

eye&ear caring for the senses

Annual Report 2009–2010

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The Royal Victorian Eye and Ear Hospital is Australia's leading provider of eye and ear health care.

In 2009/10 the Eye and Ear cared for almost 240,000 patients throughout Victoria and continued to improve its operational and financial performance.

ear

nose

throat

Vision

Improving quality of life through caring for the senses

Mission

We aspire to be the world's leading eye and ear hospital:

Excelling in specialist services

Integrating teaching and research

Enabling a highly engaged work force

Promoting community health

Building a sustainable future

Values

Integrity: We act ethically, accept personal accountability, communicate openly and honestly and treat everyone with trust and respect

Care: We treat patients with respect, are compassionate, thoughtful and responsive to their needs and sensitive to diversity

Teamwork: We communicate openly, respect diversity of views and skills and work effectively with partners and in multi-disciplinary teams to deliver the best outcomes for patients

Excellence: We give our personal best at all times, deliver exemplary customer service, monitor performance and seek leading edge ways to improve it

Chair and CEO Report

This year has seen The Royal Victorian Eye and Ear Hospital move from strength to strength, building on its reputation as a world leader in specialised care, clinical training and research while planning for an exciting future.



J. Boxall

Jan Boxall
Board Chair



A. Clark

Ann Clark
Chief Executive Officer

Caring for Victoria

With demand for specialised services continuing to grow, we cared for 181,009 outpatients, 13,429 inpatients and 44,623 emergency patients this year. Additionally, as a state-wide provider we also cared for patients through our network of regional and rural health partners. This included an initiative to reduce waiting lists for eye surgery patients across Victoria with the provision of elective surgery support to other hospitals.

Planning for the Future

We were honoured to host the 2010 World Association of Eye Hospitals Conference this year. At the event the Eye and Ear was acknowledged for its international standing as a specialist provider due to its leadership role in treatment and research.

This conference came at an important juncture in the Eye and Ear's future while we work closely with the Department of Health to move forward with the redevelopment of the Hospital.

As our population ages the number of people suffering vision and hearing loss is increasing. Rising to the challenge this poses to our community we have committed to meet five strategic priorities in the coming years:

1. Excel in innovative specialist eye and ear health services
2. Lead integrated clinical, teaching, training and research practice
3. Promote workforce leadership as everybody's responsibility
4. Champion partnerships to promote the health of our community
5. Build a sustainable future.

The establishment of a leadership forum for the management team has provided the means to share ideas, communicate and network across every department within the Hospital and bring us closer together to achieve these priorities.

Service Excellence

We constantly strive to apply new and innovative models of care, invest in research and training and share our knowledge to improve the eye and ear health of our community.

These aims were evident at the launch of our 'Virtual Services' initiative this year. At the launch, the Honourable Daniel Andrews MP Minister for Health saw first hand how we provide regional and rural patients with access to specialists in their local hospital. As part of our commitment to provide state-wide care, Eye and Ear specialists link with four regional hospitals to give advice, using videoconferencing technology, to staff treating patients with eye and ear conditions.

We have been working in partnership with our Aboriginal and Torres Strait Islander community to help close the gap and provide sustainable eye and ear health care. With the Victorian Aboriginal Health Service (VAHS) and Darebin Best Start we have provided hearing screening to Aboriginal children in primary schools, and established specialist follow up clinics to ensure appropriate access to ongoing care where needed.

In the interest of improving care for all our patients, we have committed to developing a Disability Action Plan by March 2011. Initial research has commenced to improve access and inclusion for people with a disability.

Research Collaboration

Collaboration with our research partners is invaluable to the eye and ear health of Australia. In particular our partnerships with the Centre for Eye Research Australia (CERA), the University of Melbourne, the Bionic Ear Institute (BEI) and the HEARing CRC continue to be at the core of our work. We would also like to acknowledge and thank the generosity of our patients who take part in the ground breaking research performed at the Eye and Ear.

Significant research projects this year include: a new, nano-second laser treatment for AMD; the development of a cochlear hybrid; and the announcement of Federal funding for the creation of a Bionic Eye which like the Bionic Ear will first be implanted at the Eye and Ear.

Awards and Acknowledgements

The Eye and Ear was delighted to receive recognition for advances in both eye and ear health this year. The Eye and Ear's innovative fast-track cataract service won a Silver Award in the Improving Access-Providing Timely and Accessible Health Services category at the Victorian Public Healthcare Awards. We also received a 2010 Award for Excellence in Innovation from the national CRC Association for our contribution to the cochlear hybrid, which recognised the partnership between the HEARing CRC, the Eye and Ear's cochlear implant clinic, Cochlear Limited and the University of Melbourne.

We would like to thank our Board members, Executive team, our clinicians and all our staff for their commitment and passion and congratulate those who have been recognised by the Eye and Ear or in the community for their dedication. In particular, we would like to congratulate Board members, Roger Greenman and Mike Zafiroopoulos who were both awarded an Order of Australia.

We would like to thank Dr Quentin Bailey (ENT surgeon) and Dr Jim Martin (Museum Curator) for their dedication and wish them a long and happy retirement.

This year we were sad to farewell Dr Ken Gullifer (Consultant Ophthalmologist), Stephen Lloyd (Security) and Dr Sam Troski (Consultant Ophthalmologist).

Thank you

We are sincerely grateful to our financial donors, volunteers and community advisors for their generosity.

In accordance with the Financial Management Act 1994, we are pleased to present the Report of Operations for The Royal Victorian Eye and Ear Hospital for the year ending 30 June 2010.

Board of Directors

Ms Jan Boxall LLB FAICD

Appointed 1 July 2008, term expires 30 June 2011

Chair: Board of Directors, Board Redevelopment Feasibility Committee, Remuneration Committee

Member: Audit Committee, Finance Committee¹, Quality Committee

Ms Boxall is an independent legal consultant, having been a partner at the national law firm, Corrs Chambers Westgarth where she advised clients in the property and infrastructure, health, statutory corporations and government sectors. She is a member of the Board of Directors of City West Water, Queen Victoria Market, and Melbourne Wholesale Fish Market. Ms Boxall is a Fellow of the Australian Institute of Company Directors and immediate past Chair of the Board of Cabrini Hospital Group.

Ms Katerina Angelopoulos BSw Dip Wel Studies

Appointed 28 March 2006, reappointed 1 July 2008, term expires 30 June 2011

Chair: Cultural Diversity Committee (to May 2010)

Member: Community Advisory Committee

Ms Angelopoulos is Chair of Merri Community Health Service (MCHS) which provides public healthcare services to a diverse population of around 500,000 in the Northern Metropolitan Melbourne. MCHS was nominated in 2008 for the prestigious Premier's Award for Primary Health Service of the Year. Ms Angelopoulos is also a member of a number of community committees contributing to the promotion of health and wellbeing, including the local YMCA and Ethnic Communities Council. Ms Angelopoulos was recently appointed to the University of Notre Dame School of Medicine Advisory Committee.

Mr Roger Greenman AM

Appointed 1 July 2009, term expires 30 June 2012

Chair: Quality Committee

Member: Board Redevelopment Feasibility Committee, Finance Committee, Remuneration Committee

Mr Greenman is the immediate past Chief Executive Officer and former Board member of Cabrini Health. He has an acute health background with considerable experience in hospital construction and redevelopment.

Mr Timothy O'Leary Welfare Officer – Family Therapy, MBA

Appointed 1 July 2003, reappointed 1 July 2006, reappointed 1 July 2009, term expires 30 June 2012

Chair: Primary Care and Population Health Advisory Committee

Member: Board Redevelopment Feasibility Committee

Mr O'Leary has extensive experience in health and human services as Chief Executive Officer, Senior Executive, Program, Policy and Project Manager and consultant in acute, community, aged and mental health, local government, education and information technology. He has been a Board member of a range of organisations.

Mr Ian Pollerd B.Ed (Bus Studies), B.Ed (Administration), Grad Dip Ed Admin, Dip Crim, MAICD

Appointed 1 July 2007, reappointed 1 July 2010, term expires 30 June 2013

Member: Audit Committee, Community Advisory Committee, Quality Committee, Primary Care and Population Health Advisory Committee

Mr Pollerd has extensive experience in rural health, disability services, aged care, palliative care and family and community services. He is currently Director of a health and community services consultancy business—Eureka Solutions and is a member of the Australian

¹ Investment Management Advisory Committee was combined with the Finance Committee with effect from 10 Sep 09

Institute of Company Directors. Mr Pollerd is also a member of the Board of Governance Connections Uniting Care, the Chinese Medicine Registration Board of Victoria and Southern Metropolitan Cemeteries Trust. Mr Pollerd has been appointed as the Health Services Commissioner nominee to the Investigation Review Panel in accordance with the Health Professions Registration Act 2005.

Mr Andrew Porter MA (Hons), FCA

Appointed 1 July 2009 to 30 June 2011

Chair: Finance Committee

Member: Board Redevelopment Feasibility Committee, Remuneration Committee

Mr Porter is a Chartered Accountant and has had over 18 years experience in accounting and financial management. He is currently Chief Financial Officer of the ASX-listed companies Australian Foundation Investment Company Ltd, Djerriwarrh Investments Ltd, Mirrabooka Investments Ltd and AMCIL Ltd, and is a member of the User Focus Group of the Australian Accounting Standards Board.

Ms Natalie Savin BA, M Policy & Law

Appointed 1 July 2009 to 30 June 2011

Member: Audit Committee, Primary Care and Population Health Advisory Committee

From 2000 until June 2009, Ms Savin was a member of the Board of Dental Health Services Victoria, and Chair from 2006. She has worked extensively in human services management within local and State government and the community sector. Ms Savin is currently the Chief Executive Officer of Arthritis Victoria.

Mr John Wilson BCom(Hons), CPA, F Fin

Appointed 3 March 2009, reappointed 1 July 2010, term expires 30 June 2013

Chair: Audit Committee

Member: Board Redevelopment Feasibility Committee, Finance Committee, Remuneration Committee

Mr Wilson has extensive experience in management, securities, accountancy and corporate risk. He was formerly a senior executive and Board member at Potter Warburg and from 2003 to 2005 he was the Managing Director of Tolhurst Group Limited. Mr Wilson has worked for Pricewaterhouse Coopers as a Director in corporate finance and lectured in accountancy at the University of Melbourne. Mr Wilson is also a member of the Council of the University of Melbourne.

Mr Mike Zafropoulos AM, BAppSc, AssDip Computer Science

Appointed 1 July 2003, reappointed 1 July 2006, reappointed 1 July 2009, term expires 30 June 2012

Chair: Community Advisory Committee

Member: Remuneration Committee, Cultural Diversity Committee (to May 2010)

Mr Zafropoulos has extensive experience in the areas of community development, local government, philanthropy, arts and culture, and media. He previously held executive positions at the Bureau of Immigration and Population Research, at the Department of Immigration, and between 1995 and 2007 was the General Manager of SBS in Melbourne. Mr Zafropoulos serves on the board of The Lord Mayor's Charitable Foundation and chairs the Boards of Channel 31, Fronditha Care and the Multicultural Arts Policy Advisory Committee. He is a former mayor of Fitzroy.

Board of Directors and Board Committees

The Board of Directors is appointed by the Governor in Council on the recommendation of the Victorian Health Minister, and is governed by the principles contained within the Health Services Act 1988 (as amended). The Board provides governance of the Eye and Ear and is responsible for its financial performance, strategic directions, the quality of its healthcare services and strengthening community involvement through greater partnerships.

The Eye and Ear by-laws enable the Board to delegate certain responsibilities. The by-laws are supported by the delegations of executive and operational responsibility enabling designated executives and staff to perform their duties through the exercise of specified authority. The Board meets monthly during the year, excluding January.

Finance Committee

Board Committee Membership: Mr Andrew Porter (Chair), Ms Jan Boxall, Mr Roger Greenman AM and Mr John Wilson

The Finance Committee assists the Board to fulfil its duties relating to the financial management of the Eye and Ear and regularly advises the Board about the financial position of the Eye and Ear and major projects. It reviews the annual operating and capital budgets and makes recommendations on financial policy. The Committee meets monthly and all of its members are independent.

Audit Committee

Board Committee Membership: Mr John Wilson (Chair), Ms Jan Boxall, Mr Ian Pollerd and Ms Natalie Savin

The purpose of the Audit Committee is to ensure the integrity of financial reports and review the Eye and Ear's process for monitoring compliance with laws, regulation, internal controls and standards, and best practice guidelines in public sector probity and accountability. The Audit Committee also advises the Board in relation to accounting and financial reporting processes, and the conduct of external and internal audits. During 2009/10, the Audit Committee oversaw the further development of the Eye and Ear's risk management framework and processes.

Board Redevelopment Feasibility Committee

Board Committee Membership: Ms Jan Boxall (Chair), Mr Roger Greenman AM, Mr Timothy O'Leary, Mr Andrew Porter and Mr John Wilson

The Board Redevelopment Feasibility Committee provides regular ongoing advice to the Board on the capital redevelopment of the Eye and Ear, represents the Board's oversight of the planning and business case for the redevelopment of the Hospital, and ensures its alignment with the Hospital's strategic direction. The Committee comprises five members of the Board and meets monthly.

Remuneration Committee

Board Committee Membership: Ms Jan Boxall (Chair), Mr Roger Greenman AM, Mr Andrew Porter, Mr John Wilson and Mr Mike Zafropoulos AM

The Remuneration Committee assesses and makes recommendations to the Board concerning the performance against the agreed Performance Plan; remuneration and bonus awards (if applicable); and terms and conditions of employment for the Chief Executive Officer. It also provides oversight of the remuneration and bonus arrangements (if applicable) of the Executive Directors of the Hospital. The Committee comprises five members, including the Board Chair and Chairs of the Finance, Audit and Quality Committees.

Quality Committee

Board Committee Membership: Mr Roger Greenman AM (Chair), Ms Jan Boxall, and Mr Ian Pollerd

The Quality Committee meets quarterly to provide leadership and strategic direction on issues regarding the quality of services at the Eye and Ear. The Committee's focus is to improve access and ensure the provision of high standards of care. The Committee works in conjunction with the Community Advisory Committee to develop the annual Quality of Care Report which highlights service improvements.

Community Advisory Committee

Board Committee Membership: Mr Mike Zafropoulos AM (Chair), Ms Katerina Angelopoulos and Mr Ian Pollerd

The Community Advisory Committee advises the Board on consumer and community participation in the development and delivery of services. The Committee meets bi-monthly and members include community, consumer and carer representatives who are appointed for a two-year term. Achievements in 2009/2010 include the implementation of the Community Participation Plan 2009–11 which aims to create a welcoming, inclusive environment to

engage the community and encourage patients to be involved in their own health care. The Committee also developed and implemented recommendations from the Community Mapping Project, which, inter alia, included consumer-led changes to the Hospital's website.

Primary Care and Population Health Advisory Committee

Board Committee Membership: Mr Timothy O'Leary (Chair), Mr Ian Pollerd and Ms Natalie Savin

The Primary Care and Population Health Advisory Committee provides advice to the Board on working with primary health services and responding to population health issues. The Committee meets quarterly and in 2009/2010 membership included representatives from community groups partner organisations and consumer representation. This year's highlights were the implementation of a Primary Care and Population Health Advisory Committee Plan, including Aboriginal and Torres Strait Islander health and GP liaison initiatives.

Cultural Diversity Committee (to May 2010)

Board Committee Membership: Ms Katerina Angelopoulos (Chair), Mr Mike Zafropoulos AM

The Board Cultural Diversity Committee was established to advise the Board on the Eye and Ear's services from a culturally and linguistically diverse (CALD) perspective. Achievements in 2009/2010 include overseeing the development of a Cultural Diversity Plan to address the Department of Health Cultural Responsiveness Framework. The Committee was reclassified as a Hospital Executive Committee in May 2010 and its functions will be carried out by the Hospital Executive. The Board expressed its thanks to the Chair of the Committee and its members for the work done by the Committee.

Executive Management

Chief Executive Officer

Ms Ann Clark BCom, CA, GAICD

The Chief Executive Officer is accountable to the Board for executive leadership and management of operational, policy, and strategic goals agreed with the Board and in accordance with the funding, planning and regulatory framework of the Victorian Government Department of Health.

Executive Director Ophthalmology Services

Mr David Lau B.Pharm, MClinPharm, FSHP, MRPharms from August 2009

Ms Tanya McPharlane acting in role from April 2009 to August 2009

The Executive Director Ophthalmology Services is responsible for the coordination of ophthalmic care, specialist ophthalmology outpatient clinics and diabetes education and support services for non-inpatient services.

Clinical Director Ophthalmology Services

Dr Michael Coote MBBS, FRANZCO, GAICD

The Clinical Director Ophthalmology Services is responsible for ophthalmology clinical and medical leadership. The role advises on models of care in Ophthalmology that are sustainable and lead to excellence.

Executive Director ENT Services and Clinical Support, Chief Nursing Officer

Ms Jenni Bliss Dip, General Nursing, Grad Dip Advanced Clinical Practice Paediatrics from March 2010

Ms Lin Cole acting in the role from December 2009 – March 2010

Ms Angela Scarlett resigned December 2009

The Executive Director ENT Services and Clinical Support is responsible for the ear, nose and throat and clinical services of the Eye and Ear including surgical services and inpatient services. As Chief Nursing Officer, the role also has professional responsibility for nursing staff.

Clinical Director ENT Services and Clinical Support

Dr Peter J Read MBBS, FFARCS

The Clinical Director ENT Services and Clinical Support provides clinical and medical leadership; advice on models of care to support clinical excellence in ear, nose and throat; and surgical support services.

Executive Director Medical Services, Chief Medical Officer

Dr Caroline Clarke MD, FRACP, MRCP from January 2010

Dr Marc Sarossy acting in the role from August 2009 to January 2010

Dr Elizabeth Hallam resigned September 2009

The Executive Director Medical Services leads the development and implementation of a central framework for clinical governance and medical administration. As Chief Medical Officer, the role requires key involvement in the recruitment and selection of senior medical staff and provides leadership in medical staff relations and clinical policy implementation.

Executive Director Corporate Services, Chief Financial Officer

Mr Peter Gould BBus, PGradDipSIA, FCPA, FFin from November 2010

Mr David Gerrard resigned October 2009

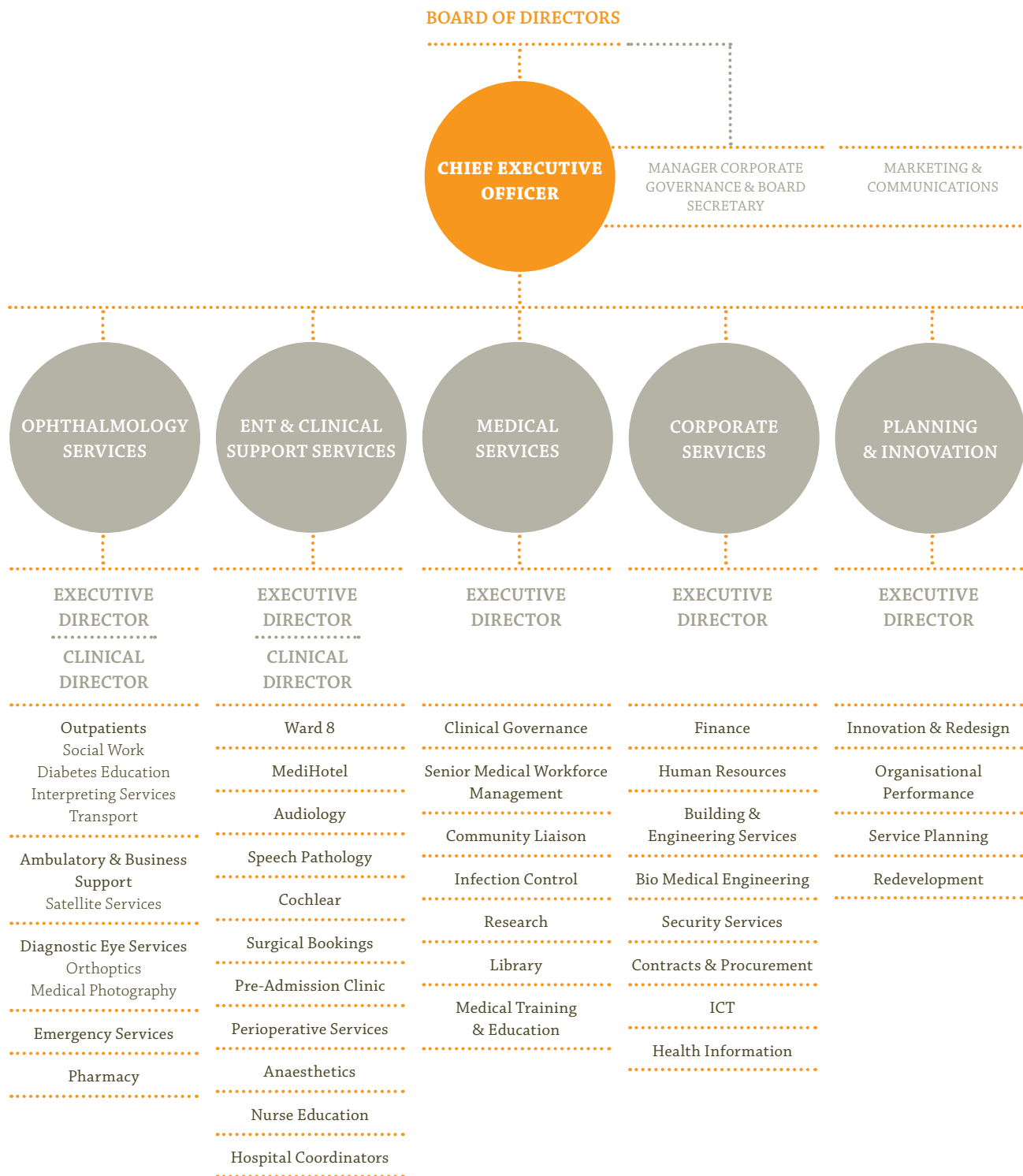
The Executive Director Corporate Services is responsible for the management of corporate services, financial reporting, analysis, controls, budgeting and treasury.

Executive Director Planning and Innovation

Ms Jenni Gratton-Vaughan BAppSc, GradDipRehabStud, MBus

The Executive Director Planning and Innovation has overarching responsibility for capital redevelopment of the Eye and Ear and future strategy regarding health service delivery. The role also involves establishing and implementing a comprehensive organisation-wide performance monitoring system and redesigning care principles across all systems and processes to enable efficiencies in patient care.

Organisational Chart



Our Donors and Supporters

We are sincerely grateful to our donors, supporters and volunteers for their generosity. Without their support, the Eye and Ear would not be the amazing place it is today.

Donors

Thank you to our generous financial donors who have invested in the future eye and ear health of Australia by assisting us to purchase state of the art equipment, upgrade our facilities and initiate research into new treatments.

Major Corporate Partner

Advanced Medical Optics

Major Donors

Mr Malcolm Anderson

Mr Glen Annetts

Mr Keith Bailey

Ms Judith Balding

Mrs Dolly Berwick

Mr & Mrs WR & LL Brewer

Mr Alexander Dean

Mrs Elizabeth Donovan

Mr Z Elton

Mr Brian Goddard

Mr Vojko Gorjanc

Mr Harold Jarvis

Mr Richard Kwiatkowski

Mrs Margaret Marshall

Mr Laurence McLaren

Mr Douglas S McLean

Mr Peter Merrigan

Mr Robert Mildenhall

Mr Greg Shalit & Ms Miriam Faine

Mr Rudolph Pollio

Mr Maxwell Roberts

Mr John Schotkamp

Mr David Walker

Mr Robert A Young

Corporate Supporters

Aitken Partners Pty Ltd

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ANZ Trustees

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Equity Trustees Limited

Optimed

Perpetual Trustees

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Zeiss

Community Supporters

Ballarat Combined Charities Shop

Banyule Support & Information Centre Inc

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Frankston Friends

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Herbie Hopton

Jack & Sarah Aston

Lions Club of Box Hill

Lions Club of Karingal

Malta Star of the Sea Inc

Mitcham Uniting Church Centre

Mornington Community & Information Support Centre

Ritchies Stores

Sarah Nelson

Venice & Jenny Hartley

Victoria & Vetina Mazzarino

Trusts and Foundations

John & Thirza Daley Charitable Trust

Louis & Lesley Nelken Trust Fund

Lynne Quayle Charitable Trust Fund

Arthur Gordon Oldham Estate

Wagstaff Research Fellowships

With a significant bequest from Ernest Wagstaff received in 1996, the Eye and Ear established major research fellowships in Ophthalmology and Otolaryngology. Wagstaff Fellows during 2009/10 are:

Wagstaff Fellows in Ophthalmology:

Professor Jill Keefe OAM PhD for study of the epidemiology of vision impairment.

Associate Professor Ian Trounce PhD for study into improving ocular health in ageing by optimising mitochondrial function.

Wagstaff Fellows in Otolaryngology:

Associate Professor Gary Rance PhD for study of auditory neuropathy in patients with neurodegenerative disease.

Dr Bryony Nayagam PhD for research into stem cells and regeneration of the auditory nerve.

Bequests

Thank you to those who have expressed their intent to support us through a bequest and those who have left a legacy to help us continue to improve care and treatment for those suffering vision and hearing loss.

Vera Clarice Adams

John Alexander Anderson

Dr Mark Ashkenasy

Eileen Atkinson

Tina Bernice Beebe

Leslie Robert Buckeridge

Lachlan Ronald Burrows

Jean Mary Catford

Daisy Susan Croker

Erica Wareham Cromwell

Alfred H W Dehnert

Rudolph Hally & Pia Martin

William & Mary Ievers & Sons

Maria Kassomenou

Edna May Kerr

Joseph Kronheimer

Joseph & Kate Levi Charitable Trust

Martha Miranda Livingstone

Mary June P Lubcke

George T & Lockyer Potter

Bruce Leslie Powell

Frank Wilton Prewett

Nellie N Priddle

Maurice & Winifred Redding

William Hall Russell

Heather Sybil Smith

Alice Maud Todd

Eliza Wallis

Ernest & Letitia Wears

Joe White

Blanche Williams

John F Wright

Henry Herbert Yoffa

Volunteers

Thank you to our wonderful volunteers who provided 5000 hours of support this year in various roles in the Eye and Ear, they have assisted over 8500 patients with directions, information and that extra bit of help. Thank you to our Auxiliary members who continue to raise vital funds in the Hospital and out in the community.

Service Overview

The Royal Victorian Eye and Ear Hospital has provided state-wide eye and ear health care since it was founded in 1863. The Hospital is accountable to the people of Victoria, through the Minister for Health.

Manner of Establishment and Relevant Minister

The Royal Victorian Eye and Ear Hospital was founded in 1863 by the pioneer surgeon, Dr Andrew Sexton Gray. The Hospital is a public health service and is established under the Health Services Act 1988 (as amended). The responsible Minister during the reporting period was the Honourable Daniel Andrews MP.

Powers and Duties

The power and duties of the Eye and Ear are prescribed by the Health Services Act 1988 (as amended).

Nature and Range of Services

The Eye and Ear provides a state-wide specialised, tertiary, secondary, primary and emergency eye and ear health care service. It is internationally recognised as a leader in clinical service delivery, teaching and research in both ophthalmology and otolaryngology.

The Hospital operates from a central hub in East Melbourne to ensure ease of access to Eye and Ear specialists. Services are also provided in outpatient and community settings and via telemedicine facilities in eight regional and rural health services across Victoria and interstate.

The Eye and Ear undertakes 30% of the State's public general eye surgery, a large proportion of specialist eye surgery, extensive paediatric services and 100% of the State's public cochlear implant surgery.

The Eye and Ear has over 50 different outpatient clinics for the diagnosis, monitoring and treatment of vision and hearing loss and provides a 24/7 emergency eye and ENT health service.

The majority of services provided at the Eye and Ear are on an outpatient or same day basis. In 2009/10 we cared for:

181,009 Outpatients

13,429 Inpatients

44,623 Emergency patients

Eye and Ear registrars offer their specialist care skills at a number of sites located in metropolitan Melbourne, regional Victoria and interstate. In addition, the Eye and Ear plays a pivotal role in training all of Victoria's Ophthalmologists and most of Victoria's ENT surgeons.

Attracted by the Eye and Ear's international reputation for excellence, over the last 10 years Ophthalmology and Otolaryngology fellows and registrars from 22 countries have completed specialist training and further studies here.

The Eye and Ear is the main Victorian provider of ophthalmology and ENT training and consequently plays a critical role in developing and maintaining a skilled workforce for these specialties in conjunction with associated universities and other professional bodies.

The Hospital is at the centre of a thriving research community and accommodates – and has key linkages with – a number of major research organisations including the Centre for Eye Research Australia (CERA) and the Bionic Ear Institute (BEI). Through these affiliations and partnerships the Eye and Ear has been a major partner in significant research achievements.

Disclosure of Ex-Gratia Payments

The Eye and Ear made no ex-gratia payments for the year ending 30 June 2010.

Building and Maintenance Compliance

The Minister for Finance has issued instructions in accordance with the Building Act 1993 stating that all public entities are to ensure that buildings under their control are: safe and fit for occupation, comply with statutory requirements and are maintained to a standard where they remain fit for occupancy. The Eye and Ear reports annually on the measures taken to comply with the provision of the Act. In February 2010, the Hospital once again achieved 100% compliance with mandatory Essential Safety Measures Inspections, testing, maintenance and documentation in relation to building safety.

Freedom of Information

The Victorian Freedom of Information (FOI) Act 1982 provides members of the public with the right to apply to the Eye and Ear for access to information held by the Hospital. The Hospital provides an annual report of all FOI requests to the Victorian Department of Justice as prescribed by legislation and associated regulations.

Freedom of Information Applications 2009/2010

Total Requests	120
Fully Granted	116
Completed	116
Fees waived	\$1250

Merit and Equity

All appointments are made based on merit. Decisions are guided by the Hospital's Code of Conduct and supported by the Equal Opportunity Policy.

Whistleblowers Protection Act 2001

The Eye and Ear has a number of policies and procedures for employees wishing to raise complaints within or about the Hospital. These are outlined in the Hospital's Code of Conduct. There were no reports made under the Whistleblowers Protection Act 2001 this year.

Consultancies less than \$100,000

Consultancies in total cost \$214,000 for the year ended 30 June 2010, individually all for less than \$100,000.

Consultancies more than \$100,000

There were no consultancies in excess of \$100,000 in the year ended 30 June 2010.

Victorian Industry Participation Policy Disclosure

The Eye and Ear complies with the intent of the Victorian Industry Participation Policy Act 2003. The Act requires wherever possible local industry participation in supplies, taking consideration the principle of value for money and transparent tendering processes.

National Competition Policy

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

Competitive neutrality Policy Victoria 2000 sets out the Victorian approach to competitive neutrality. The Eye and Ear has regard to this policy in all relevant business activities.

Statement of Competitive Neutrality

The Victorian Government's Competitive Neutrality policy commits public health services to apply this policy on all dealings. This includes the adoption of pricing principles to take account of the full cost attribution for net competitive advantages conferred by government ownership. The policy gives direction that where the Government's business activities involve it in competition with private sector business activities, the net advantages that accrue to a government business are offset.

Occupational Health and Safety

The Royal Victorian Eye and Ear Hospital is committed to providing a safe environment.

In 2009/2010 the Hospital undertook a number of safety programs including the implementation of VHIMS, a new electronic state-wide healthcare incident reporting system. Safety inspections were performed throughout high risk departments including the Emergency Department and Operating Theatres, which enabled the Hospital to develop action plans to identify and control safety related risks for both patients and staff.

The Hospital continued to increase its proactive management of hazardous materials including chemicals and other high risk substances. Equipment was provided to assist in safe patient movement including a Hoverjack, which mechanically lifts patients during transfers. Other improvements to the physical working environment included the testing and upgrading of height safety devices, the installation of non-slip products at entry points and the trial of new solutions to remove trip hazards such as power cords from clinical areas.

In June 2010 the Board Directors, Executive Directors, Occupational Health and Safety Manager and the Risk and Quality Manager attended an information session given by lawyer, Mr Norman Abrams on occupational health and safety principles and responsibilities and the implications of the proposed new legislation.

These initiatives, coupled with previously implemented safety systems and a strong safety culture, resulted in the Hospital reducing the number of WorkCover claims and staff injuries to one of the lowest levels experienced at the Hospital.

As part of the Hospital's growing focus on employee well-being, staff were offered free health checks.

Environmental Achievements

The Eye and Ear has implemented new initiatives to reduce energy consumption and waste as part of the Sustainability Victoria's ResourceSmart program. There has been an increase in recycling including the introduction of an industry-leading system to recycle clean plastics used in clinical areas such as operating theatres. A policy has been put in place to ensure that suppliers of goods, such as office chairs, meet minimum environmental standards.

Workforce Data by Labour

Labour Category	June 10 FTE*	June 09 FTE*
Nursing	160	169
Administration and Clerical	134	128
Medical Support	42	45
Hotel and Allied Services	11	15
Medical Officers	1	1
Hospital Medical Officers	60	36
Sessional Clinicians	28	32
Ancillary Staff (Allied Health)	34	32
	469	458

* Full Time Equivalent

Additional Information

Other relevant information in relation to the financial year is retained by the Accountable Officer and made available to the relevant Minister, Members of Parliament and the public on request (subject to the provisions of the Freedom of Information Act).

For more general information on The Royal Victorian Eye and Ear Hospital, visit our website www.eyear.org.au

Key Financial and Service Performance Reporting

No.	Strategic Priority	Deliverables	Achievement
1	Continue Health Service Redevelopment Process	<ul style="list-style-type: none"> Implement improved services for ophthalmology, ear, nose and throat services through: <ul style="list-style-type: none"> • Completion of Service Plan and Models of Care • Completion of Strategic Business Case • Completion of Master Plan and Cost Plan 	<ul style="list-style-type: none"> • Service Plan is completed and endorsed • Models of Care have been developed • The Strategic Business Case is in progress • The Master Plan and Cost Plan will be developed when the Strategic Business Case is completed
2	Improve Performance Monitoring, Change Management and Redesign	<ul style="list-style-type: none"> Establish Planning and Innovation Division incorporating: <ul style="list-style-type: none"> • Programme Management Office for oversight of major projects • Balanced Business Scorecard Reporting System, based on organisational wide KPI's and standard reporting suite • Completion of Redesigning Care Diagnostic Tool and organisational wide change plan including adoption of lean methodology 	<ul style="list-style-type: none"> • Planning and Innovation Division established • Programme Management Office established • Performance reporting reviewed and a standard reporting suite is now operational • Key redesign activities using a lean methodology were: <ul style="list-style-type: none"> – Improving patient access in the Emergency Department (ED) – Streamlining outpatient referral and booking process
3	Streamline Patient Pathways and Improve Patient Experience	<ul style="list-style-type: none"> • Review Emergency Department Service Model • Review and implement appropriate model for Audiology Services • Review and implement a more innovative cataract service model • Ensure compliance with the Elective Surgery Access Policy (ESAP) (2009) 	<ul style="list-style-type: none"> • Time to Triage: Performance improvement lean thinking exercise completed. Implemented changes have shown improvement • Launch of ED telemedicine service to 4 regional hospitals • Rapid Access Clinic (RAC) implemented • Review of Audiology Service completed and integrated model of care including clinical care, education and research being developed • Fast Track Cataract clinic implemented and reviewed. Results show a high level of patient satisfaction and reduction in post-operative cataract follow up appointments inline with benchmarked international service providers • The Eye and Ear is compliant with ESAP
4	Plan for the Implementation of an Enhanced Cochlear Service to Ensure it will be Patient Focused, Timely and Sustainable	<ul style="list-style-type: none"> • Establish plan for improved model of care to enhance the patient's experience of services across the health system • Lead stakeholder and interagency commitment to the development of a comprehensive service including agreed service protocols 	<ul style="list-style-type: none"> • Family Support Worker for cochlear implant patients implemented in partnership with the Royal Children's Hospital • Introduction of lean principles to benefit patients which has increased the number of cochlear implant operations per month by 56% and decreased time delay between referral and appointment by 70% • Service protocols developed • Clinical, administrative work and documentation including report templates have been standardised
5	Pilot CERNER Clinical System	<ul style="list-style-type: none"> Participate in the HealthSMART program by: <ul style="list-style-type: none"> • Implementing Release 1 Go Live • Implementing planning for Release 2 • Implement complementary system that electronically delivers diagnostic photographic images to clinicians 	<ul style="list-style-type: none"> • Release 1(a) went live in December 2009. Release 1(b) is scheduled for August 2010. Implementation planning has commenced for release 2 • Work will continue in 2010/2011 to determine an appropriate solution for delivery of electronic diagnostic photographic images

Activity

Admitted Patients	2009-10	2008-09
- Same Day Separations	9,064	9,157
- Multi Day Separations	4,365	4,277
Total Separations	13,429	13,434
Total Bed Days	15,719	16,038
Average Length of Stay in Days	1.17	1.19
Total Weighted Inlier Equivalent Separations (WIES)	9,670	9,697
Non Admitted Patients		
Emergency Department Presentations	44,623	41,766
Outpatients - All Clinic Occasions of Service	181,009	173,568
Total Occasions of Service	225,632	215,334
VACS - Allied Health	79,118	72,209
VACS - Medical	70,116	71,343

Performance

Access Performance	2009-10	2008-09
Emergency Care		
Percentage of Emergency patients admitted to an inpatient bed within 8 hours	98	97
Percentage of Non-admitted emergency patients with length of stay less than 4 hours	90	90
Percentage of Triage Category 1 emergency patients seen immediately	100	100
Percentage of Triage Category 2 emergency patients seen within 10 minutes	92	83
Percentage of Triage Category 3 emergency patients seen within 30 minutes	87	73
Elective Surgery		
Admissions	11,971	11,514
Category 1 - proportion of patients admitted within 30 days	100	100
Category 2 - proportion of patients waiting within 90 days	100	98
Category 3 - proportion of patients waiting within 365 days	100	99
Number of patients on the elective surgery waiting list	3,003	3,391
Hospital Initiated Postponements (HIPs) per 100 scheduled admissions	2.8	4.7
Financial Performance		
Creditor Days	43	46
Debtor Days	23	22
Net Movement in Cash Balance (\$'000)	(958)	1,500

Quality and Safety

2009–10 actuals

Health Service Accreditation	Accreditation status maintained 100%
Cleaning Standards	Cleaning standard level = 96 (target = 90) <i>*measured by Acceptable Quality Level</i>
Submission of Data to VICNISS (%)	100%
VICNISS Influenza Data	Compliance rate submitted in Sept 09 for influenza vaccination: Number of category A (clinical staff) vaccinated: 57% Number of Category B (non-clinical staff) vaccinated: 90% Total percentage of staff vaccinated: 59%
Eye and Ear Infection Surveillance Indicators	Exceptionally low post-surgical infection rates: Eye: 0.04% Ear: 0.1%
Hand Hygiene Program Compliance (%) Report to VICNISS	Regular audits indicate hand hygiene compliance rate of 67.8% (DH benchmark 60%)
Victorian Patient Satisfaction Monitor	Overall Care index 79.4% compared to state average for A2 hospitals 74.0% (Wave 17)

Summary of Financial Results

For the year ended 30 June 2010 compared with last 4 financial years

	2010*	2009*	2008*	2007*	2006*
	\$000's	\$000's	\$000's	\$000's	\$000's
Total Revenue	79,614	73,662	72,517	66,209	65,777
Total Expenses	(80,567)	(78,489)	(71,970)	(63,606)	(60,671)
Net Result	(953)	(4,827)	547	2,603	5,106
Retained Surplus / (Accumulated Deficit)	(4,451)	(2,848)	(1,790)	(355)	1,202
Total Assets	181,711	181,909	133,167	131,752	121,064
Total Liabilities	(16,720)	(18,563)	(15,748)	(14,150)	(11,453)
Net Assets	164,991	163,346	117,419	117,602	109,611
Total Equity	164,991	163,346	117,419	117,602	109,611

* Prepared in accordance with Australian Accounting Standards which include A-IFRS

Significant Changes in Financial Position During 2009/10.

There were no significant changes in financial position during 2009/10.

Summary of Major Changes or Factors, which have Affected the Achievement of the Operational Objectives for the Year.

There were no major changes or factors, which affected the achievement of the Hospital's operational objectives during 2009/10.

Events Subsequent to Balance Date, which may have a Significant Effect on the Operations of the Entity in Subsequent Years.

There have been no events subsequent to balance date effecting the operations of the Hospital.

Revenue Indicators

For the year ended 30 June 2010

Average Collection Days	2010	2009
Private	28	34
Transport Accident Commission	n/a	n/a
Victorian WorkCover Authority	53	63
Other Compensable	38	27

n/a = not applicable

Inpatient Debtors Outstanding as at 30 June 2010	Under 30 Days \$'000	31-60 days \$'000	61-90 days \$'000	Over 90 days \$'000	Total 30/06/10 \$'000	Total 30/06/09 \$'000
Private	205	19	7	10	241	211
Transport Accident Commission	0	0	0	0	0	0
Victorian WorkCover Authority	15	14	0	0	29	24
Other Compensable	2	3	0	0	5	11

Financial Analysis of Operating Revenues and Expenses

	2009/10 \$'000	2008/09 \$'000
Revenue		
Services Supported by Health Service Agreement		
Government Grants	63,208	57,745
Indirect contributions by Human Services	1,335	1,154
Patient Fees	3,943	4,079
Other Revenue	1,459	2,971
	69,945	65,949
Services Supported by Hospital and Community Initiatives		
Government Grants	3,622	1,304
Donations and Bequests	1,254	1,456
Investment Income	2,501	2,942
Property Income	190	235
Other Revenue	2,102	1,776
	9,669	7,713
Total Revenue from Ordinary Activities	79,614	73,662
Expenses		
Expenses from Ordinary Activities		
Services Supported by Health Service Agreement		
Salaries and Related Expenses	44,216	41,709
Supplies and Consumables	15,772	14,938
Other	11,368	10,359
	71,356	67,006
Services Supported by Hospital and Community Initiatives (H&CI)		
Salaries and Related Expenses	939	1,175
Supplies and Consumables	256	190
Other	8,016	10,118
	9,211	11,483
Total Expenses from Ordinary Activities	80,567	78,489
Net Results for the Year	(953)	(4,827)

Attestation on Data Accuracy

I, Ann Clark certify that The Royal Victorian Eye and Ear Hospital has put in place appropriate internal controls and processes to ensure that reported data reasonably reflects actual performance. The Royal Victorian Eye and Ear Hospital has critically reviewed these controls and processes during the year.



Ann Clark
Accountable Officer
Melbourne
24 August 2010

Attestation on Compliance with Australian / New Zealand Risk Management Standard

I, Ann Clark certify that The Royal Victorian Eye and Ear Hospital has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard and an internal control system is in place that enables executives to understand, manage and satisfactorily control risk exposures. The audit committee verifies this assurance and that the risk profile of The Royal Victorian Eye and Ear Hospital has been critically reviewed within the last 12 months.



Ann Clark
Accountable Officer
Melbourne
24 August 2010

Responsible Bodies Declaration

In accordance with the Financial Management Act 1994, I am pleased to present the Report of Operations for The Royal Victorian Eye and Ear Hospital for the year ending 30 June 2010.



Jan Boxall
Chair, Board of Directors
Melbourne
24 August 2010

Disclosure Index

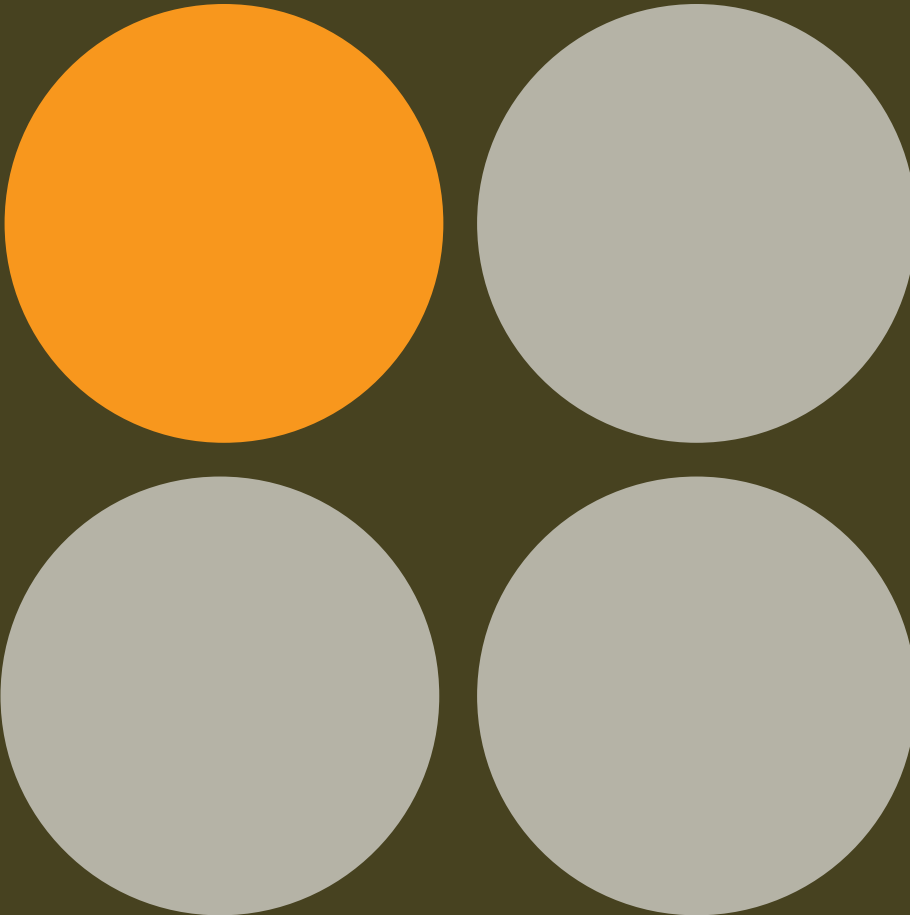
The Annual Report of The Royal Victorian Eye and Ear Hospital is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Department's compliance with statutory disclosure requirements.

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Financial Statements for the Year Ended 30 June 2010

Comprehensive Operating Statement

For the Year Ended 30 June 2010

	<u>Note</u>	<u>2010</u> <u>\$'000</u>	<u>2009</u> <u>\$'000</u>
Revenue from Operating Activities	2	73,467	68,930
Revenue from Non-operating Activities	2	608	832
Employee Benefits	3	(43,463)	(41,866)
Non Salary Labour Costs	3	(1,693)	(714)
Supplies & Consumables	3	(16,028)	(15,128)
Other Expenses from Continuing Operations	3	(12,794)	(11,755)
Net Result Before Capital & Specific Items		97	299
Capital Purpose Income	2	5,539	3,900
Depreciation and Amortisation	4	(6,543)	(2,863)
Written Down Value of Assets Sold		(46)	-
Specific Expense	3c	-	(5,548)
Expenditure using Capital Purpose Income	3	-	(615)
NET RESULT FOR THE YEAR		(953)	(4,827)
Other Comprehensive Income			
Net Fair Value Gains/(Losses) on Available for Sale Financial Investments		2,598	-
Net Fair Value Revaluation on Non Financial Assets		-	50,754
COMPREHENSIVE RESULT FOR THE YEAR		1,645	45,927

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

Balance Sheet

As at 30 June 2010

	<u>Note</u>	<u>2010</u> <u>\$'000</u>	<u>2009</u> <u>\$'000</u>
Current Assets			
Cash and Cash Equivalents	5	6,032	6,990
Receivables	6	1,163	1,007
Other Financial Assets	7	3,000	3,000
Inventories	8	622	887
Other Current Assets	9	205	201
Total Current Assets		11,022	12,085
Non-Current Assets			
Receivables	6	188	198
Other Financial Assets	7	58,397	53,773
Property, Plant & Equipment	10	110,600	114,786
Intangible Assets	11	864	427
Investment Properties	12	640	640
Total Non-Current Assets		170,689	169,824
TOTAL ASSETS		181,711	181,909
Current Liabilities			
Payables	13	4,901	4,657
Employee Benefits and Related On-Costs Provisions	14	10,558	10,925
Other Liabilities	15	1,052	2,768
Total Current Liabilities		16,511	18,350
Non-Current Liabilities			
Employee Benefits and Related On-Costs Provisions	14	209	213
Total Non-Current Liabilities		209	213
TOTAL LIABILITIES		16,720	18,563
NET ASSETS		164,991	163,346
EQUITY			
Property, Plant & Equipment Revaluation Surplus	16a	62,462	62,462
Financial Asset Available for Sale Revaluation Surplus	16a	2,598	–
General Purpose Reserve	16a	33,090	35,978
Restricted Specific Purpose Reserve	16a	19,724	16,186
Contributed Capital	16b	51,568	51,568
Accumulated Surpluses/(Deficits)	16c	(4,451)	(2,848)
TOTAL EQUITY	16d	164,991	163,346

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

Statement of Changes in Equity

For the Year Ended 30 June 2010

2010	Note	Changes due to			
		Equity at 1 July 2009 \$'000	Comprehensive Result \$'000	Transactions with owner in its capacity as owner \$'000	Equity at 30 June 2010 \$'000
Accumulated Surplus/(Deficit)	16c	(2,848)	(953)	-	(3,801)
Transfer (to)/from General Reserve		-	2,888	-	2,888
Transfer (to)/from Restricted Specific Purpose Reserve		-	(3,538)	-	(3,538)
		(2,848)	(1,603)	-	(4,451)
Contribution by Owners	16b	51,568	-	-	51,568
Reserves					
Property Plant and Equipment Revaluation Surplus	16a	62,462	-	-	62,462
Available for Sale Investments Revaluation Surplus	16a	-	2,598	-	2,598
General Reserve	16a	35,978	(2,888)	-	33,090
Restricted Specific Purpose Reserve	16a	16,186	3,538	-	19,724
		114,626	3,248	-	117,874
Total Equity at the End of the Financial Year		163,346	1,645	-	164,991

2009	Note	Changes due to			
		Equity at 1 July 2008 \$'000	Comprehensive Result \$'000	Transactions with owner in its capacity as owner \$'000	Equity at 30 June 2009 \$'000
Accumulated Surplus/(Deficit)	16c	(1,788)	(4,827)	-	(6,615)
Transfer (to)/from General Reserve		-	1,240	-	1,240
Transfer (to)/from Restricted Specific Purpose Reserve		-	2,527	-	2,527
		(1,788)	(1,060)	-	(2,848)
Contribution by Owners	16b	51,568	-	-	51,568
Reserves					
Property Plant and Equipment Revaluation Surplus	16a	11,708	50,754	-	62,462
Available for Sale Investments Revaluation Surplus	16a	-	-	-	-
General Reserve	16a	37,218	(1,240)	-	35,978
Restricted Specific Purpose Reserve	16a	18,713	(2,527)	-	16,186
		67,639	46,987	-	114,626
Total Equity at the End of the Financial Year		117,419	45,927	-	163,346

This Statement should be read in conjunction with the accompanying notes

Cash Flow Statement

For the Year Ended 30 June 2010

	<u>Note</u>	<u>2010</u> <u>\$'000</u>	<u>2009</u> <u>\$'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Grants from Government		64,836	61,243
Patient and Resident Fees Received		4,170	3,871
Private Practice Fees Received		1,306	1,216
Donations and Bequests Received		1,254	1,028
GST Received from/(paid to) ATO		2,544	2,348
Property Rental Income		190	198
Other Receipts		2,864	4,331
Employee Benefits Paid		(43,834)	(41,352)
Non Salary Labour Costs		(1,693)	(714)
Payments for Supplies & Consumables		(30,930)	(29,628)
Cash Generated from Operations		707	2,541
Capital Grants from Government		1,336	1,157
Other Capital Receipts		1,896	2,963
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	17	3,939	6,661
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Investments		(2,026)	(2,529)
Payments for Non-Financial Assets		(2,893)	(2,632)
Proceeds from Sale of Non-Financial Assets		22	-
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		(4,897)	(5,161)
CASH FLOWS FROM FINANCING ACTIVITIES			
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		-	-
NET INCREASE/(DECREASE) IN CASH HELD		(958)	1,500
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		6,990	5,490
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5	6,032	6,990

This Statement should be read in conjunction with the accompanying notes

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

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Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 1: Statement of Significant Accounting Policies

(a) Statement of Compliance

These financial statements are general purpose financial reports which have been prepared in accordance with the *Financial Management Act 1994*, applicable Australian Accounting Standards (AASs) Australian Accounting Interpretation, and other mandatory requirements. AASs include Australian equivalents to International Financial Reporting Standards.

The financial statements also comply with relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury and Finance and relevant Standing Directions (SDs) authorised by the Minister for Finance.

The Hospital is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to “not-for-profit” Health Services under the AASs.

(b) Basis of Accounting Preparation and Measurement

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2010, and the comparative information presented in these financial statements for the year ended 30 June 2009.

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

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

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

The financial statements are prepared in accordance with the historical cost convention, except for the revaluation of certain non-financial assets and financial

instruments, as noted. Particularly, exceptions to the historical cost convention include:

- Non-current physical assets, which subsequent to acquisition, are measured at valuation and are re-assessed with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair values;
- Derivative financial instruments, managed investment schemes, certain debt securities, and investment properties after initial recognition, which are measured at fair value through profit and loss; and
- Available-for-sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised.

Historical cost is based on the fair values of the consideration given in exchange for assets.

Cost is based on the fair values of the consideration given in exchange for assets.

In the application of AASs management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision, and future periods if the revision affects both current and future periods.

(c) Reporting Entity

The financial report includes all the controlled activities of The Royal Victorian Eye & Ear Hospital (‘the Hospital’).

Its principle address is:
32 Gisborne Street
East Melbourne
VIC 3002.

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 1: Statement of Significant Accounting Policies (Continued)

(d) Rounding of Amounts

All amounts shown in the financial report are expressed to the nearest \$1,000 unless otherwise stated.

Figures in the financial statements may not equal due to rounding.

(e) Change in Accounting Policies

Presentation of Financial Statements.

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial statement include:

- the replacement of the Income Statement with the Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity; and
- the adoption of a single statement approach to the presentation of the Statement of Comprehensive Income.

(f) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, deposits at call and highly liquid investments with an original maturity of 3 months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

(g) Receivables

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition. Collectability of debts is reviewed on an ongoing basis, and debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where doubt as to collection exists. Bad debts are written off when identified.

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

(h) Inventories

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

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

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

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

Cost of Goods Sold

Costs of goods sold are recognised when the sale of an item occurs by transferring the cost or value of the item/s from inventories.

(i) Other Financial Assets

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

The Hospital classifies its other financial assets between current and non-current assets based on the purpose for which the assets were acquired. Management determines the classification of its other financial assets at initial recognition.

The Hospital assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. All Financial Assets, except those measured at fair value through profit and loss are subject to annual review through impairment.

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 1: Statement of Significant Accounting Policies (Continued)

Loans and Receivables

Trade receivables, loans and other receivables are recorded at amortised cost, using the effective interest method, less impairment. Term deposits with maturity greater than three months are also measured at amortised cost, using the effective interest method, less impairment.

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

Available-for-Sale Financial Assets

All of the other financial assets, being investments held by the Hospital, are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period. Fair value is determined in the manner described in Note 18.

(j) Intangible Assets

Intangible assets represent identifiable non-monetary assets without physical substance such as patents, trademarks, computer software and development costs (where applicable).

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Hospital.

Amortisation is allocated to intangible assets with finite useful lives on a systematic (typically straight-line) basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

Intangible assets with finite useful lives are amortised over a 3 to 10 year period (2009: 3 to 10 years).

(k) Property, Plant and Equipment

Crown Land is measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or constructive restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the asset(s) are not taken into account until it is virtually certain that any restrictions will no longer apply.

Land and Buildings are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and impairment.

Plant, Equipment and Vehicles are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and impairment.

(l) Revaluations of Non-current Physical Assets

Non-current physical assets measured at fair value are revalued by independent valuation in accordance with FRD 103D. This revaluation process normally occurs every five years, based upon the asset's Government Purpose Classification, but may occur more frequently if fair value assessments indicate material changes in values. Revaluation increments or decrements arise from differences between an asset's carrying value and fair value.

Revaluation increments are credited directly to the property, plant and equipment revaluation surplus, 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 net result, the increment is recognised as income in the net result.

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 1: Statement of Significant Accounting Policies (Continued)

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the property, plant and equipment revaluation surplus in respect of the same class of assets, they are debited directly to the property, plant and equipment revaluation surplus.

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

Revaluation reserves are not transferred to accumulated funds on derecognition of the relevant asset.

In accordance with FRD 103D, the Hospital's non-current physical assets were assessed annually to determine whether revaluation of the non-current physical assets was required. Refer to Note 10 for additional details.

(m) Investment Property

Investment properties represent properties held to earn rentals or for capital appreciation or both. Investment properties exclude properties held to meet service delivery objectives of the State of Victoria.

Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Hospital.

Subsequent to initial recognition at cost, investment properties are revalued to fair value with changes in the fair value recognised as income or expenses in the period that they arise. The properties are not depreciated.

Rental revenue from leasing of investment properties is recognised in the Comprehensive Operating Statement in the periods in which it is receivable on a straight line basis over the lease term.

(n) Depreciation and Amortisation

Assets with a cost in excess of \$1,000 (2008-9 and 2009-10) are capitalised and depreciation has been provided on

depreciable assets so as to allocate their cost or valuation over their estimated useful lives using the straight-line method. Estimates of the remaining useful lives and depreciation method for all assets are reviewed at least annually. This depreciation charge is not funded by the Department of Health.

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

	<u>2010</u>	<u>2009</u>
Buildings	Up to 40 Years	Up to 40 Years
Plant & Equipment	From 5 to 20 Years	From 5 to 20 Years
Medical Equipment	From 3 to 10 Years	From 3 to 10 Years
Computers & Communications	From 3 to 10 Years	From 3 to 10 Years
Furniture & Fittings	From 3 to 15 Years	From 3 to 15 Years
Motor vehicles	From 4 Years	From 4 Years

(o) Net Gain/(Loss) on Non-Financial Assets

Net gain/(loss) on non-financial assets includes realised and unrealised gains and losses from revaluations, impairments and disposals of all physical assets and intangible assets.

Disposal of Non-Financial of Assets

Any gain or loss on the sale of non-financial assets is recognised at the date that control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying value of the asset at that time.

Impairment of Non-Financial Assets

Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment (i.e. as to whether their carrying value exceeds their recoverable amount, and so require write-downs) and whenever there is an indication that the asset may be impaired. All of the Hospital's other assets are assessed annually for indications of impairment, except for:

- inventories;
- financial assets; and
- investment property that is measured at fair value.

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 1: Statement of Significant Accounting Policies (Continued)

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written-off as an expense except to the extent that the write-down can be debited to an asset revaluation reserve surplus amount applicable to that class of asset.

It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

(p) Net Gain/(Loss) on Financial Instruments

Net gain/(loss) on financial instruments includes realised and unrealised gains and losses from revaluations of financial instruments that are designated at fair value through profit or loss or held-for-trading, impairment and reversal of impairment for financial instruments at amortised cost, and disposals of financial assets.

Revaluations of Financial Instruments at Fair Value

The revaluation gain/(loss) on financial instruments at fair value excludes dividends or interest earned on financial assets, which is reported as part of income from transactions.

Impairment of Financial Assets

Financial assets have been assessed for impairment in accordance with Australian Accounting Standards. Where a financial asset's fair value at balance date has reduced by 20 per cent or more than its cost price; or where its fair value has been less than its cost price for a period of 12 or more months, the financial instrument is treated as impaired.

In order to determine an appropriate fair value as at 30 June 2010 for its portfolio of financial assets, the Hospital obtained a valuation based on the best available advice using a fair value based on market value through a reputable financial institution. This value was compared against valuation methodologies provided by the issuer as at 30 June 2010. These methodologies were critiqued and considered to be consistent with standard market valuation techniques.

Prices obtained from both sources were compared and were generally consistent with the full portfolio. The above valuation process was used to quantify the level of impairment on the portfolio of financial assets as at year end.

(q) Payables

These amounts consist predominantly of liabilities for goods and services.

Payables are initially recognised at fair value, then subsequently carried at amortised cost and represent liabilities for goods and services provided to the Hospital prior to the end of the financial year that are unpaid, and arise when the Hospital becomes obliged to make future payments in respect of the purchase of these goods and services.

The normal credit terms are usually net 30 days.

(r) Provisions

Provisions are recognised when the Hospital has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 1: Statement of Significant Accounting Policies (Continued)

(s) Functional and Presentation Currency

The presentation currency of the Hospital is the Australian dollar, which has also been identified as the functional currency of the Hospital.

(t) Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

Commitments and contingent assets and liabilities are presented on a gross basis.

(u) Employee Benefits

Wages and Salaries, Annual Leave, Sick Leave and Accrued Days Off

Liabilities for wages and salaries, including non-monetary benefits, annual leave, accumulating sick leave and accrued days off expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee's services up to the reporting date, classified as current liabilities and measured at nominal values.

Those liabilities that the Hospital does not expect to be settled within 12 months are recognised in the provision for employee benefits as current liabilities, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long Service Leave (LSL)

The liability for long service leave (LSL) is recognised in the provision for employee benefits.

Current Liability – unconditional LSL (representing 10 or more years of continuous service) is disclosed as a current liability even where the Hospital does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- present value – component that the Hospital does not expect to settle within 12 months; and
- nominal value – component that the Hospital expects to settle within 12 months.

Non-Current Liability – conditional LSL (representing less than 10 years of continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service.

Conditional LSL is required to be measured at present value.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates of Commonwealth Government guaranteed securities in Australia.

Superannuation

Defined Contribution Plans

Contributions to defined contribution superannuation plans are expensed when incurred.

Defined Benefit Plans

The amount charged to the Comprehensive Operating Statement in respect of defined benefit superannuation plans represents the contributions made by the Hospital to the superannuation plan in respect of the services of current Hospital staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 1: Statement of Significant Accounting Policies (Continued)

Employees of the Hospital are entitled to receive superannuation benefits and the Hospital contributes to both the defined benefit and defined contribution plans. The defined benefit plan(s) provide benefits based on years of service and final average salary.

The name and details of the major employee superannuation funds and contributions made by the Hospital are as follows:

<u>Fund</u>	<u>Contributions Paid or Payable for the year</u>	
	<u>2010</u> \$'000	<u>2009</u> \$'000
Defined Benefit Plans:		
Health Super Pty Ltd	193	191
Defined Contribution Plans:		
Health Super Pty Ltd	2,580	2,389
Hesta	581	502
Other	156	112
Total	3,510	3,194

The Hospital does not recognise any unfunded defined benefit liability in respect of the superannuation plans because the Hospital has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance administers and discloses the State's defined benefit liabilities in its financial statements.

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits.

Liabilities for termination benefits are recognised when a detailed plan for the termination has been developed and a valid expectation has been raised with those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as a provision.

On-Costs

Employee benefits on-costs, such as workers compensation and superannuation are recognised separately from provision for employee benefits.

(v) Leases

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

Operating lease payments, including any contingent rentals, are recognised as an expense in the Comprehensive Operating Statement on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

(w) Income Recognition

Income is recognised in accordance with AASB 118 *Revenue* and is recognised as to the extent it is earned. Unearned income at reporting date is reported as income received in advance.

Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes. If conditions are attached to a grant the recognition of the grant as revenue will be deferred until the conditions have been satisfied.

Government Grants

Grants are recognised as income when the Hospital gains control of the underlying assets in accordance with AASB 1004 *Contributions*. For reciprocal grants, the Hospital is deemed to have assumed control when the performance has occurred under the grant. For non-reciprocal grants, the Hospital is deemed to have assumed control when the grant is received or receivable. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 1: Statement of Significant Accounting Policies (Continued)

Indirect Contributions from the Department of Health

- Insurance is recognised as revenue following advice from the Department of Health.
- Long Service Leave (LSL) – Revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Metropolitan Health and Aged Care Services Division Hospital Circular 14/2009.

Patient and Resident Fees

Patient fees are recognised as revenue at the time invoices are raised.

Private Practice Fees

Private practice fees are recognised as revenue at the time invoices are raised.

Donations and Other Bequests

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

Dividend Revenue

Dividend revenue is recognised on a receivable basis.

Interest Revenue

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

Rental Income

Rental Income is recognised in the period earned.

(x) Fund Accounting

The Hospital operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital Funds. The Hospital's Capital and Specific Purpose Funds include unspent capital donations and receipts from fundraising activities conducted solely in respect of these funds.

(y) Services Supported By Health Services Agreement and Services Supported By Hospital And Community Initiatives

Activities classified as *Services Supported by Health Services Agreement* (HSA) are substantially funded by the Department of Health and includes Residential Aged Care Services (RACS) and are also funded from other sources such as the Commonwealth, patients and residents, while *Services Supported by Hospital and Community Initiatives* (Non HSA) are funded by the Hospital's own activities or local initiatives and/or the Commonwealth.

(z) Comparative Information

Where necessary the previous year's figures have been reclassified to facilitate comparisons.

(aa) Property, Plant and Equipment Revaluation Surplus

The property, plant and equipment revaluation surplus is used to record increments and decrements on the revaluation of non-current physical assets.

(ab) Financial Asset Available-for-Sale Revaluation Surplus

The available-for-sale revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold that portion of the reserve which relates to that financial asset is effectively realised, and is recognised in the Comprehensive Operating Statement. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in the comprehensive operating statement.

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 1: Statement of Significant Accounting Policies (Continued)

(ac) General Reserves

In the 2001-02 year, the Hospital undertook a detailed review of its specific purpose funds, following the issue by the Department of Health of the Guidelines for the identification and establishment of Specific Purpose Funds during that year. This review identified various funds over which the Hospital has discretion in terms of changing/amending the conditions under which the funds have been established and used. These funds have been designated as Specific Purpose Fund (Internal) for accounting purposes and were transferred from the Restricted Specific Purpose Reserve to a General Reserve at 30 June 2002.

(ad) Specific Restricted Purpose Reserve

A specific restricted purpose reserve is established where the Hospital has possession or title to the funds but has no discretion to amend or vary the restriction and/or condition underlying the funds received.

(ae) Contributed Capital

Consistent with Australian Accounting Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* and FRD 119 *Contributions by Owners*, appropriations for additions to the net asset base have been designated as contributed capital. Other transfers that are in the nature of contributions or distributions that have been designated as contributed capital are also treated as contributed capital.

(af) Commitments

Commitments are not recognised on the Balance Sheet. Commitments are disclosed at their nominal value and are inclusive of the GST payable (Note 19).

(ag) Net Result Before Capital and Specific Items

The subtotal entitled 'Net Result Before Capital and Specific Items' is included in the Comprehensive Operating Statement to enhance the understanding of the financial performance of the Hospital.

This subtotal reports the result excluding items such as capital grants, assets received or provided free of charge, depreciation, and items of unusual nature and amount such as specific revenues and expenses. The exclusion of these items is made to enhance matching of income and expenses so as to facilitate the comparability and consistency of results between years and Victorian Public Health Services. The Net Result Before Capital and Specific Items is used by the management of the Hospital, the Department of Health and the Victorian Government to measure the ongoing result of Health Services in operating Hospital services.

Capital and specific items, which are excluded from this sub-total, comprise:

- Capital purpose income, which comprises all tied grants, donations and bequests received for the purpose of acquiring non-current assets, such as capital works, plant and equipment or intangible assets. It also includes donations of plant and equipment. Consequently the recognition of revenue as capital purpose income is based on the intention of the provider of the revenue at the time the revenue is provided.
- Specific income/expense, comprises the following items, where material:
 - Voluntary departure packages
 - Non-current asset revaluation increments/decrements
 - Diminution / impairment of investments
 - Reversals of provisions
 - Voluntary changes in accounting policies (which are not required by an accounting standard or other authoritative pronouncement of the Australian Accounting Standards Board);
- Impairment of financial and non-financial assets, includes all impairment losses (and reversal of previous impairment losses), which have been recognised in accordance with note 1 (o) and (p);
- Depreciation and amortisation, as described in note 1 (k) and (n);

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 1: Statement of Significant Accounting Policies (Continued)

- Assets provided or received free of charge; and
- Expenditure using capital purpose income, comprises expenditure which either falls below the asset capitalisation threshold (note 1 (k) and (n)), or does not meet asset recognition criteria and therefore does not result in the recognition of an asset in the balance sheet, where funding for that expenditure is from capital purpose income.

(ah) Category Groups

The Hospital has used the following category groups for reporting purposes for the current and previous financial years.

Admitted Patient Services (Admitted Patients)

comprises all recurrent health revenue/expenditure on admitted patient services, where services are delivered in public hospitals, or free standing day hospital facilities, or alcohol and drug treatment units or hospitals specialising in dental services, hearing and ophthalmic aids.

Outpatient Services (Outpatients) comprises all recurrent health revenue/expenditure on public hospital type outpatient services, where services are delivered in public hospital outpatient clinics, or free standing day hospital facilities, or rehabilitation facilities, or alcohol and drug treatment units, or outpatient clinics specialising in ophthalmic aids or palliative care.

Emergency Department Services (EDS) comprises all recurrent health revenue/expenditure on emergency department services that are available free of charge to public patients.

Other Services excluded from Australian Health Care Agreement (AHCA) (Other) comprises revenue/expenditure for services not separately classified above, including: Public health services including Laboratory testing, Blood Borne Viruses / Sexually Transmitted Infections clinical services, Kooris liaison officers, immunisation and screening services, Drugs services including drug withdrawal, counselling and the needle and syringe program, Dental Health services including general and specialist dental care, school dental services and clinical education, Disability services including aids and equipment and flexible support packages to people with a disability, Community Care programs including sexual assault support, early parenting services, parenting assessment and skills development, and various support services. Health and Community Initiatives also falls in this category group.

(ai) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting period. As at 30 June 2010, the following standards and interpretations had been issued but were not mandatory for financial years ended 30 June 2010. The Hospital has not and does not intend to adopt these standards early.

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 1: Statement of Significant Accounting Policies (Continued)

<u>Standard/Interpretation</u>	<u>Summary</u>	<u>Applicable for Annual Reporting Periods Beginning on</u>	<u>Impact on Health Services Financial Statements</u>
AASB 2009-5 Further amendments to Australian Accounting Standards arising from the annual improvements project [AASB 5, 8, 101, 107, 117, 118, 136 and 139]	Some amendments will result in accounting changes for presentation, recognition or measurement purposes, while other amendments will relate to terminology and editorial changes.	Beginning 1 Jan 2010	Terminology and editorial changes. Impact minor.
AASB 2009-9 Amendments to Australian Accounting Standards – additional exemptions for first-time adopters [AASB 1]	Applies to Health Services adopting Australian Accounting Standards for the first time, to ensure Health Services will not face undue cost or effort in the transition process in particular situations.	Beginning 1 Jan 2010	No impact. Relates only to first time adopters of Australian Accounting Standards.
AASB 124 Related party disclosures (Dec 2009)	Government related Health Services have been granted partial exemption with certain disclosure requirements.	Beginning 1 Jan 2011	Preliminary assessment suggests that impact is insignificant.
AASB 2009-12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and Interpretations 2, 4, 16, 1039 and 1052]	This standard amends AASB 8 to require an entity to exercise judgement in assessing whether a government and Health Services known to be under the control of that government are considered a single customer for purposes of certain operating segment disclosures. This standard also makes numerous editorial amendments to other AASs.	Beginning 1 Jan 2011	AASB 8 does not apply to Health Services therefore no impact expected. Otherwise, only editorial changes arising from amendments to other standards, no major impact. Impacts of editorial amendments are not expected to be significant.
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a minimum funding requirement [AASB Interpretation 14]	Amendment to Interpretation 14 arising from the issuance of Prepayments of a minimum funding requirement	Beginning 1 Jan 2011	Expected to have no significant impact
AASB 9 Financial instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial instruments: recognition and measurement (AASB 139 financial Instruments: recognition and measurement).	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]	This gives effect to consequential changes arising from the issuance of AASB 9.	Beginning 1 Jan 2013	Detail of impact is still being assessed.

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 2: Revenue

	<u>HSA</u> <u>2010</u> <u>\$'000</u>	<u>HSA</u> <u>2009</u> <u>\$'000</u>	<u>Non HSA</u> <u>2010</u> <u>\$'000</u>	<u>Non HSA</u> <u>2009</u> <u>\$'000</u>	<u>Total</u> <u>2010</u> <u>\$'000</u>	<u>Total</u> <u>2009</u> <u>\$'000</u>
Revenue from Operating Activities						
Government Grants						
– Department of Health	62,736	57,087	–	147	62,736	57,234
– Equipment and Infrastructure Maintenance	472	658	–	–	472	658
Total Government Grants	63,208	57,745	–	147	63,208	57,892
Indirect Contributions by Department of Health						
– Insurance	1,344	1,214	–	–	1,344	1,214
– Long Service Leave	(9)	(60)	–	–	(9)	(60)
Total Indirect Contributions by Department of Health	1,335	1,154	–	–	1,335	1,154
Patient and Resident Fees						
– Patient and Resident Fees (refer note 2b)	3,943	4,079	194	–	4,137	4,079
Total Patient & Resident Fees	3,943	4,079	194	–	4,137	4,079
Donations & Bequests	–	–	1,254	561	1,254	561
Recoupment from Private Practice for Use of Hospital Facilities	49	–	1,257	1,216	1,306	1,216
Other Revenue from Operating Activities	1,410	2,971	817	1,057	2,227	4,028
Sub-Total Revenue from Operating Activities	69,945	65,949	3,522	2,981	73,467	68,930
Revenue from Non-Operating Activities						
Interest & Dividends	–	–	608	463	608	463
Net Gain/(Loss) on Disposal of Financial Assets	–	–	–	134	–	134
Other Revenue from Non-Operating Activities	–	–	–	235	–	235
Sub-Total Revenue from Non-Operating Activities	–	–	608	832	608	832
Revenue from Capital Purpose Income						
State Government Capital Grants						
– Targeted Capital Works and Equipment	–	–	3,622	1,157	3,622	1,157
Net Gain/(Loss) on Disposal of Financial Assets	–	–	–	457	–	457
Capital Interest	–	–	1,745	1,756	1,745	1,756
Capital Dividends	–	–	148	132	148	132
Donations & Bequests	–	–	–	397	–	397
Proceeds on Sale of Non Financial Assets (refer note 3d)	–	–	22	–	22	–
Other Capital Purpose Income	–	–	2	1	2	1
Sub-Total Revenue from Capital Purpose Income	–	–	5,539	3,900	5,539	3,900
Total Revenue (refer to note 2a)	69,945	65,949	9,669	7,713	79,614	73,662

Indirect contributions by Department of Health: Department of Health makes certain payments on behalf of the Health Service.

These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

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

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 2a: Analysis of Revenue by Source

	<u>Admitted</u> <u>Patients</u>	<u>Outpatients</u>	<u>EDS</u>	<u>Ambulatory</u>	<u>Other</u>	<u>Total</u>
	<u>2010</u>	<u>2010</u>	<u>2010</u>	<u>2010</u>	<u>2010</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Revenue from Services Supported by Health Services Agreement						
Government Grants						
– Department of Health	36,140	19,853	3,246	–	–	59,239
– State Government – Other	288	158	26	–	–	472
Indirect Contributions by Department of Health						
– Insurance	910	500	82	–	–	1,492
– Long Service Leave	(6)	(3)	(1)	–	–	(10)
Patient & Resident Fees (refer note 2b)	3,208	130	799	–	–	4,137
Other Revenue from Operating Activities	810	3,564	241	–	–	4,615
Sub-Total Revenue from Services Supported by Health Services Agreement	41,350	24,202	4,393	–	–	69,945
Revenue from Services Supported by Hospital and Community Initiatives*						
Government Grants						
– Department of Health	–	–	–	–	159	159
Donations & Bequests (non capital)	–	–	–	–	1,198	1,198
Other						
– Private Practice and Other Patient Activities	–	–	–	–	1,360	1,360
– Pharmacy Fees	–	–	–	–	114	114
– Car Park	–	–	–	–	13	13
– Property Income	–	–	–	–	177	177
– Research	–	–	–	–	310	310
– Investment Returns	–	–	–	–	488	488
– Other	–	–	–	–	311	311
Capital Purpose Income (refer note 2)	–	–	–	–	5,539	5,539
Sub-Total Revenue from Services Supported by Hospital and Community Initiatives	–	–	–	–	9,669	9,669
Total Revenue	41,350	24,202	4,393	–	9,669	79,614

Indirect contributions by Department of Health: Department of Health makes certain payments on behalf of the Hospital. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 2a: Analysis of Revenue by Source (Continued)

	<u>Admitted Patients</u> <u>2009</u> <u>\$'000</u>	<u>Outpatients</u> <u>2009</u> <u>\$'000</u>	<u>EDS</u> <u>2009</u> <u>\$'000</u>	<u>Ambulatory</u> <u>2009</u> <u>\$'000</u>	<u>Other</u> <u>2009</u> <u>\$'000</u>	<u>Total</u> <u>2009</u> <u>\$'000</u>
Revenue from Services Supported by Health Services Agreement						
Government Grants						
– Department of Health	35,178	18,831	3,078	–	–	57,087
– State Government – Other	405	217	36	–	–	658
Indirect Contributions by Department of Health						
– Insurance	748	401	65	–	–	1,214
– Long Service Leave	(37)	(20)	(3)	–	–	(60)
Patient & Resident Fees (refer note 2b)	3,538	171	370	–	–	4,079
Other Revenue from Operating Activities	532	2,192	247	–	–	2,971
Sub-Total Revenue from Services Supported by Health Services Agreement	40,364	21,792	3,793	–	–	65,949
Revenue from Services Supported by Hospital and Community Initiatives						
Government Grants						
– Department of Health	–	–	–	–	147	147
Donations & Bequests (non capital)						
	–	–	–	–	561	561
Other						
– Private Practice and Other Patient Activities	–	–	–	–	1,215	1,215
– Pharmacy Fees	–	–	–	–	269	269
– Car Park	–	–	–	–	82	82
– Property Income	–	–	–	–	235	235
– Research	–	–	–	–	498	498
– Investment Returns	–	–	–	–	597	597
– Other	–	–	–	–	209	209
Capital Purpose Income (refer note 2)	–	–	–	–	3,900	3,900
Sub-Total Revenue from Services Supported by Hospital and Community Initiatives	–	–	–	–	7,713	7,713
Total Revenue	40,364	21,792	3,793	–	7,713	73,662

Indirect contributions by Department of Health: Department of Health makes certain payments on behalf of the Hospital. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

Note 2b: Patient and Resident Fees

	<u>2010</u> <u>\$'000</u>	<u>2009</u> <u>\$'000</u>
Patient and Resident Fees Raised		
Recurrent:		
Acute		
– Inpatients	3,208	3,538
– Outpatients	929	541
Total Recurrent	4,137	4,079

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 3: Expenses

	<u>HSA</u> <u>2010</u> <u>\$'000</u>	<u>HSA</u> <u>2009</u> <u>\$'000</u>	<u>Non HSA</u> <u>2010</u> <u>\$'000</u>	<u>Non HSA</u> <u>2009</u> <u>\$'000</u>	<u>Total</u> <u>2010</u> <u>\$'000</u>	<u>Total</u> <u>2009</u> <u>\$'000</u>
Employee Benefits						
Salaries & Wages	37,881	36,714	814	842	38,695	37,556
WorkCover Premium	316	224	2	3	318	227
Departure Packages	155	-	-	-	155	-
Long Service Leave	927	937	6	(2)	933	935
Superannuation	3,343	3,123	19	25	3,362	3,148
Total Employee Benefits	42,622	40,998	841	868	43,463	41,866
Non Salary Labour Costs						
Fees for Visiting Medical Officers	829	-	41	-	870	-
Agency Costs – Nursing	279	520	-	-	279	520
Agency Costs – Other	487	191	57	3	544	194
Total Non Salary Labour Costs	1,595	711	98	3	1,693	714
Supplies & Consumables						
Drug Supplies	5,270	4,147	211	130	5,481	4,277
\$100 Drugs	-	-	-	-	-	-
Medical, Surgical Supplies and Prosthesis	9,447	9,686	42	24	9,489	9,710
Pathology Supplies	601	582	-	-	601	582
Food Supplies	454	523	3	36	457	559
Total Supplies & Consumables	15,772	14,938	256	190	16,028	15,128
Other Expenses from Continuing Operations						
Domestic Services & Supplies	2,166	2,098	41	1	2,207	2,099
Fuel, Light, Power and Water	668	585	-	-	668	585
Insurance Costs Funded by Department of Health	1,345	1,214	-	-	1,345	1,214
Motor Vehicle Expenses	42	138	-	-	42	138
Repairs & Maintenance	1,489	678	9	10	1,498	688
Maintenance Contracts	355	309	-	-	355	309
Patient Transport	207	192	-	-	207	192
Bad & Doubtful Debts	10	12	(1)	3	9	15
Lease Expenses	488	531	-	-	488	531
Postal and Telephone	392	411	53	45	445	456
Other Administrative Expenses	3,178	4,095	915	1,337	4,093	5,432
Other	882	-	410	-	1,292	-
Audit Fees						
- VAGO – Audit of Financial Statements	49	38	-	-	49	38
- Other	96	58	-	-	96	58
Ex Gratia Payments	-	-	-	-	-	-
Total Other Expenses from Continuing Operations	11,367	10,359	1,427	1,396	12,794	11,755

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 3: Expenses (Continued)

	HSA 2010 \$'000	HSA 2009 \$'000	Non HSA 2010 \$'000	Non HSA 2009 \$'000	Total 2010 \$'000	Total 2009 \$'000
Expenditure using Capital Purpose Income						
Employee Benefits						
- Salaries & Wages	-	-	-	276	-	276
- WorkCover Premium	-	-	-	1	-	1
- Superannuation	-	-	-	11	-	11
- Long Service Leave	-	-	-	16	-	16
Total Employee Benefits	-	-	-	304	-	304
Non Salary Labour Costs						
- Agency Costs - Other	-	-	-	-	-	-
Total Non Salary Labour Costs	-	-	-	-	-	-
Other Expenses						
- Domestic Services & Supplies	-	-	-	-	-	-
- Motor Vehicle Expenses	-	-	-	-	-	-
- Repairs and Maintenance	-	-	-	2	-	2
- Administrative Expenses	-	-	-	307	-	307
- Other	-	-	-	2	-	2
Total Other Expenses	-	-	-	311	-	311
Total Expenditure using Capital Purpose Income	-	-	-	615	-	615
Impairment of Financial Assets						
- Available-for-Sale Financial Assets	-	-	-	5,548	-	5,548
Total Impairment of Assets	-	-	-	5,548	-	5,548
Depreciation & Amortisation	-	-	6,543	2,863	6,543	2,863
Written Down Value of Assets Sold (refer Note 3d)	-	-	46	-	46	-
Finance Costs	-	-	-	-	-	-
Assets Provided Free-of Charge	-	-	-	-	-	-
Total	-	-	6,589	8,411	6,589	8,411
Total Expenses	71,356	67,006	9,211	11,483	80,567	78,489

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 3a: Analysis of Expenses by Source

	<u>Admitted</u> <u>Patients</u> <u>2010</u> <u>\$'000</u>	<u>Outpatients</u> <u>2010</u> <u>\$'000</u>	<u>EDS</u> <u>2010</u> <u>\$'000</u>	<u>Ambulatory</u> <u>2010</u> <u>\$'000</u>	<u>Other</u> <u>2010</u> <u>\$'000</u>	<u>Total</u> <u>2010</u> <u>\$'000</u>
Services Supported by Health Services Agreement						
Employee Benefits	25,642	12,925	4,055	-	-	42,622
Non Salary Labour Costs	532	1,063	-	-	-	1,595
Supplies & Consumables	7,653	7,562	557	-	-	15,772
Other Expenses from Continuing Operations	5,541	4,793	1,033	-	-	11,367
Sub-Total Expenses from Services Supported by Health Services Agreement	39,368	26,343	5,645	-	-	71,356
Services Supported by Hospital and Community Initiatives						
Employee Benefits	-	-	-	-	841	841
Non Salary Labour Costs	-	-	-	-	98	98
Supplies & Consumables	-	-	-	-	256	256
Other Expenses from Continuing Operations	-	-	-	-	1,427	1,427
Sub-Total Expense from Services Supported by Hospital and Community Initiatives	-	-	-	-	2,622	2,622
Depreciation & Amortisation (refer note 4)	-	-	-	-	6,543	6,543
Written Down Value of Assets Sold (refer note 3d)	-	-	-	-	46	46
Sub-Total Expenditure from Services Supported by Health Services Agreement and by Hospital and Community Initiatives	-	-	-	-	6,589	6,589
Total Expenses	39,368	26,343	5,645	-	9,211	80,567

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 3a: Analysis of Expenses by Source (Continued)

	<u>Admitted</u> <u>Patients</u> <u>2009</u> <u>\$'000</u>	<u>Outpatients</u> <u>2009</u> <u>\$'000</u>	<u>EDS</u> <u>2009</u> <u>\$'000</u>	<u>Ambulatory</u> <u>2009</u> <u>\$'000</u>	<u>Other</u> <u>2009</u> <u>\$'000</u>	<u>Total</u> <u>2009</u> <u>\$'000</u>
Services Supported by Health Services Agreement						
Employee Benefits	19,559	17,604	3,835	-	-	40,998
Non Salary Labour Costs	518	176	17	-	-	711
Supplies & Consumables	7,499	6,843	596	-	-	14,938
Other Expenses from Continuing Operations	6,515	3,476	368	-	-	10,359
Sub-Total Expenses from Services Supported by Health Services Agreement	34,091	28,099	4,816	-	-	67,006
Services Supported by Hospital and Community Initiatives						
Employee Benefits	-	-	-	-	868	868
Non Salary Labour Costs	-	-	-	-	3	3
Supplies & Consumables	-	-	-	-	190	190
Other Expenses from Continuing Operations	-	-	-	-	1,396	1,396
Sub-Total Expense from Services Supported by Hospital and Community Initiatives	-	-	-	-	2,457	2,457
Expenditure using Capital Purpose Income						
Employee Benefits	-	-	-	-	304	304
Non Salary Labour Costs	-	-	-	-	-	-
Other Expenses	-	-	-	-	311	311
Sub-Total Expenditure using Capital Purpose Income	-	-	-	-	615	615
Impairment of Financial Assets (refer note 3)	-	-	-	-	5,548	5,548
Depreciation & Amortisation (refer note 4)	-	-	-	-	2,863	2,863
Sub-Total Expenditure from Services Supported by Health Services Agreement and by Hospital and Community Initiatives	-	-	-	-	8,411	8,411
Total Expenses	34,091	28,099	4,816	-	11,483	78,489

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

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

	<u>2010</u> <u>\$'000</u>	<u>2009</u> <u>\$'000</u>
Private Practice and Other Patient Activities	865	1,006
Pharmacy Services	209	154
Property Expenses	17	15
Computer Implementation	(2)	352
Impairment of Financial Assets (refer note 3c)	-	5,548
Other	390	362
Other Activities		
Fundraising and Community Support	432	251
Research and Scholarship	667	909
Education and Training	44	8
TOTAL	2,622	8,605

Note 3c: Specific Expenses

	<u>2010</u> <u>\$'000</u>	<u>2009</u> <u>\$'000</u>
Specific Expenses		
Impairment of Financial Assets (refer note 3)	-	5,548
TOTAL	-	5,548

For the year ended 30 June 2009, an impairment of \$5.548m was recognised on the basis of negative returns and expected future performance. In the year ended 30 June 2010, no impairment was necessary due to improved markets.

Note 3d: Net Gain/(Loss) on Disposal of Non-Financial Assets

	<u>2010</u> <u>\$'000</u>	<u>2009</u> <u>\$'000</u>
Proceeds from Disposals of Non-Current Assets		
Medical Equipment	22	6
Total Proceeds from Disposal of Non-Current Assets	22	6
Written Down Value of Non-Current Assets Sold		
Medical Equipment	46	6
Total Written Down Value of Non-Current Assets Sold	46	6
Net Gains/(Losses) on Disposal of Non-Current Assets	(24)	-

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 4: Depreciation and Amortisation

	<u>2010</u> <u>\$'000</u>	<u>2009</u> <u>\$'000</u>
Depreciation		
Buildings	4,544	892
Plant & Equipment	147	150
Medical Equipment	1,470	1,492
Computers and Communication	211	208
Non-Medical Equipment	12	13
Furniture and Fittings	20	31
Total Depreciation	6,404	2,786
Amortisation		
Intangible Assets	139	77
Total Amortisation	139	77
Total Depreciation & Amortisation	6,543	2,863

Note 5: Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash assets includes cash on hand and in banks, and short-term deposits which are readily convertible to cash on hand, and are subject to an insignificant risk of change in value, net of outstanding bank overdrafts.

	<u>2010</u> <u>\$'000</u>	<u>2009</u> <u>\$'000</u>
Cash on Hand	1	41
Cash at Bank	(388)	814
Deposits at Call	6,419	6,135
TOTAL	6,032	6,990
Represented by:		
Cash for Health Service Operations (as per Cash Flow Statement)	6,032	6,990
TOTAL	6,032	6,990

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 6: Receivables

	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
CURRENT		
Contractual		
Inter Hospital Debtors	271	266
Trade Debtors	174	175
Patient Fees	293	268
Accrued Investment Income	47	18
Accrued Revenue – Other	81	45
<i>Less Allowance for Doubtful Debts</i>		
Trade Debtors	(21)	(25)
Patient Fees	(26)	(32)
	819	715
Statutory		
GST Receivable	344	292
	344	1,007
TOTAL CURRENT RECEIVABLES	1,163	1,007
Statutory		
Long Service Leave – Department of Health	188	198
TOTAL NON-CURRENT RECEIVABLES	188	198
TOTAL RECEIVABLES	1,351	1,205

(a) Movement in the Allowance for Doubtful Debts

	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
Balance at beginning of year	57	78
Amounts written off during the year	19	37
Increase/(decrease) in allowance recognised in profit or loss	(29)	(58)
Balance at end of year	47	57

(b) Ageing Analysis of Receivables

Please refer to note 18(b) for the ageing analysis of receivables

(c) Nature and Extent of Risk Arising from Receivables

Please refer to note 18(b) for the nature and extent of credit risk arising from receivables

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 7: Other Financial Assets

	<u>Operating</u> <u>Fund</u> <u>2010</u> <u>\$'000</u>	<u>Operating</u> <u>Fund</u> <u>2009</u> <u>\$'000</u>	<u>Specific</u> <u>Purpose</u> <u>Fund</u> <u>2010</u> <u>\$'000</u>	<u>Specific</u> <u>Purpose</u> <u>Fund</u> <u>2009</u> <u>\$'000</u>	<u>Capital</u> <u>Fund</u> <u>2010</u> <u>\$'000</u>	<u>Capital</u> <u>Fund</u> <u>2009</u> <u>\$'000</u>	<u>Total</u> <u>2010</u> <u>\$'000</u>	<u>Total</u> <u>2009</u> <u>\$'000</u>
CURRENT								
Cash Management Account	-	-	3,000	3,000	-	-	3,000	3,000
Total Current	-	-	3,000	3,000	-	-	3,000	3,000
NON CURRENT								
<i>Available-for-Sale Financial Assets</i>								
Cash Management Account			24,954	24,424	10,789	9,896	35,743	34,320
Units in Managed Funds	-	-	22,654	19,453	-	-	22,654	19,453
Total Non Current	-	-	47,608	43,877	10,789	9,896	58,397	53,773
TOTAL	-	-	50,608	46,877	10,789	9,896	61,397	56,773
Represented by:								
Health Service Investments	-	-	50,608	46,877	10,789	9,896	61,397	56,773
TOTAL	-	-	50,608	46,877	10,789	9,896	61,397	56,773

(a) Ageing Analysis of Other Financial Assets

Please refer to note 18(b) for the ageing analysis of other financial assets

(b) Nature and Extent of Risk Arising from Other Financial Assets

Please refer to note 18(b) for the nature and extent of credit risk arising from other financial assets

Note 8: Inventories

	<u>2010</u> <u>\$'000</u>	<u>2009</u> <u>\$'000</u>
Pharmaceuticals		
At Cost	269	333
Medical and Surgical Lines		
At Cost	345	391
Administration Stores		
At Cost	-	5
Other		
Cochlear Implants – At Cost	-	150
Gift Shop – At Cost	8	8
TOTAL INVENTORIES	622	887

Note 9: Other Assets

	<u>2010</u> <u>\$'000</u>	<u>2009</u> <u>\$'000</u>
Prepayments	205	201
TOTAL CURRENT OTHER ASSETS	205	201

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 10: Property, Plant & Equipment

	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
Land		
Land at Fair Value – 2009	27,160	27,160
Less Impairment	–	–
Total Land	27,160	27,160
Buildings		
Buildings Under Construction at Cost	1,638	680
Buildings at Fair Value – 2009	181,770	181,770
Buildings at Cost	82	–
Less Acc'd Depreciation	(108,557)	(104,013)
Total Buildings	74,933	78,437
Plant and Equipment		
Plant and Equipment at Cost	2,710	2,713
Less Acc'd Depreciation	(949)	(802)
Total Plant and Equipment	1,761	1,911
Medical Equipment		
Medical Equipment at Cost	16,939	16,381
Less Acc'd Depreciation	(11,118)	(9,947)
Total Medical Equipment	5,821	6,434
Computers and Communication		
Computers and Communication at Cost	1,761	1,415
Less Acc'd Depreciation	(1,065)	(869)
Total Computers and Communication	696	546
Non-Medical Equipment		
Non-Medical Equipment at Cost	165	151
Less Acc'd Depreciation	(91)	(79)
Total Non-Medical Equipment	74	72
Furniture and Fittings		
Furniture and Fittings at Cost	307	358
Less Acc'd Depreciation	(152)	(132)
Total Furniture and Fittings	155	226
TOTAL	110,600	114,786

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 10: Property, Plant & Equipment (Continued)

Reconciliations of the carrying amounts of each class of asset for the consolidated entity at the beginning and end of the previous and current financial year is set out below.

	<u>Land</u>	<u>Buildings</u>	<u>Construction</u>	<u>Plant &</u>	<u>Medical</u>	<u>Computers</u>	<u>Non-</u>	<u>Furniture</u>	<u>Motor</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>In Progress</u>	<u>Equipment*</u>	<u>Equipment*</u>	<u>& Comm'ns*</u>	<u>Medical</u>	<u>& Fittings*</u>	<u>Vehicles*</u>	<u>\$'000</u>
			<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Balance at 1 July										
2008	20,070	34,678	564	1,946	6,113	649	68	256	-	64,344
Additions	-	307	116	115	1,819	105	17	1	-	2,480
Assets Transferred as Capital Contributions	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(6)	-	-	-	-	(6)
Classified as Held For Sale	-	-	-	-	-	-	-	-	-	-
Revaluation Increments/ (Decrements)	7,090	43,664	-	-	-	-	-	-	-	50,754
Net Transfers between Classes	-	-	-	-	-	-	-	-	-	-
Depreciation and Amortisation (note 4)	-	(892)	-	(150)	(1,492)	(208)	(13)	(31)	-	(2,786)
Balance at 1 July										
2009	27,160	77,757	680	1,911	6,434	546	72	226	-	114,786
Additions	-	82	958	1	936	364	16	9	-	2,366
Assets Transferred as Capital Contributions	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(46)	-	-	-	-	(46)
Classified as Held For Sale	-	-	-	-	-	-	-	-	-	-
Revaluation Increments/ (Decrements)	-	-	-	-	-	-	-	-	-	-
Assets Written Back and Transferred to Expense	-	-	-	(4)	(33)	(3)	(2)	(60)	-	(102)
Depreciation and Amortisation (note 4)	-	(4,544)	-	(147)	(1,470)	(211)	(12)	(20)	-	(6,404)
Balance at 30 June										
2010	27,160	73,295	1,638	1,761	5,821	696	74	155	-	110,600

*Written Down Value (WDV) approximate fair value

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Land and Buildings Carried at Valuation

For the year ended 30 June 2009 an independent valuation of the Hospital's property, plant and equipment was performed by the *Valuer-General Victoria* to determine the fair value of the land and buildings. This exercise resulted in the assets being revalued in that year leading to an increase in the Asset Revaluation Reserve of \$50.754 million. For the year ended 30 June 2010 management conducted an assessment of land and building values via the application of Valuer-General Victoria indices relevant to 2009-10 and the resulting change in values was deemed immaterial. Consequently a further revaluation was not required for the year ended 30 June 2010.

Plant, Equipment, Furniture and Fittings

At 30 June 2009 the Hospital used fair values to measure all these asset groups. For the year ended 30 June 2010 the Hospital reviewed the carrying values of a large number of Medical Equipment assets against the replacement costs of these assets in order to assess carrying value against fair value. This exercise indicated that fair value did not materially differ from the current value and as a result no adjustment was recorded.

Note 11: Intangible Assets

	<u>2010</u> <u>\$'000</u>	<u>2009</u> <u>\$'000</u>
Computer Software	907	907
Less Acc'd Amortisation	(619)	(480)
	288	427
Computer Software – Work in Progress	576	–
	576	–
Total Written Down Value	864	427

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

	<u>Total</u> <u>\$'000</u>
Balance at 1 July 2008	191
Additions	313
Amortisation (note 4)	(77)
Balance at 1 July 2009	427
Additions	576
Amortisation (note 4)	(139)
Balance at 30 June 2010	864

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 12: Investment Properties

	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
Balance at Beginning of Period - Fair Value	640	640
Net Gain (Loss) from Fair Value Adjustments	-	-
Balance at End of Period	640	640

Valuation

An independent valuation of the Hospital's investment properties was performed by the Valuer-General Victoria to determine fair value as at 30 June 2009. This valuation was based on independent assessment and Fair (Market) Value subject to lease.

At 30 June 2010, management verified this valuation by applying the Valuer-General Victoria indices relevant for the asset category and period and determined that the carrying value did not materially differ from fair market value. Accordingly, no adjustment to the 2009 carrying value was required as it is a reasonable approximation of fair value.

Note 13: Payables

	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
CURRENT		
Contractual		
Trade Creditors	1,549	1,090
Accrued Expenses	3,339	3,548
	4,888	4,638
Statutory		
GST Payable	21	17
Fringe Benefits Tax Payable	(8)	2
	13	19
TOTAL CURRENT	4,901	4,657
TOTAL	4,901	4,657

(a) Maturity Analysis of Payables

Please refer to Note 18c for the ageing analysis of payables

(b) Nature and Extent of Risk Arising from Payables

Please refer to note 18c for the nature and extent of risks arising from payables

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 14: Employee Benefits and Related On-Costs Provisions

	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
Current Provisions		
Employee Benefits		
– Unconditional and expected to be settled within 12 months	5,592	6,262
– Unconditional and expected to be settled after 12 months	4,674	4,393
	10,266	10,655
Provisions Related to Employee Benefit On-Costs		
– Unconditional and expected to be settled within 12 months (nominal value)	292	270
	292	270
Total Current Provisions	10,558	10,925
Non-Current Provisions		
Employee Benefits	209	213
Total Non-Current Provisions	209	213
Current Employee Benefits		
Unconditional LSL Entitlement	5,361	5,069
Annual Leave Entitlements	2,892	2,697
Accrued Wages and Salaries	1,602	2,517
Accrued Days Off	137	137
Other:		
Superannuation	262	209
Workcover	12	26
Non-Current Employee Benefits		
Conditional Long Service Leave Entitlements (present value)	209	213
Total Employee Benefits	10,475	10,868
On-Costs		
Current On-Costs	292	270
Total On-Costs	292	270
Total Employee Benefits and Related On-Costs	10,767	11,138
Movement in Long Service Leave:		
Balance at Start of Year	5,282	4,966
Provision Made During the Year		
– Revaluations	28	378
– Expense Recognising Employee Service	911	573
Settlement Made During the Year	(651)	(635)
Balance at End of Year	5,570	5,282

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 15: Other Liabilities

	<u>2010</u> \$'000	<u>2009</u> \$'000
CURRENT		
Rental in Advance	33	15
Bond Money	9	9
Patient Fees	16	6
Income in Advance – Department of Health	994	2,738
Total Current	1,052	2,768
Total Other Liabilities	1,052	2,768

Note 16: Equity

	<u>2010</u> \$'000	<u>2009</u> \$'000
(a) Reserves		
Property, Plant & Equipment Revaluation Surplus ¹		
Balance at the Beginning of the Reporting Period	62,462	11,708
Revaluation Increment/(Decrements)		
– Land	–	7,090
– Buildings	–	43,664
Balance at the End of the Reporting Period*	62,462	62,462
* Represented by:		
– Land	17,071	17,071
– Buildings	45,391	45,391
– Plant and Equipment		
	62,462	62,462
Financial Assets Available-for-Sale Revaluation Surplus ²		
Balance at the Beginning of the Reporting Period	–	–
Valuation Gain/(Loss) Recognised	2,598	(5,548)
Cumulative (Gain)/Loss Transferred to Operating Statement on Impairment of Financial Assets	–	5,548
Balance at End of the Reporting Period	2,598	–
General Purpose Reserve		
Balance at the Beginning of the Reporting Period	35,978	37,218
Transfer to and from General Reserve (List Transfer by Nature)		
– Accumulated Surplus/(Deficits)	(2,888)	(1,240)
Balance at the End of the Reporting Period	33,090	35,978

(1) The property, plant & equipment asset revaluation surplus arises on the periodic revaluation of land and buildings. The most recent valuation was at 30 June 2009.

(2) The financial assets available-for-sale revaluation surplus arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, that portion of the reserve which relates to the financial asset, and is effectively realised, is recognised in the profit and loss. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in profit and loss.

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 16: Equity (Continued)

	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
Restricted Specific Purpose Reserve		
Balance at the Beginning of the Reporting Period	16,186	18,713
Transfer (to) and from Restricted Specific Purpose Reserve		
– Accumulated Surpluses / (Deficits)	3,538	(2,527)
Balance at the End of the Reporting Period	19,724	16,186
Total Reserves	117,874	114,626
(b) Contributed Capital		
Balance at the Beginning of the Reporting Period	51,568	51,568
Balance at the End of the Reporting Period	51,568	51,568
(c) Accumulated Surpluses/(Deficits)		
Balance at the Beginning of the Reporting Period	(2,848)	(1,788)
Net Result for the Year	(953)	(4,827)
Transfers (to) and from Reserve		
– General Purpose Reserve	2,888	1,240
– Restricted Specific Purpose Reserve	(3,538)	2,527
Adjustments Resulting from Change in Accounting Policy	–	–
Balance at the End of the Reporting Period	(4,451)	(2,848)
(d) Total Equity at End of Financial Year	164,991	163,346

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

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

	<u>2010</u> <u>\$'000</u>	<u>2009</u> <u>\$'000</u>
Net Result for the Year	(953)	(4,827)
Depreciation	6,404	2,786
Amortisation of Intangibles	139	77
Impairment of Non Current Assets	–	5,548
Provision for Doubtful Debts	(10)	(21)
Net (Gain)/Loss from Sale of Plant and Equipment	24	–
Change in Operating Assets & Liabilities		
(Increase)/Decrease in Debtors	6	(64)
(Increase)/Decrease in Patient Fees	(25)	173
(Increase)/Decrease in Accrued Income	(65)	(30)
(Increase)/Decrease in Prepayments	(4)	99
(Increase)/Decrease in GST Debtor/Creditor	(48)	(14)
(Increase)/Decrease in Inventories	265	292
Increase/(Decrease) in Payables/Creditors	459	(267)
Increase/(Decrease) in Accruals	(1,881)	1,965
Increase/(Decrease) in Employee Benefits	(372)	944
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	3,939	6,661

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 18: Financial Instruments

(a) Financial Risk Management Objectives and Policies

The Hospital's principal financial instruments comprise of:

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

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

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

Categorisation of Financial Instruments

	<u>Carrying Amount</u> 2010 \$'000	<u>Carrying Amount</u> 2009 \$'000
Financial Assets		
Cash and Cash Equivalents	6,032	6,990
Loans and Receivables	1,351	1,205
Available for Sale	61,397	56,773
Total Financial Assets ⁽ⁱ⁾	68,780	64,968
Financial Liabilities		
Financial Liabilities at Amortised Cost	4,901	4,657
Other Liabilities at Amortised Cost	1,052	2,768
Total Financial Liabilities ⁽ⁱⁱ⁾	5,953	7,425

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

(ii) The total amount of financial liabilities disclosed here excludes statutory payables (i.e. Taxes payables)

Net Holding Gain/(Loss) on Financial Instruments by Category

	<u>Carrying Amount</u> 2010 \$'000	<u>Carrying Amount</u> 2009 \$'000
Financial Assets		
Available for Sale ⁽ⁱ⁾	2,598	(3,197)
Total Financial Assets	2,598	(3,197)
Financial Liabilities		
At Amortised Cost ⁽ⁱⁱ⁾	-	-
Total Financial Liabilities	-	-

(i) For cash and cash equivalents, loans or receivables and available-for-sale financial assets, the net gain or loss is calculated by taking the interest revenue, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result; and

(ii) For financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost.

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 18: Financial Instruments (Continued)

(b) Credit Risk

Credit Risk represents the loss that would be recognised if counterparties fail to meet their obligations under the respective contracts at maturity. The credit risk on financial assets of the Hospital has been recognised on the Balance Sheet, as the carrying amount, net of any provisions for doubtful debts.

There is no significant exposure to any individual debtor, except the Department of Health.

The Hospital's exposure to credit risk and effective average weighted interest rate by ageing periods is set out in the following table. For interest rates applicable to each class of asset, refer to individual notes to the financial statements.

Ageing Analysis of Financial Assets as at 30 June

	Carrying Amount	Not Past Due and Not Impaired	Past Due But Not Impaired				Impaired Financial Assets
			Less than 1 Month	1-3 Months	3 months- 1 Year	1-5 Years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2010							
Financial Assets							
Cash and Cash Equivalents	6,032	6,032	-	-	-	-	-
Receivables							
- Trade Debtors	424	247	155	11	11	-	-
- Other Receivables	927	611	105	19	4	188	-
Other Financial Assets							
- Other Financial Assets	61,397	61,397	-	-	-	-	-
Total Financial Assets	68,780	68,287	260	30	15	188	-
2009							
Financial Assets							
Cash and Cash Equivalents	6,990	6,990	-	-	-	-	-
Receivables							
- Trade Debtors	416	339	76	-	1	-	-
- Other Receivables	789	560	15	48	166	-	-
Other Financial Assets							
- Other Financial Assets	56,773	56,773	-	-	-	-	-
Total Financial Assets	64,968	64,662	91	48	167	-	-

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 18: Financial Instruments (Continued)

(c) Liquidity Risk

Liquidity risk arises from the possibility that the Hospital may encounter difficulty in settling its debts or otherwise meeting its obligations to financial liabilities. This risk is managed by monitoring monthly cash flow in relation to the Hospital's operating investing and financing activities, managing credit risk related to financial assets and investing any surplus cash with major financial institutions.

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

Maturity Analysis of Financial Liabilities as at 30 June

	Carrying Amount	Contractual Cash Flows	Maturity Dates			
			Less than 1 Month	1-3 Months	3 months- 1 Year	1-5 Years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2010						
Financial Liabilities						
Payables	4,901	4,901	3,975	926	-	-
Interest Bearing Liabilities	-	-	-	-	-	-
Other Financial Liabilities						
- Accommodation Bonds	-	-	-	-	-	-
- Other	1,052	1,052	1,042	9	-	-
Total Financial Liabilities	5,953	5,953	5,017	935	-	-

2009

Financial Liabilities

Payables	4,657	4,657	3,686	972	-	(1)
Interest Bearing Liabilities	-	-	-	-	-	-
Other Financial Liabilities						
- Accommodation Bonds	-	-	-	-	-	-
- Other	2,768	2,768	2,756	3	-	9
Total Financial Liabilities	7,425	7,425	6,442	975	-	8

(d) Market Risk

The Hospital's exposures to market risk are primarily through interest rate risk and other price risk exposure to foreign currency risk. Objectives, policies and processes used to manage each of these risks are disclosed in the paragraph below.

Currency Risk

The Hospital is exposed to insignificant foreign currency risk through its payables relating to purchases of supplies and consumables from overseas. This is because of a limited amount of purchases denominated in foreign currencies and a short timeframe between commitment and settlement.

Interest Rate Risk

Exposure to interest rate risk might arise primarily through the Hospital's interest bearing financial assets and liabilities. Minimisation of risk is achieved by mainly undertaking fixed rate or non-interest bearing financial instruments. For financial liabilities, the Hospital mainly undertakes financial liabilities with relatively even maturity profiles.

Other Price Risk

Market Price Risk is the risk that the value of a financial instrument will fluctuate due to factors specific to the individual instruments or factors affecting all instruments traded in the market. The Hospital is exposed to securities price risk and this is managed by an asset allocation strategy of diversification of investments across industries and geographic locations.

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 18: Financial Instruments (Continued)

(d) Market Risk (cont)

Interest Rate Exposure of Financial Assets and Liabilities as at 30 June

	Weighted Average Effective Interest Rate (%)	Carrying Amount	Interest Rate Exposure		
			Fixed Interest Rate \$'000	Variable Interest Rate \$'000	Non- Interest Bearing \$'000
2010					
Financial Assets					
Cash and Cash Equivalents ⁽ⁱ⁾	3.64	6,032	–	6,032	–
Receivables					
– Trade Debtors	–	424	–	–	424
– Other Receivables	–	927	–	–	927
Other Financial Assets					
– Other Financial Assets	8.46	61,397	–	38,743	22,654
– Shares in Other Entities	–	–	–	–	–
Totals		68,780	–	44,775	24,005
Financial Liabilities					
Payables ⁽ⁱ⁾	–	4,901	–	–	4,901
Interest Bearing Liabilities	–	–	–	–	–
Other Financial Liabilities					
– Accommodation Bonds	–	–	–	–	–
– Other	–	1,052	–	–	1,052
Totals		5,953	–	–	5,953
2009					
Financial Assets					
Cash and Cash Equivalents ⁽ⁱ⁾	5.82	6,990	–	6,990	–
Receivables					
– Trade Debtors	–	416	–	–	416
– Other Receivables	–	789	–	–	789
Other Financial Assets					
– Other Financial Assets	(4.69)	56,773	–	37,320	19,453
– Shares in Other Entities	–	–	–	–	–
Totals		64,968	–	44,310	20,658
Financial Liabilities					
Payables ⁽ⁱ⁾	–	4,657	–	–	4,657
Interest Bearing Liabilities	–	–	–	–	–
Other Financial Liabilities					
– Accommodation Bonds	–	–	–	–	–
– Other	–	2,768	–	–	2,768
Totals		7,425	–	–	7,425

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 18: Financial Instruments (Continued)

(d) Market Risk (cont)

Sensitivity Disclosure Analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, The Royal Victorian Eye and Ear Hospital believes the following movements are 'reasonably possible' over the next 12 months.

- A shift of +2% and -2% in market interest rates (AUD) from year-end rates of 6%;
- A parallel shift of +2% and -2% in inflation rate from year-end rates of 2%

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

	Carrying Amount \$'000	Interest Rate Risk			Other Price Risk				
		-2%		+2%	-2%		+2%		
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2010									
Financial Assets									
Cash and Cash Equivalents ⁽ⁱ⁾	6,032	(121)	(121)	121	121	-	-	-	-
Receivables									
- Trade Debtors	424	-	-	-	-	-	-	-	-
- Other Receivables	927	-	-	-	-	-	-	-	-
Other Financial Assets									
- Other Financial Assets	61,397	(775)	(775)	775	775	-	(458)	-	458
- Shares in Other Entities	-	-	-	-	-	-	-	-	-
	68,780	(895)	(896)	896	896	-	(458)	-	458
Financial Liabilities									
Payables	4,901	-	-	-	-	-	-	-	-
Interest Bearing Liabilities									
Other Financial Liabilities									
- Accommodation Bonds	-	-	-	-	-	-	-	-	-
- Other	1,052	-	-	-	-	-	-	-	-
	5,953	-	-	-	-	-	-	-	-
	62,827	(895)	(896)	896	896	-	(458)	-	458

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 18: Financial Instruments (Continued)

(d) Market Risk (cont)

	Carrying Amount \$'000	Interest Rate Risk				Other Price Risk			
		-2%		+2%		-2%		+2%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2009									
Financial Assets									
Cash and Cash Equivalents ⁽ⁱ⁾	6,990	(140)	(140)	140	140	-	-	-	-
Receivables									
- Trade Debtors	416	-	-	-	-	-	-	-	-
- Other Receivables	789	-	-	-	-	-	-	-	-
Other Financial Assets									
- Other Financial Assets	56,773	(746)	(746)	746	746	(1,945)	(1,945)	1,945	1,945
- Shares in Other Entities	-	-	-	-	-	-	-	-	-
	64,968	(886)	(886)	886	886	(1,945)	(1,945)	1,945	1,945
Financial Liabilities									
Payables	4,657	-	-	-	-	-	-	-	-
Interest Bearing Liabilities	-	-	-	-	-	-	-	-	-
Other Financial Liabilities									
- Accommodation Bonds	-	-	-	-	-	-	-	-	-
- Other	2,768	-	-	-	-	-	-	-	-
	7,425	-	-	-	-	-	-	-	-
	57,543	(886)	(886)	886	886	(1,945)	(1,945)	1,945	1,945

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 18: Financial Instruments (Continued)

(e) Fair Value

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

- the fair value of financial instrument assets and liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices; and
- the Hospital considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

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

Comparison Between Carrying Amount and Fair Value

	<u>Carrying</u> <u>Amount</u> <u>2010</u> <u>\$'000</u>	<u>Fair value</u> <u>2010</u> <u>\$'000</u>	<u>Carrying</u> <u>Amount</u> <u>2009</u> <u>\$'000</u>	<u>Fair value</u> <u>2009</u> <u>\$'000</u>
Financial Assets				
Cash and Cash Equivalents	6,032	6,032	6,990	6,990
Receivables				
– Trade Debtors	424	424	416	416
– Other Receivables	927	927	789	789
Other Financial Assets				
– Other Financial Assets	61,397	61,397	56,773	56,773
– Shares in Other Entities	–	–		
Total Financial Assets	68,780	68,780	64,968	64,968
Financial Liabilities				
Payables	4,901	4,901	4,657	4,657
Interest Bearing Liabilities	–		–	
Other Financial Liabilities				
– Accommodation Bonds	–		–	
– Other	1,052	1,052	2,768	2,768
Total Financial Liabilities	5,953	5,953	7,425	7,425

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Financial Assets Measured at Fair Value

	<u>Carrying Amount</u>	<u>Fair Value Measurement at End of Reporting Period using:</u>		
	<u>as at 30 June</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2010</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Financial Assets at Fair Value through Profit & Loss				
Debt Securities	-	-	-	-
Available for Sale Financial Assets	61,397	53,445	7,952	-
- Equities and Managed Funds	-	-	-	-
Total Financial Assets	61,397	53,445	7,952	-
2009				
Financial Assets at Fair Value through Profit & Loss				
Debt Securities	-	-	-	-
Available for Sale Financial Assets	56,773	50,224	6,549	-
- Equities and Managed Funds	-	-	-	-
Total Financial Assets	56,773	50,224	6,549	-

Level 1 means

quoted prices (unadjusted) in active markets for identical assets.

Level 2 means

inputs other than quoted prices that are observable, either directly as prices or indirectly derived. At 30 June 2010 the Hospital holds an investment in a Global Properties Securities Fund of \$4.621M (2009 – \$3.330M) and a Wholesale Infrastructure Income Fund of \$3.331M (2009 – \$3.219M) managed by Colonial First State Global Asset Management. Prices are provided by the Manager at each balance date and are measured at fair value in line with AASB139.

Level 3 means

not based on observable market data.

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 19: Commitments for Expenditure

	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
Capital Expenditure Commitments		
Payable:		
Land and Buildings	15	964
Plant and Equipment	253	569
Computer Equipment	-	6
Total Capital Commitments	268	1,539
Land and Buildings		
Not later than one year	268	1,539
Total	268	1,539
Other Expenditure Commitments		
Payable:		
Consumables/Supplies	779	2,821
Maintenance	635	46
Total Other Commitments	1,414	2,867
Not later than one year	1,414	2,301
Later than 1 year and not later than 5 years	-	566
TOTAL	1,414	2,867
Lease Commitments		
Commitments in relation to leases contracted for at the reporting date:		
Operating Leases	521	572
Total Lease Commitments	521	572
Operating Leases		
<i>Cancelable</i>		
Not later than one year	401	440
Later than 1 year and not later than 5 years	120	132
Sub Total	521	572
TOTAL	521	572
Total Commitments for Expenditure (inclusive of GST)	2,203	4,978
Less GST recoverable from the Australian Tax Office	(200)	(306)
Total Commitments for Expenditure (exclusive of GST)	2,003	4,672

Note 20: Contingent Assets and Contingent Liabilities

The Hospital does not have any contingent assets or contingent liabilities, (2008/09: nil).

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 21: Segment Reporting

The Royal Victorian Eye and Ear Hospital derives all its revenue from within the Acute Health Program Service.

Geographical Segment

The Hospital operates predominantly in Melbourne, Victoria. More than 90% of revenue, net surplus from ordinary activities and assets relate to operations in Melbourne, Victoria. The Hospital has spoke services at Lilydale, Broadmeadows and Blackburn.

Note 22a: Responsible Persons Disclosures

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

	<u>Period</u>
Responsible Ministers:	
The Honourable Daniel Andrews, MLA, Minister for Health	1/07/2009 – 30/06/2010
Governing Boards	
Ms Jan Boxall	1/07/2009 – 30/06/2010
Ms Katerina Angelopoulos	1/07/2009 – 30/06/2010
Mr Roger Greenman AM	1/07/2009 – 30/06/2010
Mr Tim O'Leary	1/07/2009 – 30/06/2010
Mr Ian Pollerd	1/07/2009 – 30/06/2010
Mr Andrew Porter	1/07/2009 – 30/06/2010
Ms Natalie Savin	1/07/2009 – 30/06/2010
Mr John Wilson	1/07/2009 – 30/06/2010
Mr Mike Zafropoulos AM	1/07/2009 – 30/06 /2010
Accountable Officers	
Ms Ann Clark	1/07/2009 – 30/06/2010

Remuneration of Responsible Persons

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

<u>Income Band</u>	<u>2010</u> <u>No.</u>	<u>2009</u> <u>No.</u>
\$0–\$9,999	–	1
\$10,000–\$19,999	2	7
\$20,000–\$29,999	6	1
\$40,000–\$49,999	1	1
\$100,000–\$109,999	–	1
\$190,000–\$199,999	–	1
\$270,000–\$279,999	1	–
Total Numbers	10	12

Total Remuneration Received or Due and Receivable by Responsible Persons from the Reporting Entity Amounted to:

\$487,080	\$501,521
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Amounts relating to Responsible Ministers are reported in the financial statements of the Department of Premier and Cabinet

	<u>\$'000</u>	<u>\$'000</u>
Other Transactions of Responsible Persons and their Related Parties.		
There were no other transactions with Responsible Persons and their Related Parties.	–	–

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 22b: Executive Officer Disclosures

Executive Officers' Remuneration

The numbers of executive officers, other than Ministers and Accountable Officers, and their total remuneration. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits.

	<u>Total Remuneration</u>		<u>Base Remuneration</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>No.</u>	<u>No.</u>	<u>No.</u>	<u>No.</u>
\$90,000 – \$99,999	–	–	1	–
\$100,000 – \$109,999	1	–	–	–
\$110,000 – \$119,999	–	–	1	–
\$120,000 – \$129,999	1	–	–	–
\$130,000 – \$139,999	–	2	–	2
\$140,000 – \$149,999	–	–	–	–
\$150,000 – \$159,999	–	–	1	–
\$160,000 – \$169,999	1	1	–	1
\$170,000 – \$179,999	–	–	–	–
\$180,000 – \$189,999	–	–	–	–
\$190,000 – \$199,999	–	–	–	–
\$200,000 – \$209,999	–	–	–	–
\$210,000 – \$219,999	–	–	–	–
\$220,000 – \$229,999	–	–	–	–
\$230,000 – \$239,999	–	–	–	–
Total	3	3	3	3
Total Remuneration	\$394,381	\$439,192	\$362,807	\$439,192

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2010

Note 23: Remuneration of Auditors

	<u>2010</u> <u>\$'000</u>	<u>2009</u> <u>\$'000</u>
Audit fees paid or payable to the Victorian Auditor-General's Office for audit of the Hospital's current financial report	49	38
Internal Audit	95	58
Total Paid and Payable	144	96

Note 24: Events Occurring after the Balance Sheet Date

There were no events after the Balance Sheet Date of 30 June 2010 that materially affected the financial result for that period.

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

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

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2010 and financial position at that date of The Royal Victorian Eye and Ear Hospital.

We are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on this day.



Jan Boxall
Chair, Board of Directors
Melbourne
24 August 2010



Ann Clark
Accountable Officer
Melbourne
24 August 2010



Peter Gould
Chief Finance and Accounting Officer
Melbourne
24 August 2010



Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board Members, The Royal Victorian Eye & Ear Hospital

The Financial Report

The accompanying financial report for the year ended 30 June 2010 of The Royal Victorian Eye & Ear Hospital which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the board member's, accountable officer's and chief finance & accounting officer's declaration, has been audited.

The Board Members Responsibility for the Financial Report

The board members of The Royal Victorian Eye & Ear Hospital are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the board members, as well as evaluating the overall presentation of the financial report.

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

VAGO

Victorian Auditor-General's Office

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of The Royal Victorian Eye & Ear Hospital for the year ended 30 June 2010. The board members of the hospital are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the hospital's web site.

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of The Royal Victorian Eye & Ear Hospital as at 30 June 2010 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
25 August 2010


D D R Pearson
Auditor-General

The Royal Victorian Eye and Ear Hospital is affiliated with:

La Trobe University
Lions Eye Donation Service Melbourne
The Bionic Ear Institute
The Centre for Eye Research Australia
The HEARing CRC
The University of Melbourne

The Royal Victorian Eye and Ear Hospital is a member of:

The World Association of Eye Hospitals

Members: Tun Hussein On National Eye Hospital, Kuala Lumpur, Malaysia, The Department of Ophthalmology of the University Hospital Leuven, Belgium, Singapore National Eye Centre, Moorfields Eye Hospital, London, UK, The Royal Victorian Eye and Ear Hospital, Melbourne, Australia, Rutnin Eye Hospital, Bangkok, Thailand, St Erik Eye Hospital, Stockholm, Sweden, The Rotterdam Eye Hospital, The Netherlands.

The European Association of Eye Hospitals

Members: 37 Military Hospital, Ghana, VISSUM Instituto Oftalmologico de Alicante, Spain, Department of Ophthalmology, University of Helsinki, Finland, The Royal Victorian Eye and Ear Hospital, Melbourne, Australia, The Department of Ophthalmology of the University Hospital Leuven, Belgium, Singapore National Eye Centre, Moorfields Eye Hospital, London, UK, St Erik Eye Hospital, Stockholm, Sweden, The Rotterdam Eye Hospital, The Netherlands.

The American Association of Eye and Ear Hospitals

Members: Bascom Palmer Eye Institute, Florida, USA, Callahan Eye Foundation Hospital, Alabama, USA, Manhattan Eye, Ear and Throat Hospital, New York, USA, Massachusetts Eye and Ear Infirmary, Massachusetts, USA, Moorfields Eye Hospital, London, UK, New York Eye and Ear Infirmary, New York, USA, Phillips Eye Institute, Minnesota, USA, Rotterdam Eye Hospital, The Royal Victorian Eye and Ear Hospital, Melbourne, Australia, St. Erik's Eye Hospital, Stockholm, Sweden, Wills Eye Hospital, Pennsylvania, USA, Wilmer Eye Institute, Maryland, USA.



Environmental profile

Stephen contains 50% recycled content and 50% elemental chlorine free pulp from well-managed forests and controlled sources. It is an FSC Mixed Sources Certified product. Australian Paper is ISO 14001 certified. Stephen is Certified Carbon Neutral and Greenhouse Friendly by the Australian Government Department of Climate Change. Sales of Stephen support Fifteen Foundation.

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