



RECEIVED
13-09-10

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Royal Alexandra Hospital for Children

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Royal Alexandra Hospital for Children (the Hospital), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity, statement of cash flows 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, that may be required, had I been able to satisfy myself as to the completeness of fundraising revenue and voluntary donations, the financial statements:

- present fairly, in all material respects, the financial position of the Hospital and the consolidated entity as at 30 June 2010 and their financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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 2009 financial report was similarly qualified.

Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements 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 financial statements that are 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 statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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

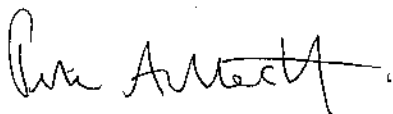
My opinion does *not* provide assurance:

- 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 statements.

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
- 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.



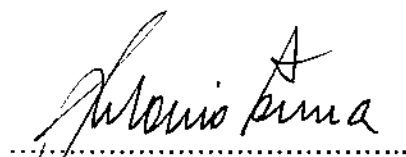
Peter Achterstraat
Auditor-General

9 September 2010
Sydney

**Certification of Parent/Consolidated Financial Statements
for the Year Ended 30 June 2010**

The attached financial statements of the Royal Alexandra Hospital for Children for the year ended 30 June 2010:

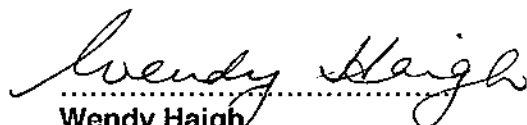
- i) Have been prepared in accordance with the requirements of applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the *Public Finance and Audit Act 1983* and its regulations, the *Health Services Act 1997* and its regulations, the Accounts 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

07 September 2010



.....
Wendy Haigh
Director, Finance and Corporate Services

Royal Alexandra Hospital for Children

07 September 2010

Royal Alexandra Hospital for Children
Statement of Comprehensive Income for the Year Ended 30 June 2010

PARENT							CONSOLIDATION		
Actual	Budget	Actual	Notes	Actual	Budget	Actual			
2010	2010	2009		2010	2010	2009			
\$000	\$000	\$000		\$000	\$000	\$000			
				Expenses excluding losses					
				Operating Expenses					
				Employee Related	3	254,176	248,957	236,918	
254,176	248,957	236,918		Personnel Services	4	-	-	-	
5,225	5,348	5,538		Visiting Medical Officers		5,225	5,346	5,538	
86,364	82,926	82,036		Other Operating Expenses	5	86,364	82,926	82,036	
16,956	17,293	17,360		Depreciation and Amortisation	2(i), 6	16,956	17,293	17,360	
1,923	338	1,181		Grants and Subsidies	7	1,923	338	1,181	
114	-	29		Finance Costs	8	114	-	29	
				Total Expenses excluding losses		384,758	354,860	343,064	
				Revenue					
246,054	242,623	243,251		Sale of Goods and Services	9	246,054	242,623	243,251	
8,186	2,882	2,173		Investment Revenue	10	8,186	2,882	2,173	
41,184	38,791	46,875		Grants and Contributions	11	37,370	35,022	43,349	
5,146	4,336	4,408		Other Revenue	12	6,146	4,336	4,408	
				Total Revenue		287,756	284,863	293,181	
(257)	-	(275)		Gain/(Loss) on Disposal	13	(257)	-	(275)	
(249)	(509)	(140)		Other Gains/(Losses)	14	(249)	(509)	(140)	
				Net Cost of Services	31	67,508	70,506	50,289	
				Government Contributions					
58,066	58,066	36,360		NSW Department of Health					
				Recurrent Allocations	2(d)	58,066	58,066	36,360	
3,698	3,788	708		NSW Department of Health					
				Capital Allocations	2(d)	3,698	3,788	708	
				Acceptance by the Crown Entity of					
				Employee Benefits	2(a)(ii)	3,814	3,769	3,526	
				Total Government Contributions		65,578	65,623	40,594	
				RESULT FOR THE YEAR		(1,930)	(4,883)	(9,704)	
				Other Comprehensive Income					
				Net Increase/(Decrease) in					
				Property, Plant & Equipment					
		17,807		Asset Revaluation Reserve		-	-	17,807	
				Other Comprehensive Income					
		17,807		for The Year					
				TOTAL COMPREHENSIVE INCOME					
<u>(1,930)</u>	<u>(4,883)</u>	<u>8,103</u>		FOR THE YEAR		<u>(1,930)</u>	<u>(4,883)</u>	<u>8,103</u>	

The accompanying notes form part of these Financial Statements

Royal Alexandra Hospital for Children
Statement of Financial Position as at 30 June 2010

PARENT			CONSOLIDATION				
Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000	Notes	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000	
ASSETS							
Current Assets							
83,816	68,079	68,692	17	83,816	68,079	68,692	
9,037	9,260	9,175	18	9,037	9,260	9,175	
4,954	4,672	4,618	19	4,954	4,672	4,618	
<u>97,807</u>	<u>82,011</u>	<u>82,485</u>		<u>97,807</u>	<u>82,011</u>	<u>82,485</u>	
Non-Current Assets							
60	59	59	18	60	59	59	
11,901	19,096	19,096	20	11,901	19,096	19,096	
Property, Plant and Equipment							
305,119	304,011	312,194	21	305,119	304,011	312,194	
31,085	33,544	27,037	21	31,085	33,544	27,037	
27,533	27,390	28,340	21	27,533	27,390	28,340	
<u>363,737</u>	<u>364,945</u>	<u>367,571</u>		<u>363,737</u>	<u>364,945</u>	<u>367,571</u>	
2,791	2,721	3,478	22	2,791	2,721	3,478	
<u>378,489</u>	<u>386,821</u>	<u>390,204</u>		<u>378,489</u>	<u>386,821</u>	<u>390,204</u>	
<u>476,296</u>	<u>468,832</u>	<u>472,689</u>		<u>476,296</u>	<u>468,832</u>	<u>472,689</u>	
LIABILITIES							
Current Liabilities							
20,116	15,245	22,143	24	20,116	15,245	22,143	
1,124	1,131	1,131	25	1,124	1,131	1,131	
83,543	82,482	75,741	26	83,543	82,482	75,741	
79	44	44	27	79	44	44	
<u>104,862</u>	<u>98,882</u>	<u>99,059</u>		<u>104,862</u>	<u>98,882</u>	<u>99,059</u>	
Non-Current Liabilities							
36	1,066	1,066	25	36	1,066	1,066	
5,087	5,526	4,323	26	5,087	5,526	4,323	
<u>5,123</u>	<u>6,592</u>	<u>5,389</u>		<u>5,123</u>	<u>6,592</u>	<u>5,389</u>	
<u>109,985</u>	<u>105,474</u>	<u>104,448</u>		<u>109,985</u>	<u>105,474</u>	<u>104,448</u>	
<u>366,311</u>	<u>363,358</u>	<u>368,241</u>		<u>366,311</u>	<u>363,358</u>	<u>368,241</u>	
EQUITY							
184,569	184,569	184,569		184,569	184,569	184,569	
181,742	178,789	183,672		181,742	178,789	183,672	
<u>366,311</u>	<u>363,358</u>	<u>368,241</u>		<u>366,311</u>	<u>363,358</u>	<u>368,241</u>	

The accompanying notes form part of these Financial Statements

Royal Alexandra Hospital for Children
Statement of Changes in Equity for the Year Ended 30 June 2010

	Accumulated Funds	Asset Revaluation Surplus	Total
	\$000	\$000	\$000
Balance at 1 July 2009	183,672	184,569	368,241
Result For The Year	(1,930)	-	(1,930)
Other Comprehensive Income	-	-	-
Total Other Comprehensive Income	-	-	-
Total Comprehensive Income For The Year	(1,930)	-	(1,930)
Balance at 30 June 2010	<u>181,742</u>	<u>184,569</u>	<u>366,311</u>

	Accumulated Funds	Asset Revaluation Surplus	Total
	\$000	\$000	\$000
Balance at 1 July 2008	193,376	166,762	360,138
Result For The Year	(9,704)	-	(9,704)
Other Comprehensive Income			
Increase in Asset Revaluation Surplus	-	17,807	17,807
Total Other Comprehensive Income	-	17,807	17,807
Total Comprehensive Income For The Year	(9,704)	17,807	8,103
Balance at 30 June 2009	<u>183,672</u>	<u>184,569</u>	<u>368,241</u>

The accompanying notes form part of these financial statements.

Royal Alexandra Hospital for Children
Statement of Cash Flows for the Year Ended 30 June 2010

PARENT			CONSOLIDATION			
Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000	Notes	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
			CASH FLOWS FROM OPERATING ACTIVITIES			
			Payments			
(246,807)	(244,162)	(224,534)		(246,807)	(244,162)	(224,534)
(1,923)	(338)	(1,181)		(1,923)	(338)	(1,181)
(114)	-	(29)		(114)	-	(29)
<u>(97,468)</u>	<u>(85,182)</u>	<u>(97,316)</u>		<u>(97,468)</u>	<u>(85,182)</u>	<u>(97,316)</u>
<u>(346,312)</u>	<u>(329,682)</u>	<u>(323,060)</u>		<u>(346,312)</u>	<u>(329,682)</u>	<u>(323,060)</u>
			Receipts			
245,995	238,885	246,342		245,995	238,885	246,342
4,130	2,882	4,115		4,130	2,882	4,115
52,502	39,358	56,181		52,502	39,358	56,181
<u>302,627</u>	<u>281,125</u>	<u>306,638</u>		<u>302,627</u>	<u>281,125</u>	<u>306,638</u>
			Cash Flows From Government			
58,066	58,066	36,360		58,066	58,066	36,360
3,698	3,788	708		3,698	3,788	708
<u>61,764</u>	<u>61,854</u>	<u>37,068</u>		<u>61,764</u>	<u>61,854</u>	<u>37,068</u>
			NET CASH FLOWS FROM OPERATING ACTIVITIES			
<u>18,079</u>	<u>13,297</u>	<u>20,646</u>	31	<u>18,079</u>	<u>13,297</u>	<u>20,646</u>
			CASH FLOWS FROM INVESTING ACTIVITIES			
174	-	31		174	-	31
13,000	-	18,000		13,000	-	18,000
(13,342)	(13,910)	(7,681)		(13,342)	(13,910)	(7,681)
(1,750)	-	(5,800)		(1,750)	-	(5,800)
<u>(1,918)</u>	<u>(13,910)</u>	<u>4,550</u>		<u>(1,918)</u>	<u>(13,910)</u>	<u>4,550</u>
			NET CASH FLOWS FROM INVESTING ACTIVITIES			
			CASH FLOWS FROM FINANCING ACTIVITIES			
-	-	1,892		-	-	1,892
(1,037)	-	(123)		(1,037)	-	(123)
<u>(1,037)</u>	<u>-</u>	<u>1,769</u>		<u>(1,037)</u>	<u>-</u>	<u>1,769</u>
			NET INCREASE / (DECREASE) IN CASH			
15,124	(613)	26,965		15,124	(613)	26,965
68,692	68,692	41,727		68,692	68,692	41,727
<u>83,816</u>	<u>68,079</u>	<u>68,692</u>	17	<u>83,816</u>	<u>68,079</u>	<u>68,692</u>
			CLOSING CASH AND CASH EQUIVALENTS			

The accompanying notes form part of these Financial Statements

Royal Alexandra Hospital for Children
Service Group Statements
for the Year Ended 30 June 2010

HOSPITAL'S EXPENSES AND INCOME	Service Group 1.1 *		Service Group 1.2 *		Service Group 1.3 *		Service Group 2.1 *		Service Group 2.2 *		Service Group 2.3 *		Service Group 3.1 *		Service Group 4.1 *		Service Group 5.1 *		Service Group 6.1 *		Non Attributable		Total				
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Expenses excluding losses																											
Operating Expenses	6,429	4,807	394		50,123	10,861	12,164	11,424	105,368	10,707	8,444	11,075	9,798	5,538	4,991	6,336	6,609	33,409	34,458								
Employee Related	123	107	6	3	1,162	245	312	2,487	2,657	241	216	249	249	104	103	194	207	414	520								
Visiting Medical Officers	2,164	1,636	134	46	19,490	3,632	4,111	37,274	35,652	3,560	2,854	3,703	3,313	1,866	1,705	2,085	2,206	12,436	13,485								
Other Operating Expenses	383	328	18	9	3,650	785	985	7,865	6,201	775	666	800	769	321	312	648	648	1,610	1,891								
Depreciation and Amortisation	27	10	2		239	94	18	426	167	41	13	42	15	24	11	18	5	1,063	848								
Grants and Subsidies	3	1			25	6	2	55	14	5	1	5	1	2	1	5	1	9	2								
Finance Costs	9,129	6,889	554	193	82,569	15,569	17,572	159,632	152,080	15,349	12,194	15,874	14,145	7,855	7,123	9,286	9,676	48,941	51,204								
Total Expenses excluding losses																											
Revenue																											
Sale of Goods and Services	413	211	9	9	11,169	12,176	11,912	182,956	181,264	36,602	36,026	181	197	375	278	513	343	1,660	1,743								
Investment Revenue	149	94	9	4	1,352	440	72	2,613	339	251	99	260	10	129	108	152	106	3,016	901								
Grants and Contributions	2,853	2,266	62	92	952	997	792	1,857	1,280	290	796	97	146	2,312	2,590	2,778	2,545	25,372	31,367								
Other Revenue	(115)	(35)	(3)	(1)	1,452	873	79	1,081	656	247	143	11	7	(93)	(40)	(114)	(39)	3,571	2,795								
Total Revenue	3,300	2,535	77	104	14,925	13,538	12,855	188,307	183,539	37,390	37,064	549	380	2,721	2,936	3,329	2,955	33,619	36,776								
Gain / (Loss) on Disposal	(5)	(6)			(50)	(11)	(15)	(109)	(128)	(11)	(10)	(11)	(12)	(4)	(6)	(9)	(6)	(47)	(28)								
Other Gains / (Losses)	(6)	(3)			(54)	(12)	(6)	(119)	(67)	(12)	(5)	(12)	(6)	(5)	(2)	(10)	(5)	(19)	(15)								
Net Cost of Services	5,840	4,362	477	88	67,748	58,023	4,740	(28,447)	(31,264)	(22,018)	(24,855)	15,348	13,803	5,143	4,195	5,976	6,734	15,388	14,471								
Government Contributions																											
RESULT FOR THE YEAR																											
Other Comprehensive Income																											
Increase/(Decrease) in Asset Revaluation Reserve																											
Total Other Comprehensive Income																											
TOTAL COMPREHENSIVE INCOME																											

Service Group Statements focus on the key measures of service delivery performance.
 * The name and purpose of each service group is summarised in Note 16.
 The Service Group statement uses statistical data to 28 February 2010 to allocate the current period's financial information on Expenses and Income to each Service Group.
 No changes have occurred during the period between 1 March 2010 and 30 June 2010 which would materially impact this allocation.

Royal Alexandra Hospital for Children
Service Group Statements
as at 30 June 2010

HOSPITAL'S ASSETS AND LIABILITIES	Service Group 1.1 *		Service Group 1.2 *		Service Group 1.3 *		Service Group 2.1 *		Service Group 2.2 *		Service Group 2.3 *		Service Group 3.1 *		Service Group 4.1 *		Service Group 5.1 *		Service Group 6.1 *		Total			
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	\$000	\$000	\$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	1,534	1,019	93	29	13,877	10,644	2,617	2,598	26,829	22,486	2,560	1,803	2,668	2,091	1,320	1,053	1,560	1,429	30,738	25,540				
Receivables	19	10	-	-	330	310	360	308	7,033	7,299	1,153	1,106	5	5	16	12	21	14	110	111				
Inventories					67	107	256	234	3,850	3,561	770	708	1	2	2	2	4	3	4	3				
Total Current Assets	1,553	1,029	93	29	14,274	11,061	3,223	3,140	37,712	33,346	4,503	3,617	2,674	2,096	1,338	1,065	1,585	1,446	30,852	25,654				
Non-Current Assets																								
Receivables									54	59					6									
Financial Assets at Fair Value									3,723	6,138	358	492	370	571	183	288	217	391						
Property, Plant and Equipment									709	363														
- Land and Buildings	6,836	5,938	316	163	65,100	64,643	14,003	17,469	142,065	148,457	13,817	12,056	14,269	13,921	5,720	5,648	11,553	11,730	31,440	32,169				
- Plant and Equipment	729	533	34	15	6,943	5,806	1,493	1,569	15,151	13,335	1,474	1,083	1,522	1,250	610	507	1,232	1,054	1,887	1,885				
- Infrastructure Systems	617	539	29	15	5,674	5,668	1,264	1,586	12,820	13,476	1,247	1,094	1,288	1,264	516	513	1,043	1,065	2,835	2,820				
Intangible Assets	69	66	3	2	601	715	129	193	1,311	1,643	128	133	132	154	53	63	107	130	264	379				
Total Non-Current Assets	8,459	7,354	395	203	80,444	79,938	17,252	21,526	175,124	183,108	17,024	14,858	17,581	17,160	7,088	7,019	14,152	14,370	40,871	44,668				
TOTAL ASSETS	10,011	8,383	488	232	94,718	90,999	20,475	24,666	212,836	216,454	21,527	18,475	20,255	19,258	8,426	8,084	15,737	15,816	71,823	70,322				
LIABILITIES																								
Current Liabilities																								
Payables	495	365	30	10	4,535	3,977	851	971	8,729	11,302	839	906	868	781	501	455	487	501	2,781	2,875				
Borrowings	33	27	2	1	294	279	55	68	568	569	55	47	57	55	28	28	32	37						
Provisions	2,353	1,742	144	49	21,230	18,168	3,975	4,409	40,782	38,201	3,919	3,061	4,054	3,651	2,027	1,809	2,319	2,395	2,740	2,355				
Other									66	37	13	7												
Total Current Liabilities	2,881	2,134	176	60	26,059	22,424	4,881	5,448	50,145	50,129	4,826	4,021	4,979	4,387	2,556	2,292	2,838	2,934	5,521	5,230				
Non-Current Liabilities																								
Borrowings	1	25	-	1	9	263	2	64	18	556	2	45	2	52	1	26	1	34						
Provisions	138	96	8	3	1,245	1,005	233	244	2,392	2,112	230	169	238	196	119	100	137	133	347	265				
Total Non-Current Liabilities	139	121	8	4	1,254	1,268	235	308	2,410	2,668	232	214	240	248	120	126	138	167	347	265				
TOTAL LIABILITIES	3,020	2,255	184	64	27,313	23,692	5,116	5,756	52,555	52,797	5,058	4,235	5,219	4,635	2,676	2,418	2,976	3,101	5,868	5,495				
NET ASSETS	6,991	6,128	304	168	67,405	67,307	15,359	18,910	160,281	163,657	16,469	14,240	15,036	14,623	5,750	5,668	12,761	12,715	65,955	64,827				

The name and purpose of each service group is summarised in Note 16.

Assets and liabilities that are specific to service groups are allocated accordingly, eg Non-Current Assets Held for Sale. Remaining assets and liabilities are apportioned to service groups in accordance with the methodology advised in Note 2(z), thereby ensuring that the benefit of each asset and the liabilities incurred in the provision of services are duly recognised in each service group.

The statistical data collected to 28 February 2010 to apportion service group expenses and revenues is also used to attribute assets and liabilities to each service group.

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

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 (as profit is not its principal objective).

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 statements of the special purpose entity Division and the consolidated financial statements of the economic entity. Notes capture both the parent and consolidated values with notes 3, 4, 11, 24, 26 and 31 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 financial statements prepared for both the NSW Department of Health and the NSW Total State Sector Accounts

On 1 July 2010 The Royal Alexandra Hospital for Children was renamed The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) and the public hospital located at Randwick known as Sydney Children's Hospital was transferred from South Eastern Sydney and Illawarra Area Health Service to The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children).

These consolidated financial statements for the year ended 30 June 2010 have been authorised for issue by the Chief Executive on 07 September 2010.

2 Summary of Significant Accounting Policies

The Hospital's financial statements are general purpose financial statements which have 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, investment property, assets or disposal groups held for sale and financial assets at "fair value through profit and loss" and available for sale 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 \$ 7,055,000 (2009 \$ 16,574,000).

Notwithstanding this deficiency the financial statements have 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.

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

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

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 statements 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 2010

Accounting Standard/Interpretation

AASB 9, *Financial Instruments* and AASB 2009-11, *Amendments to Australian Accounting Standards arising from AASB 9*, have application from 1 July 2013 and focus on simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value. They also simplify the requirements for embedded derivatives and remove the tainting rules associated with held-to-maturity assets. They have been assessed as having no material impact on the Hospital.

AASB 1053, *Application of tiers of Australian Accounting Standards*, has application from 1 July 2013 and establishes a differential reporting framework consisting of two tiers of reporting requirements. Tier 1 entities will continue to apply existing Australian Accounting Standards. Tier 2 entities will apply the same recognition, measurement and presentation requirements but reduced disclosure requirements. Tier 2 entities include the majority of public sector entities. This standard has been assessed as having no material impact on the Hospital.

AASB 2009-5, *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*, has application from 1 July 2010 and comprises accounting changes for presentation, recognition or measurement purposes. This standard has been assessed as having no material impact on the Hospital.

AASB 2009-8, *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions*, has application from 1 July 2010 and makes amendments which clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. This standard has been assessed as having no impact on the Hospital.

AASB 2009-9, *Amendments to Australian Accounting Standards- Additional Exemptions for First-time Adopters*, has application from 1 July 2010 and makes amendments to ensure that entities applying Australian Accounting Standards for the first time will not face undue cost or effort in the transition process in particular situations. This standard has been assessed as having no impact on the Hospital.

AASB 2009-10, *Amendments to Australian Accounting Standards- Classification of Rights Issues*, has application from 1 July 2010 and provides clarification concerning equity instruments. This standard has been assessed as having no material impact on the Hospital.

AASB 124, *Related Party Disclosures* and AASB 2009-12, *Amendments to Australian Accounting Standards*, have application from 1 July 2011 and simplify the definition of a related party. They have been assessed as having no impact on the Hospital.

Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments* and AASB 2009-13, *Amendments to Australian Accounting Standards arising from Interpretation 19*, have application from 1 July 2010 and addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. They have been assessed as having no impact on the Hospital.

AASB 2009-14, *Amendments to Australian Interpretation- Prepayments of a Minimum Funding Requirement*, has application from 1 July 2011 and makes limited-application amendments to Interpretation 14 AASB 119 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. This standard has been assessed as having no impact on the Hospital.

AASB 2010-1, *Amendments to Australian Accounting Standards- Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters*, has application from 1 July 2010 and provides additional exemption on IFRS transition in relation to AASB 7 *Financial Instruments: Disclosures*, to avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current IFRS-compliant preparers. This standard has been assessed as having no impact on the Hospital.

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

AASB 2010-2, *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*, has application from 1 July 2013 and determines disclosures in Australian Accounting Standards from which Tier 2 entities are exempt. This standard has been assessed as having no material impact on the Hospital.

AASB 2010-3 and AASB 2010-4, *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*, have application from 1 January 2011 and amend a number of different Australian Accounting Standards. These standards have been assessed as having no material impact on the Hospital.

Other significant accounting policies used in the preparation of these financial statements is 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 are due to be settled within 12 months after the end of the period in which the employees render the service 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 2010, such on-costs being consistent with actuarial assessment (Comparable on costs for 30 June 2009 were also 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 tax 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 18.3% (9.8% at 30 June 2009) 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
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

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.

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 claim experience.

c) Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred in accordance with the NSW Department of Health Mandate.

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

Revenue from the sale of goods is recognised as revenue when the Hospital transfers the significant risks and rewards of ownership of the assets.

Rendering of Services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

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.

Royalty revenue is recognised in accordance with AASB 118 on an accrual basis in accordance with the substance of the relevant agreement.

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 Hospital 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
for the Year Ended 30 June 2010**

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 cost method of accounting is used for the initial recording of all such services. Cost is determined as the fair value of the services given and is then recognised as revenue with a matching expense.

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 Statement of Comprehensive Income before arriving at the "Result for the Year" on the basis that the allocation is earned in return for the health services provided on behalf of the Department. Allocations are normally recognised upon the receipt of Cash.

e) Accounting for the 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 Statement of Cash Flows 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 they have 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 Royal Alexandra Hospital for Children 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
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

Inter State Patient Flows

The Hospital recognises the value of inflows for acute inpatient treatment provided to residents from other States and territories. The expense and revenue values reported within the financial statements have been based on 2008/09 activity data using standard cost weighted separation values to reflect estimated costs in 2009/10 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 Hospital'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.

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

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, ie 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 of Property, Plant and Equipment

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. All material separately identifiable components of assets are depreciated over their shorter useful lives.

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 Vehicles	
- Sedans	12.5%
- Trucks & Vans	20.0%
Office Equipment	10.0%
Plant and Machinery	10.0%
Furniture, Fittings and Furnishings	5.0%

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

"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, seawalls 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
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

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.

Computer software developed or acquired by the Health Service are recognised as intangible assets and are amortised over 5 to 10 years using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

n) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or 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 Statement of Comprehensive Income in the periods in which they are incurred.

p) Inventories

Inventories are stated at cost, adjusted when applicable for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount.

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

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

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 recognised in the Result for the Year 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 Result for the Year.

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 Hospitals 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. T Corp 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 Result for the Year 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 in Other Comprehensive Income until disposed or impaired, at which time the cumulative gain or loss previously recognised in Other Comprehensive Income is recognised in the Result for the Year. However, interest calculated using the effective interest method and dividends are recognised in the Result for the Year.

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 Statement of Financial Position date.

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

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 entity 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 Result for the Year.

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the Result for the Year, 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 Result for the Year.

Any reversals of impairment losses are reversed through the Result for the Year, 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 Result for the Year on derecognition.

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

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

w) Equity and Reserves

(i) Asset Revaluation Reserve

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 property, plant and equipment as discussed in Note 2(j).

(ii) Accumulated Funds

The category "accumulated funds" includes all current and prior period retained funds.

(iii) Separate Reserves

Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards.

x) Trust Funds

The Hospital receives monies in a trustee capacity for various trusts as set out in Note 29. 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.

y) Budgeted Amounts

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

z) Service Group Statements Allocation Methodology

Expenses and revenues are assigned to service groups in accordance with statistical data for the eight months ended 28 February 2010 which is then applied to the current period's financial information. In respect of assets and liabilities the NSW Department of Health requires the Hospital to identify those components that can be specifically identified and reported by service groups. Remaining values are attributed to service groups in accordance with values advised by the NSW Department of Health, eg depreciation/amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant & Equipment.

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
3. Employee Related				
Employee related expenses comprise the following:				
-	-	Salaries and Wages	192,189	180,707
-	-	Awards	7,380	7,264
-	-	Superannuation - Defined Benefit Plans	3,814	3,526
-	-	Superannuation - Defined Contribution Plans	16,763	15,454
-	-	Long Service Leave	11,139	6,804
-	-	Annual Leave	21,275	21,242
-	-	Workers' Compensation Insurance	1,569	1,895
-	-	Fringe Benefits Tax	27	26
-	-		254,176	236,918
4. Personnel Services				
Personnel Services comprise the purchase of the following:				
192,189	180,707	Salaries and Wages	-	-
7,380	7,264	Awards	-	-
3,814	3,526	Superannuation - Defined Benefit Plans	-	-
16,763	15,454	Superannuation - Defined Contribution Plans	-	-
11,139	6,804	Long Service Leave	-	-
21,275	21,242	Annual Leave	-	-
1,569	1,895	Workers' Compensation Insurance	-	-
27	26	Fringe Benefits Tax	-	-
254,176	236,918		-	-
5. Other Operating Expenses				
8,822	9,763	Blood and Blood Products	8,822	9,763
3,251	3,119	Domestic Supplies and Services	3,251	3,119
15,067	13,240	Drug Supplies	15,067	13,240
2,812	2,851	Food Supplies	2,812	2,851
2,407	1,678	Fuel, Light and Power	2,407	1,678
6,810	5,519	General Expenses (See (a) below)	6,810	5,519
636	914	Hospital Ambulance Transport Costs	636	914
2,864	2,429	Information Management Expenses	2,864	2,429
426	86	insurance	426	86
Maintenance (See (b) below)				
4,591	4,795	Maintenance Contracts	4,591	4,795
2,814	2,369	New/Replacement Equipment under \$10,000	2,814	2,369
2,120	2,715	Repairs	2,120	2,715
5	-	Other	5	-
15,688	13,152	Medical and Surgical Supplies	15,688	13,152
1,744	1,218	Postal and Telephone Costs	1,744	1,218
1,791	1,621	Printing and Stationery	1,791	1,621
654	467	Rates and Charges	654	467
218	170	Rental	218	170
7,829	9,211	Special Service Departments	7,829	9,211
2,321	2,991	Staff Related Costs	2,321	2,991
3,494	3,730	Travel Related Costs	3,494	3,730
86,354	82,038		86,354	82,038

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
181	304	(a) General Expenses comprise:		
404	464	Advertising	181	304
		Books, Magazines and Journals	404	464
532	387	Consultancies		
53	24	- Operating Activities	532	387
458	395	- Capital Works	53	24
127	123	Courier and Freight	458	395
7	1	Auditor's Remuneration - Audit of Financial Statements	127	123
51	36	Auditor's Remuneration - Other Services	7	1
831	597	Data Recording and Storage	51	36
200	139	Legal Services	831	597
149	147	Membership/Professional Fees	200	139
227	304	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	149	147
71	5	Other Operating Lease Expense - Minimum Lease Payments	227	304
103	54	Payroll Services	71	5
76	86	Quality Assurance/Accreditation	103	54
512	434	Security Services	76	86
<u>2,828</u>	<u>2,019</u>	Translator Services	512	434
		Other general operating expenses	<u>2,828</u>	<u>2,019</u>
<u>6,810</u>	<u>5,519</u>		<u>6,810</u>	<u>5,519</u>
		(b) Reconciliation Total Maintenance		
4,591	4,795	Maintenance Expense - Contracted Labour and Other (non employee Related), included in Note 5	4,591	4,795
<u>4,591</u>	<u>4,795</u>		<u>4,591</u>	<u>4,795</u>
		Total maintenance expenses included in Note 5	<u>4,591</u>	<u>4,795</u>

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
		6. Depreciation and Amortisation		
9,664	9,302	Depreciation - Buildings	9,664	9,302
5,461	5,282	Depreciation - Plant and Equipment	5,461	5,282
950	918	Depreciation - Infrastructure Systems	950	918
757	1,817	Amortisation - Intangible Assets	757	1,817
124	41	Amortisation - Leased Buildings	124	41
16,956	17,360		16,956	17,360
		7. Grants and Subsidies		
338	330	Non-Government Voluntary Organisations	338	330
1,585	851	Other	1,585	851
1,923	1,181		1,923	1,181
		8. Finance Costs		
110	24	Interest on Loans	110	24
4	5	Other Interest Charges	4	5
114	29	Total Finance Costs	114	29

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
9. Sale of Goods and Services				
(a) Sale of Goods comprises the following:				
2,204	2,299	Sale of Prostheses	2,204	2,299
2,349	-	Highly Specialised Drugs *	2,349	-
259	201	Pharmacy Sales	259	201
(b) Rendering of Services comprises the following:				
12,260	10,869	Patient Fees [see note 2(d)]	12,260	10,869
294	309	Staff-Meals and Accommodation	294	309
9,720	9,742	Infrastructure Fees - Monthly Facility Charge [see Note 2(d)]	9,720	9,742
2,161	1,499	- Annual Charge	2,161	1,499
203,005	202,846	Allocation from Inter Area Patient Inflows, NSW [see Note 9(c)]	203,005	202,846
2,200	2,318	Cafeteria/Kiosk	2,200	2,318
2,151	1,978	Car Parking	2,151	1,978
662	676	Child Care Fees	662	676
2,366	2,801	Clinical Services (excluding Clinical Drug Trials)	2,366	2,801
399	637	Commercial Activities	399	637
47	41	Fees for Medical Records	47	41
12	14	PADP Patient Copayments	12	14
3,279	4,428	Patient Inflows from Interstate [see Note 9(d)]	3,279	4,428
105	113	Salary Packaging Fee	105	113
2,581	2,480	Other	2,581	2,480
<u>246,054</u>	<u>243,251</u>		<u>246,054</u>	<u>243,251</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:				
50,274	50,563	Sydney South West	50,274	50,563
26,133	26,661	North Sydney/Central Coast	26,133	26,661
89,395	85,657	Sydney West	89,395	85,657
8,753	10,777	Hunter/New England	8,753	10,777
9,574	9,486	South East/Illawarra	9,574	9,486
4,294	4,006	North Coast	4,294	4,006
9,284	9,623	Greater Western	9,284	9,623
5,298	6,073	Greater Southern	5,298	6,073
<u>203,005</u>	<u>202,846</u>		<u>203,005</u>	<u>202,846</u>
(d) Revenues from Patient Inflows from Interstate are as follows:				
1,465	2,988	Australian Capital Territory	1,465	2,988
(16)	163	Northern Territory	(16)	163
685	265	Queensland	685	265
228	18	South Australia	228	18
(69)	308	Tasmania	(69)	308
(21)	97	Victoria	(21)	97
1,007	589	Western Australia	1,007	589
<u>3,279</u>	<u>4,428</u>		<u>3,279</u>	<u>4,428</u>
* The Commonwealth Highly Specialised Drug program was varied from 1 July 2009. The State now claims on a recovery basis the cost of highly specialised drugs through Medicare (Commonwealth).				
In previous years these funds were received within annual Government Allocation from the NSW Department of Health.				
10. Investment Revenue				
Investment Income				
- T Corp Hour Glass Investment Facilities Designated at Fair Value through Profit or Loss				
7,422	1,355		7,422	1,355
175	198	Interest - Other	175	198
586	602	Lease and Rental Income	586	602
23	18	Royalties	23	18
<u>8,186</u>	<u>2,173</u>		<u>8,186</u>	<u>2,173</u>

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
		11. Grants and Contributions		
891	28	Clinical Drug Trials	891	28
3,076	3,132	Commonwealth Government Grants	3,076	3,132
22,272	29,652	Industry Contributions/Donations	22,272	29,652
602	75	Cancer Institute Grants	602	75
673	665	NSW Government Grants	673	665
3,814	3,526	Personnel Services - Superannuation Defined Benefits	-	-
9,446	9,445	Research Grants	9,446	9,445
410	352	Other Grants	410	352
<u>41,184</u>	<u>46,875</u>		<u>37,370</u>	<u>43,349</u>
		12. Other Revenue		
		Other Revenue comprises the following:-		
25	13	Bad Debts recovered	25	13
94	86	Commissions	94	86
1,701	1,380	Conference and Training Fees	1,701	1,380
5	7	Discounts	5	7
92	208	Sale of Merchandise, Old Wares and Books	92	208
94	36	Sponsorship Income	94	36
1,293	182	Treasury Managed Fund Hindsight Adjustment	1,293	182
2,842	2,496	Other	2,842	2,496
<u>6,146</u>	<u>4,408</u>		<u>6,146</u>	<u>4,408</u>
		13. Gain/(Loss) on Disposal		
8,807	17,058	Property, Plant and Equipment	8,807	17,058
8,376	16,752	Less Accumulated Depreciation	8,376	16,752
431	306	Written Down Value	431	306
174	31	Less Proceeds from Disposal	174	31
<u>(257)</u>	<u>(275)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(257)</u>	<u>(275)</u>
-	-	Intangible Assets	-	-
-	-	Less Proceeds from Disposal	-	-
<u>-</u>	<u>-</u>	Gain/(Loss) on Disposal of Intangible Assets	<u>-</u>	<u>-</u>
<u>(257)</u>	<u>(275)</u>	Total Gain/(Loss) on Disposal	<u>(257)</u>	<u>(275)</u>
		14. Other Gains/(Losses)		
(249)	(140)	Impairment of Receivables	(249)	(140)
<u>(249)</u>	<u>(140)</u>		<u>(249)</u>	<u>(140)</u>

**Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010**

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	853	999	2,533	4,385
Contributions recognised in amalgamated balance as at 30 June 2009 which were not expended in the current reporting period	-	76,909	2,735	79,644
Total amount of unexpended contributions as at balance date	853	77,908	5,268	84,029

Unspent contributions for purchase of assets are tracked through a dedicated cost centre managed by Fundraising Department.

Comment on restricted assets appears in Note 23

**Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010**

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
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

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
for the Year Ended 30 June 2010**

PARENT			CONSOLIDATION	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
		17. Cash and Cash Equivalents		
10,245	11,497	Cash at Bank and On Hand	10,245	11,497
<u>73,571</u>	<u>57,195</u>	Short Term Deposits	<u>73,571</u>	<u>57,195</u>
<u>83,816</u>	<u>68,692</u>		<u>83,816</u>	<u>68,692</u>
		Cash & Cash Equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:		
<u>83,816</u>	<u>68,692</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>83,816</u>	<u>68,692</u>
<u>83,816</u>	<u>68,692</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>83,816</u>	<u>68,692</u>

Refer to Note 35 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT		CONSOLIDATION	
2010	2009	2010	2009
\$000	\$000	\$000	\$000
16. Receivables			
Current			
(a) Sale of Goods and Services			
2,588	2,828	2,588	2,828
729	536	729	536
243	339	243	339
1,331	551	1,331	551
4,145	5,046	4,145	5,046
<u>9,036</u>	<u>9,300</u>	<u>9,036</u>	<u>9,300</u>
(581)	(655)	(581)	(655)
8,455	8,645	8,455	8,645
582	530	582	530
<u>9,037</u>	<u>9,175</u>	<u>9,037</u>	<u>9,175</u>
Sub Total			
Less Allowance for Impairment			
Sub Total			
Prepayments			
(b) Movement in the Allowance for Impairment			
Sale of Goods & Services			
431	518	431	518
(254)	(138)	(254)	(138)
25	13	25	13
44	38	44	38
246	431	246	431
(c) Movement in the Allowance for Impairment			
Other Debtors			
224	1,312	224	1,312
(35)	(1,190)	(35)	(1,190)
-	-	-	-
146	102	146	102
335	224	335	224
<u>581</u>	<u>655</u>	<u>581</u>	<u>655</u>
Non-Current			
(a) Sale of Goods and Services			
60	59	60	59
<u>60</u>	<u>59</u>	<u>60</u>	<u>59</u>
-	-	-	-
60	59	60	59
<u>60</u>	<u>59</u>	<u>60</u>	<u>59</u>
(b) Movement in the Allowance for Impairment			
Sale of Goods & Services			
-	-	-	-
(59)	-	(59)	-
-	-	-	-
59	-	59	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(c) Sale of Goods and Services Receivables			
(Current and Non Current) include:			
60	99	60	99
756	581	756	581
1,578	1,551	1,578	1,551
<u>2,394</u>	<u>2,231</u>	<u>2,394</u>	<u>2,231</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 35.

**Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010**

PARENT			CONSOLIDATION	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
		19. Inventories		
		Current - Held for Distribution		
1,577	1,361	Drugs	1,577	1,361
2,443	2,305	Medical and Surgical Supplies	2,443	2,305
33	32	Food and Hotel Supplies	33	32
125	133	Engineering Supplies	125	133
223	199	Fundraising Merchandise	223	199
553	588	Other including Goods in Transit	553	588
<u>4,954</u>	<u>4,618</u>		<u>4,954</u>	<u>4,618</u>

**Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010**

PARENT			CONSOLIDATION	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
20. Financial Assets at Fair Value				
		Non-Current		
11,901	19,096	Treasury Corporation - Hour-Glass Investment Facilities - Australian Shares Sector Trust	11,901	19,096
<hr/>	<hr/>		<hr/>	<hr/>
11,901	19,096		11,901	19,096

Refer to Note 35 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
for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
		21. Property, Plant and Equipment		
		Land and Buildings - Fair Value		
413,419	410,706	Gross Carrying Amount	413,419	410,706
(108,300)	(98,512)	Less Accumulated Depreciation and Impairment	(108,300)	(98,512)
<u>305,119</u>	<u>312,194</u>	Net Carrying Amount	<u>305,119</u>	<u>312,194</u>
		Plant and Equipment - Fair Value		
106,552	105,418	Gross Carrying Amount	106,552	105,418
(75,467)	(78,381)	Less Accumulated Depreciation and Impairment	(75,467)	(78,381)
<u>31,085</u>	<u>27,037</u>	Net Carrying Amount	<u>31,085</u>	<u>27,037</u>
		Infrastructure Systems - Fair Value		
38,156	38,014	Gross Carrying Amount	38,156	38,014
(10,623)	(9,674)	Less Accumulated Depreciation and Impairment	(10,623)	(9,674)
<u>27,533</u>	<u>28,340</u>	Net Carrying Amount	<u>27,533</u>	<u>28,340</u>
<u>363,737</u>	<u>367,571</u>	Total Property, Plant and Equipment	<u>363,737</u>	<u>367,571</u>
		At Net Carrying Amount		

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT AND CONSOLIDATION

21. Property, Plant and Equipment - Reconciliation

2010	Land \$000	Buildings \$000	Other Leased Assets \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Net Carrying Amount at Start of Year	20,318	287,967	3,909	27,037	28,340	367,571
Additions	-	2,713	-	9,890	143	12,546
Reclassifications from Intangibles	-	-	-	250	-	250
Disposals	-	-	-	(431)	-	(431)
Depreciation Expense	-	(9,664)	(124)	(5,461)	(950)	(16,199)
Net Carrying amount at end of year	20,318	281,016	3,785	31,085	27,533	363,737

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	-	-	-	(308)	-	(306)
Net Revaluation Increment less Revaluation Decrements Recognised in Reserves	(402)	13,432	3,342	-	1,435	17,807
Depreciation 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

- (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 last 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 Land and Property Management Authority, was not an employee of the Hospital.

**Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010**

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
		22. Intangible Assets		
		Software		
9,468	9,535	Cost (Gross Carrying Amount)	9,468	9,535
(6,677)	(6,057)	Less Accumulated Amortisation and Impairment	(6,677)	(6,057)
<hr/>	<hr/>		<hr/>	<hr/>
2,791	3,478	Total Intangible Assets at Net Carrying Amount	2,791	3,478
<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT AND CONSOLIDATION

22. Intangibles - Reconciliations

2010	Software	Total
	\$000	\$000
Net Carrying Amount at Start of Year	3,478	3,478
Additions (from internal development or acquired separately)	320	320
Reclassification to Plant & Equipment	(250)	(250)
Amortisation (Recognised in Depreciation and Amortisation)	(757)	(757)
Net Carrying Amount at End of Year	2,791	2,791

2009	Software	Total
	\$000	\$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

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT						CONSOLIDATION	
2010 \$000	2009 \$000			2010 \$000	2009 \$000		
		23. Restricted Assets					
<p>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.</p>							
		Category	Brief details of externally imposed conditions including asset category affected				
7,990	9,308	Children's Hospital Funds	Donations and fundraisings held for specific purchases of equipment and / or services.			7,990	9,308
31,209	28,130	Specific Purposes	Donations, contributions and fundraisings held in trust for the benefit of specific patients, departments and / or staff group.			31,209	28,130
6,889	7,004	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.			6,889	7,004
28,955	27,099	Research Grants	Funds held for research on child health and other related research carried out by the Hospital.			28,955	27,099
5,268	3,648	Private Practice Funds	Funds held for the use of training, education and professional development of staff.			5,268	3,648
643	1,086	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.			643	1,086
3,075	3,438	Research Capital Campaign	Donations, contributions and fundraisings held for the Kids' Research Institute building, to provide infrastructure and facilities to meet the needs of research on diseases and children's health.			3,075	3,438
84,029	79,713					84,029	79,713

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
24. Payables				
Current				
-	-	Accrued Salaries, Wages and On-Costs	3,354	8,352
174	187	Taxation and Payroll Deductions	174	187
3,354	8,352	Accrued Liability - Purchase of Personnel Services	-	-
9,646	9,074	Creditors	9,646	9,074
		Other Creditors		
302	778	- Capital Works	302	778
2,585	542	- Intra Health Liability	2,585	542
4,055	3,210	- Other	4,055	3,210
<u>20,116</u>	<u>22,143</u>		<u>20,116</u>	<u>22,143</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 35.

25. Borrowings				
Current				
1,124	1,131	Other Loans and Deposits	1,124	1,131
<u>1,124</u>	<u>1,131</u>		<u>1,124</u>	<u>1,131</u>
Non-Current				
36	1,066	Other Loans and Deposits	36	1,066
<u>36</u>	<u>1,066</u>		<u>36</u>	<u>1,066</u>
<p>Other loans still to be extinguished represent monies to be repaid to the NSW Department of Health and NSW Treasury Final Repayment is scheduled for 31 December 2011</p>				
Repayment of Borrowings (excluding Finance Leases)				
1,124	1,131	Not later than one year	1,124	1,131
36	1,066	Between one and five years	36	1,066
<u>1,160</u>	<u>2,197</u>	Total Borrowings at face value (excluding Finance Leases)	<u>1,160</u>	<u>2,197</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 35.

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
		25. Provisions		
		Current Employee Benefits and Related On-Costs		
-	-	Annual Leave - Short Term Benefit	14,709	13,253
-	-	Annual Leave - Long Term Benefit	21,744	21,810
-	-	Long Service Leave - Short Term Benefit	2,023	2,062
-	-	Long Service Leave - Long Term Benefit	45,067	38,616
<u>83,543</u>	<u>75,741</u>	Provision for Personnel Services Liability	-	-
<u>83,543</u>	<u>75,741</u>	Total Current Provisions	<u>83,543</u>	<u>75,741</u>
		Non-Current Employee Benefits and Related On-Costs		
-	-	Long Service Leave - Conditional	5,087	4,323
<u>5,087</u>	<u>4,323</u>	Provision for Personnel Services Liability	-	-
<u>5,087</u>	<u>4,323</u>	Total Non-Current Provisions	<u>5,087</u>	<u>4,323</u>
		Aggregate Employee Benefits and Related On-Costs		
83,543	75,741	Provisions - Current	83,543	75,741
5,087	4,323	Provisions - Non-Current	5,087	4,323
-	-	Accrued Salaries, Wages and On-Costs (Note 24)	3,528	8,539
<u>3,528</u>	<u>8,539</u>	Accrued Liability - Purchase of Personnel Services (Note 24)	-	-
<u>92,158</u>	<u>88,603</u>		<u>92,158</u>	<u>88,603</u>

**Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010**

PARENT			CONSOLIDATION	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
		27. Other Liabilities		
		Current		
		Income in Advance		
79	44		79	44
<hr style="width: 100%;"/>	<hr style="width: 100%;"/>		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
79	44		79	44
<hr style="width: 100%;"/>	<hr style="width: 100%;"/>		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

This represents fees received in advance from patients for which services are provided after 30 June 2010.

**Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010**

PARENT			CONSOLIDATION	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
28. 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:				
1,541	2,977	Not later than one year	1,541	2,977
1,541	2,977	Total Capital Expenditure Commitments (Including GST)	1,541	2,977
Of the commitments reported at 30 June 2010 it is expected that \$1,381,065 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:				
5,930	6,389	Not later than one year	5,930	6,389
1,525	1,835	Later than one year and not later than five years	1,525	1,835
7,455	8,224	Total Other Expenditure Commitments (Including GST)	7,455	8,224
(c) Operating Lease Commitments				
Commitments in relation to non-cancellable operating leases are payable as follows:				
158	250	Not later than one year	158	250
197	298	Later than one year and not later than five years	197	298
355	548	Total Operating Lease Commitments (Including GST)	355	548

These Operating Leases are not recognised in the Financial Statements as liabilities until due. The Operating Leases represent rental of medical plant and equipment, computer equipment and vehicles.

(d) Contingent Asset related to Commitments for Expenditure

The total of "Commitments for Expenditure" above, i.e. \$9.35 million as at 30 June 2010 includes input tax credits of \$850,126 (this compares with \$1,067,967 for the previous year) that are expected to be recoverable from the Australian Taxation Office.

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT AND CONSOLIDATION

29 Trust Funds

The Hospital holds trust fund moneys of \$1.232 million which are used for the safe keeping of employee related monies, 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	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Cash Balance at the beginning of the financial reporting period	53	46	984	999	1,037	1,045
Receipts	14	23	20,498	19,122	20,512	19,145
Expenditure	(12)	(16)	(20,305)	(19,137)	(20,317)	(19,153)
Cash Balance at the end of the financial reporting period	<u>55</u>	<u>53</u>	<u>1,177</u>	<u>984</u>	<u>1,232</u>	<u>1,037</u>

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT AND CONSOLIDATION

30 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 2003/04 fund year and an interim adjustment for the 2005/06 fund year were not calculated until 2009/10. As a result, the 2004/05 final and 2006/07 interim hindsight calculations will be paid in 2010/11.

It is not possible for the Hospital to reliably quantify the benefit to be received.

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
31. Reconciliation Of Net Cash Flows from Operating Activities to Net Cost Of Services				
18,079	20,646	Net Cash provided by Operating Activities	18,079	20,646
(16,956)	(17,360)	Depreciation	(16,956)	(17,360)
74	1,175	Allowance for Impairment	74	1,175
-	-	Acceptance by the Crown Entity of Employee Superannuation Benefits	(3,814)	(3,526)
(8,566)	(8,212)	(Increase)/ Decrease In Provisions	(8,566)	(8,212)
4,180	(4,411)	Increase / (Decrease) In Prepayments and Other Assets	4,180	(4,411)
1,516	(1,267)	(Increase)/ Decrease in Creditors	1,516	(1,267)
(257)	(275)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(257)	(275)
(58,066)	(36,360)	NSW Department of Health Recurrent Allocations	(58,066)	(36,360)
(3,698)	(708)	NSW Department of Health Capital Allocations	(3,698)	(708)
(63,694)	(48,772)	Net Cost of Services	(67,508)	(60,298)

32. Voluntary Services

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

- . Chaplaincies 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

**Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010**

PARENT AND CONSOLIDATED

33. Unclaimed Moneys

Unclaimed salaries and wages are paid to the credit of the NSW Treasury in accordance with the provisions of the Industrial Relations Act, 1996.

All money and personal effects of patients which are left in the custody of the 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 the 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.

**Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010**

34. Budget Review - Parent and Consolidated

Net Cost of Services

The actual net cost of services was lower than budget by \$3.0m. This was due primarily to an increase of \$12.9m in revenue compared to budget offsetting the \$9.9m increase in expenditure compared to budget.

The Hospital was able to contain the expenditure increase to 2.8% compared to budget through efficient management of resources despite the increased demand for services.

Result for the Year

The actual result for the year was also \$3.0m better than budget. This was due to Government contributions being in line with budget.

Assets and Liabilities

Assets

The Current Assets were \$15.8m higher than budget. This was almost entirely due to short term deposits and a switch from share investments to strategic cash facilities to shield from market volatility.

Non-current assets were \$8.3m less than budget. This was largely due to the corresponding transfer to strategic cash investments together with \$1.2m reduction in property, plant and equipment compared to budget.

Total assets were \$7.5m more than budget as a result of these movements in current and non-current assets.

Liabilities

Current liabilities were \$6.0m higher compared to budget largely due to higher employee provisions.

Non-current liability reduced by \$1.5m due largely to repayment of non-current loans.

Working Capital

The Hospital's working capital was \$9.8m better than budget as a result of the above movements in current assets and current liabilities

Cash Flows

Cash flows were almost \$15.7m better than budget due to \$4.8m from operating activities and \$12.0m from investing activities offset by \$1.0m loan repayment.

Budget Allocations

Movements in the level of the NSW Department of Health Recurrent Allocations that have occurred since the time of the initial allocation on 09 June 2009 are as follows:

	\$000
Initial Allocation	234,000
Funding for 27th payroll costs	7,000
Other Miscellaneous Funding Allocations	4,634
Improvement Initiatives	4,000
Blood & Blood Products	3,390
Paediatric Liver Transplants	2,730
National Mental Health Plan	2,692
Planned Surgery	1,500
Nurse Midwife Strategy Allocation	568
Building Insurance Payment Funding	557
Inter Area Patient Flow Adjustment	(203,005)
Balance as per Statement of Comprehensive Income	<u>58,066</u>

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

35. 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 these financial statements.

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 the Internal Audit Department on a continuous basis.

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION

	Note	Category	Carrying Amount	Carrying Amount
			2010	2009
			\$000	\$000
Financial Assets				
Class:				
Cash and Cash Equivalents	17	N/A	83,816	68,692
Receivables ¹	18	Loans and Receivables (at amortised cost)	7,184	8,153
Financial Assets at Fair Value	20	At fair value through profit or loss (designated as such upon initial	11,901	19,096
Total Financial Assets			102,901	95,941
Financial Liabilities				
Borrowings	25	Financial liabilities measured at amortised cost	1,160	2,197
Payables ²	24	Financial liabilities measured at amortised cost	20,116	22,143
Total Financial Liabilities			21,276	24,340

Notes

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

2. Excludes statutory payables and unearned revenue (ie not within scope of AASB 7)

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

(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 including cash, receivables and authority deposits. No collateral is held by the Hospital. The Hospital has not 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 4.46% in 2009/10 compared to 5.33% 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 all 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. Of the total trade debtors balance at year-end, \$6.643M (\$2009: \$8.153M) related to debtors that were not past due and not considered impaired and debtors of \$0.541M (2009: \$0.0M) that were past due but not considered impaired. Together these represent 92.5% (2009: 92.6%) of total trade debtors. The Receivables include Patient Fees Compensables which 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.

Financial assets that are past due or impaired could be either 'sales of goods and services' or 'other debtors' in the 'receivables' category of the Statement of Financial Position. Patient Fees Ineligibles may represent the majority of financial assets that are past due or impaired.

	\$000		
2010	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
<3 months overdue	541	541	-
3 months - 6 months over	241	-	241
> 6 months overdue	340	-	340
2009			
<3 months overdue	360		360
3 months - 6 months over	420		420
> 6 months overdue	591		591

1. Each column in the table reports "gross receivables".

2. The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables total recognised in the Statement of Financial Position.

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

(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 NSW Treasury.

During the current and prior year, there were no defaults or breaches on any loans or 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.

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Interest Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	<1 Yr	1-5 Yr	\$000
	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2010								
Payables:								
Accrued Salaries		3,354			3,354			3,354
Wages, On-Costs and Payroll Deductions		174			174			174
Creditors		16,588			16,588			16,588
Borrowings:								
Other Loans and Deposits	6.43%		1,160 (from 6.43%)				1,124	36
		20,116	1,160		20,116	21,240		36
2009								
Payables:								
Accrued Salaries		8,352			8,352			8,352
Wages, On-Costs and Payroll Deductions		187			187			187
Creditors		13,604			13,604			13,604
Borrowings:								
Other Loans and Deposits	6.43%		2,197 (from 6.43%)				1,131	1,066
		22,143	2,197		22,143	23,274		1,066

Notes:

¹ The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Hospital can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement Of Financial Position.

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

(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 Statement of Financial Position date. The analysis is performed on the same basis for 2009. 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, the Hospital is not permitted to borrow external to the NSW Department of Health (Sustainable Energy Development Authority loans which are negotiated through Treasury 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. The Hospital does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change of interest rates would not affect profit or loss or equity.

A reasonably possible change of +/-1% is used consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Hospital's exposure to interest rate risk is set out below.

		\$'000			
		-1%		+1%	
Carrying Amount		Profit	Equity	Profit	Equity
2010					
Financial assets					
Cash and Cash Equivalents	83,816	(758)	(758)	758	758
Financial Assets at Fair Value	11,901	1,666	1,666	(1,666)	(1,666)
Financial Liabilities					
Borrowings	1,160	-	-	-	-
2009					
Financial assets					
Cash and Cash Equivalents	68,692	(613)	(613)	613	613
Financial Assets at Fair Value	19,096	2,673	2,673	(2,673)	(2,673)
Financial Liabilities					
Borrowings	2,197	-	-	-	-

Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

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	2010	2009
			\$'000	\$'000
Cash facility	Cash, money market instruments	Up to 1.5 years	6,331	8,011
Strategic Cash facility	Cash, money market and other interest rate instruments	1.5 years to 3 years	67,240	49,183
Australian Shares facility	Listed Australian property and Shares	7 years and over	11,901	19,096

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 unit holders 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 and Strategic Cash Facilities and also manages the Australian Bond portfolio. 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).

	Change in unit price	Impact on profit/loss	
		2010 \$'000	2009 \$'000
Hour-Glass Investment - Cash facility	+/- 1%	63	80
Hour-Glass Investment - Strategic cash facility	+/- 1%	672	984
Hour-Glass Investment - Australian shares facility	+/- 24%	2,856	4,583

**Royal Alexandra Hospital for Children
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010**

(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 Statement of Financial Position approximates the fair value because of the short term nature of many of the financial instruments.

(f) Fair Value recognised in the Statement of Financial Position

The Hospital uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

Level 1 - derived from quoted prices in active markets for identical assets/liabilities.

Level 2 - derived from inputs other than quoted prices that are observable directly or indirectly.

Level 3 - derived from valuation techniques that include inputs for the asset/liability not based on observable market data (unobservable inputs).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2010 Total \$'000
TCorp Hour-Glass Investment Facility	-	11,901	-	11,901

(The table above only includes financial assets as no financial liabilities were measured at fair value in the Statement of Financial Position.)

There were no transfers between the levels during the period ended 30 June 2010.

36. Post Balance Date Events

On 20 April 2010 the State of NSW and the Commonwealth agreed on national health reforms to establish Local Health Networks in NSW and to introduce national standards for timely access to emergency care and elective surgery.

Under the Agreement, NSW will remain responsible for system-wide planning, performance and purchasing of public hospital services and supporting the transition process for the Commonwealth to assume full funding and policy responsibility for general practice, primary health care and the national aged care system.

On 1 July 2010 The Royal Alexandra Hospital for Children was renamed The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) and the public hospital located at Randwick known as Sydney Children's Hospital was transferred from South Eastern Sydney and Illawarra Area Health Service to The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children).

END OF AUDITED FINANCIAL STATEMENTS