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INDEPENDENT AUDITOR'S REPORT

Royal Alexandra Hospital for Children

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Royal Alexandra Hospital for Children (the Hospital), which comprises the balance sheet as at 30 June 2009, the operating statement, statement of recognised income and expense, cash flow statement and service group statements for the year then ended, a summary of significant accounting policies and other explanatory notes for both the Hospital, and the consolidated entity. The consolidated entity comprises the Hospital and the entities it controlled at the year's end or from time to time during the financial year.

Qualified Auditor's Opinion

In my opinion, except for such adjustments, if any, which may be required, had I been able to satisfy myself as to the completeness of fundraising revenue and voluntary donations, the financial report:

- presents fairly, in all material respects, the financial position of the Hospital and the consolidated entity as at 30 June 2009, and of their financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

My opinion should be read in conjunction with the rest of this report.

Basis for Qualified Auditor's Opinion

As is common for entities that have donations and fundraising as sources of revenue, it is impractical for the Hospital to maintain an effective system of internal controls over fundraising revenue and voluntary donations it receives until their initial entry in the financial records. Accordingly, as the evidence available to me regarding revenue from these sources was limited, my audit procedures with respect to fundraising revenue and voluntary donations were restricted to the amounts recorded in the financial records. I am therefore unable to express an opinion on whether all fundraising revenue and voluntary donations received by the Hospital have been recorded in its financial records.

My opinion on the 2008 financial report was similarly qualified.

The Chief Executive's Responsibility for the Financial Report

The Chief Executive of the Hospital is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. Except as discussed in the qualification paragraph, I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, 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.

My opinion does *not* provide assurance:

- about the future viability of the Hospital or consolidated entity,
- that they have carried out their activities effectively, efficiently and economically,
- about the effectiveness of their internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



Peter Achterstraat
Auditor-General

24 September 2009
SYDNEY

**Certification of Parent/Consolidated Financial Statements
for the Year Ended 30 June 2009**

The attached financial statements of the Royal Alexandra Hospital for Children for the year ended 30 June 2009:

- i) Have been prepared in accordance with the requirements of applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the *Public Finance and Audit Act 1983* and its regulations, the *Health Services Act 1997* and its regulations, the Accounts and Audit Determination and the Accounting Manual for Area Health Services and Public Hospitals;
- ii) Present fairly the financial position and transactions of the Royal Alexandra Hospital for Children; and
- iii) Have no circumstances which would render any particulars in the financial statements to be misleading or inaccurate.


Antonio Penna
Chief Executive Officer

Royal Alexandra Hospital for Children

22 September 2009


Wendy Haigh
Director, Finance and Corporate Services

Royal Alexandra Hospital for Children

22 September 2009

Royal Alexandra Hospital for Children
Operating Statement for the Year Ended 30 June 2009

PARENT			CONSOLIDATION				
Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000	Notes	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000	
			Expenses excluding losses				
			Operating Expenses				
			Employee Related	3	238,918	228,081	218,053
			Personnel Services	4			
236,918	228,081	218,053	Visiting Medical Officers		5,538	5,216	4,913
5,538	5,216	4,913	Other Operating Expenses	5	82,038	77,839	74,691
82,038	77,839	74,691	Depreciation and Amortisation	2(i), 6	17,380	17,293	15,525
17,380	17,293	15,525	Grants and Subsidies	7	1,181	930	564
1,181	930	564	Finance Costs	8	29	31	31
29	31	31	Total Expenses excluding losses		343,064	328,759	313,777
343,064	328,759	313,777	Revenue				
			Sale of Goods and Services	9	243,251	236,072	178,547
243,251	236,072	178,547	Investment Revenue	10	2,173	4,779	(340)
2,173	4,779	(340)	Grants and Contributions	11	43,349	33,443	31,281
46,875	37,311	36,225	Other Revenue	12	4,406	4,277	7,504
4,406	4,277	7,504	Total Revenue		293,181	278,571	216,992
296,707	282,439	220,936	Gain(Loss) on Disposal	13	(275)	(402)	
(275)	(402)	(402)	Other Gains(Losses)	14	(140)	(496)	(1,504)
(140)	(496)	(1,504)	Net Cost of Services	32	50,296	50,684	98,691
46,772	46,816	94,747	Government Contributions				
			NSW Department of Health - Recurrent Allocations	2(d)	36,360	36,360	73,759
36,360	36,360	73,759	NSW Department of Health - Capital Allocations	2(d)	708	1,609	1,152
708	1,609	1,152	Acceptance by the Crown Entity of Employee Benefits	2(a)(iv)	3,526	3,858	3,944
3,526	3,858	3,944	Total Government Contributions		40,594	41,837	78,855
37,068	37,969	74,911	RESULT FOR THE YEAR	26	(9,704)	(8,847)	(19,836)
(9,704)	(8,847)	(19,836)					

The accompanying notes form part of these Financial Statements.

Royal Alexandra Hospital for Children
Statement of Recognised Income and Expense for the Year Ended 30 June 2009

PARENT				CONSOLIDATION		
Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000	Notes	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
17,807		28,867	Net Increase/(Decrease) in Property, Plant and Equipment Asset Revaluation Reserve	17,807		39,867
17,807		28,867	TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	17,807		28,867
19,704	(8,847)	(19,836)	Result for the Year	19,704	(8,847)	(19,836)
<u>8,103</u>	<u>(8,847)</u>	<u>9,031</u>	TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	<u>8,103</u>	<u>(8,847)</u>	<u>9,031</u>

The accompanying notes form part of these Financial Statements.

**Royal Alexandra Hospital for Children
Balance Sheet as at 30 June 2009**

PARENT								CONSOLIDATION		
Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000	Notes	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000				
ASSETS										
Current Assets										
68,692	79,759	41,727		68,692	79,759	41,727				
9,175	11,196	10,663	17	9,175	11,196	10,663				
4,618	4,478	4,424	18	4,618	4,478	4,424				
<u>82,485</u>	<u>95,433</u>	<u>56,814</u>	19	<u>82,485</u>	<u>95,433</u>	<u>56,814</u>				
Total Current Assets										
Non-Current Assets										
59	59	59		59	59	59				
19,096	-	33,238	18	19,096	-	33,238				
Property, Plant and Equipment										
312,194	294,646	303,719		312,194	294,646	303,719				
27,037	26,392	28,808	20	27,037	26,392	28,808				
28,340	27,827	27,760	21	28,340	27,827	27,760				
367,571	348,865	360,287	21	367,571	348,865	360,287				
3,478	4,783	4,783	22	3,478	4,783	4,783				
<u>390,204</u>	<u>353,707</u>	<u>398,367</u>		<u>390,204</u>	<u>353,707</u>	<u>398,367</u>				
Total Non-Current Assets										
<u>472,689</u>	<u>449,140</u>	<u>455,181</u>		<u>472,689</u>	<u>449,140</u>	<u>455,181</u>				
Total Assets										
LIABILITIES										
Current Liabilities										
22,143	17,679	22,655		22,143	17,679	22,655				
1,131	1,123	123	24	1,131	1,123	123				
75,741	72,075	67,526	25	75,741	72,075	67,526				
44	108	108	26	44	108	108				
<u>99,059</u>	<u>90,985</u>	<u>90,412</u>	27	<u>99,059</u>	<u>90,985</u>	<u>90,412</u>				
Total Current Liabilities										
Non-Current Liabilities										
1,066	1,197	305		1,066	1,197	305				
4,323	5,528	4,326	25	4,323	5,528	4,326				
<u>5,389</u>	<u>6,725</u>	<u>4,631</u>	26	<u>5,389</u>	<u>6,725</u>	<u>4,631</u>				
Total Non-Current Liabilities										
<u>104,448</u>	<u>97,710</u>	<u>95,043</u>		<u>104,448</u>	<u>97,710</u>	<u>95,043</u>				
Total Liabilities										
<u>368,241</u>	<u>351,430</u>	<u>360,138</u>		<u>368,241</u>	<u>351,430</u>	<u>360,138</u>				
Net Assets										
EQUITY										
184,569	166,762	166,762		184,569	166,762	166,762				
183,672	184,668	193,376	28	183,672	184,668	193,376				
<u>368,241</u>	<u>351,430</u>	<u>360,138</u>	28	<u>368,241</u>	<u>351,430</u>	<u>360,138</u>				
Total Equity										

The accompanying notes form part of these Financial Statements.

Royal Alexandra Hospital for Children
Cash Flow Statement for the Year Ended 30 June 2009

PARENT							CONSOLIDATION		
Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000	Notes	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000			
CASH FLOWS FROM OPERATING ACTIVITIES									
Payments									
(224,534)	(218,088)	(209,147)	Employee Related	(224,534)	(218,088)	(209,147)			
(11,181)	(330)	(564)	Grants and Subsidies	(1,181)	(330)	(564)			
(29)		(31)	Finance Costs	(29)		(31)			
(97,316)	(86,411)	(84,909)	Other	(97,316)	(86,411)	(84,909)			
<u>(323,060)</u>	<u>(304,829)</u>	<u>(294,651)</u>	Total Payments	<u>(323,060)</u>	<u>(304,829)</u>	<u>(294,651)</u>			
Receipts									
246,342	233,633	175,672	Sale of Goods and Services	246,342	233,633	175,672			
4,115	4,779	3,569	Interest Received	4,115	4,779	3,569			
56,181	37,220	44,597	Other	56,181	37,220	44,597			
<u>306,638</u>	<u>276,132</u>	<u>223,838</u>	Total Receipts	<u>306,638</u>	<u>276,132</u>	<u>223,838</u>			
Cash Flows From Government									
36,360	36,360	73,759	NSW Department of Health Recurrent Allocations	36,360	36,360	73,759			
708	1,609	659	NSW Department of Health Capital Allocations	708	1,609	659			
<u>37,068</u>	<u>37,969</u>	<u>74,418</u>	Net Cash Flows from Government	<u>37,068</u>	<u>37,969</u>	<u>74,418</u>			
<u>20,646</u>	<u>9,272</u>	<u>3,605</u>	NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>20,646</u>	<u>9,272</u>	<u>3,605</u>			
CASH FLOWS FROM INVESTING ACTIVITIES									
31		8	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	31		8			
18,000	33,238		Proceeds from Sale of Investments	18,000	33,238				
(7,681)	(6,370)	(6,205)	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems	(7,681)	(6,370)	(6,205)			
(5,800)			Purchases of Investments	(5,800)					
<u>4,550</u>	<u>26,868</u>	<u>(6,197)</u>	NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>4,550</u>	<u>26,868</u>	<u>(6,197)</u>			
CASH FLOWS FROM FINANCING ACTIVITIES									
1,892	1,892		Proceeds from Borrowings and Advances	1,892	1,892				
(123)		(116)	Repayment of Borrowings and Advances	(123)		(116)			
<u>1,769</u>	<u>1,892</u>	<u>(116)</u>	NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>1,769</u>	<u>1,892</u>	<u>(116)</u>			
26,965	38,032	(2,708)	NET INCREASE / (DECREASE) IN CASH	26,965	38,032	(2,708)			
41,727	41,727	44,435	Opening Cash and Cash Equivalents	41,727	41,727	44,435			
<u>68,692</u>	<u>79,759</u>	<u>41,727</u>	CLOSING CASH AND CASH EQUIVALENTS	<u>68,692</u>	<u>79,759</u>	<u>41,727</u>			

The accompanying notes form part of these Financial Statements

Children's Hospital at Westmead
Service Group Statements
as at 30 June 2009

SERVICES ASSETS AND LIABILITIES	1.1 *		1.2 *		1.3 *		2.1 *		2.2 *		2.3 *		3.1 *		4.1 *		5.1 *		6.1 *		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS																						
Current Assets																						
Cash and Cash Equivalents	1,019	636	29	14	10,644	6,350	2,598	1,532	22,486	13,792	1,803	1,047	2,091	952	1,053	614	1,429	896	25,640	15,894	68,692	41,727
Receivables	10	17	1	1	310	489	308	582	7,299	8,016	1,106	1,387	5	8	12	22	14	28	111	113	9,175	10,663
Inventories	-	-	-	-	107	137	234	277	3,561	3,334	708	663	2	2	-	1	3	6	3	4	4,618	4,424
Total Current Assets	1,029	653	29	15	11,061	6,976	3,140	2,391	33,346	25,142	3,617	3,097	2,098	962	1,065	637	1,446	930	25,654	16,011	82,485	56,814
Non-Current Assets																						
Receivables	-	-	-	-	-	-	-	-	59	59	-	-	-	-	-	-	-	-	-	-	59	59
Financial Assets at Fair Value	278	505	8	11	2,906	5,047	709	1,218	6,138	10,963	492	832	571	757	288	488	391	713	7,315	12,704	19,096	33,238
Property, Plant and Equipment																						
- Land and Buildings	5,938	5,744	163	140	64,643	65,589	17,469	16,492	148,457	148,591	12,056	11,248	13,921	10,268	5,648	4,844	11,730	9,507	32,169	31,296	312,194	303,719
- Plant and Equipment	533	562	15	14	5,806	6,416	1,569	1,613	13,335	14,536	1,083	1,100	1,250	1,004	507	474	1,054	930	1,885	2,159	27,037	28,808
- Infrastructure Systems	539	525	15	13	5,868	5,995	1,586	1,507	13,476	13,581	1,094	1,028	1,264	938	513	443	1,065	870	2,920	2,860	28,340	27,760
Intangible Assets	66	88	2	2	715	1,010	193	254	1,643	2,287	133	173	154	158	63	75	130	146	379	590	3,478	4,783
Total Non-Current Assets	7,354	7,424	203	190	79,998	84,057	21,526	21,084	183,108	190,017	14,858	14,381	17,160	13,125	7,019	6,324	14,370	12,166	44,668	49,609	390,204	398,367
Total Assets	8,383	8,077	232	195	90,999	91,033	24,666	23,475	216,454	215,159	18,475	17,478	19,258	14,087	8,084	6,961	15,816	13,096	70,322	65,620	472,689	455,181
LIABILITIES																						
Current Liabilities																						
Payables	365	390	10	8	3,977	4,397	971	1,060	11,302	10,909	906	828	781	658	455	464	501	534	2,875	3,407	22,143	22,655
Borrowings	27	3	1	-	279	30	68	7	589	66	47	5	55	5	28	3	37	4	-	-	1,131	123
Provisions	1,742	1,599	49	35	18,168	16,100	4,409	3,895	38,201	35,068	3,061	2,661	3,551	2,421	1,809	1,535	2,396	2,276	2,355	1,936	75,741	67,526
Other	-	-	-	-	-	-	-	-	37	90	7	18	-	-	-	-	-	-	-	-	44	108
Total Current Liabilities	2,134	1,992	60	43	22,424	20,527	5,448	4,962	50,129	46,133	4,021	3,512	4,387	3,084	2,292	2,002	2,934	2,814	5,230	5,343	99,059	90,412
Non-Current Liabilities																						
Borrowings	25	8	1	-	263	75	64	18	556	163	45	12	52	11	25	7	34	11	-	-	1,066	305
Provisions	96	99	3	2	1,005	1,001	244	242	2,112	2,181	169	166	196	151	100	95	133	144	265	245	4,323	4,326
Total Non-Current Liabilities	121	107	4	2	1,268	1,076	308	260	2,668	2,344	214	178	248	162	126	102	167	155	265	245	5,389	4,631
Total Liabilities	2,255	2,099	64	45	23,692	21,603	5,756	5,222	52,797	48,477	4,235	3,690	4,635	3,246	2,418	2,104	3,101	2,969	5,495	5,588	104,448	95,043
Net Assets	6,128	5,978	168	150	67,307	69,430	18,910	18,253	163,657	166,682	14,240	13,786	14,623	10,841	5,666	4,857	12,715	10,127	64,827	60,032	368,241	360,138

The statistical data collected to 31 December 2008 to apportion Service Group expenses and revenues is also used to attribute assets and liabilities to each Service Group.

The hospital followed the following approach when allocating Assets and Liabilities across Service Groups:

1. Identify assets and liabilities which relate to particular Service Groups and which could be readily allocated to the specific Service Groups.
2. Identify those assets and liabilities which cannot be allocated exclusively to particular Service Groups, as in 1 above, but could otherwise be reliably apportioned among Service Groups with the help of a meaningful basis of apportionment relevant to the class/category of asset and/or liabilities.

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

1 The Hospital Reporting Entity

The Royal Alexandra Hospital for Children was established under the provisions of the Health Services Act 1997 as a statutory corporation with effect from 1 July 1998.

The Royal Alexandra Hospital for Children, "the Hospital", trading as The Children's Hospital at Westmead, comprises all the operating activities of the Hospital facilities under its control. It also encompasses the Special Purposes and Trust Funds which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the Hospital. The Hospital is a not for profit entity.

The Royal Alexandra Hospital for Children Special Purpose Service Entity was established as a Division of the Government Service on 17 March 2006 in accordance with the Public Sector Employment and Management Act 2002 and the Health Services Act 1997. These Divisions provide personnel services to enable a Health Service to exercise its functions.

As a consequence the values in the annual financial statements presented herein consist of the Hospital (as the parent entity), the financial report of the special purpose entity Division and the consolidated financial report of the economic entity. Notes have been extended to capture both the parent and consolidated values with notes 3, 4, 11, 24, 26 and 32 being especially relevant.

In the process of preparing the consolidated financial statements for the economic entity consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

These financial statements have been authorised for Issue by the Chief Executive on 22 September 2009.

2 Summary of Significant Accounting Policies

The Hospital's financial report is a general purpose financial report which has been prepared in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations including observation of the Accounts and Audit Determination for Area Health Services and Public Hospitals.

Property, plant and equipment and financial assets at 'fair value through profit and loss' are measured at fair value. Other Financial Statement items are prepared in accordance with the historical cost convention.

The consolidated entity has a deficiency of working capital of \$16,574,000 (2008 \$ 33,598,000). Notwithstanding this deficiency the financial report has been prepared on a going concern basis because the entity has the support of the New South Wales Department of Health.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

Judgements, key assumptions and estimations made by management are disclosed in the relevant notes to the financial report.

Comparative figures are, where appropriate, reclassified to give a meaningful comparison with the current year.

No new or revised accounting standards or interpretations are adopted earlier than their prescribed date of application. Set out below are changes to be effected, their date of application and the possible impact on the financial report of the Royal Alexandra Hospital for Children.

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

Accounting Standard/Interpretation

AASB 127 and AASB 2008-3, Business Combinations, has application in reporting periods beginning on or after 1 July 2009 and determines information to be disclosed in respect of business acquisitions. Its applicability to not for profit entities is yet to be determined.

AASB 8 and AASB 2007-3 Operating Segments, has application in reporting periods beginning on or after 1 January 2009. It relates to for profit entities specifically and is therefore not applicable to the Health Service.

AASB 101, Presentation of Financial Statements, effective for reporting periods beginning on 1 July 2009, has reduced the disclosure requirements for various reporting entities. However, in not for profit entities such as the Health Service there is no change required.

AASB 123 Borrowing Costs, has application in reporting periods beginning on or after 1 January 2009. The Standard, which requires capitalisation of borrowing costs, has not been adopted in 2008/09 nor is adoption expected prior to 2009/10.

AASB 1039, Concise Financial Reports, responds to changes in Section 314 of the Corporations Law. It is not applicable to Health Services.

AASB 2008-1, Share Based Payments has no applicability to the Health Service.

AASB 2008-2, Puttable Financial Instruments and Obligations Arising on Liquidation, effective from 1 July 2009 has no application to the Health Service.

AASB 2008-5 and AASB 2008-6, Annual Improvements Project, has application from 1 July 2009 and comprises changes for presentation, recognition or measurement purposes which are currently assessed as having no material impact on the Health Service.

AASB 2008-7 Investment in a Subsidiary, Jointly Controlled Entity or Associate, has no impact on the Health Service.

AASB 2008-8 Eligible Hedged Items, has application from 1 July 2009 but has no current applicability to the Health Service.

AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101, has mandatory application from 1 July 2009 and will not be early adopted by the Health Service.

AASB 2008-11 Business Combinations Among Not for Profit, has application from 1 July 2009 and focuses largely on Local Government.

AASB 2008-13, Distribution of Non Cash Assets to Owners, has application in reporting periods beginning on or after 1 July 2009 but is assessed as having no applicability to the Health Service.

AASB 2009-2, Improving Disclosures about Financial Instruments, has mandatory application from 1 July 2009. Changes to be advised by NSW Treasury concerning fair value measurement and liquidity risk will be adopted by the Health Service.

Interpretation 15 Construction of Real Estate, applies from 1 July 2009 but has no impact on the Health Service which is not involved in the construction of real estate for sale.

Interpretation 16, Agreements for the Hedges of a Net Investment in a Foreign Operation, has application from 1 July 2009 but has no relevance to the Health Service.

Interpretation 17 & AASB 2008-13 Distributions of Non Cash Assets to Owners, applies from 1 July 2009 and principally addresses share holder distributions. It is not applicable to the Health Service.

Royal Alexandra Hospital for Children
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Other significant accounting policies used in the preparation of these financial statements are as follows:

a) Employee Benefits and Other Provisions

i) Salaries & Wages, Annual Leave, Sick Leave and On Costs

At the consolidated level of reporting, liabilities for salaries and wages (including non monetary benefits), annual leave and paid sick leave that fall wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

All Annual Leave employee benefits are reported as "Current" as there is an unconditional right to payment. Current liabilities are then further classified as "Short Term" or "Long Term" based on past trends and known resignations and retirements. Anticipated payments to be made in the next twelve months are reported as "Short Term". On costs of 17% are applied to the value of leave payable at 30 June 2009, such on costs being consistent with actuarial assessment (Comparable on costs for 30 June 2008 were 17%).

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of workers' compensation insurance premiums and fringe benefits which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

ii) Long Service Leave and Superannuation

At the consolidated level of reporting, Long Service Leave entitlements are dissected as "Current" if there is an unconditional right to payment and "Non Current" if the entitlements are conditional. Current entitlements are further dissected between "Short Term" and "Long Term" on the basis of anticipated payments for the next twelve months. This in turn is based on past trends and known resignations and retirements.

Long Service Leave provisions are measured on a short hand basis at an escalated rate of 9.8% (8.1% at 30 June 2008) for all employees with five or more years of service. The escalation applied is consistent with actuarial assessment and is affected in the main by the fall in the Commonwealth Government 10 year bond yield which is used as the discount rate.

The Hospital's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity. The Hospital accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of Employee Benefits". Any liability attached to Superannuation Guarantee Charge cover is reported in Note 24, "Payables".

The superannuation expense for the financial year is determined by using the formulae specified by the NSW Department of Health. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

Royal Alexandra Hospital for Children
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iii) Other Provisions

Other provisions exist when: the Hospital has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

These provisions are recognised when it is probable that a future sacrifice of economic benefits will be required and the amount can be measured reliably.

b) Insurance

The Hospital's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government Agencies. The expense (premium) is determined by the Fund Manager based on past experience.

c) Finance Costs

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

d) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

Sale of Goods and Services

Revenue from the sale of goods and services comprises revenue from the provision of products or services, ie user charges. User charges are recognised as income when the service is provided or by reference to the stage of completion.

Patient Fees

Patient Fees are derived from chargeable inpatients and non-inpatients on the basis of rates specified by the NSW Department of Health from time to time.

Investment Revenue

Interest revenue is recognised using the effective interest method as set out in AASB139, "Financial Instruments: Recognition and Measurement". Rental revenue is recognised in accordance with AASB117 "Leases" on a straight line basis over the lease term. Dividend revenue is recognised in accordance with AASB118 "Revenue" when the Hospital's right to receive payment is established.

Debt Forgiveness

Debts are accounted for as extinguished when and only when settlement occurs through repayment or replacement by another liability.

Use of Hospital Facilities

Specialist doctors with rights of private practice are subject to an infrastructure charge for the use of hospital facilities at rates determined by the NSW Department of Health. Charges consist of two components:

- * a monthly charge raised by the Hospital based on a percentage of receipts generated
- * the residue of the Private Practice Trust Fund at the end of each financial year, such sum being credited for the Hospital's use in the advancement of the Hospital or individuals within it.

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
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Use of Outside Facilities

The Hospital uses a number of facilities owned and maintained by the local authorities in the area to deliver community health services for which no charges are raised by the authorities. The Hospital is unable to estimate the value of services provided and as such no amounts have been recognised in the financial report.

Grants and Contributions

Grants and Contributions are generally recognised as revenues when the Hospital obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

NSW Department of Health Allocations

Payments are made by the NSW Department of Health on the basis of the allocation for the Hospital as adjusted for approved supplementations mostly for salary agreements, patient flows between Health Services and approved enhancement projects. This allocation is included in the Operating Statement before arriving at the "Result for the Year" on the basis that the allocation is earned in return for the Hospital's services provided on behalf of the Department. Allocations are normally recognised upon the receipt of cash.

e) Accounting for Goods & Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except that:

- * the amount of GST incurred by the Hospital as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- * receivables and payables are stated with the amount of GST included.

Cash flows are included in the Cash Flow Statement on a gross basis. However, the GST components of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

f) Inter Area and Interstate Patient Flows

Inter Area Patient Flows

The Hospital recognises patient flows for patients it has treated that live outside the Hospital's regional area. The flows recognised are for acute inpatients (other than Mental Health Services), emergency and rehabilitation and extended care.

Patient flows have been calculated using benchmarks for the cost of services for each of the categories identified and deducting estimated revenue, based on the payment category of the patient. The flow information is based on activity for the last completed calendar year. The NSW Department of Health accepts that category identification for various surgical and medical procedures is impacted by the complexities of the coding process and the interpretation of the coding staff when coding a patient's medical records. The Department reviews the flow information extracted from the Health Service records and once it has accepted it, requires each Health Service and The Children's Hospital at Westmead to bring to account the value of patient flows in accordance with the Department's assessment.

The adjustments have no effect on equity values as the movement in Net Cost of Services is matched by a corresponding adjustment to the value of the NSW Department of Health Recurrent Allocation.

Royal Alexandra Hospital for Children
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Inter State Patient Flows

The Hospital recognises the value of inflows for acute inpatient treatment provided to residents from other States and Territories within Australia. The revenue values reported within the financial statements have been based on 2007/08 activity data using standard cost weighted separation values to reflect estimated costs in 2008/09 for acute weighted inpatient separations.

The reporting adopted for both inter area and interstate patient flows aims to provide a greater accuracy of the cost of service provision to the Area's resident population and disclose the extent to which service is provided to non residents.

The composition of patient flow revenue is disclosed in Note 9.

g) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Hospital. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition except for assets transferred as a result of an administrative restructure.

Fair value means the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Where settlement of any part of cash consideration is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.

Land and Buildings which are owned by the Health Administration Corporation or the State and administered by the Hospital are deemed to be controlled by the Hospital and are reflected as such in the financial statements.

h) Capitalisation Thresholds

Individual items of property, plant & equipment are capitalised where their cost is \$10,000 or above.

i) Depreciation

Depreciation is provided for on a straight line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Hospital. Land is not a depreciable asset.

Details of depreciation rates initially applied for major asset categories are as follows:

Buildings	2.5%
Electro Medical Equipment	
- Costing less than \$200,000	10.0%
- Costing more than or equal to \$200,000	12.5%
Computer Equipment	20.0%
Infrastructure Systems	2.5%
Motor Vehicle Sedans	12.5%
Motor Vehicles, Trucks & Vans	20.0%
Office Equipment	10.0%
Plant and Machinery	10.0%
Furniture, Fittings and Furnishings	5.0%

Royal Alexandra Hospital for Children
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"Infrastructure Systems" means assets that comprise public facilities and which provide essential services and enhance the productive capacity of the economy including roads, bridges, water infrastructure and distribution works, sewerage treatment plants and water reticulation systems.

Depreciation rates are subsequently varied where changes occur in the assessment of the remaining useful life of the assets reported.

j) Revaluation of Non Current Assets

Physical non-current assets are valued in accordance with the NSW Department of Health's "Valuation of Physical Non-Current Assets at Fair Value" policy. This policy adopts fair value in accordance with AASB116, "Property, Plant & Equipment" and AASB140, "Investment Property".

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

The Hospital revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets assumed by the Hospital as at 30 June 2009 was completed on 1 March 2009 and was based on an independent assessment.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

For other assets, any balances of accumulated depreciation existing at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the Result for the Year, the increment is recognised immediately as revenue in the Result for the Year.

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

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

Royal Alexandra Hospital for Children
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k) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, the Hospital is effectively exempt from AASB 136 "Impairment of Assets" and impairment testing. This is because AASB136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are regarded as material. Selling costs are regarded as immaterial.

l) Restoration Costs

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

m) Intangible Assets

The Hospital recognises intangible assets only if it is probable that future economic benefits will flow to the Hospital and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite. Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Hospital's intangible assets, the assets are carried at cost less any accumulated amortisation. The Hospital's intangible assets are amortised using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions. In general, intangible assets are tested for impairment where an indicator of impairment exists. However, as a not-for-profit entity the Hospital is effectively exempt from impairment testing (see Note 2(k)).

n) Maintenance

The costs of maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset in which case the costs are capitalised and depreciated.

o) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the commencement of the lease term. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the Operating Statement in the periods in which they are incurred.

p) Inventories

Inventories are stated at cost. Costs are assigned to individual items of stock mainly on the basis of weighted average costs.

Obsolete items are disposed of in accordance with instructions issued by the NSW Department of Health.

Royal Alexandra Hospital for Children
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q) **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are accounted for in the Operating Statement when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

r) **Investments**

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The Hospital determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

- * *Fair value through profit or loss* - The Hospital subsequently measures investments classified as "held for trading" or designated upon initial recognition "at fair value through profit or loss" at fair value. Financial assets are classified as "held for trading" if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the Operating Statement.

The Hour-Glass Investment facilities are designated at fair value through profit or loss using the second leg of the fair value option i.e. these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the Hospital's key management personnel.

The risk management strategy of the Hospital has been developed consistent with the investment powers granted under the provision of the Public Authorities (Financial Arrangements) Act. TCorp investments are made in an effort to improve interest returns on cash balances otherwise available whilst also providing secure investments guaranteed by the State market exposures.

The movement in the fair value of the Hour-Glass Investment facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

- * *Held to maturity investments* – Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Hospital has the positive intention and ability to hold to maturity are classified as "held to maturity". These investments are measured at amortised cost using the effective interest method. Changes are recognised in the Operating Statement when impaired, derecognised or through the amortisation process.
- * *Available for sale investments* - Any residual investments that do not fall into any other category are accounted for as available for sale investments and measured at fair value directly in equity until disposed or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the Operating Statement. However, interest calculated using the effective interest method and dividends are recognised in the Operating Statement.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date; i.e. the date the Hospital commits to purchase or sell the asset.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the balance sheet date.

Royal Alexandra Hospital for Children
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s) Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the Hospital will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the Operating Statement.

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the Operating Statement, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the Operating Statement.

Any reversals of impairment losses are reversed through the Operating Statement, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as "available for sale" must be made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

t) De-recognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Hospital transfers the financial asset:

- * where substantially all the risks and rewards have been transferred; or
- * where the Hospital has not transferred substantially all the risks and rewards, if the Hospital has not retained control.

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

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

u) Payables

These amounts represent liabilities for goods and services provided to the Hospital and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Hospital.

v) Borrowings

Loans are not held for trading or designated at fair value through profit or loss and are recognised at amortised cost using the effective interest rate method. Gains or losses are recognised in the Operating Statement on derecognition.

The finance lease liability is determined in accordance with AASB 117 "Leases".

Royal Alexandra Hospital for Children
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w) Trust Funds

The Hospital receives monies in a trustee capacity for various trusts as set out in Note 30. As the Hospital performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Hospital's own objectives, they are not brought to account in the financial statements.

x) Budgeted Amounts

The budgeted amounts are drawn from the budgets agreed with the NSW Department of Health at the beginning of the financial reporting period and with any adjustments for the effects of additional supplementation provided.

Royal Alexandra Hospital for Children
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for the Year Ended 30 June 2009

PARENT			CONSOLIDATION	
2009	2008		2009	2008
\$000	\$000		\$000	\$000
		3. Employee Related		
		Employee related expenses comprise the following:		
		Salaries and Wages	180,707	169,289
		Awards	7,264	6,547
		Superannuation - defined benefit plans	3,526	3,944
		Superannuation - defined contributions	15,454	14,005
		Long Service Leave	6,804	5,599
		Annual Leave	21,242	16,896
		Workers Compensation Insurance	1,895	1,704
		Fringe Benefits Tax	26	69
			<u>236,918</u>	<u>218,053</u>
		4. Personnel Services		
		Personnel Services comprise the purchase of the following:		
180,707	169,289	Salaries and Wages		
7,264	6,547	Awards		
3,526	3,944	Superannuation - defined benefit plans		
15,454	14,005	Superannuation - defined contributions		
6,804	5,599	Long Service Leave		
21,242	16,896	Annual Leave		
1,895	1,704	Workers Compensation Insurance		
26	69	Fringe Benefits Tax		
<u>236,918</u>	<u>218,053</u>			
		5. Other Operating Expenses		
9,763	8,895	Blood and Blood Products	9,763	8,895
3,119	3,038	Domestic Supplies and Services	3,119	3,038
13,240	12,847	Drug Supplies	13,240	12,847
2,851	2,698	Food Supplies	2,851	2,698
1,678	1,533	Fuel, Light and Power	1,678	1,533
5,519	6,536	General Expenses (See (a) below)	5,519	6,536
914	869	Hospital Ambulance Transport Costs	914	869
2,429	1,770	Information Management Expenses	2,429	1,770
86	45	Insurance	86	45
		Maintenance (See (b) below):		
4,795	4,618	Maintenance Contracts	4,795	4,618
2,369	1,321	New/Replacement Equipment under \$10,000	2,369	1,321
2,715	1,882	Repairs	2,715	1,882
13,152	11,215	Medical and Surgical Supplies	13,152	11,215
1,218	1,161	Postal and Telephone Costs	1,218	1,161
1,621	1,368	Printing and Stationery	1,621	1,368
467	501	Rates and Charges	467	501
170	139	Rental	170	139
9,211	8,989	Special Service Departments	9,211	8,989
2,991	1,526	Staff Related Costs	2,991	1,526
3,730	2,740	Travel Related Costs	3,730	2,740
<u>82,035</u>	<u>74,691</u>		<u>82,035</u>	<u>74,691</u>

Royal Alexandra Hospital for Children
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PARENT			CONSOLIDATION	
2009	2008		2009	2008
\$000	\$000		\$000	\$000
		(a) General Expenses comprise		
304	443	Advertising	304	443
464	427	Books, Magazines and Journals	464	427
		Consultancies		
367	1,065	- Operating Activities	367	1,065
24		- Capital Works	24	
395	350	Concessions and Freight	395	350
123	155	Auditor's Remuneration - Audit of financial reports	123	155
1	2	Auditor's Remuneration - Other Services	1	2
38	160	Data Recording and Storage	38	160
597	362	Legal Services	597	362
139	129	Membership/Professional Fees	139	129
147	152	Motor Vehicle Operating Lease Expense (minimum lease payments)	147	152
304	358	Other Operating Lease Expense (minimum lease payments)	304	358
5	8	Payroll Services	5	8
54	47	Quality Assurance/Accreditation	54	47
86	72	Security Services	86	72
434	414	Translator Services	434	414
2,019	2,386	Other general operating expenses	2,019	2,386
<u>5,519</u>	<u>6,536</u>		<u>5,519</u>	<u>6,536</u>
		(b) Reconciliation Total Maintenance		
4,795	4,618	Maintenance expense - contracted labour and other (non-employee related) included in Note 5	4,795	4,618
<u>4,795</u>	<u>4,618</u>	Total maintenance expenses included in Note 5	<u>4,795</u>	<u>4,618</u>

Royal Alexandra Hospital for Children
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PARENT			CONSOLIDATION	
2009	2008		2009	2008
\$000	\$000		\$000	\$000
		6. Depreciation and Amortisation		
9,302	8,259	Depreciation - Buildings	9,302	8,259
5,282	5,214	Depreciation - Plant and Equipment	5,282	5,214
918	812	Depreciation - Infrastructure Systems	918	812
1,817	1,221	Amortisation - Intangible Assets	1,817	1,221
41	19	Amortisation - Leased Buildings	41	19
17,360	15,525		17,360	15,525
		7. Grants and Subsidies		
330	322	Non Government Voluntary Organisations	330	322
851	242	Other	851	242
1,181	564		1,181	564
		8. Finance Costs		
24	31	Interest on Loans	24	31
5		Other Interest Charges	5	
29	31	Total Finance Costs	29	31

Royal Alexandra Hospital for Children
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PARENT			CONSOLIDATION	
2009	2008		2009	2008
\$000	\$000		\$000	\$000
9. Sale of Goods and Services				
(a) Sale of Goods comprises the following:				
2,299	1,753	Sale of Prosthesis	2,299	1,753
201	730	Pharmacy Sales	201	730
(b) Rendering of Services comprises the following:				
10,869	9,964	Patient Fees [see note 2(d)]	10,869	9,964
309	90	Staff-Meals and Accommodation	309	90
9,742	9,601	Infrastructure Fees - Monthly Facility Charge [see Note 2(d)]	9,742	9,601
1,499	506	- Annual Charge	1,499	506
202,846	143,029	Allocation from Inter Area Patient Inflows, NSW [see Note 9(c)]	202,846	143,029
2,318	1,757	Cafeteria/Kiosk	2,318	1,757
1,978	1,867	Car Parking	1,978	1,867
678	551	Child Care Fees	678	551
2,801	1,451	Clinical Services (excluding Clinical Drug Trials)	2,801	1,451
637	1,460	Commercial Activities	637	1,460
41	38	Fees for Medical Records	41	38
14	13	PADP Patient Copayments	14	13
4,428	2,376	Patient inflows from Interstate [see Note 9(d)]	4,428	2,376
113	104	Salary Packaging Fee	113	104
2,480	3,257	Other	2,480	3,257
<u>243,251</u>	<u>178,547</u>		<u>243,251</u>	<u>178,547</u>
(c) Details of the Allocations received for Inter Area Patient Flows, NSW on an Area basis as accepted by the NSW Department of Health are as follows:				
50,563	33,249	Sydney South West	50,563	33,249
26,661	21,173	North Sydney/Central Coast	26,661	21,173
85,657	62,526	Sydney West	85,657	62,526
10,777	5,383	Hunter/New England	10,777	5,383
9,486	6,397	South East/Illawarra	9,486	6,397
4,006	3,433	North Coast	4,006	3,433
9,623	7,388	Greater Western	9,623	7,388
6,073	3,480	Greater Southern	6,073	3,480
<u>202,846</u>	<u>143,029</u>		<u>202,846</u>	<u>143,029</u>
(d) Revenues from Patient inflows from Interstate are as follows:				
2,988	1,448	Australian Capital Territory	2,988	1,448
163	111	Northern Territory	163	111
265	150	Queensland	265	150
18	(29)	South Australia	18	(29)
308	103	Tasmania	308	103
97	394	Victoria	97	394
589	199	Western Australia	589	199
<u>4,428</u>	<u>2,376</u>		<u>4,428</u>	<u>2,376</u>
10. Investment Revenue				
Investment Income				
- T Corp Hour Glass Investment Facilities designated at Fair Value through profit or loss				
1,355	(1,193)		1,355	(1,193)
198	319	Interest - Other	198	319
602	534	Lease and Rental Income	602	534
18		Royalties	18	
<u>2,173</u>	<u>(340)</u>		<u>2,173</u>	<u>(340)</u>

Royal Alexandra Hospital for Children
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for the Year Ended 30 June 2009

PARENT			CONSOLIDATION	
2009	2008		2009	2008
\$000	\$000		\$000	\$000
		11. Grants and Contributions		
28	900	Clinical Drug Trials	28	900
3,132	2,066	Commonwealth Government grants	3,132	2,066
29,652	24,027	Industry Contributions/Donations	29,652	24,027
75	-	Cancer Institute Grants	75	-
665	53	NSW Government Grants	665	53
3,528	3,944	Personnel Services - Superannuation/Defined Benefits	-	-
9,445	4,204	Research grants	9,445	4,204
352	31	Other grants	352	31
<u>46,875</u>	<u>35,225</u>		<u>43,349</u>	<u>31,281</u>
		12. Other Revenue		
		Other Revenue comprises the following:-		
13	2	Bad Debts recovered	13	2
86	122	Commissions	86	122
1,390	1,274	Conference and Training Fees	1,390	1,274
7	-	Discounts	7	-
208	198	Sale of Merchandise, Old Wares and Books	208	198
36	69	Sponsorship Income	36	69
182	313	Treasury Managed Fund Hindsight Adjustment	182	313
2,496	5,526	Other	2,496	5,526
<u>4,408</u>	<u>7,504</u>		<u>4,408</u>	<u>7,504</u>
		13. Gain/(Loss) on Disposal		
17,058	21,220	Property, Plant and Equipment	17,058	21,220
16,752	20,813	Less Accumulated Depreciation	16,752	20,813
306	407	Written Down Value	306	407
31	5	Less Proceeds from Disposal	31	5
<u>(275)</u>	<u>(402)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(275)</u>	<u>(402)</u>
-	3	Intangible Assets	-	3
-	3	Less Proceeds from Disposal	-	3
<u>-</u>	<u>-</u>	Gain/(Loss) on Disposal of Intangible Assets	<u>-</u>	<u>-</u>
<u>(275)</u>	<u>(402)</u>	Total Gain/(Loss) on Disposal	<u>(275)</u>	<u>(402)</u>
		14. Other Gains/(Losses)		
(140)	(1,504)	Impairment of Receivables	(140)	(1,504)
<u>(140)</u>	<u>(1,504)</u>		<u>(140)</u>	<u>(1,504)</u>

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
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PARENT AND CONSOLIDATION

15. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at balance date	1,350	3,026	1,499	5,875
Contributions recognised in amalgamated balance as at 30 June 2008 which were not expended in the current reporting period	0	71,689	2,149	73,838
Total amount of unexpended contributions as at balance date	1,350	74,715	3,648	79,713

Unspent contributions for purchase of assets are tracked through a dedicated cost centre managed by Fundraising Department. Contributions for Health Promotion, Education and Research are taken to be spent on a first in / first out basis. This is due to the fact that most funds are spent in the year they are received unless their purpose is to build a corpus to fund future activities / projects.

Comment on restricted assets appears in Note 23.

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
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16. Service Groups of the Hospital

Service Group 1.1 - Primary and Community Based Services

Service Description: This service group covers the provision of health services to children attending community health centres or in the home, including health promotion activities, community based dental, drug and alcohol and HIV/AIDS services. It also covers the provision of grants to non-Government organisations for community health purposes.

Objective: This service group contributes to making prevention everybody's business and strengthening primary health and continuing care in the community by working towards a range of intermediate results that include the following:

- improved access to early intervention, assessment, therapy and treatment services for children in a home or community setting
- reduced rate of avoidable hospital admissions for conditions identified in the State Plan that can be appropriately treated in the community.

Service Group 1.2 - Aboriginal Health Services

Service Description: This service group covers the provision of supplementary health services to Aboriginal children, particularly in the areas of health promotion, health education and disease prevention.

Objective: This service group contributes to ensuring a fair and sustainable health system by working towards a range of intermediate results that include the following:

- the building of regional partnerships for the provision of health services
- raising the health status of Aboriginal children and
- promoting a healthy lifestyle.

Service Group 1.3 - Outpatient Services

Service Description: This service group covers the provision of services provided in outpatient clinics including low level emergency care, diagnostic and pharmacy services and radiotherapy treatment.

Objective: This service group contributes to creating better experiences for children using health services and ensuring a fair and sustainable health system by working towards a range of intermediate results including improving, maintaining or restoring the health of ambulant children in a hospital outpatient setting through diagnosis, therapy, education and treatment services.

Service Group 2.1 - Emergency Services

Service Description: This service group covers the provision of emergency ambulance services and treatment of children in the designated emergency departments of the Hospital.

Objective: This service group contributes to creating better experiences for children using the health system by working towards a range of intermediate results including reduced risk of premature death or disability by providing timely emergency diagnostic treatment and transport services.

Service Group 2.2 - Overnight Acute Inpatient Services

Service Description: This service group covers the provision of health care to children admitted to the Hospital with the intention that their stay will be overnight, including elective surgery.

Objective: This service group contributes to creating better experiences for children using the health system by working towards a range of intermediate results that include the following:

- timely treatment of booked surgical children, resulting in improved clinical outcomes, quality of life and patient satisfaction and
- reduced rate of unplanned and unexpected hospital readmissions.

Royal Alexandra Hospital for Children
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Service Group 2.3 - Same Day Acute Inpatient Services

Service Description: This service group covers the provision of health care to children who are admitted to the Hospital with the intention that they will be admitted, treated and discharged on the same day.

Objective: This service group contributes to creating better experiences for children using the health system by working towards a range of intermediate results that include the following:

- timely treatment of booked surgical children resulting in improved clinical outcomes, quality of life and patient satisfaction and
- reduced rate of unplanned and unexpected hospital readmissions

Service Group 3.1 - Mental Health Services

Service Description: This service group covers the provision of an integrated and comprehensive network of services by the Hospital for children seriously affected by mental illness and mental health problems. It also includes the development of preventative programs which meet the needs of specific client groups.

Objective: This service group contributes to strengthening primary health and continuing care in the community by working towards a range of intermediate results that include the following:

- improving the health, wellbeing and social functioning of children with disabling mental disorders and
- reducing the incidence of suicide, mental health problems and mental disorders in the community

Service Group 4.1 - Rehabilitation and Extended Care Services

Service Description: This service group covers the provision of appropriate health care services for children with long-term physical and psycho-physical disabilities. It also includes the coordination of the Department's services for the disabled, with those provided by other agencies and individuals.

Objective: This service group contributes to strengthening primary health and continuing care in the community and creating better experiences for children using the health system by working towards a range of intermediate results including improving or maintaining the wellbeing and independent functioning of children with disabilities or chronic conditions and terminally ill.

Service Group 5.1 - Population Health Services

Service Description: This service group covers the provision of health services targeted at broad population groups including environmental health protection, food and poisons regulation and monitoring of communicable diseases.

Objective: This service group contributes to making prevention everybody's business by working towards a range of intermediate results that include the following:

- reduced incidence of preventable disease and disability and
- improved access to opportunities and prerequisites for good health.

Service Group 6.1 - Teaching and Research

Service Description: This service group covers the provision of professional training for the needs of the New South Wales health system. It also includes strategic investment in research and development to improve the health and wellbeing of the children of New South Wales.

Objective: This service group contributes to ensuring a fair and sustainable health system by working towards a range of intermediate results that include the following:

- developing the skills and knowledge of the health workforce to support patient care and population health and
- extending knowledge through scientific enquiry and applied research aimed at improving the health and wellbeing of the children of New South Wales.

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2009	2008		2009	2008
\$000	\$000		\$000	\$000
		17. Current Assets - Cash and Cash Equivalents		
11,497	6,032	Cash at bank and on hand	11,497	6,032
<u>57,195</u>	<u>35,695</u>	Short Term Deposits	<u>57,195</u>	<u>35,695</u>
<u>68,692</u>	<u>41,727</u>		<u>68,692</u>	<u>41,727</u>
		Cash & cash equivalent assets recognised in the Balance Sheet are reconciled at the end of the financial year to the Cash Flow Statement as follows		
<u>68,692</u>	<u>41,727</u>	Cash and cash equivalents (per Balance Sheet)	<u>68,692</u>	<u>41,727</u>
<u>68,692</u>	<u>41,727</u>	Closing Cash and Cash Equivalents (per Cash Flow Statement)	<u>68,692</u>	<u>41,727</u>

Refer to Note 36 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

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PARENT			CONSOLIDATION	
2009	2008		2009	2008
\$000	\$000		\$000	\$000
19. Inventories				
Current - at cost (held for Distribution)				
1,361	1,324	Drugs	1,361	1,324
2,305	2,066	Medical and Surgical Supplies	2,305	2,066
32	31	Food and Hotel Supplies	32	31
133	142	Engineering Supplies	133	142
199	231	Fundraising Merchandise	199	231
588	630	Other including Goods in Transit	588	630
<u>4,618</u>	<u>4,424</u>		<u>4,618</u>	<u>4,424</u>

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		20. Financial Assets at Fair Value		
		Non Current		
19,096	33,238	TCorp - Hour Glass Investment Facilities	19,096	33,238
<u>19,096</u>	<u>33,238</u>		<u>19,096</u>	<u>33,238</u>

Refer Note 36 for further information regarding credit risk, liquidity risk and market risk arising from financial investments.

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2009	2008		2009	2008
\$000	\$000		\$000	\$000
		21. Property, Plant and Equipment		
		Land and Buildings - fair value		
410,706	387,439	Gross Carrying Amount	410,706	387,439
(98,512)	(83,720)	Less Accumulated depreciation and impairment	(98,512)	(83,720)
<u>312,194</u>	<u>303,719</u>	Net Carrying Amount	<u>312,194</u>	<u>303,719</u>
		Plant and Equipment - fair value		
105,418	118,624	Gross Carrying Amount	105,418	118,624
(78,381)	(89,816)	Less Accumulated depreciation and impairment	(78,381)	(89,816)
<u>27,037</u>	<u>28,808</u>	Net Carrying Amount	<u>27,037</u>	<u>28,808</u>
		Infrastructure Systems - fair value		
38,014	36,050	Gross Carrying Amount	38,014	36,050
(9,674)	(8,290)	Less Accumulated depreciation and impairment	(9,674)	(8,290)
<u>28,340</u>	<u>27,760</u>	Net Carrying Amount	<u>28,340</u>	<u>27,760</u>
<u>367,571</u>	<u>360,287</u>	Total Property, Plant and Equipment	<u>367,571</u>	<u>360,287</u>
		At Net Carrying Amount		

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
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PARENT AND CONSOLIDATION

21. Property, Plant and Equipment - Reconciliations

2009	Land \$000	Buildings \$000	Other Leased Assets \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Net Carrying amount at start of year	20,720	282,391	608	28,808	27,760	360,287
Additions	-	1,681	-	4,012	66	5,759
Reclassifications to Intangibles	-	-	-	(433)	-	(433)
Disposals	-	-	-	(306)	-	(306)
Net revaluation increment less revaluation decrements recognised in reserves	(402)	13,432	3,342	-	1,435	17,807
Depreciation/Amortisation expense	-	(9,302)	(41)	(5,282)	(918)	(15,543)
Reclassifications	-	(235)	-	238	(3)	-
Net Carrying amount at end of year	20,318	287,967	3,909	27,037	28,340	367,571

2008	Land \$000	Buildings \$000	Other Leased Assets \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Net Carrying amount at start of year	20,720	263,038	627	28,565	25,768	338,718
Additions	-	1,341	-	5,920	208	7,469
Reclassifications to Intangibles	-	-	-	(56)	-	(56)
Disposals	-	-	-	(407)	-	(407)
Net revaluation increment less revaluation decrements recognised in reserves	-	26,271	-	-	2,596	28,867
Depreciation expense	-	(8,259)	(19)	(5,214)	(812)	(14,304)
Net Carrying amount at end of year	20,720	282,391	608	28,808	27,760	360,287

(i) Land and Buildings include land owned by the Health Administration Corporation and administered by the Hospital (see note 2(g)).

(ii) Land and Buildings at Westmead were valued by Mr. Paul Goldsmith, an independent valuer APPI (Certified Practising Valuer) Registered Valuer No 3099 on 01 March 2009 (see note 2(j)). The valuer, Mr. Paul Goldsmith from the Department of Lands is not an employee of the Health Service.

Buildings were valued at fair value of \$290,152,000 (cost \$276,726,426) on 01 March 2009. This revaluation at 01 March 2009 has resulted in an increase in the fair value of \$13,425,574.

Land was revalued at fair value of \$20,317,500 (cost \$20,720,000) on 01 March 2009 resulting in a decrease in the fair value of \$402,500.

The leasehold land at Manly, on which Bear Cottage is located, was valued at fair value of \$3,950,000 at 01 March 2009. This resulted in an increase in the fair value of \$3,200,000.

The term of the lease is 20 years with an option to renew for a further 20 years. The rent payable is \$1 per annum.

Royal Alexandra Hospital for Children
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PARENT			CONSOLIDATION	
2009	2008		2009	2008
\$000	\$000		\$000	\$000
		22. Intangible Assets		
		Software		
9,535	11,870	Cost (Gross Carrying Amount)	9,535	11,870
<u>(6,057)</u>	<u>(7,087)</u>	Less Accumulated Amortisation and Impairment	<u>(6,057)</u>	<u>(7,087)</u>
<u>3,478</u>	<u>4,783</u>	Total Intangible Assets at Net Carrying Amount	<u>3,478</u>	<u>4,783</u>

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
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PARENT AND CONSOLIDATION

22. Intangibles - Reconciliations

2009	Software \$000	Total \$000
Net Carrying amount at start of year	4,783	4,783
Additions (from internal development or acquired separately)	79	79
Reclassification from Plant & Equipment	433	433
Amortisation (recognised in depreciation and amortisation)	(1,817)	(1,817)
Net Carrying amount at end of year	3,478	3,478

2008	Software \$000	Total \$000
Net Carrying amount at start of year	5,433	5,433
Additions (from internal development or acquired separately)	518	518
Reclassification from Plant & Equipment	56	56
Amortisation (recognised in depreciation and amortisation)	(1,221)	(1,221)
Other Movements - Disposals	(3)	(3)
Net Carrying amount at end of year	4,783	4,783

Royal Alexandra Hospital for Children
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PARENT

2009
\$000

2008
\$000

CONSOLIDATION

2009
\$000

2008
\$000

23. Restricted Assets

The Hospital's financial statements include the following assets which are restricted by externally imposed conditions, eg donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.

		Category	Brief Details of Externally Imposed conditions including Asset Category affected		
9,308	613	Children's Hospital Funds	Donations and Fundraisings held for specific purchases of equipment and / or services	9,308	613
28,130	32,313	Specific Purposes	Donations, Contributions and Fundraisings held in trust for the benefit of specific patient, departments and / or staff group.	28,130	32,313
7,004	6,861	Perpetually Invested Funds	Funds invested in perpetuity. The income therefrom is used in accordance with donors' or trustees' instructions for the benefit of patients and / or in support of Hospital Services.	7,004	6,861
27,099	22,568	Research Grants	Funds to be held for research on child health and other related research carried out by the Hospital.	27,099	22,568
3,648	2,609	Private Practice Funds	Funds to be held for the use of training, education and professional development of staff.	3,648	2,609
1,086	148	Bear Cottage	Donations, contributions and fund raisings held towards the cost of operating Bear Cottage, a home for chronically ill children and their families, to provide them with palliative care in a home environment.	1,086	148
3,438	3,756	Research Capital Campaign	Donations, contributions and fund raisings held towards the building of the Clinical Research Building, to provide infrastructure and facilities to meet the growing needs of the research on disease and children's health.	3,438	3,756
79,713	68,868			79,713	68,868

Royal Alexandra Hospital for Children
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PARENT			CONSOLIDATION	
2009	2008		2009	2008
\$000	\$000		\$000	\$000
24. Payables -				
Current				
		Accrued Salaries and Wages	8,352	7,504
187	389	Taxation and Payroll Deductions	187	389
8,352	7,504	Accrued Liability - Purchase of Personnel Services		
9,074	10,289	Creditors	9,074	10,289
		Other Creditors		
778	2,621	- Capital Works	778	2,621
542	300	- Intra Health Liability	542	300
3,210	1,553	- Other	3,210	1,553
<u>22,143</u>	<u>22,655</u>		<u>22,143</u>	<u>22,655</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 36.

25. Borrowings				
Current				
1,131	123	Other Loans and Deposits	1,131	123
<u>1,131</u>	<u>123</u>		<u>1,131</u>	<u>123</u>
Non Current				
1,066	305	Other Loans and Deposits	1,066	305
<u>1,066</u>	<u>305</u>		<u>1,066</u>	<u>305</u>
<p>Other loans still to be extinguished represent monies to be repaid to the Sustainable Energy Development Authority. Final Repayment is scheduled for 31 December 2011.</p>				
Repayment of Borrowings (excluding Finance Leases)				
1,131	123	Not later than one year	1,131	123
1,066	305	Between one and five years	1,066	305
<u>2,197</u>	<u>428</u>	Total Borrowings at face value (excluding Finance Leases)	<u>2,197</u>	<u>428</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 36.

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
26. Provisions				
Current Employee benefits and related On costs				
			13,253	10,623
		Annual Leave - Short Term Benefit		
		Annual Leave - Long Term Benefit	21,810	20,127
		Long Service Leave - Short Term Benefit	2,062	3,677
		Long Service Leave - Long Term Benefit	38,616	33,099
75,741	67,526	Provision for Personnel Services Liability		
<u>75,741</u>	<u>67,526</u>	Total Current Provisions	<u>75,741</u>	<u>67,526</u>
Non Current Employee benefits and related On costs				
		Long Service Leave - Conditional	4,323	4,326
4,323	4,326	Provision for Personnel Services Liability		
<u>4,323</u>	<u>4,326</u>	Total Non Current Provisions	<u>4,323</u>	<u>4,326</u>
Aggregate Employee Benefits and Related On costs				
75,741	67,526	Provisions - current	75,741	67,526
4,323	4,326	Provisions - non-current	4,323	4,326
8,539	7,893	Accrued Salaries and Wages and On costs (Note 24)	8,539	7,893
<u>88,603</u>	<u>79,745</u>	Accrued Liability - Purchase of Personnel Services (Note 24)		
			<u>88,603</u>	<u>79,745</u>

Royal Alexandra Hospital for Children
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PARENT			CONSOLIDATION	
2009	2008		2009	2008
\$000	\$000		\$000	\$000
		27. Other Liabilities		
		Current		
		Income in Advance		
44	108		44	108
<u>44</u>	<u>108</u>		<u>44</u>	<u>108</u>

This represents fees received in advance from patients for which services are provided after 30 June 2009

Royal Alexandra Hospital for Children
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28. PARENT AND CONSOLIDATION

Equity	Accumulated Funds		Asset Revaluation Reserve		Total Equity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Balance at the beginning of the financial year	193,376	213,212	166,762	137,895	360,138	351,107
Changes in Equity other than transactions with owners as owners						
Result for the year	(9,704)	(19,836)	-	-	(9,704)	(19,836)
Increment/(Decrement) on Revaluation of:						
Land & Buildings	-	-	16,372	26,271	16,372	26,271
Infrastructure Systems	-	-	1,435	2,596	1,435	2,596
Total	<u>(9,704)</u>	<u>(19,836)</u>	<u>17,807</u>	<u>28,867</u>	<u>8,103</u>	<u>9,031</u>
Balance at the end of the financial year	<u>183,672</u>	<u>193,376</u>	<u>184,569</u>	<u>166,762</u>	<u>368,241</u>	<u>360,138</u>

The asset revaluation reserve is used to record increments and decrements on the revaluation of non current assets. This accords with the Hospital's policy on the "Revaluation of Physical Non Current Assets" and "Investments", as discussed in Note 2(j).

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2009	2008		2009	2008
\$000	\$000		\$000	\$000
29. Commitments for Expenditure				
(a) Capital Commitments				
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure and intangible assets, contracted for at balance date and not provided for:				
2,977	668	Not later than one year	2,977	668
2,977	668	Total Capital Expenditure Commitments (including GST)	2,977	668
Of the commitments reported at 30 June 2009 it is expected that \$466,157 will be met from locally generated monies.				
(b) Other Expenditure Commitments				
Aggregate other expenditure for operating expenses contracted for at balance date and not provided for:				
6,389	2,552	Not later than one year	6,389	2,552
1,835	532	Later than one year and not later than five years	1,835	532
8,224	3,084	Total Other Expenditure Commitments (including GST)	8,224	3,084
(c) Operating Lease Commitments				
Commitments in relation to non-cancellable operating leases are payable as follows:				
250	178	Not later than one year	250	178
298	80	Later than one year and not later than five years	298	80
548	258	Total Operating Lease Commitments (including GST)	548	258
The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.				
(d) Contingent Asset related to Commitments for Expenditure				
The total of "Commitments for Expenditure" above, i.e. \$11.75 million as at 30 June 2009 includes input tax credits of \$1,067,967 (this compares with \$364,000 for the previous year) that are expected to be recoverable from the Australian Taxation Office.				

Royal Alexandra Hospital for Children
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PARENT AND CONSOLIDATION

30 Trust Funds

The Hospital holds trust fund moneys of \$1.037 million which are used for the safe keeping of patients' monies, employee related monies, deposits on hired items of equipment and Private Practice Trusts. These monies are excluded from the financial statements as the Hospital cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Employee Related		Private Practice Trust Funds		Total	
	2009 \$ '000	2008 \$ '000	2009 \$ '000	2008 \$ '000	2009 \$ '000	2008 \$ '000
Cash Balance at the beginning of the financial reporting period	46	29	999	632	1,045	661
Receipts	23	43	19,122	16,288	19,145	16,331
Expenditure	(16)	(26)	(19,137)	(15,921)	(19,153)	(15,947)
Cash Balance at the end of the financial reporting period	<u>53</u>	<u>46</u>	<u>984</u>	<u>999</u>	<u>1,037</u>	<u>1,045</u>

Royal Alexandra Hospital for Children
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PARENT AND CONSOLIDATION

31 Contingent Liabilities

a) Claims on Managed Fund

Since 1 July 1989, the Hospital has been a member of the NSW Treasury Managed Fund. The Fund will pay to or on behalf of the Hospital all sums which it shall become legally liable to pay by way of compensation or legal liability if sued except for employment related, discrimination and harassment claims that do not have statewide implications. The costs relating to such exceptions are to be absorbed by the Hospital. As such, since 1 July 1989 no contingent liabilities exist in respect of liability claims against the Hospital. A Solvency Fund (now called Pre-Managed Fund Reserve) was established to deal with the insurance matters incurred before 1 July 1989 that were above the limit of insurance held or for matters that were incurred prior to 1 July 1989 that would have become verdicts against the State. That Solvency Fund will likewise respond to all claims against the Hospital.

b) Workers Compensation Hindsight Adjustment

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regards to workers compensation the final hindsight adjustment for the 2002/03 fund year and an interim adjustment for the 2004/05 fund year were not calculated until 2008/09. As a result, the 2003/04 final and 2005/06 interim hindsight calculations will be paid in 2009/10.

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PARENT			CONSOLIDATION	
2009	2008		2009	2008
\$000	\$000		\$000	\$000
32. Reconciliation Of Net Cash Flows from Operating Activities To Net Cost Of Services				
20,646	3,605	Net Cash Flows from Operating Activities	20,646	3,605
(17,360)	(15,525)	Depreciation	(17,360)	(15,525)
1,175	(959)	Provision for Doubtful Debts	1,175	(959)
		Acceptance by the Crown Entity of Employee Superannuation Benefits	(3,526)	(3,944)
(8,212)	(4,626)	(Increase) / Decrease in Provisions	(8,212)	(4,626)
(4,411)	(770)	Increase / (Decrease) in Prepayments and Other Assets	(4,411)	(770)
(1,267)	(1,651)	(Increase) / Decrease in Creditors	(1,267)	(1,651)
(275)	(403)	Net Gain / (Loss) on Sale of Property, Plant and Equipment	(275)	(403)
(36,360)	(73,759)	(NSW Department of Health Recurrent Allocations)	(36,360)	(73,759)
(708)	(659)	(NSW Department of Health Capital Allocations)	(708)	(659)
<u>(46,772)</u>	<u>(94,747)</u>	Net Cost of Services	<u>(50,298)</u>	<u>(98,691)</u>

33. 2008/09 Voluntary Services

It is considered impracticable to quantify the monetary value of voluntary services provided to the Hospital. Services provided include:

· Chaplains and Pastoral Care	Patient & Family Support
· Pink Ladies/Hospital Auxiliaries	Patient Services, Fund Raising, Assistance in Sibling Child Care Centre, relief staff to administrative areas
· Patient Support Groups	Practical Support to Patients and Relatives
· Community Organisations	Counselling, Health Education, Transport, Book Bunker, Starlight Rooms and Radio Bed Rock, Home Help and Patient Activities

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PARENT AND CONSOLIDATED

34. Unclaimed Moneys

Unclaimed salaries and wages are paid to the credit of the Department of Industrial Relations and Employment in accordance with the provisions of the Industrial Arbitration Act, 1940, as amended.

All money and personal effects of patients which are left in the custody of Hospital by any patient who is discharged or dies in the hospital and which are not claimed by the person lawfully entitled thereto within a period of twelve months are recognised as the property of Hospital.

All such money and the proceeds of the realisation of any personal effects are lodged to the credit of the Samaritan Fund which is used specifically for the benefit of necessitous patients or necessitous outgoing patients.

35. Budget Review - Parent and Consolidated

Net Cost of Services

The actual net cost of services was lower than budget by \$0.38M. This was primarily due to an increase of 5% in revenue compared to budget, offsetting the 4% increase in expenses caused largely by increased demand for services.

The Hospital was able to contain an increase in expenses to 4% with better utilization of resources despite the Inter Area Patient Flow activity recording an increase of 42% over that of last year.

Result for the Year

The actual result for the year is \$0.86M higher than budget primarily due to the actual capital allocation by NSW Department of Health and the Acceptance by Crown Entity of Employee Benefits being lower than budget by \$1.3M though the Net Cost of Service recorded a favourable movement as mentioned under Net Cost of Services above.

Assets and Liabilities

The Current Assets are \$13M lower than budget. This is mainly because long term investments of \$19M were budgeted as Current Assets though the actual long term investments form part of Non-current Assets plus \$2M reduction in receivables which comprises of \$1.2M write off and balance of \$0.8M being higher collections during the year. These were partially offset by an increase of \$8M in cash and cash equivalents.

The Non-current Assets are higher by \$36M compared to budget which is partially due to increment of \$18M on revaluation of buildings and infrastructure which was not budgeted and \$19M on account of long term investments which, as mentioned above, were not budgeted as Non-current Assets but as Current Assets.

The Current Liabilities are up by \$8M compared to budget. This is attributable to funds advanced by NSW Department of Health as liquidity assistance of \$3.4M and repayable loan of \$1.9M to pay over benchmark creditors which was a result of increased activity levels compared to available funds and \$4M to the increase in provisions for employee benefits which is due to an increase in actuarial adjustment and effect of leave adjustment on award increases.

The Non-current Liabilities are comparatively lower by \$1M than budget. This is due to non-current leave provisions budget being higher compared to movement in non-current leave provisions. This has a direct relation to the increase in current leave provisions.

The above movements have resulted in an increase of \$16.8M in Net Assets compared to budget. The main contributor for the increase in Net Assets compared to budget is the revaluation increment of \$18M.

Cash Flows

Net cash flows from operating activities are \$11.4M higher than budget due mainly to increased operating receipts partially offset by increased operating payments. However, net cash flows from investing activities are \$22.3M lower than budget due to change in investment categories from long term to short term strategic cash. In total net cash flows are \$11.1M lower than budget.

Movements in the level of the NSW Department of Health Recurrent Allocation that have occurred since the time of the initial allocation on 27 June 2008 are as follows:

	\$000
Initial Allocation	216,707
Award Increases	2,804
National Mental Health Plan	3,347
Blood & Blood Products	2,315
Paediatric Liver Transplants	2,828
Financial Assistance	2,140
Mini budget Efficiency Dividend	1,433
Bear Cottage	1,000
Enhancement funding Paediatric Intensive Care	875
Nurse Midwife Strategy Allocation	823
Inter Area Patient Flow Adjustment	(202,846)
Other Miscellaneous Funding Allocations	4,934
Balance per Operating Statement	<u>36,360</u>

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36. Financial Instruments

The Hospital's principal financial instruments are outlined below. These financial instruments arise directly from the Hospital's operations or are required to finance its operations. The Hospital does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Hospital's main risks arising from financial instruments are outlined below, together with the Hospital's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial report.

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risk faced by the Hospital, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit Committee and Internal Auditors on a continuous basis.

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION

	Note	Category	Total carrying amounts as per the Balance Sheet	
			2009 \$000	2008 \$000
Financial Assets				
Class:				
Cash and Cash Equivalents	17	N/A	68,692	41,727
Receivables ¹	18	Loans and Receivables (at amortised cost)	8,153	9,628
Financial Assets at Fair Value	20	At fair value through profit or loss (designated as such upon initial recognition)	19,096	33,238
Total Financial Assets			95,941	84,593
Financial Liabilities				
Borrowings	25	Financial liabilities measured at amortised cost	2,197	428
Payables ²	24	Financial liabilities measured at amortised cost	22,143	22,655
Other	27	Financial liabilities measured at amortised cost	44	108
Total Financial Liabilities			24,384	23,191

Notes

¹ Excludes statutory receivables and prepayments (ie not within scope of AASB 7)

² Excludes unearned revenue (ie not within scope of AASB 7)

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(b) Credit Risk

Credit risk arises when there is the possibility of the Hospital's debtors defaulting on their contractual obligations, resulting in a financial loss to the Hospital. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from financial assets of the Hospital i.e receivables. No collateral is held by the Hospital nor has it granted any financial guarantees.

Credit risk associated with the Hospital's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the State.

Cash

Cash comprises cash on hand and bank balance deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates of approximately 5.33% in 2008/09 compared to 6.90% in the previous year. The TCorp Hour Glass Cash Facility is discussed in paragraph (d) below.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectibility of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW Department of Health Accounting Manual and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the Hospital will not be able to collect the amounts due. The evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The Hospital is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2009: \$5,580,000; 2008: \$5,773,000) are not considered impaired and these represent 80.3% of the total trade debtors. In addition Patient Fees Compensables are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the Hospital's debtors are health insurance companies or compensation insurers settling claims in respect of inpatient treatments. There are no debtors which are currently not past due or impaired whose terms have not been renegotiated.

The only financial assets that are past due or impaired are 'sales of goods and services' in the 'receivables' category of the balance sheet. Patient Fees Ineligibles represent the majority of financial assets that are past due or impaired.

	\$000		
2009	Total	Past due but not impaired	Considered impaired
<3 months overdue	360		360
3 months - 6 months overdue	420		420
> 6 months overdue	591		591
2008			
<3 months overdue	1,445	659	786
3 months - 6 months overdue	794		794
> 6 months overdue	1,518		1,518

The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7.

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(c) Liquidity risk

Liquidity risk is the risk that the Hospital will be unable to meet its payment obligations when they fall due. The Hospital continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through effective management of cash, investments and liquid assets and liabilities.

The Hospital has negotiated no loan outside of arrangements with the NSW Department of Health or the Sustainable Energy Development Authority.

During the current and prior year, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Hospital's exposure to liquidity risk is considered significant. However, the risk is mitigated as the NSW Department of Health has indicated its ongoing financial support for the Hospital (*Refer Note 2*).

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the NSW Department of Health. If trade terms are not specified, payment is generally made no later than the end of the month following the month in which an invoice or a statement is received.

In those instances where settlement cannot be effected in accordance with the above, eg due to short term liquidity constraints, terms of payment are negotiated with creditors.

The table below summarises the maturity profile of the Hospital's financial liabilities together with the interest rate exposure.

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Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure			Maturity Dates			Weighted Average Effective Interest Rate
	Fixed Interest Rate	Nominal Amount †	Non - Interest Bearing	<1 Yr	1-5 Yr	\$000	
	%	\$000	\$000	\$000	\$000	%	
2009							
Payables:							
Accrued salaries			8,352				
Wages and payroll deductions			187				
Creditors			13,604				
Borrowings:							
Other Loans and Deposits	6.43%	2,197		1,131	1,066		6.43%
		<u>2,197</u>	<u>22,143</u>	<u>1,131</u>	<u>1,066</u>		
2008							
Payables:							
Accrued salaries			7,504				
Wages and payroll deductions			389				
Creditors			14,762				
Borrowings:							
Other Loans and Deposits	6.07%	428		123	305		6.07%
		<u>428</u>	<u>22,655</u>	<u>123</u>	<u>305</u>		

Notes:

† The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities, therefore the amounts disclosed above will not reconcile to the balance sheet in respect of non interest bearing loans negotiated with the NSW Department of Health.

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(d) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Hospital's exposures to market risk are primarily through interest rate risk on the Hospital's borrowings and other price risks associated with the movement in the unit price of the Hour Glass Investment facilities. The Hospital has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Hospital operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the balance sheet date. The analysis is performed on the same basis for 2008. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through the Hospital's interest bearing liabilities.

However, Health Services are not permitted to borrow external to the NSW Department of Health (Sustainable Energy Development Authority loans which are negotiated through Treasury are excepted). Both SEDA and NSW Department of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. For financial instruments a reasonably possible change of +/-1% is consistent with trends in interest. The Hospital's exposure to interest rate risk is set out below.

	Carrying Amount	S'000	
		-1% Profit	+1% Profit
2009			
Financial assets			
Cash and cash equivalents	68,692	(613)	613
Receivables	9,234	-	-
Financial assets at fair value	19,096	2,673	(2,673)
Other financial assets			
Financial liabilities			
Payables	22,143	-	-
Borrowings	2,197	-	-
2008			
Financial assets			
Cash and cash equivalents	41,727	(382)	382
Receivables	10,722	-	-
Financial assets at fair value	33,238	3,322	(3,322)
Other financial assets			
Financial liabilities			
Payables	22,655	-	-
Borrowings	428	-	-

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Other price risk - TCorp Hour Glass facilities

Exposure to 'other price risk' primarily arises through the investment in the TCorp Hour Glass Investment facilities, which are held for strategic rather than trading purposes. The Hospital has no direct equity investments. The Hospital holds units in the following Hour-Glass investment trusts:

Facility	Investment Sectors	Investment horizon	2009 \$'000	2008 \$'000
Cash facility	Cash, money market instruments	Up to 1.5 years (pre-June 2008 up to 2 years)	8,011	35,695
Strategic Cash facility	Cash, money market and other interest rate instruments	1.5 years to 3 years	49,183	
Australian Shares facility	Listed Australian property and Shares	7 years and over	19,096	
Long Term Growth facility	Cash, money market instruments, Australian and International bonds listed property, Australian and International shares	7 years and over		33,238

The unit price of each facility is equal to the total fair value of net assets held by the facility divided by the total number of units on issue for that facility. Unit prices are calculated and published daily.

NSW TCorp as trustee for each of the above facilities is required to act in the best interest of the unitholders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risk of each facility in accordance with a mandate agreed by the parties. However, TCorp, acts as manager for part of the Cash facility. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the Hour Glass facilities limits the Hospital's exposure to risk, as it allows diversification across a pool of funds, with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the Investment facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (ie 95% probability). The TCorp Hour Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity).

A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from Hour-Glass Statement).

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	Change in unit price	Impact on profit/loss	
		2009 \$'000	2008 \$'000
Hour Glass Investment - Cash facility	+/- 1%	80	357
Hour Glass Investment - Strategic Cash facility	+/- 2%	984	
Hour Glass Investment - Australian Shares facility	+/- 24%	4,583	
Hour glass Investment - Long Term Growth Facility	+/- 15%		4,986

(e) Fair Value

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour Glass facilities, which are measured at fair value. As discussed, the value of the Hour Glass Investments is based on the Hospital's share of the value of the underlying assets of the facility, based on the market value. All of the Hour Glass facilities are valued using 'redemption' pricing.

The amortised cost of financial instruments recognised in the balance sheet approximates the fair value because of the short term nature of many of the financial instruments.

37. Post Balance Date Events

The Hospital is not aware of any after balance date events that warrant inclusion in this report.

END OF AUDITED FINANCIAL STATEMENTS

