions	-	-
Disposals	-	50
Net gain from fair value adjustments	-	1,175
Balance at the end of the year	4,755	4,755

(b) Fair value measurement hierarchy for investment properties

Consolidated	Carrying amount as at 30 June 2015	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	-

Consolidated	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

	Consolidated 2015 \$'000	Consolidated 2014 \$'000
CURRENT		
Contractual		
Trade creditors	7,213	11,599
Accrued expenses	7,412	10,692
Deposits	39	36
Sundry creditors ⁽ⁱ⁾	7,568	4,029
	22,232	26,356
Statutory		
GST Payable	254	-
Superannuation and workcover	3,704	3,309
Department of Health and Human Services	-	4,698
	3,958	8,007
Total current payables	26,190	34,363

(i) Reclassification of employee salary packaging from 'Other Liabilities' to 'Payables' as per guidelines issued by Department of Health and Human Services.

(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: Provisions

	Consolidated 2015 \$'000	Consolidated 2014 \$'000
CURRENT PROVISIONS		
Employee benefits		
Accrued wages and salaries		
– unconditional and expected to be settled within 12 months (nominal value)	9,248	14,887
Accrued days off		
– unconditional and expected to be settled within 12 months (nominal value)	773	695
Annual leave		
– unconditional and expected to be settled within 12 months (nominal value)	25,369	20,083
– unconditional and expected to be settled after 12 months (present value)	4,003	6,331
Long service leave		
– unconditional and expected to be settled within 12 months (nominal value)	4,821	4,849
– unconditional and expected to be settled after 12 months (present value)	45,266	40,389
	89,480	87,234
Provisions related to employee benefit on-costs		
– unconditional and expected to be settled within 12 months (nominal value)	3,561	2,739
– unconditional and expected to be settled after 12 months (present value)	5,666	5,179
	9,227	7,919
Total current provisions	98,707	95,153
NON-CURRENT PROVISIONS		
Employee benefits	12,430	12,037
Provisions related to employee benefit on-costs	1,429	1,337
Total non current provisions	13,859	13,374
Total provisions	112,566	108,527
(a) Employee benefits and related on-costs		
CURRENT EMPLOYEE BENEFITS AND RELATED ON-COSTS		
Unconditional long service leave entitlements	55,847	50,222
Annual leave entitlements	32,750	29,277
Accrued wages and salaries	9,248	14,887
Accrued days off	862	768
NON CURRENT EMPLOYEE BENEFITS AND RELATED ON-COSTS		
Conditional long service leave entitlements (present value)	13,859	13,374
Total employee benefits	112,567	108,527
(b) Movements in provisions		
Movement in long service leave:		
Balance at the beginning of the year	63,595	56,063
Provision made during the year		
– Revaluations increments/(decrements)	1,363	2,490
– Expense recognising employee service	9,638	9,500
Settlement made during the year	(4,889)	(4,458)
Balance at the end of the year	69,706	63,595

Note 15: Borrowings

(a) Loans

	Consolidated 2015 \$'000	Consolidated 2014 \$'000
CURRENT		
Borrowings		
– TCV Loan ⁽ⁱ⁾	794	383
Total Australian dollars borrowings	794	383
Total current	794	383
NON-CURRENT		
Australian dollar borrowings		
– TCV loan ⁽ⁱ⁾	28,823	29,617
– Finance lease liability ⁽ⁱ⁾ (refer Note 15b)	1,091,206	985,380
Total Australian dollars borrowings	1,120,029	1,014,997
Total non-current	1,120,029	1,014,997
Total borrowings	1,120,823	1,015,380

(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 and Human Services. The Royal Children's Hospital records on behalf of the Department of Health and Human Services according to the information provided.

(ii) The TCV loan is an unsecured loan with an interest rate of 4.93%.

TCV loan

The TCV loan (interest only) matured on 31 December 2014 and was replaced by a new loan (interest and principal) with a maturity date of 31 December 2036.

(b) Finance lease liabilities

PPP finance lease liability

	Minimum future lease payments ⁽ⁱ⁾		Present value of minimum future lease payments	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Commissioned PPP related finance lease liabilities payable				
Not longer than one year	82,048	50,386	82,048	50,386
Longer than 1 year and not later than 5 years	328,191	328,191	328,191	328,191
Longer than 5 years	1,351,782	1,433,830	1,351,782	1,433,830
Minimum future lease payments	1,762,021	1,812,407	1,762,021	1,812,407
– Less stage 2 bid price	–	98,526	–	98,526
– Less future finance charges	671,308	721,823	671,308	721,823
– Less 3B expenditure	–	6,678	–	6,678
Present value of minimum lease payments	1,090,713	985,380	1,090,713	985,380
Included in the financial statements as:				
Non-current borrowing finance lease liabilities	1,090,713	985,380	1,090,713	985,380
	1,090,713	985,380	1,090,713	985,380

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

Source information provided by the Department of Health and Human Services.

Note 16: Other liabilities

	Consolidated 2015 \$'000	Consolidated 2014 \$'000
CURRENT		
Monies held in trust*		
– Patient monies held in trust	387	243
Income in advance		
– Rental	349	349
– AEDI Commonwealth grant	586	942
– Other ⁽ⁱ⁾	2,096	3,655
Total current	3,418	5,189
NON-CURRENT		
Income in advance		
– Rental	5,023	3,402
Total non-current	5,023	3,402
Total other liabilities	8,440	8,591
*Total monies held in trust represented by the following assets:		
Cash assets (Note 6)	387	243
Total	387	243

(i) Reclassification of employee salary packaging from 'Other liabilities' to 'Payables' as per guidelines issued by Department of Health and Human Services.

Note 17: Superannuation

	Paid contribution for the year ⁽ⁱⁱ⁾		Contribution outstanding at year end	
	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Consolidated 2015 \$'000	Consolidated 2014 \$'000
Defined benefit plans⁽ⁱ⁾:				
Health Super Scheme	667	671	49	54
Defined contribution plans:				
Health Super Scheme	20,941	17,978	1,674	1,537
Hesta	8,558	6,113	591	539
Other	387	1,254	126	104
Total	30,553	26,016	2,439	2,235

(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 2015 \$'000	Parent entity 2014 \$'000	Consolidated 2015 \$'000	Consolidated restated 2014 \$'000
(a) Surpluses				
Property, plant and equipment revaluation surplus⁽ⁱ⁾				
Balance at the beginning of the year	164,735	17,928	168,030	19,781
Revaluation increment/(decrement) ⁽ⁱ⁾				
– Land	8,545	10,839	8,545	11,225
– Buildings	(71)	135,763	(71)	136,820
– Artwork	–	205	–	205
Transfers				
– Land	(1,174)	–	(1,174)	–
Balance at the end of the year	172,035	164,735	175,330	168,030
Represented by:				
– Land	36,138	28,767	38,377	31,006
– Buildings	135,692	135,763	136,748	136,820
– Artwork	205	205	205	205
	172,035	164,735	175,330	168,030
Financial assets available for sale revaluation surplus⁽ⁱⁱ⁾				
Balance at the beginning of the year	798	1,011	18,658	11,571
Valuation gain/(loss) recognised ⁽ⁱⁱ⁾	396	737	4,413	7,622
Cumulative (gain)/loss on available-for-sale financial assets transferred to operating statement	(519)	(950)	(5,303)	(534)
Balance at the end of the year	675	798	17,768	18,658
Restricted specific purpose surplus				
Balance at the beginning of the year ⁽ⁱⁱⁱ⁾	5,048	4,641	78,436	77,057
Transfer (to)/from accumulated surpluses/(deficits) ⁽ⁱⁱⁱ⁾	58	407	5,939	1,379
Balance at the end of the year⁽ⁱⁱⁱ⁾	5,106	5,048	84,375	78,436
Total reserves⁽ⁱⁱⁱ⁾	177,816	170,581	277,473	265,124
(b) Contributed capital				
Balance at the beginning of the year	108,919	108,429	108,919	108,429
Capital contribution ^(iv)	(17,605)	490	(17,605)	490
Balance at the end of the year	91,315	108,919	91,315	108,919
(c) Accumulated surpluses/(deficits)				
Balance at the beginning of the year ⁽ⁱⁱⁱ⁾	(185,615)	(117,929)	(128,914)	(68,250)
Equity reclassification	–	–	–	–
Net result for the year	(25,565)	(67,278)	(5,872)	(59,285)
Transfer (to)/from reserves ⁽ⁱⁱⁱ⁾	1,116	(407)	(4,725)	(1,379)
Balance at the end of the year⁽ⁱⁱⁱ⁾	(210,064)	(185,615)	(139,511)	(128,914)
Total equity at the end of the year	59,067	93,886	229,277	245,129

(i) The property, plant and equipment revaluation is a result of managerial revaluations of property, plant and equipment in accordance with FRD103F. 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) Reclassification between restricted special purpose surplus and accumulated surpluses/deficit was made in current financial year to agree with the classification of equity with The Royal Children's Hospital Foundation Annual Financial Report. Last year's comparatives have also been changed to match the new presentation.

(iv) Land for the old hospital site (Crown allotment 2634 parish Jika Jika) has been transferred to Department of Health and Human Services as per Victorian Government Gazette on 25 February 2015. The value of the land was \$17,605k.

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

	Consolidated 2015 \$'000	Consolidated 2014 \$'000
Net result for the year	(5,872)	(59,285)
Non-cash movements:		
Depreciation and amortisation	39,843	43,694
Facility management, lifecycle and other expenses paid by DHHS under PPP arrangement	(28,516)	(16,579)
DHHS – indirect contribution on repayment of finance lease liabilities	(50,386)	(11,858)
Facility management, lifecycle and other charges under PPP arrangement	28,516	16,579
PPP – non-cash finance lease interest expense	50,515	46,814
Provision for doubtful receivables	(92)	(359)
Capital contributions	-	327
Movements included in investing and financing activities:		
Net (gain)/loss from sale of non-financial assets	(54)	(760)
Income from managed funds reinvested	115	(1,274)
Available-for-sale revaluation surplus (gain)/loss recognised	(5,303)	(534)
Derecognition of subsidiary recognised	-	152
Movements in assets and liabilities:		
Change in operating assets and liabilities		
(Increase)/decrease in fair value of held for trading investments	11,444	(12,609)
Increase/(decrease) in payables	(8,172)	(5,881)
Increase in employee benefits	4,040	7,299
(Increase)/decrease in other assets	(128,264)	1,725
(Increase)/decrease in receivables	(581)	(10,127)
Increase/(decrease) in other liabilities	105,314	(70)
Increase/(decrease) in non interest bearing liability	(151)	2,668
Net cash inflow/(outflow) from operating activities	12,397	(79)

Note 20: Non-cash financing and investing activities

	Consolidated 2015 \$'000	Consolidated 2014 \$'000
Disposal of land	(17,605)	-
Equity contribution receivable	-	327
Total non-cash financing and investing activities	(17,605)	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 and Human Services.

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
2015						
Contractual financial assets						
Cash and cash equivalents	-	-	47,791	-	-	47,791
Receivables	-	-	17,441	-	-	17,441
Other financial assets						
– Term deposit	-	-	-	-	-	-
– Shares in other entities	44,399	-	-	102,725	-	147,123
Total financial assets⁽ⁱ⁾	44,399	-	65,232	102,725	-	212,355
Financial liabilities						
Payables	-	-	-	-	22,232	22,232
TCV loan	-	-	-	-	29,617	29,617
Finance lease liabilities	-	-	-	-	1,091,206	1,091,206
Monies held in trust	-	-	-	-	387	387
Total financial liabilities⁽ⁱⁱ⁾	-	-	-	-	1,143,442	1,143,442

	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	-	79,300	92,789	-	218,619
Financial liabilities						
Payables	-	-	-	-	25,049	25,049
Monies held in trust	-	-	-	-	30,000	30,000
TCV loan	-	-	-	-	985,380	985,380
Finance lease liabilities	-	-	-	-	1,550	1,550
Total financial liabilities⁽ⁱⁱ⁾	-	-	-	-	1,041,979	1,041,979

(i) The total amount of the financial assets disclosed here excludes statutory receivables (i.e. GST input tax credit recoverable and Department of Health and Human Services 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 and Human Services 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
2015					
Financial assets					
Cash and cash equivalents ⁽ⁱ⁾	-	2,610	-	-	2,610
Held-for-trading at fair value through profit or loss ⁽ⁱⁱ⁾	-	1,794	-	-	1,794
Loans and receivables ⁽ⁱ⁾	-	(39)	-	-	(39)
Available for sale ⁽ⁱ⁾	7,178	-	-	-	7,178
Total financial assets	7,178	4,365	-	-	11,543
Financial liabilities					
At amortised cost ⁽ⁱⁱⁱ⁾	-	51,685	-	-	51,685
Total financial liabilities	-	51,685	-	-	51,685
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

(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 comprise 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 and Human Services, 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'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:

- 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.
- Fixed interest securities which have a minimum rating level AA and an actively traded liquid market.
- 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	1-3 Months	3 Months - 1 Year	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2015						
Financial assets						
Cash and cash equivalents	47,791	47,791	-	-	-	-
Receivables ⁽ⁱ⁾						
Inter hospital debtors	1,710	1,556	135	5	13	-
Trade debtors	3,424	583	2,065	608	169	-
Patient fees	5,784	3,813	1,260	117	594	-
Accrued investment income	222	222	-	-	-	-
Diagnostic debtors	864	535	145	184	-	-
Sundry debtors	5,151	2,309	2,065	608	169	-
Other financial assets						
Available for sale - managed funds	102,725	102,725	-	-	-	-
Held for trading - managed funds	44,399	44,399	-	-	-	-
Term deposits	-	-	-	-	-	-
Total financial assets	212,069	203,932	5,670	1,522	946	-
2014						
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 deposit	9,312	9,312	-	-	-	-
Total financial assets	218,619	215,835	1,882	882	19	-

(i) Ageing analysis of financial assets exclude statutory financial assets (i.e. GST input tax credit and Department of Health and Human Services 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. (2014: 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 and Human Services. 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

	Carrying amount	Nominal cash flows	Maturity dates				
			Less than 1 month	1-3 Months	3 Months – 1 year	1-5 Years	More than 5 years
2015	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables							
Trade creditors and accruals	14,625	14,625	4,093	10,531	1	-	-
Deposits	39	39	3	8	22	-	5
Sundry creditors	7,568	7,568	7,152	-	416	-	-
Other financial liabilities ⁽ⁱ⁾							
TCV loan ⁽ⁱⁱ⁾	29,617	29,617	-	195	600	3,599	25,223
Monies held in trust	387	387	387	-	-	-	-
Total financial liabilities	52,236	52,236	11,635	10,734	1,039	3,599	25,228
2014							
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

(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) TCV loan will mature on 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 committees monitor the returns on investments, and determines the allocation between the different classes of investments available.

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

	Weighted average effective interest rates %	Consolidated carrying amount \$'000	Interest rate exposure		
			Fixed interest rate \$'000	Variable interest rate \$'000	Non interest bearing \$'000
2015					
Financial assets					
Cash and cash equivalents	1.38%	47,791	15,173	32,618	-
Receivables ⁽ⁱ⁾					
Inter hospital debtors		1,710	-	-	1,710
Trade debtors		3,424	-	-	3,424
Patient fees		5,784	-	-	5,784
Accrued investment income		222	-	-	222
Diagnostic debtors		864	-	-	864
Sundry debtors		5,151	-	-	5,151
Other financial assets					
Available for sale – managed funds	2.28%	102,725	15,984	-	86,741
Held for trading – managed funds		44,399	-	-	44,399
Term deposit	2.99%	-	-	-	-
Total financial assets		212,069	31,157	32,618	148,294
Financial liabilities					
Payables					
Trade creditors and accruals		14,625	-	-	14,625
Deposits		39	-	-	39
Sundry creditors		7,568	-	-	7,568
TCV loan ⁽ⁱⁱ⁾	4.93%	29,617	29,617	-	-
Finance lease liabilities ⁽ⁱⁱ⁾	4.84%	1,091,206	1,091,206	-	-
Other financial liabilities					
Monies held in trust		387	-	-	387
Total financial liabilities		1,143,442	1,120,823	-	22,619
2014					
Financial assets					
Cash and cash equivalents	2.93%	52,101	29,129	22,973	-
Receivables					
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

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

(ii) The TCV loan has a fixed interest rate of 4.93% maturing on 31 December 2036.

Note 21: Financial instruments (continued)

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.

Consolidated 2015	Carrying amount	Interest rate risk				Other 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	47,791	(478)	(478)	478	478	-	-	-	-
Investments									
Units in managed funds (available for sale)	102,725	(160)	(160)	160	160	-	(17,348)	-	17,348
Units in managed funds (held for trading)	44,399	-	-	-	-	(8,880)	(8,880)	8,880	8,880
	194,914	(638)	(638)	638	638	(8,880)	(26,228)	8,880	26,229
Consolidated 2014		-1.00%		+1.00%		-20%		+20%	
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

(e) Fair value

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

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

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

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

Comparison between carrying amount and fair value

	Consolidated carrying amount 2015 \$'000	Fair value 2015 \$'000	Consolidated carrying amount 2014 \$'000	Fair value 2014 \$'000
Financial assets				
Cash and cash equivalents	47,791	47,791	52,101	52,101
Receivables				
Inter hospital debtors	1,710	1,710	1,782	1,782
Trade debtors	3,424	3,425	3,276	3,276
Patient fees	5,784	5,784	3,793	3,793
Accrued investment income	222	222	1,201	1,201
Diagnostic debtors	864	864	1,121	1,121
Sundry debtors	5,151	5,151	6,713	6,713
Other financial assets				
Available for sale – managed funds	102,725	102,725	92,789	92,789
Held for trading – managed funds	44,399	44,399	46,530	46,530
Term deposit	-	-	9,312	9,312
Total financial assets	212,069	212,069	218,618	218,618
Financial liabilities				
Payables				
Trade creditors and accruals	14,625	14,625	22,291	22,291
Deposits	39	39	36	36
Sundry creditors	7,568	7,568	2,722	2,722
Other financial liabilities				
Monies held in trust	387	387	1,550	1,550
Interest bearing liabilities	29,617	29,617	30,000	30,000
Finance lease liabilities	1,091,206	1,091,206	985,380	985,380
Total financial liabilities	1,143,442	1,143,442	1,041,979	1,041,979

Financial assets measured at fair value

	Consolidated carrying amount as at 30 June \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
2015				
Financial assets at fair value through profit and loss				
Other financial assets				
Available for sale – managed funds	102,725	15,984	76,398	-
Held for trading – managed funds	44,399	-	54,741	-
Term deposit	-	-	-	-
Total financial assets	147,123	15,984	131,139	-
	Consolidated carrying amount as at 30 June \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
2014				
Financial assets at fair value through profit and loss				
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	-

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

	Consolidated 2015 \$'000	Consolidated 2014 \$'000
Capital expenditure commitments		
Payable:		
Plant and equipment	14	783
Medical equipment	5,735	-
Computers and communication	14	-
Furniture and fittings	2	-
Software ⁽ⁱ⁾	14,531	-
Total capital expenditure commitments	20,296	783
Operating commitments		
Operating commitments	14,970	13,011
Total operating commitments	14,970	13,011
Lease commitments		
Commitments in relation to leases contracted for at the reporting date:		
Operating leases	922	16,477
Total lease commitments	922	16,477
Total commitments for expenditure (inclusive of GST) other than public private partnerships	36,188	30,271

(i) Capital commitments for 2015 include commitments relating to the Electronic Medical Records (EMR) project. There were no reported commitments relating to EMR in 2014.

(b) Public private partnerships⁽ⁱ⁾

	2015 \$'000	2014 \$'000
Commissioned public private partnerships – other commitments⁽ⁱⁱ⁾	Other commitments	Other commitments
Children's Health Partnership	1,795,637	1,863,647
Total commitments for public private partnerships	1,795,637	1,863,647

(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 and Human Services.

Note 22: Commitments (continued)

(c) Commitments payable (consolidated)

Nominal values	2015 \$'000	2014 \$'000
Capital expenditure commitments payable		
Less than 1 year	20,186	783
Longer than 1 year but not longer than 5 years	110	-
Total capital expenditure commitments	20,296	783
Operating commitments payable		
Less than 1 year	12,595	9,552
Longer than 1 year but not longer than 5 years	2,375	3,459
Total other expenditure commitments	14,970	13,011
Lease commitments payable		
Less than 1 year	607	15,976
Longer than 1 year but not longer than 5 years	314	501
Total lease commitments	922	16,477
Public private partnership commitments (commissioned)		
Less than 1 year	40,003	29,071
Longer than 1 year but not longer than 5 years	264,122	184,833
5 years or more	1,491,513	1,649,744
Total public private partnership commitments	1,795,637	1,863,647
Total commitments (inclusive of GST)	1,831,825	1,893,918
Less GST recoverable from the Australian Tax Office	3,290	2,752
Total commitments (exclusive of GST)	1,828,536	1,891,166

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).

In prior year there was a contingent liability in respect of grants received from the Department of Health and Human Services totalling \$0.17million which is now fully recalled.

Note 24: Jointly controlled operations and assets

		Ownership interest	
Name of entity	Principal activity	2015	2014
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.	11.1%	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:			
		2015 \$'000	2014 \$'000
Current assets			
Cash and cash equivalents		241	223
Receivables		1	1
GST recoverable		3	2
Prepayments		3	5
Total current assets		249	231
Non current assets			
Property, plant and equipment		4	4
Total non-current assets		4	4
Total assets		253	236
Current liabilities			
Accrued expenses		27	33
Payables		23	14
Provisions – LSL and annual leave		38	38
Total current liabilities		88	83
Non-current liabilities			
Provisions – LSL		6	7
Total non-current liabilities		6	7
Total liabilities		93	90
Net assets		160	145
EQUITY			
Accumulated surpluses/(deficits)		160	145
Total equity		160	145
The Royal Children's Hospital's interest in revenue and expenses resulting from jointly controlled operations and assets is detailed below:			
		2015 \$'000	2014 \$'000
Revenue			
Grants and other revenue		156	188
Interest		6	6
Total revenue		162	194
Expenses			
Employee benefits		151	169
Other expenses from continuing operations		(4)	10
Depreciation and amortisation		1	1
Total expenses		148	181
Net result		15	13

Note 25: Responsible persons disclosures

		Period	
Responsible Minister			
The Honourable Jill Hennessy MLA Minister for Health		4 December 2014	30 June 2015
The Honourable Martin Foley MLA Minister for Mental Health		4 December 2014	30 June 2015
The Honourable David Davis MLC Minister for Health		1 July 2014	3 December 2014
The Honourable Mary Woodridge MLA Minister for Mental Health		1 July 2014	3 December 2014
Governing Boards			
Hon Rob Knowles AO (Chairman)		1 July 2014	30 June 2015
Dr Christine Cunningham		1 July 2014	30 June 2015
Ms Jacinda de Witts		1 July 2014	30 June 2015
Mr Max Findlay		1 July 2014	30 June 2015
Ms Jane Hume		1 July 2014	30 June 2015
Mr Sammy Kumar		1 July 2014	30 June 2015
Mr David Lau		1 July 2014	30 June 2015
Mr David Mandel		1 July 2014	30 June 2015
Dr Linden Smibert		1 July 2014	30 June 2015
Mr Peter Yates AM		1 July 2014	30 June 2015
Accountable Officers			
Professor Christine Kilpatrick (Chief Executive Officer)		1 July 2014	30 June 2015

(b) Remuneration of responsible persons

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

	Consolidated 2015 No.	Consolidated 2014 No.
Income band		
\$0 – \$9,999	–	–
\$10,000 – \$19,999	1	4
\$20,000 – \$29,999	8	5
\$30,000 – \$39,999	–	–
\$40,000 – \$49,999	1	1
\$80,000 – \$89,999	–	–
\$460,000 – \$469,999	1	1
Total numbers	11	11

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

	Consolidated 2015 \$	Consolidated 2014 \$
Total remuneration	697,112	679,558

Amounts relating to Responsible Ministers are reported 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 2014–15 year (2013–14: nil). The responsible persons' profiles are disclosed in The Royal Children's Hospital's controlled entities financial statements.

Note 25: Responsible persons disclosures (continued)

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

The Hon Rob Knowles AO (Chairman)

The Royal Children’s Hospital Chairman, the Hon Rob Knowles AO 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 2015. These arrangements were on normal commercial terms and conditions and in the ordinary course of business.

	Consolidated 2015 \$'000	Consolidated 2014 \$'000
Global Health Ltd	159,410	4,895

Mr Sammy Kumar (Director)

A Director of The Royal Children’s Hospital, Mr Sammy Kumar is a partner at PricewaterhouseCoopers (PwC). PwC provided services to The Royal Children’s Hospital during the financial year ended 30 June 2015. Mr Kumar was not involved in the procurement or provision of services rendered by PwC and these arrangements were on normal commercial terms and conditions and in the ordinary course of business.

	Consolidated 2015 \$'000	Consolidated 2014 \$'000
PricewaterhouseCoopers	174,778	52,772

Ms Jane Hume (Director)

A Director of The Royal Children’s Hospital, Ms Jane Hume is a Superannuation Policy Strategist at Australian Super. Five employees of The Royal Children’s Hospital are members of Australian Super. RCH paid superannuation contributions on their behalf during the financial year ended 30 June 2015. These arrangements were on normal commercial terms and conditions and in the ordinary course of business.

	Consolidated 2015 \$'000	Consolidated 2014 \$'000
Australian Super	21,989	-

Mr David Lau (Director)

A Director of The Royal Children’s Hospital, Mr David Lau is an employee of Optus. Optus provided services to The Royal Children’s Hospital during the financial year ended 30 June 2015. Mr Lau was not involved in the procurement or provision of services rendered by Optus and these arrangements were on normal commercial terms and conditions and in the ordinary course of business.

	Consolidated 2015 \$'000	Consolidated 2014 \$'000
Optus	206,824	-

(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 2015 \$	Parent Entity 2014 \$
Distributions and reimbursements by The Royal Children’s Hospital’s Foundation Trust Fund	25,051,459	22,195,092

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 2015 \$	Parent Entity 2014 \$
Reimbursements by The Royal Children’s Hospital Education Institute Limited for salaries, goods and services	2,160,603	1,887,993

(e) Other receivables from and payables to controlled entities

	Parent Entity 2015 \$	Parent Entity 2014 \$
The Royal Children’s Hospital’s Foundation Trust Fund	1,914,706	1,139,563
The Royal Children’s Hospital Education Institute Limited	932,362	569,783
Total amounts receivable from controlled entities	2,847,068	1,709,346

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	Consolidated			
	Total remuneration		Base remuneration	
	2015 No.	2014 No.	2015 No.	2014 No.
\$160,000 – \$169,999	-	-	-	1
\$170,000 – \$179,999	-	-	-	1
\$180,000 – \$189,999	-	2	-	1
\$200,000 – \$209,999	-	-	1	-
\$210,000 – \$219,999	-	-	1	1
\$220,000 – \$229,999	1	-	2	1
\$230,000 – \$239,999	-	-	1	1
\$240,000 – \$249,999	1	1	-	-
\$250,000 – \$259,999	2	-	-	-
\$260,000 – \$269,999	-	1	-	-
\$270,000 – \$279,999	1	2	-	2
\$280,000 – \$289,999	-	-	1	-
\$290,000 – \$299,999	-	-	1	-
\$310,000 – \$319,999	-	1	-	1
\$330,000 – \$339,999	-	1	1	-
\$340,000 – \$349,999	1	-	-	-
\$350,000 – \$359,999	1	-	-	-
\$370,000 – \$379,999	-	-	-	1
\$390,000 – \$399,999	-	-	1	-
\$420,000 – \$429,999	1	1	-	-
\$460,000 – \$469,999	-	1	-	-
\$470,000 – \$479,999	1	-	-	-
Total number of executives	9	10	9	10
Total annualised employee equivalent (AEE) (a)	8.83	9.90	8.83	9.90
Total amount	2,857,893	2,986,942	2,406,023	2,439,592

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

Executive remuneration 2014–15

One executive director 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	2015 \$ '000	2014 \$ '000
Net result for the year		
The Royal Children's Hospital's Foundation Trust Fund	11,828	7,385
The Royal Children's Hospital Education Institute Limited	136	102
Total consolidated result	11,964	7,487

Note 27: Remuneration of auditors

	Consolidated 2015 \$'000	Consolidated 2014 \$'000
Victorian Auditor-General's Office		
Audit or review of financial statements	194	147
Other service providers		
Audit or review of financial statements	88	73
Total remuneration	282	220

Note 28: 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 29: 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 and Human Services. The Department of Health and Human Services 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 2016.

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