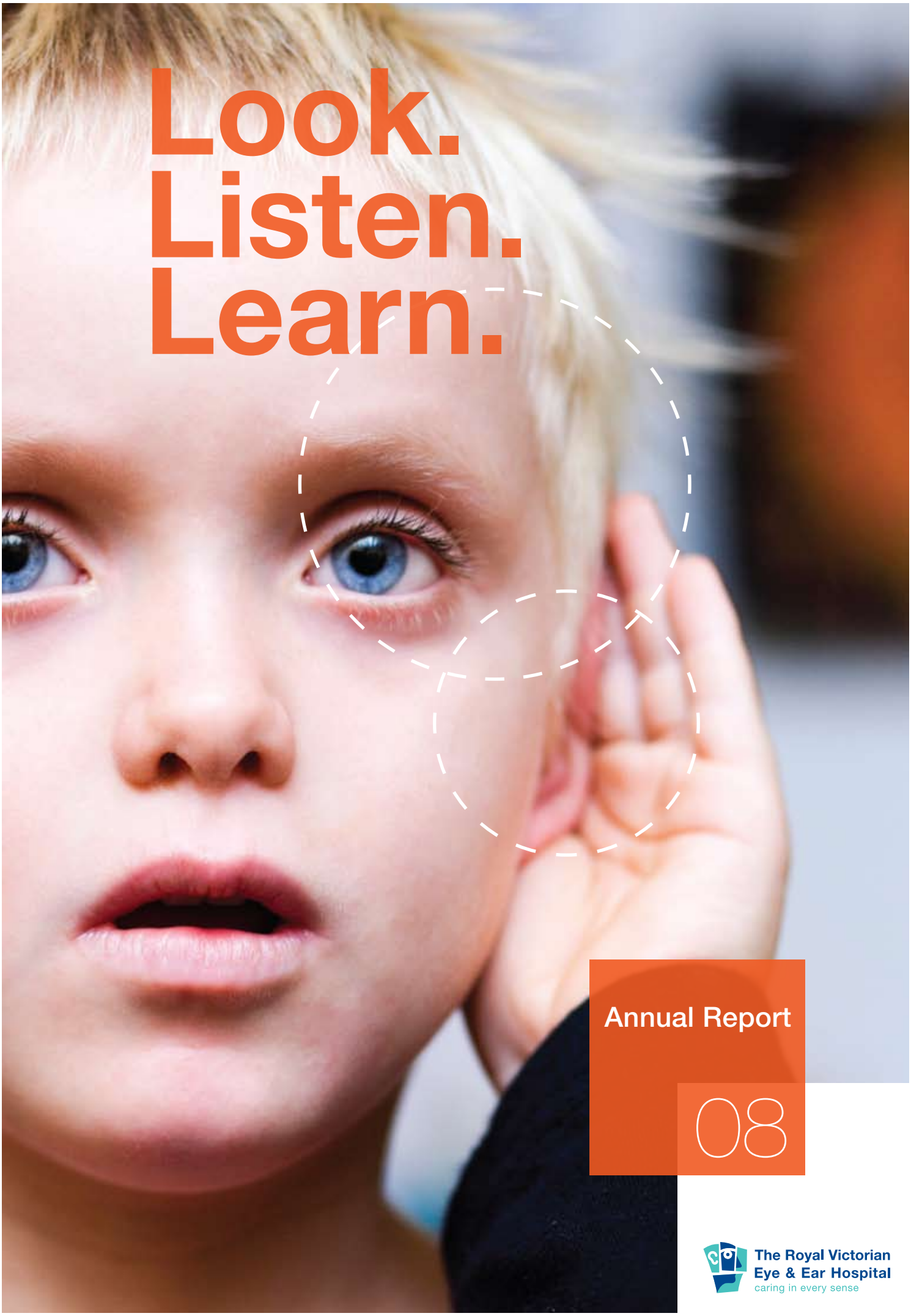
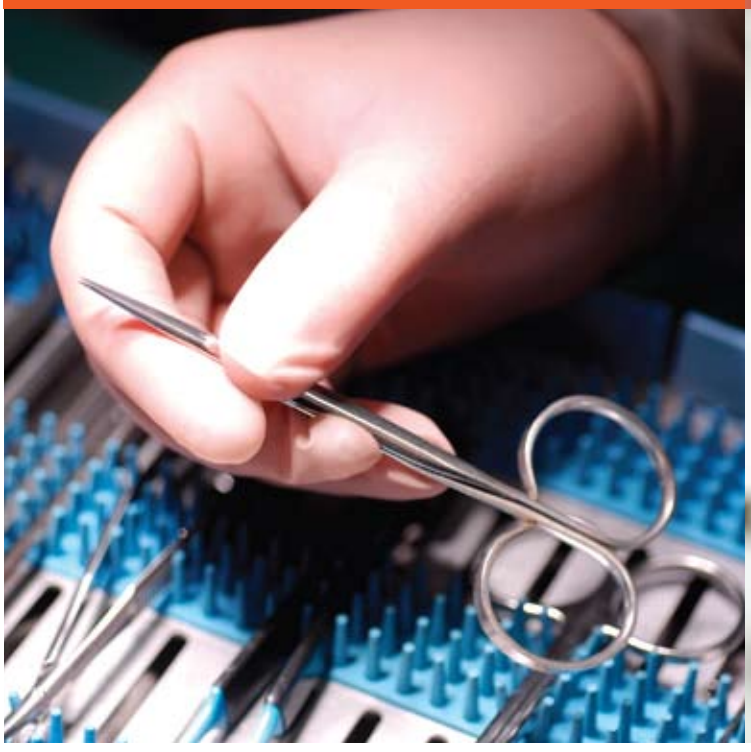


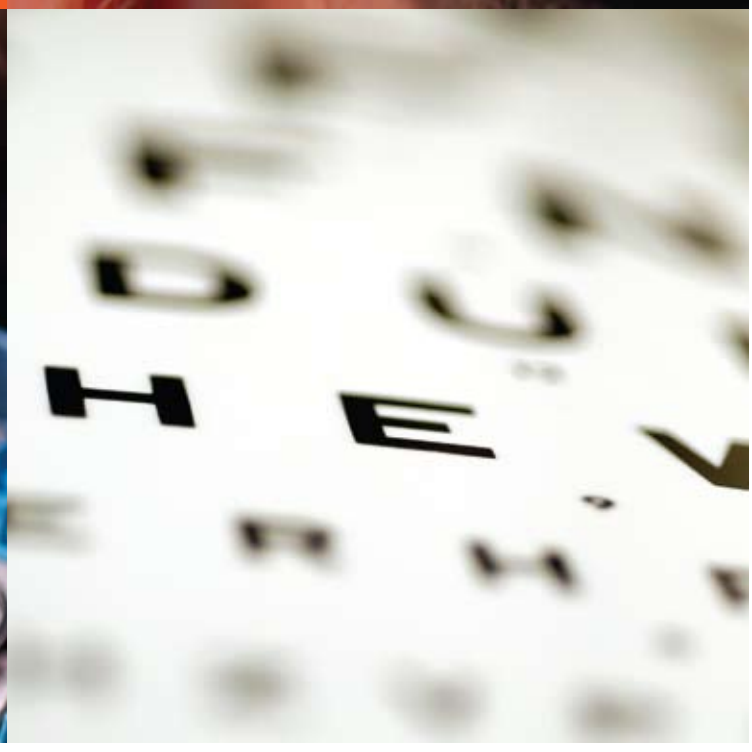
Annual Report

08

The Royal Victorian Eye & Ear Hospital
caring in every sense

We experience the world through our senses. We take it in through our eyes and ears, tasting, touching and smelling. But more than anything else we look, we listen and we learn.





Contents

04 The origins of the hospital

06 Chair's Report

07 Chief Executive Officer's Report

08 Welcome to our new Chair

08 New CEO will lead the hospital in redevelopment

09 Meet our Board of Directors

12 Meet our Executive Team

15 A vision for the future
15 Working to improve our services

17 Look
17 An eye to the present
19 An eye to the future

21 Listen
21 Creating sound where there was once silence
23 Beyond the bionic ear

25 How our ear, nose and throat services are making a difference

27 Thank you

28 Learn – about our hospital
28 Committees
32 Service activity

33 Summary of Financial Results

35 Financial Statements

84 Auditor General's Report

86 Disclosure index

Our vision / Improved quality of life through caring for the senses.

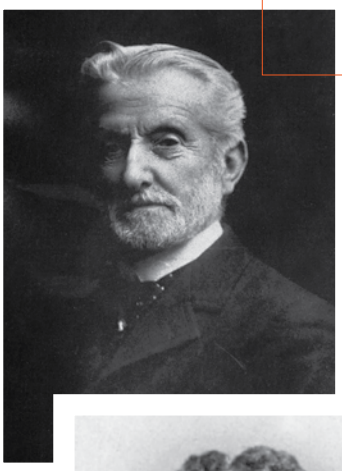
Our values / Integrity / Care / Teamwork / Excellence

Patron: Mrs Jan de Kretser

Designed by Romany Glover Design. Photography by Janusz Molinski.

The origins of the hospital

Andrew Sexton Gray



T. Aubrey Bowen

The Royal Victorian Eye and Ear Hospital, considered Australia's top eye and ear, nose and throat research and clinical facility, turns 145 in 2008.

A founding member of the World Association of Eye Hospitals, the hospital's international standing dates from 1863 when it was established in East Melbourne by Andrew Sexton Gray, later joined by T. Aubrey Bowen.

Trained in renowned facilities in England and Ireland, Gray and Bowen were the pioneers of ophthalmology in Australia.

In 1850's Victoria, waves of migration and the lure of gold led to a construction and resources boom.

Melbourne's population dramatically increased and by the 1860's, with over-crowding, and amid the dust, dirt and countless mining and construction accidents, eye diseases and injuries were all too prevalent.

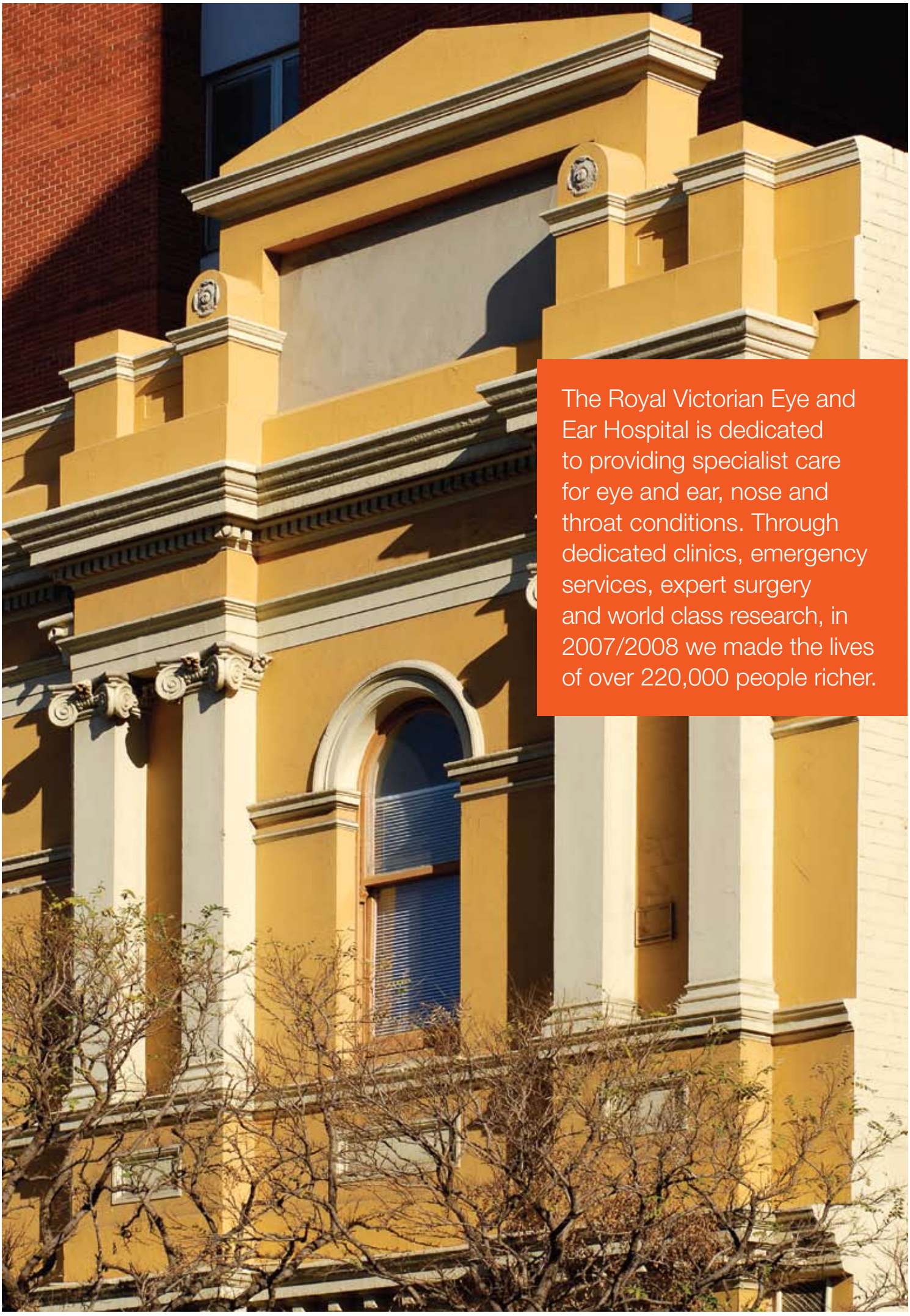
Many could neither afford nor find treatment when Andrew Sexton Gray, then in his 30's, opened his practice as a charitable enterprise, for all in need in Melbourne.

Gray was a dynamic personality, handsome and forceful and soon Melbourne business was offering philanthropic support. Gray practised until he was 80, and saw revolutionary medical advances including the Xray and Haab's electronic magnet.

T. Aubrey Bowen, aged 19, migrated to Melbourne with his family. Dignified and learned, Aubrey Bowen completed training as a physician and surgeon, then as an ophthalmologist in industrialised Birmingham. Returning to Melbourne, he married Jane Miller, the daughter of Hon Henry 'Money' Miller MLC, one of the richest men in Melbourne.

A luminary of his profession, Bowen joined forces with Gray to respond to the city's explosion of eye disease. He travelled extensively and published prolifically on contemporary surgical techniques including cataract extraction, partial corneal excision for keratoconus, surgery for squint, treatment of ophthalmia, and the use of chloroform as an anaesthetic.

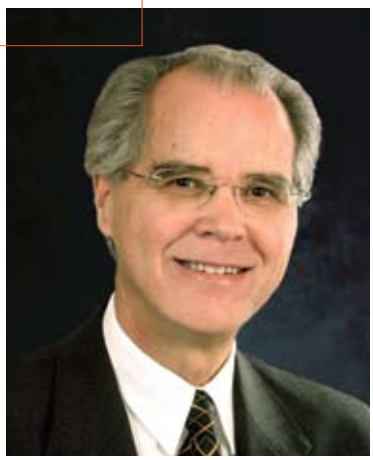
Through his prolonged personal service to the hospital, and medical science, and their joint philanthropy, Aubrey and Jane Miller have created a legacy which lives on today.



The Royal Victorian Eye and Ear Hospital is dedicated to providing specialist care for eye and ear, nose and throat conditions. Through dedicated clinics, emergency services, expert surgery and world class research, in 2007/2008 we made the lives of over 220,000 people richer.

Chair's Report

Professor
Graeme Ryan AC



Throughout 2007/2008, the Royal Victorian Eye and Ear Hospital has continued to meet the financial and service objectives established by the Board of Directors and the Department of Human Services.

It does so routinely but it is not something that we take for granted. Considerable skill and energy are required by the Board, the Executive and management team and the medical and other clinical staff employed in meeting the hospital's objectives. The commitment of our people has been an asset that I have been able to rely upon with confidence during my term as Chair.

The Eye and Ear received $2 million in the 2008 Victorian State Government budget for the planning and design of new and refurbished facilities. The hospital will now be able to further explore options for redevelopment that will ensure the Eye and Ear remains at the forefront of patient care and medical advances.

As part of the redevelopment project the Boards of the Eye and Ear and St Vincent's Hospital agreed to work together to explore the feasibility of creating a new joint ear, nose and throat, and head and neck program. The two hospitals have confirmed their commitment to this vision in correspondence with the Minister for Health. We will also explore the potential of redeveloping our current site as a stand alone eye facility to actively increase the impact of our specialist ophthalmology services, research and education.

This year we sadly farewelled a number of significant members of the hospital community. Professor Gerard Crock AO passed away in January 2008. He was an academic leader, world leading clinician and founder of the academic ophthalmology program at the hospital.

Dr Kenneth Howsam died in May 2008. He was a much revered member of both the Hospital's Senior Medical Staff and administration from 1947 to 1982.

Professor Hugh Taylor AC, the Managing Director of the Centre for Eye Research Australia retired in 2007. He made contributions to the work of the hospital which are of international significance. We welcome Professor Tien Wong in his place.

This is my last report after eight years as Chair of the hospital's Board of Directors after earlier in the year I chose not to seek reappointment to the Board.

I am pleased to have this opportunity to thank the Board and Executive Directors for their support I have enjoyed over my term as Chair, and which has helped ensure a smooth transition to a new Chair and CEO. The Minister for Health, Daniel Andrews announced Ms Jan Boxall as my replacement to lead the Board of Directors from July 2008. I am also pleased to announce Ms Ann Clark as the worthy successor to Graeme Houghton, who retired in August 2008, as CEO.

We are all grateful for the support given to the hospital by all its members of staff. We are also grateful to the support from others including visiting medical officers, volunteers, donors, members of the community who serve on hospital advisory committees and the Minister for Health and the officers of the Department of Human Services.

It has been an enjoyable privilege to contribute to the work of the hospital.

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 2008.

Professor Graeme Ryan AC
Chair, Board of Directors

CEO's Report

Mr Graeme Houghton

I am pleased to report that the performance of the hospital in 2007/2008 has continued to be very satisfactory, with the hospital routinely meeting the performance objectives in the Department of Human Services Statement of Priorities.

Some highlights of 2007/2008 have included:

- The establishment of a clinical school of Orthoptics at the Eye and Ear, in conjunction with La Trobe University
- The commencement of a 'National Eye Health Demonstration project' to develop new ways of involving community optometrists and general medical practitioners in the monitoring of diabetic eye disease, age-related macular degeneration and glaucoma in the community.
- The announcement by Prime Minister Kevin Rudd, of the bionic eye as one of the 'big ideas' to emerge from the Australia Vision 2020 Summit. The Eye and Ear is expected to be the clinical partner for the project.
- Signing a *Community Accord* in March 2008 during celebrations for Cultural Diversity Week. The commitment to the Accord was an initiative of the Cultural Diversity Committee and it demonstrates the hospital's commitment to respect all ethnic, cultural, religious and linguistic communities and provide the best level of care to diverse patient groups.

In the first half of 2008, I attended the second meeting of the World Association of Eye Hospitals at the Singapore National Eye Centre, Tun Hussein On National Eye Hospital in Kuala Lumpur and the Rutnin Eye Hospital, Bangkok.

The meeting brought together members from eye hospitals all over the world, who discussed the exchange of staff, benchmarking, communications, new models of care and satellite services.

One important observation gleaned from this exchange is that all these hospitals are thriving and have been completely or substantially rebuilt in recent years.

There has been much work in the last few years to redesign the way the hospital organises clinical services for our patients.

The redevelopment of the hospital is a great opportunity to apply patient-centred design principles to our services and our facilities so they more effectively meet the needs of our patients, as well as contemporary, international standards of efficiency and amenity.

Several new medical technologies have also been introduced in recent years, both to alleviate hearing loss and in the treatment of potentially blinding eye diseases, including age-related macular degeneration. In redeveloped facilities we will continue to lead Australia in medical innovation.

I retire from my appointment early in the new financial year after serving in this role since 2002.

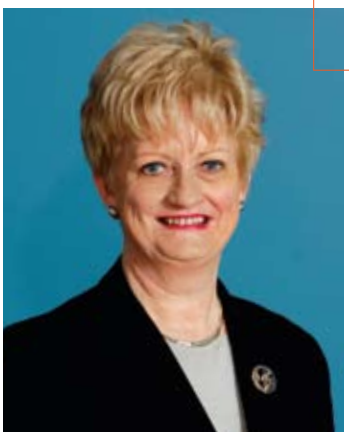
The first two years of my appointment involved a restructure of the organisation and a concentration on improving financial performance. We achieved that with great support from the hospital community and, although there is always a need to keep improving the way the organisation works, it continues to be one of the best performing of the metropolitan health services.

It has been a privilege to contribute to the work of the Eye and Ear.

Graeme Houghton
Chief Executive Officer

Welcome to our new Chair

Ms Jan Boxall



In June 2008, the Minister for Health announced the Eye and Ear's new Chair of the Board of Directors, Ms Jan Boxall.

Ms Boxall is an independent legal consultant having been a partner at the national law firm, Corrs Chambers Westgarth. Here she advised clients in a number of sectors including property and infrastructure, health, statutory corporations and government.

She is a member of the Board of Directors of City West Water, Queen Victoria Market and the Melbourne Wholesale Fish Market. Ms Boxall is a Fellow of the Australian Institute of Company Directors and is the immediate past Chair of the Board of the Cabrini Hospital Group.

Ms Boxall was appointed following the retirement of Professor Graeme Ryan.

Jan Boxall will start as Chair on 1 July 2008 and her term will run for three years.

New CEO will lead the Eye and Ear in redevelopment

Ms Ann Clark

The Chair of the Board of Directors announced the appointment of Ms Ann Clark as the new Chief Executive Officer of the hospital in June 2008.

Ms Clark comes to the Eye and Ear from her role as Executive Director, Corporate Services at the Royal Children's Hospital (RCH).

Ms Clark provided leadership in negotiations with the Department of Human Services and was executive sponsor of the RCH *Building our Future Change Program*.

She was at the forefront of enhancing relationships with research and teaching partners and integrating clinical and non clinical aspects of the hospital.

Ms Clark has had major hands on experience in leading change in a complex, clinically driven environment during planning for the redevelopment of the new RCH facilities at Parkville. She will now use those skills to lead the Eye and Ear as we work towards redevelopment.

Ms Clark comes from a financial background as a chartered accountant and has held senior leadership positions and consulting roles across a range of private and public sector organisations. She has also acted as CEO of the Royal Children's Hospital on a number of occasions.

Ms Clark will commence in her role in August 2008.

Board of Directors

From 1 July 2008

Mr Ian Pollerd

Ms Jill Rossouw

Mr Timothy O'Leary

Ms Catherine Brown, Deputy Chair

Mr Mike Zafiropoulos

Dr Nicolas Radford

Ms Katerina Angelopoulos

Ms Jan Boxall, Chair

Mr Chris Randell

Professor Graeme Ryan AC, Chair
Appointed 1 July 2000, retired 30 June 2008

Board of Directors

Continued

Professor Graeme Ryan AC
MD, BS, PhD, FRACP, FRCPA

Appointed 1 July 2000, re-appointed 1 July 2003 and 1 July 2005, term expires 30 June 2008

Chair: Board of Directors, Remuneration Committee

Member: Finance Committee, Audit Committee, Quality Committee

Professor Ryan is part-time Director of Research Strategy at The Alfred Hospital. He is a past board and advisory committee member of a number of public sector, health-related and community organisations and is a former Dean of the Faculty of Medicine, Dentistry, and Health Sciences at the University of Melbourne.

Dr Nicolas Radford
MBBS, FRACP, FAICD

Appointed 1 July 2000, reappointed 1 July 2002 and 1 July 2005, term expires 30 June 2008

Chair: Primary Care and Population Health Advisory Committee

Member: Quality Committee

Dr Radford is a Consultant Physician at the Royal Women's Hospital. He is in private consultant practice in East Melbourne specialising in internal medicine, nephrology and obstetric medicine. Dr Radford has held office in the Royal Australasian College of Physicians and the Australian Medical Association. He is Chairman of the Commonwealth Professional Services Review's Determining Authority.

Ms Catherine Brown
LLB, BA, Grad Dip Bus Admin, FAICD

Appointed 1 July 2000, re-appointed 1 July 2003 and 1 July 2006, term expires 30 June 2009

Chair: Quality Committee

Member: Remuneration Committee, Audit Committee

Ms Brown is a lawyer and management consultant with extensive experience in the fields of human services and philanthropy, including three years as Chief Executive Officer of the Brain Foundation. Ms Brown has been director of her own consulting business, Catherine Brown & Associates Pty Ltd, since 1999 and is Chair of the Queen Victorian Women's Centre Trust. Ms Brown has been a director or company secretary of a diverse group of not for profit organisations over the last 20 years. She consults to leading philanthropic foundations including the Foundation for Rural and Regional Renewal (Community Foundation Program), The Myer Foundation, The Ian Potter Foundation and ANZ Trustees. Her other areas of special interest are not for profit organisational and Board development.

Ms Katerina Angelopoulos
BSW, Dip Welf Stud

Appointed 28 March 2006, term expires 30 June 2008

Chair: Cultural Diversity Committee

Member: Community Advisory Committee

Ms Angelopoulos has held a number of representative and advocacy positions in health and community agencies throughout her life and has carried these skills and expertise into her work in the field of income security. Ms Angelopoulos is currently the President of the Moreland Community Health Service which has a reputation for leadership and innovation in the area of community health. She is also represented on 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 Ian Pollerd

BEd (Bus Studies), BEd (Administration), Grad Dip Ed Ad, Dip Crim, MAICD

Appointed 1 July 2007, term expires 30 June 2010

Member: Community Advisory Committee, Quality Committee

Mr Pollerd has extensive experience in rural health, disability services, aged care, palliative care and family and community services. Mr Pollerd is currently Director of a health and community services consultancy business – Eureka Solutions and is a member of the Australian Institute of Company Directors. Mr Pollerd is also a member of the Board of Governance UnitingCare Connections and was also recently appointed as the Health Services Commissioner nominee to the Investigation Review Panel in accordance with the Health *Professions Registration Act* 2005.

Mr Timothy O'Leary

Welfare Officer – Family Therapy, MBA

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

Member: Finance Committee, Investment Management Advisory Committee, Primary Care and Population Health Advisory Committee

Mr O'Leary is Director and Principal Consultant with management consulting firm Strategos Australia. He 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 and education. He has been a board member and chair of a range of organisations and is currently a Director of the Victorian Healthcare Association.

Ms Jill Rossouw

BCom, MPhil (Finance), Grad Dip App Fin & Investment

Appointed 1 July 2005, reappointed 1 July 2007, term expires 30 June 2010

Chair: Audit Committee

Member: Finance Committee, Investment Management Committee, Remuneration Committee

Ms Rossouw is an Investment Director (Infrastructure) at Industry Funds Management. She has experience in corporate and project finance, project management and consulting, investment management, and evaluation and structuring of infrastructure investments. Ms Rossouw has previously worked for PricewaterhouseCoopers as Associate Director in its Project Finance group and for GE Capital as Manager Direct Equity Investments, in Australia.

Mr Chris Randell

BAppSc

Appointed 1 July 2000, re-appointed 1 July 2002 and 1 July 2005, term expires 30 June 2008

Chair: Finance Committee, Investment Management Advisory Committee

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

Mr Randall is a Training Consultant for the Australian Institute of Superannuation Trustees (AIST). He is a Chair of the AIST Accreditation Committee, as well as being a member of the Policy and Professional Development Committees. Mr Randall is also a company director and fitness instructor. He was formerly the National Secretary of the Health Services Union of Australia.

Mr Mike Zafiropoulos

BAppSc, AssDip Comp Sci

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

Chair: Community Advisory Committee

Member: Cultural Diversity Committee

Mr Zafiropoulos has extensive experience in the areas of community development, local government, philanthropy, arts and culture, and media. He has 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. He serves on the Boards of The Lord Mayor's Charitable Foundation and the Melbourne Community Foundation and chairs Regional Arts Victoria and the Multicultural Arts Policy Advisory Committee. He is a former mayor of Fitzroy.

Executive profiles

2007/2008

Chief Executive Officer

Mr Graeme Houghton
BSc, MHA, AFCHSE, CHE
Appointed April 2002, term expires June 2008

The Chief Executive Officer (CEO) is accountable to the Board for executive leadership and management that supports the attainment of operational, policy, and strategic goals agreed with the Board and in accordance with the funding, planning, and regulatory framework of the Department of Human Services.

Executive Director Corporate Services, Chief Financial Officer

Mr David Gerrard
BBus (Accounting), CPA, MBA
Appointed February 2003, term expires June 2009

The Chief Financial Officer is responsible for the management of the Corporate Services Division, financial reporting, analysis, controls, budgeting and treasury. The role provides leadership in financial and business strategies and manages the functions of human resources, contracts and engineering.

Chief Medical Officer, Executive Director Medical Administration

Dr Robert Grogan
MBBS (Melb), MPH (Mon), FRACMA, Dip Obs, RCOG
Appointed March 2001, resigned September 2007

Dr E Robyn Mason
MBBS (Melb), MAdmin (Mon), FRACMA, FAICD
Acting in role, appointed August 2007

The Chief Medical Officer provides leadership in the provision of ethical medical practice, research and training and is responsible for management of medical staff, health information and library services, community development and clinical governance activities.

Executive Director Surgical Services, Chief Nursing Officer

Mr Marc Foley
RN, BNurs, Cert. Perioperative Nsg, Grad Dip Management
Appointed September 2004, resigned September 2007

Ms Angela Scarlett
MaHSM, BaEdStudies, Grad Dip HealthEd, RN, RM, AssACHSE
Appointed November 2007, term expires November 2010

The Executive Director of Surgical Services is responsible for inpatient services, operating theatres, education, anaesthesia, medical and surgical supplies, emergency responses, infection control and management of elective access.

Executive Director Ambulatory Services

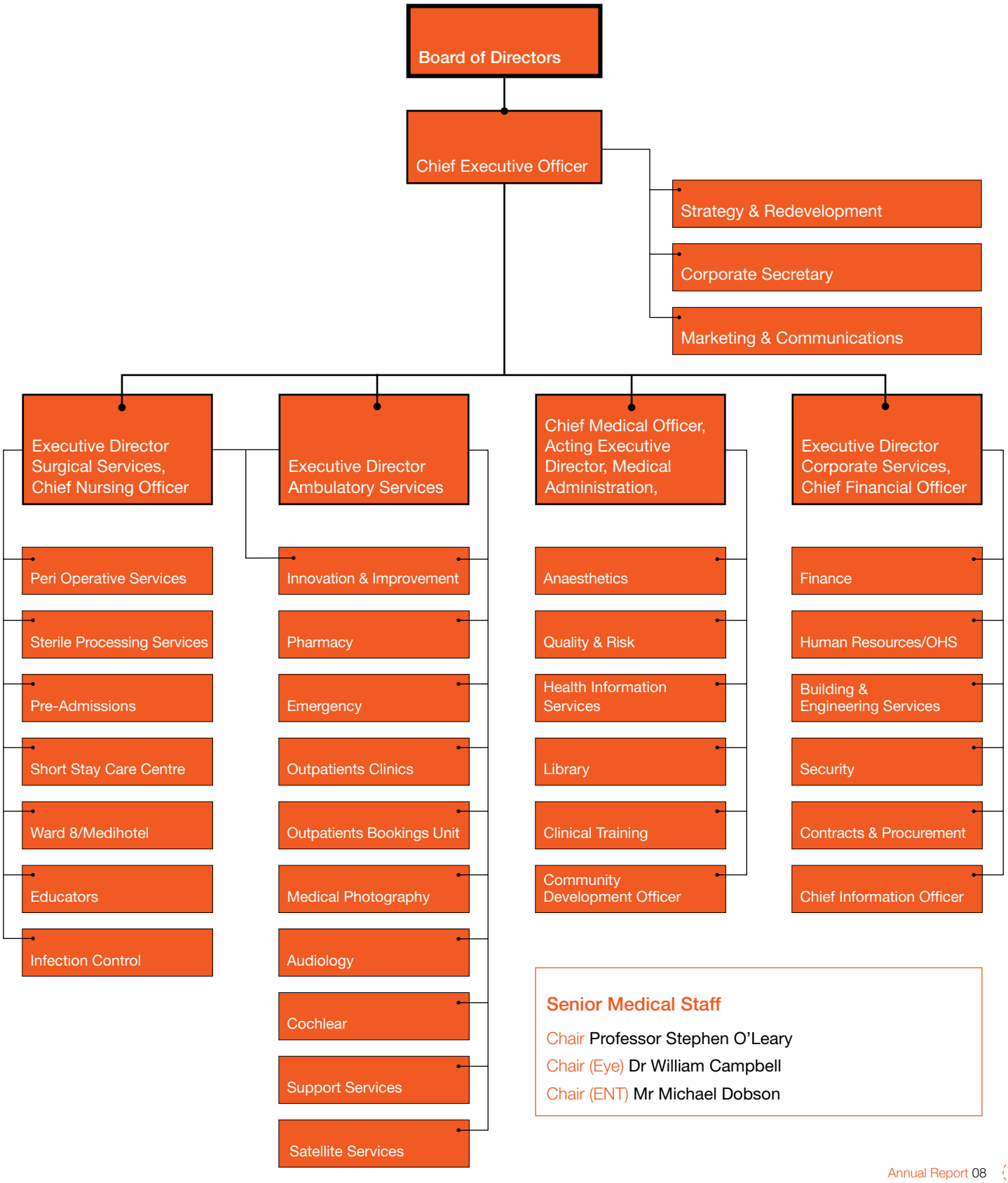
Mrs Liz Riley
RN, CCRN, BAppSc (Nursing), Grad Dip Advanced Nursing (Management), MBA, AFCHSE
Appointed April 2007, resigned November 2007

Mr Stephen Vale
B App Sc (Physio), M Physio (Neuro), M Bus (Leadership)
Appointed January 2008, term expires January 2011

The Executive Director of Ambulatory Services is responsible for all non-inpatient services including after hours hospital coordination, audiology, cochlear implant clinic, emergency, interpreting, translating and transcultural services, medical photography and imaging, the orthoptics department and the orthoptics clinical school, outpatient bookings and outpatient clinics, patient representative, patient transport, pharmacy, social work, speech pathology and spoke services at Broadmeadows, Maroondah, Royal Children's Hospital and Taralye.

Organisational chart

2007/2008

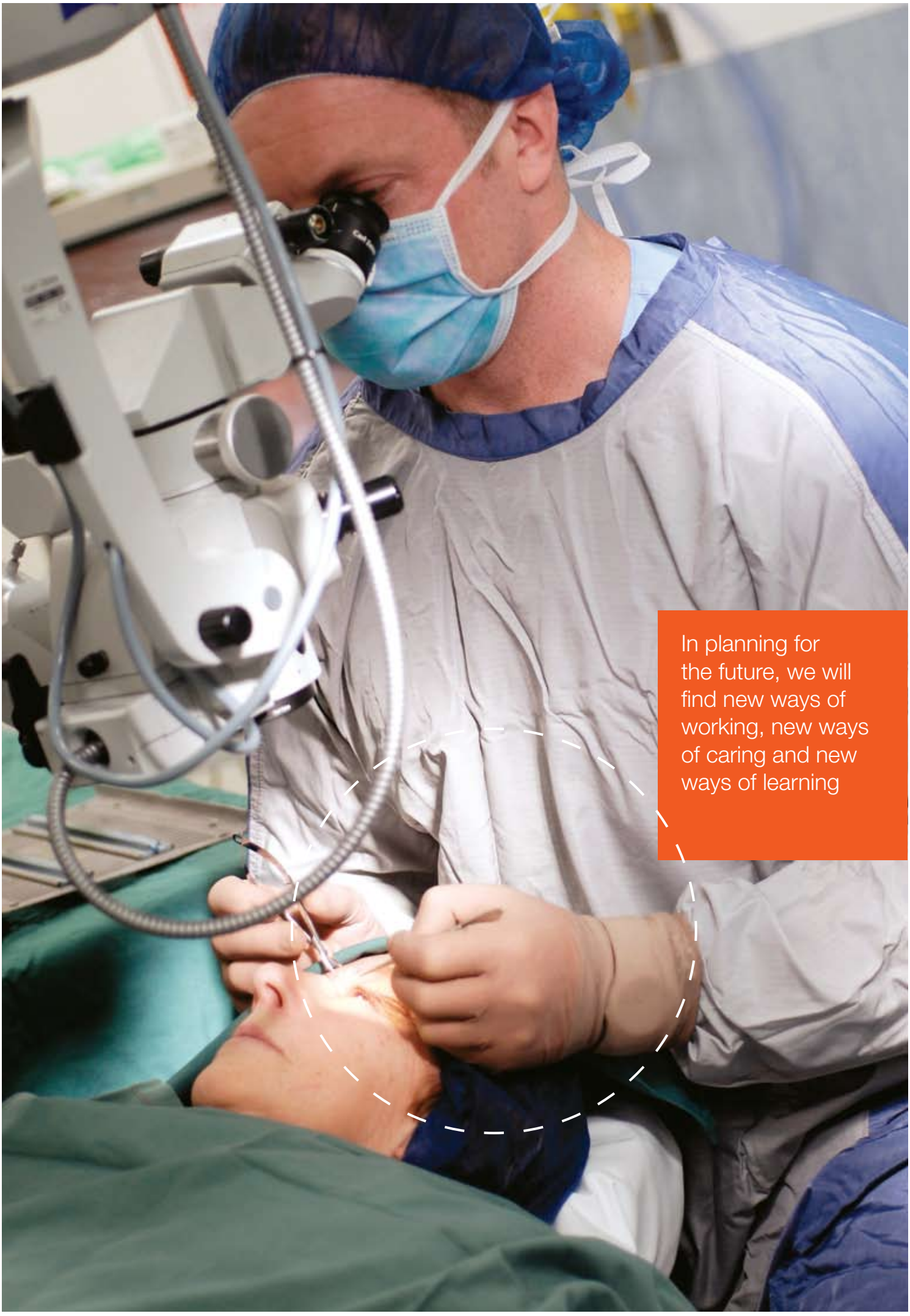


Senior Medical Staff

Chair Professor Stephen O'Leary

Chair (Eye) Dr William Campbell

Chair (ENT) Mr Michael Dobson



In planning for the future, we will find new ways of working, new ways of caring and new ways of learning

A vision for the future

Working to improve our services

Every day at the Royal Victorian Eye and Ear Hospital, sight is restored, hearing is improved, new treatments are developed.

Every day young surgeons gain new experience and new knowledge from leaders in their fields.

Every day the lives of Victorians are made richer.

The Eye and Ear Hospital is the only hospital in the Southern Hemisphere solely dedicated to providing specialist care in eye and ear, nose and throat conditions. Our unique place has made us a leader in managing hearing impairment and eye care.

The world is changing. Populations are ageing and we are facing a significant increase in the demand for our services.

We cannot continue merely to expand the services we already provide, so we are now working towards redevelopment of the hospital's facilities. In planning for the future we will find new ways of working, new ways of health care, new ways of learning.

We will continue to deliver clinical services that draw on our excellence in teaching, training and research, and we'll do so in new, innovative ways. We are developing and trialling new models of care that aim to simplify the journey for patients and focus on multidisciplinary team-work. We'll introduce new programs, develop new resources and establish new benchmarks of excellence that will not only make the hospital a better place to work, but which will also improve outcomes for our patients.

The sound of progress

Hearing impairment is forecast to double in the next 40 years, costing Australia tens of billions of dollars. Here are the ways we will develop our ear, nose and throat services to prepare for that increased demand:

- Emphasis on preventative and early intervention care.
- Affiliation with a general tertiary hospital to provide the best care in highly specialised ear, nose and throat treatment such as complex head and neck procedures.
- The development of additional registrar training opportunities, including rural and regional training posts to improve access to services throughout Victoria.
- Reducing the number of patient visits back to the hospital by increasing the emphasis on integration with community care providers including GPs and audiologists.
- Provision of specialist ear, nose and throat advice 24/7 via telemedicine to other metropolitan and regional emergency departments for early intervention and appropriate referral.
- Electronic queue management systems introduced throughout the emergency department and outpatient clinics to make sure patients are managed in appropriate timeframes.

Seeing is believing

In less than 20 years, the rate of eye disease will double. That is why we're planning now to meet the needs of the community in the future. These are just some of the changes we envisage:

- Smaller outpatient waiting areas dedicated to specific clinics, to make the experience more personal and comfortable for patients.
- Online referral and clinical management tools to support all providers of ophthalmology care in Victoria, so patients receive treatment in the most appropriate time and location.
- Provision of specialist ophthalmology advice via telemedicine to other metropolitan and regional emergency departments to ensure early intervention and appropriate referral.
- Less return visits for patients, particularly cataract patients, with treatment reviews handled by community care providers such as optometrists.
- We recognise the huge impact of sensory loss on patients when they undergo an operation. With $2 million provided by the Victorian State Government in the 2008/2009 budget, we will plan for a world class facility that meets these needs.
- We are benchmarking our services against international practice drawing from the findings of our senior team's international study tour of specialist eye and ENT hospitals in the US, Asia and Europe.

Orthoptist Catherine Mancuso is part of a team of eye health professionals who work each day to treat preventable visual impairment

Look

An eye to the present

Blindness and cancer are the two most feared health conditions. Yet most visual impairment is caused by conditions that are preventable or treatable.

At the Royal Victorian Eye and Ear Hospital we are dedicated to saving sight.

Ours is one of Victoria's busiest hospitals. We perform half the State's public general eye surgery and up to 90% of sub-specialist eye surgery. The hospital is the main provider of ophthalmology training, and plays a critical role in developing and maintaining a skilled workforce and training surgeons of the future.

We provide ophthalmic emergency care and treat close to 50,000 people a year in our emergency department.

Every day we're developing new procedures and programs that are improving outcomes and providing the best quality of life possible for our patients.

Improving services to patients with low vision

In 2008, the Eye and Ear opened a new clinic to increase services to low vision patients.

Only about 20% of Victorians with low vision currently access low vision services. The purpose of the clinic is to provide a service to patients such as those from culturally and linguistically diverse backgrounds who currently do not access, or have difficulty accessing low vision care.

The range of services provided include clinical low vision assessment, prescription, loan and sales of low vision devices, training in device use and advice on simple strategies to increase independence.

The clinic will also offer training opportunities for ophthalmology registrars and orthoptic students in low vision care.

The Low Vision Clinic team is headed by Dr Alex Harper and is a multidisciplinary team of ophthalmologists, orthoptists, optometrists and rehabilitation staff.

Clinical school of orthoptics

The Eye and Ear Hospital has joined with La Trobe University in a new partnership to develop a clinical school within its Orthoptic Department.

The hospital employs the most orthoptists on any one site in Australia, and La Trobe University is a major training centre for orthoptists, providing graduates to the local workforce, interstate and overseas.

Associate Professor Zoran Georgievski has been appointed for twelve months to establish the clinical school as well as act as the orthoptics Department Manager.

The clinical school will assist the hospital to further develop the high quality care it provides to patients and facilitate an integration of students and academic staff.

Community eye care partnership

A new project is working on ways of improving linkages between the hospital and local services. The Community Eye Care Partnership aims to make sure patients can gain easy access to the care they need through a working relationship with acute and community eye health care practitioners.

The project will run for two years and is funded by the Commonwealth and State Governments.

The hospital is working with the Optometrists Association of Australia and other organisations to develop pilot models of service integration to improve the management of three chronic diseases: glaucoma, age-related macular degeneration and diabetic eye disease.

These three conditions along with refractive error and cataract account for around three quarters of vision loss in Australia.

The project will be supported by clinicians from the hospital who are leaders in their fields. They are Professor Jonathan Crowston (Glaucoma), Dr Alex Harper (Diabetic Eye Disease) and Professor Robyn Guymer (Age-related Macular Degeneration).

The project is establishing trial sites in metropolitan and regional areas to work with the hospital in coordinating care for patients with chronic eye diseases.

Dr Mark McCombe and Dr Penny Allen are part of a team working to create the world's first bionic eye

Look

An eye to the future

As the population ages, the rate of eye disease is increasing. It's set to double by 2024, by which time it's estimated that close to a million people will be living with vision loss. Our aim is to make sure they have the best quality of life.

The Royal Victorian Eye and Ear Hospital is at the centre of a thriving research community and works closely with a number of major research organisations such as the Centre for Eye Research Australia and the Bionic Ear Institute. Through these affiliations and partnerships, the Hospital is trialling treatments and technologies that will be used in the future.

Bionic eye

Australia created a bionic ear 30 years ago and now researchers are looking towards a bionic eye.

A team of researchers and doctors from the Royal Victorian Eye and Ear Hospital, the Bionic Ear Institute, the Centre for Eye Research Australia, the University of New South Wales and Australia's National Information and Communications Technology Research Centre for Excellence, have come together to create an artificial vision device that would improve the lives for thousands of Australians.

The team's efforts were bolstered early in 2008 when the Federal Government announced its commitment to developing this new technology further.

One of the conditions that could be treated using the bionic eye is Retinitis Pigmentosa, an inherited, degenerative condition that affects one in 3000 Australians.

It is estimated that clinical trials of the bionic eye will start at the Royal Victorian Eye and Ear Hospital soon.

Positive early results for Keratoconus treatment

An innovative trial at the Eye and Ear using Vitamin B2 to treat the eye condition Keratoconus has had positive early results.

Keratoconus is characterised by the thinning of the cornea resulting in a cone-like bulge and significant visual impairment and affects one in 2000 people.

This new research trail, developed in Germany, involves applying Riboflavin (Vitamin B2) to the eye, before exposing it to a measured dose of UVA light to strengthen the cornea and stop it from bulging out of shape.

Dr Christine Wittig was invited to Melbourne from Germany to work with a principal specialist at the Eye and Ear, Associate Professor Grant Snibson to conduct the Corneal Collagen Cross Linking trial.

The benefit of this procedure is that patients can be treated within an hour and only need a short recovery period. The equipment can be easily transported allowing it to be used in rural areas and developing countries.

The results of the trial will be reviewed and it is hoped this treatment will soon be more widely available to people with progressive Keratoconus.

New hope for sufferers of Uveitis

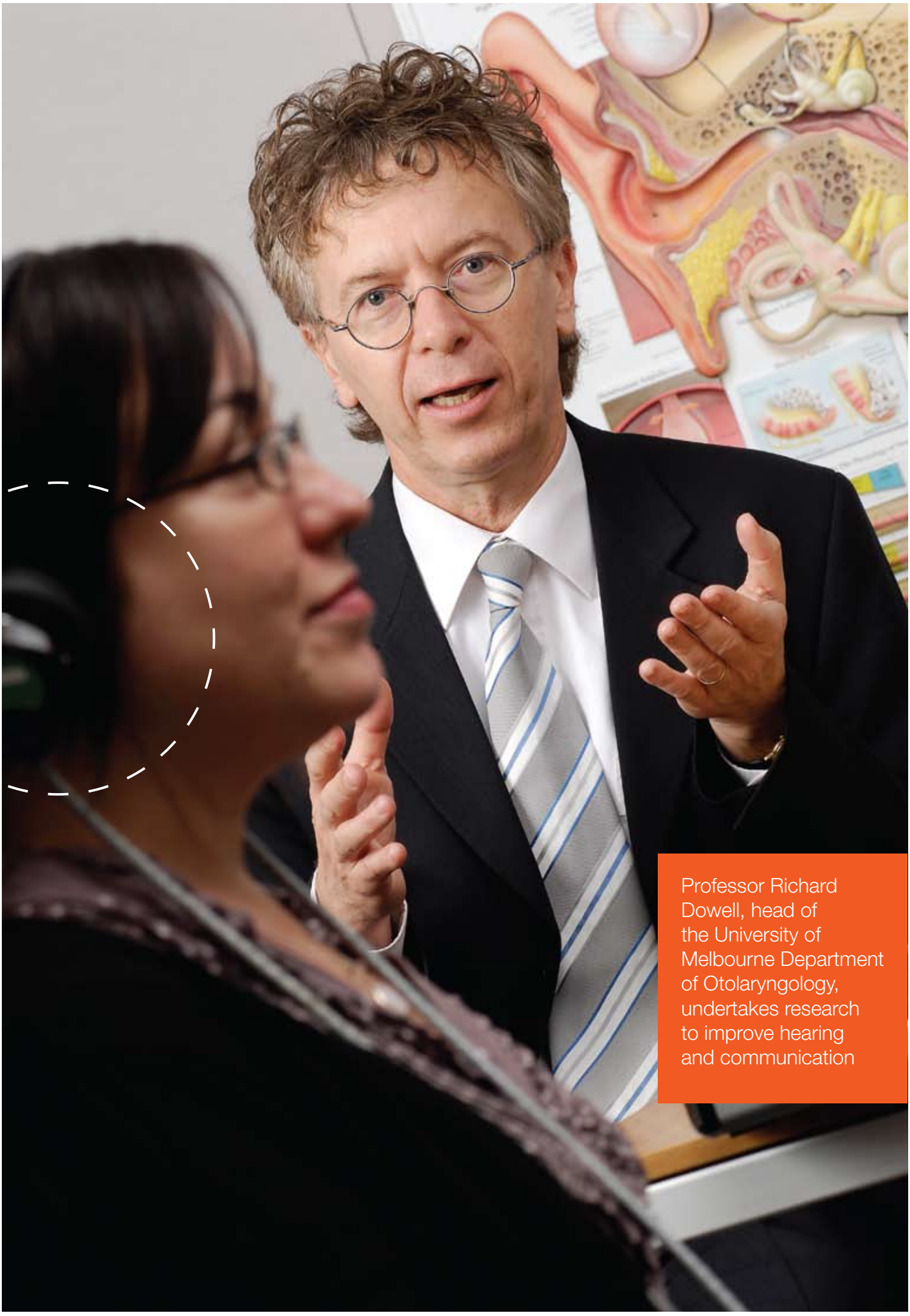
Uveitis is a condition causing inflammation of the inside of the eye. It affects thousands of Australians.

The Eye and Ear Hospital is involved in the trial of a new treatment with the National Eye Institute of America and is the only investigating site outside the US.

The new treatment involves a small slow release steroid device implanted behind the eyes. The 3x3mm implant will decrease the side effects. Patients who have received the implant have been pleased with the results.

The only current treatment available is daily oral steroid medication. Over a long period of time this has side effects like high blood pressure, osteoporosis and facial hair.

Specialist Ophthalmologist at the Eye and Ear, Dr Richard Stawell is comparing the implants to traditional systematic treatment.



Professor Richard Dowell, head of the University of Melbourne Department of Otolaryngology, undertakes research to improve hearing and communication

Listen

Creating sound where there was once silence

When you lose your hearing the ability to listen and respond is impaired, and communication becomes difficult.

For many years the Royal Victorian Eye and Ear Hospital has been committed to preserving and regenerating the hearing of Victorians and restoring richness in life. That work continues today.

The hospital provides almost all of the state's public cochlear implant surgery and has Australia's largest state-wide hearing impairment diagnostic service. With its research partners, it has been an international focus for technological innovation.

Through a partnership with the University Of Melbourne Department Of Otolaryngology, we undertake research to improve hearing and communication for children and adults with hearing loss, provide teaching programs by offering a range of postgraduate studies and manage all audiology clinical services.

Right now we're achieving results that could only be dreamed of a few years ago, and improving the lives and prospects of thousands of Victorians.

30th anniversary of the cochlear implant

One of Australia's best known inventions, the cochlear implant or bionic ear, celebrated its 30th anniversary in 2008.

The first ever cochlear implant operation was done at the Royal Victorian Eye and Ear Hospital by its creator, Professor Graeme Clark. Since then 120,000 people from 80 countries have benefited from this technology and the legacy continues at the Eye and Ear Hospital.

In 1983 the first public hospital based cochlear implant clinic in the world was opened at the hospital. Over the years, the team of ear, nose and throat surgeons, audiologists and speech pathologists at the clinic have given hearing to over 1,300 people.

Over the last 30 years the Eye and Ear Hospital has led many of the changes in ways the device is used, to offer the maximum quality of life to the widest population of severely hearing impaired adults and children.

Two ears are better than one

New research from the University of Melbourne and the Royal Victorian Eye and Ear Hospital shows two ears are better than one when it comes to cochlear implants.

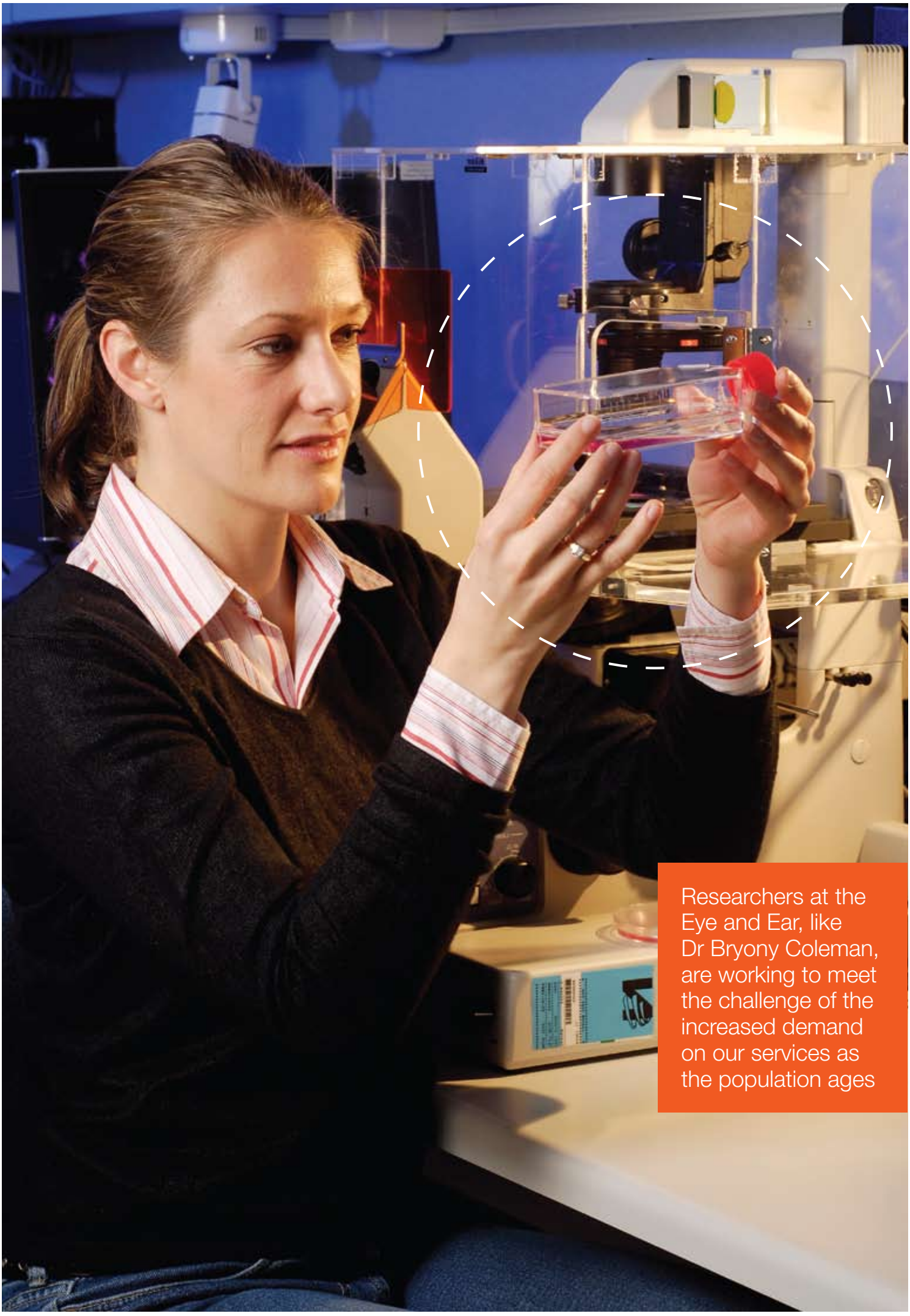
For many years the practice was to fit an implant on only one ear, but since 2002, children in Melbourne have been offered bilateral implantation.

A group of about 50 children who each have two implants have been followed for about two years, and their language and developmental progression monitored. Already there are clear outcomes, and it is apparent that children who are born deaf are now able to live a normal life with improved language development skills when they're fitted with two implants at a young age.

Combining hearing aids with cochlear implants

Before the cochlear implant was invented the only device available to improve hearing was the hearing aid. Now the two technologies are being used together to provide a better quality of sound.

Combining cochlear implants and hearing aids improves the ability to listen in complicated and noisy situations. With a cochlear implant in one ear and hearing aids on both ears, people are able to hear much better in the presence of background noise. They can hear speech more easily in complicated hearing situations and are able to enjoy music much more than was previously possible with a cochlear implant alone.



Researchers at the Eye and Ear, like Dr Bryony Coleman, are working to meet the challenge of the increased demand on our services as the population ages

Listen

Beyond the bionic ear

One in six Australians is affected by hearing loss and this is projected to increase to one in four by 2050. Through research, innovation and clinical treatment underpinned by world's best practice, we will be ready to meet this challenge.

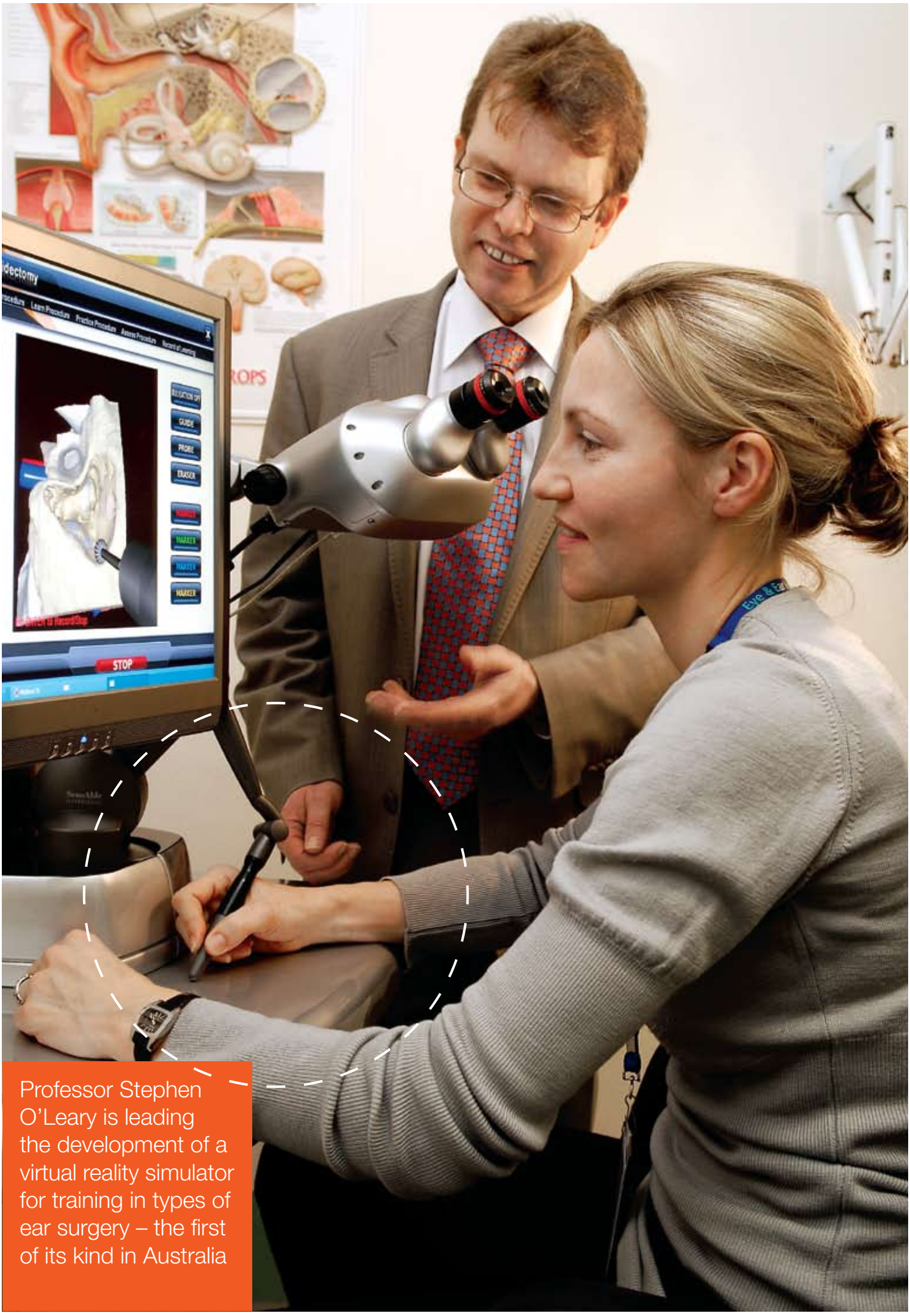
What's next in hearing technologies?

Researchers at the Royal Victorian Eye and Ear Hospital are working on ways to improve hearing for cochlear implant patients, and in doing so they're also developing ways to preserve hearing in other situations where hearing might be damaged.

People who receive cochlear implants lose nearly all hearing in the inner ear. Research is currently underway into how this could be prevented so recipients could keep their natural hearing and use the implant at the same time, thus providing a better quality of sound.

Research supported by the National Health and Medical Research Council shows that drugs applied directly to the inner ear would lead to a better preservation of hearing. This would not only benefit cochlear implant patients, but also people whose hearing had been damaged while undergoing chemotherapy.

Work is also underway to replace natural function of a damaged inner ear through regenerative strategies. Dr Bryony Coleman's world first research aims to do just that. She's a researcher at the University of Melbourne Department of Otolaryngology, and at the Eye and Ear Hospital. Her research is investigating the potential of stem cells to regenerate the auditory nerve to enhance the hearing outcomes of cochlear implant patients. Dr Coleman recently returned from a study mission to Harvard in the United States which enabled her to become more proficient in microdissection skills and several experimental techniques. Her research is supported by the Hospital through a Wagstaff Fellowship in Otolaryngology.



Professor Stephen O'Leary is leading the development of a virtual reality simulator for training in types of ear surgery – the first of its kind in Australia

How our ear, nose and throat services are making a difference

The Royal Victorian Eye and Ear Hospital is one of Victoria's largest providers of ear, nose and throat inpatient services and has Victoria's largest Otolaryngolgy service.

The Hospital is the focus for surgical training in Otology, Rhinology and specialised services including audiology, voice and balance disorders. It provides the only concentrated training opportunities in these fields, made possible by the location of all services on one site.

The Eye and Ear is the only ear, nose and throat service in Victoria to be integrated with a thriving academic research environment through its relationship with the University Of Melbourne Department Of Otolaryngology and the Bionic Ear Institute.

The hospital's unique link between clinical service and research creates a rich environment of care and innovation for the people of Victoria.

Rare 'auditory brain stem implant' brings hope of hearing and speech for toddler

On the 16th of May 2007, Jorja Steele of Christchurch, New Zealand became the first child in the Southern Hemisphere to be surgically implanted with an 'auditory brain stem implant'.

The surgery was performed by a team of doctors, including Mr Robert Briggs from the Eye and Ear Hospital. And while the implant will not allow Jorja to regain full hearing, she will experience some form of auditory perception. Jorja became profoundly deaf the week before her first birthday as a result of meningitis.

Based on the cochlear implant, the auditory brain stem implant directly stimulates the hearing pathways as they enter the brain. Jorja was unable to achieve hearing through a cochlear implant because the meningitis caused extensive damage to her inner ear. The only option available was an auditory brain stem implant, which had previously only been performed on adults.

Senior surgeon honoured

Professor Stephen O'Leary, senior surgeon at the Eye and Ear Hospital, has been appointed to one of the most prestigious positions in ear, nose and throat research.

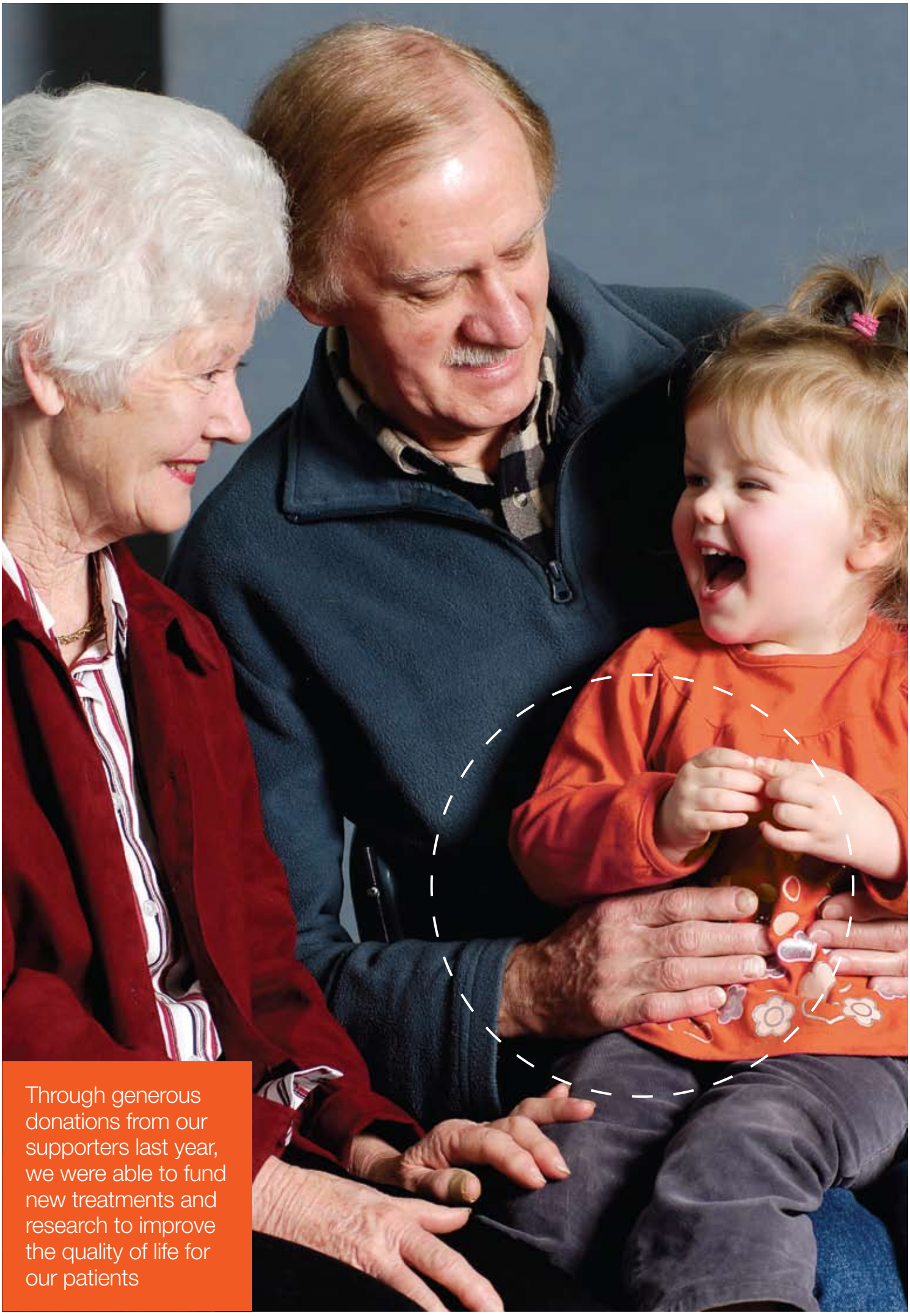
He has been appointed to the William Gibson Chair of Otolaryngology, a joint appointment between the Eye and Ear Hospital and the University of Melbourne. The Chair was established in 1967 and the only other person to hold the position was pioneering surgeon scientist Professor Graeme Clark, creator of the Bionic Ear.

Providing ear, nose and throat services to Alice Springs

The Eye and Ear has entered a partnership with Alice Springs Hospital to perform ear, nose and throat surgeries in Alice Springs.

Each month a team from the hospital, consisting of a consultant, a nurse and an audiologist, will travel to the centre of Australia to repair common ear problems such as holes in eardrums.

Through this partnership the hospital is showing leadership and commitment to improving rural health outcomes.



Through generous donations from our supporters last year, we were able to fund new treatments and research to improve the quality of life for our patients

Thank you

Our corporate patrons

Advanced Medical Optics

Our patrons

Anonymous (1)
Mr Michael Adler
Mrs Frances Albrecht
Mr Tony Amor
Mr Glen Annetts
Mr Keith Bailey
Ms Judith Balding
Mr Neil Bucher
Mr & Mrs W R & L L Brewer
Mr Noel Cilia
Mr & Mrs James & Joan Cowan
Mr James Cunningham
Mrs Margaret Dallimore
Mrs Elizabeth Donovan
Dr & Mrs E & S Ehrmann
Mr Z Elton
Mr Nicola Fiore
Mr & Mrs William & Dorothy Friee
Mrs Joy Fyffe
Mrs Manuela Garcia
Mr Brian Goddard
Mr Vojko Gorjanc
Geoffrey & Phyllis Groves
Mr Anthony Halliwell
P & M Harbig (Holdings)
Miss Patrica Holmes
Mr Harold Jarvis
Mr Geoffrey Jukes
Mrs Wilma Keath
Mr Maxwell Kerr
Ms Karen Logue
Mr Frank Mansell
Mr Laurence McLaren
Mr Pasquale Micelotta
Mr & Mrs B Mildenhall
Ms Christine Newcombe
Mr Peter Parashos
Mr Rudolph Pollio
Mr Anthony Power
Mr Michael Pridgeon
Mrs Margaret Rossell
Ms Elizabeth Russell
Mrs Mary Shallies
Mrs Mary Shelton
Mrs Sumari Slamet
Mr Anthony Sonego
Mr Harry Soultanidis
Mr Michael Stait
Mr M Thompson
Mr Geoffrey Turner
Mr David Walker
Miss Margaret Walshe
Mrs Patricia J Warnett
Mr & Mrs J & C Warry
Mrs Patricia Webb

Estates and bequests

Estate of Vera Clarice Adams
Estate of Dinah Elizabeth Borchard
Estate of Annie G Buckley
Estate of Ernest Buxton
Estate of Ellen Mitchell Collis
Estate of Erica Cromwell
Estate of Alfred H W Dehnert
Estate of Amelia Frances Field
Estate of Mrs Ruth Fischer
Estate of John Patrick Foley
Estate of Eleanor Elizabeth Guthrie
Estate of Robert Maurice Jacka
Estate of Edna May Kerr
Estate of Alice Veronica Lakic
Estate of Eileen Anne Love
Estate of R Hally & P Martin
Estate of Heather Sybil Smith
Estate of Howard John Tandy
Estate of Joe White
Estate of John Frederick Wright
Estate of Henry Herbert Yoffa
Estate of Marjorie W Young

Trusts and foundations

John & Thirza Daley Charitable Trust
Lord Mayor's Charitable Foundation
Louis & Lesley Nelken Trust Fund
Estate of Arthur Gordon Oldham
Estate of Bruce Leslie Powell

Corporate supporters

Alcon
ANZ Trustees
Aquatic Paradise
Asia-Pacific Centre for Philanthropy and Social Investment, Swinburne University
Bausch & Lomb
E P Johnson & Davies
Equity Trustees
Harwood Andrews
Horwath (Vic)
Keith Golding & Associates
Kell Moore Solicitors
Kelly & Chapman Lawyers
Meehan Marketing Motivation
McNamaras Barristers & Solicitors
N Bassat
Perpetual Trustees
Ritchies Stores
State Trustees Limited

Community supporters

Ms Natalie Adler
Chinese Happy Age Association Vic Inc
Friends – Beaufort, Frankston, Nunawading, Shepparton
Lions Club of Karingal
Malta Star of the Sea Inc
Mornington Community Centre
Strathmerton Lioness Club
Victorian Artists' Society

Murray to Moyne Cycle Challenge

Gold sponsors
Dr Andrew Walpole

Silver sponsors
Mailing Advantage
Royal Eagle Security Services
URS
Victorian Eyecare Network
Zouki Catering

And all the riders and their sponsors.

Learn

About our hospital

The Board – Objectives, functions, powers and duties

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 hospital and is responsible for its financial performance, strategic directions, the quality of its healthcare services and strengthening community involvement through greater partnerships. The hospital 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.

Board Committees

Finance Committee
The Finance Committee assists the Board to fulfil its duties relating to the financial management of the hospital and regularly advises the Board about the financial position of the hospital 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
The purpose of the Audit Committee is to ensure the integrity of financial reports and review the hospital's process for monitoring compliance with laws, regulation, internal standards, policies, best practice guidelines and expectations of relevant authorities, patients, employees and the community. The Audit Committee is also responsible for reviewing the hospital's internal control and risk management system. The committee meets bimonthly with representation from internal auditors RSM Bird Cameron in attendance. All of its members are independent.

Investment Management Advisory Committee
The Investment Management Advisory Committee supports the Finance Committee by advising it on investment strategy and recommending arrangements for the investment of hospital funds. The committee meets quarterly.

Remuneration Committee
The Remuneration Committee comprises four members consisting of the Board Chair and Chairs of the Finance, Audit and Quality Committees. The Remuneration Committee recommends remuneration levels to the Board for the Chief Executive Officer.

Quality Committee
The Quality Committee meets four times a year to promote and support hospital-wide improvements in the areas of: outcomes measurement, patient feedback, safety and quality process improvement, risk management, patient information and involvement and effective and efficient patient flow. The committee in conjunction with the Community Advisory Committee develops the Quality of Care Report annually.

Community Advisory Committee
The Community Advisory Committee advises the Board on consumer and community participation in development and delivery of services. The committee meets bimonthly and members are appointed for a two-year term. In 2007/2008 the committee comprised of a number of community, consumer and carer representatives. Some highlights of the year include: completion of a self assessment survey to identify what improvements were necessary, a strategic planning day, installation of a flat screen information panel in the admissions foyer and leadership of a Community Mapping project. A review of the committee by the Department of Human Services found the committee met the requirements of the Community Advisory Committee Guidelines and the committee is having a positive impact on how the hospital plans and delivers its services.

Primary Care and Population Health Advisory Committee

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 2007/2008 membership included representatives from community groups and partner organisations. The committee continues to monitor projects such as the Community Mapping Project and the Eye Health Demonstration Project.

Cultural Diversity Committee

The Cultural Diversity Committee advises the Board on the hospital's services from a culturally and linguistically diverse (CALD) perspective. The committee's role is to promote involvement from the hospital's CALD communities, help the hospital communicate with its CALD communities and advocate on behalf of CALD communities in planning how services are developed and run. The Committee meets quarterly.

Nature and range of services provided

The Royal Victorian Eye and Ear Hospital is a state-wide teaching, training and research health service that specialises in the area of eye and ear, nose and throat (ENT) health.

The Eye and Ear has over 50 specialist outpatient clinics for the diagnosis, monitoring and treatment of eye and ENT conditions.

In addition, the hospital undertakes half of the State's public general eye surgery, up to 90 per cent of specialised eye surgery and nearly all of Victoria's public cochlear implant surgery. The Eye and Ear also provides primary care to our community through a 24 hour, 7 days-a-week emergency service.

Apart from provision of services from our East Melbourne site, the Hospital also provides services at Maroondah Hospital, Broadmeadows Health Service and Taralye Oral Language Centre.

Inpatients: 13,501
Outpatients: 173,739
Emergency patients: 40,998

Workforce data by labour category

Summary	*06/07 Summary*	*07/08 Summary*
Engineering	4	4
Administration	59	47
Medical Support	75	80
Health Allied Clerical	104	106
Health & Allied Clinical Support	41	42
Nursing	228	228
Sessional Medical Officers	182	175
Hospital Medical Officers	57	62
Total	**750**	**744**

Manner of establishment and relevant minister

The Royal Victorian Eye and Ear Hospital was founded in 1863 by a pioneer of Australian ophthalmology, Dr Andrew Sexton Gray. The hospital is a public health service and is established under the *Health Services Act* 1988. The responsible Ministers during the reporting period were the Hon Bronwyn Pike MP (1/7/2007 – 3/8/2007) and the Hon Daniel Andrews MP (3/8/2007 –).

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 hospital reports annually on the measures taken to comply with the provision of the Act. In February 2008, the hospital once again achieved 100% compliance with mandatory Essential Safety Measures Inspections, testing, maintenance and documentation in relation to building safety.

Consultancies disclosure

Consultancies totalling $309,165 were engaged during the year.

About our hospital

Freedom of information
The *Victorian Freedom of Information (FOI) Act* 1982 provides members of the public with the right to apply to the Royal Victorian Eye and Ear Hospital for access to information held by the hospital. In accordance with the provisions of the *FOI Act* 1982, an applicant is required to make a written FOI request to the hospital accompanied by an application fee. Where payment may cause hardship, a written submission for waiver or fee reductions can be forwarded for consideration. The FOI request should contain the name and address of the patient, their date of birth, and if possible, their hospital UR number. The request must be signed by the applicant or their legal guardian, and dated. Only original documents will be processed. Photocopied or faxed requests are unacceptable. The Hospital provides an annual report of all FOI requests to the Victorian Department of Justice as prescribed by legislation and associated regulations. Requests for access to a medical file under the Act should be directed to:

The Freedom of Information Officer
The Royal Victorian
Eye and Ear Hospital
Locked Bag 8
East Melbourne Vic 8002

Freedom of Information Applications 2007/2008

Total requests	120
Fully granted	119
Completed	119
Fees waived	30

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 hospital 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.

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 Eye and Ear Hospital is committed to providing a safe environment for its patients, visitors and employees. In 2007/2008 the hospital undertook a number of initiatives designed to reduce the frequency and severity of occupational violence incidents. Training for high risk staff and the upgrade of security and response mechanisms have been effectively implemented. Successful collaboration with Department of Human Services will ensure that this good work is continued into the future. Coupled with regular training in manual handling and emergency procedures the hospital has maintained a low rate of injuries and incidents involving staff. A culture of openness and consultation was also highlighted by the five day Worksafe endorsed training program offered to all OHS Representatives. The hospital Safety Management Committee members including hospital Executives and chaired by the Chief Operating Officer, are committed to ensuring a safer workplace for all.

Other information

Other relevant information in relation to the financial year is retained by the accountable officer and made available to the relevant Minister, Member of Parliament and the public on request.

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

Victorian Government Risk Management Framework attestation

I, Jan Boxall 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 the executive to understand, manage and satisfactorily control risk exposures. The Board 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.

Jan Boxall
Chairperson

Melbourne
11 September 2008

Service activity and efficiency measures

30 June 2008

Access	*2007-08*	*2006-07*
Elective surgery performance		
Category 1 – proportion of patients waiting less than 30 days (%)	100	100
Category 2 – proportion of patients waiting less than 90 days (%)	100	100
Category 3 – proportion of patients waiting less than 365 days (%)	100	100
Activity	*Total acute care 2007-08*	*Total acute care 2006-07*
Admitted patients		
Separations		
Same day	9,321	9,003
Multi day	4,180	4,439
Total separations	**13,501**	**13,442**
Emergency	1,678	1,512
Elective	11,823	11,930
Total separations	**13,501**	**13,442**
Total WIES	**9,909**	**9,730**
Total bed days	**16,732**	**15,956**
Non admitted patients		
Emergency department presentations	40,998	39,821
Outpatient services – Occasions of service (VACS and Non VACS clinics)	173,739	177,967
TOTAL OCCASIONS OF SERVICE	**214,737**	**217,788**
Victorian Ambulatory Classification System (Number of encounters)	81,122	82,597

Summary of Financial Results

For the year ended 30 June 2008, compared with last 4 financial years

	2008* $'000	2007* $'000	2006* $'000	2005* $'000	2004^ $'000
Total Revenue	**72,517**	**66,209**	**65,777**	**60,487**	**56,113**
Total Expenses	(71,970)	(63,606)	(60,671)	(56,082)	(54,884)
Operating Surplus / (Deficit)	547	2,603	5,106	4,405	1,229
Retained Surplus / (Accumulated Deficit)	(1,790)	(355)	1,202	(2,196)	(2,686)
Total Assets	133,167	131,752	121,064	111,576	105,054
Total Liabilities	(15,748)	(14,150)	(11,453)	(12,418)	(12,287)
Net Assets	117,419	117,602	109,611	99,158	92,767
Total Equity	**117,419**	**117,602**	**109,611**	**99,158**	**92,767**

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

Significant changes in financial position during 2007/08
There were no significant changes in financial position during 2007/08.

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 2007/08.

Revenue Indicators

For the year ended 30 June 2008

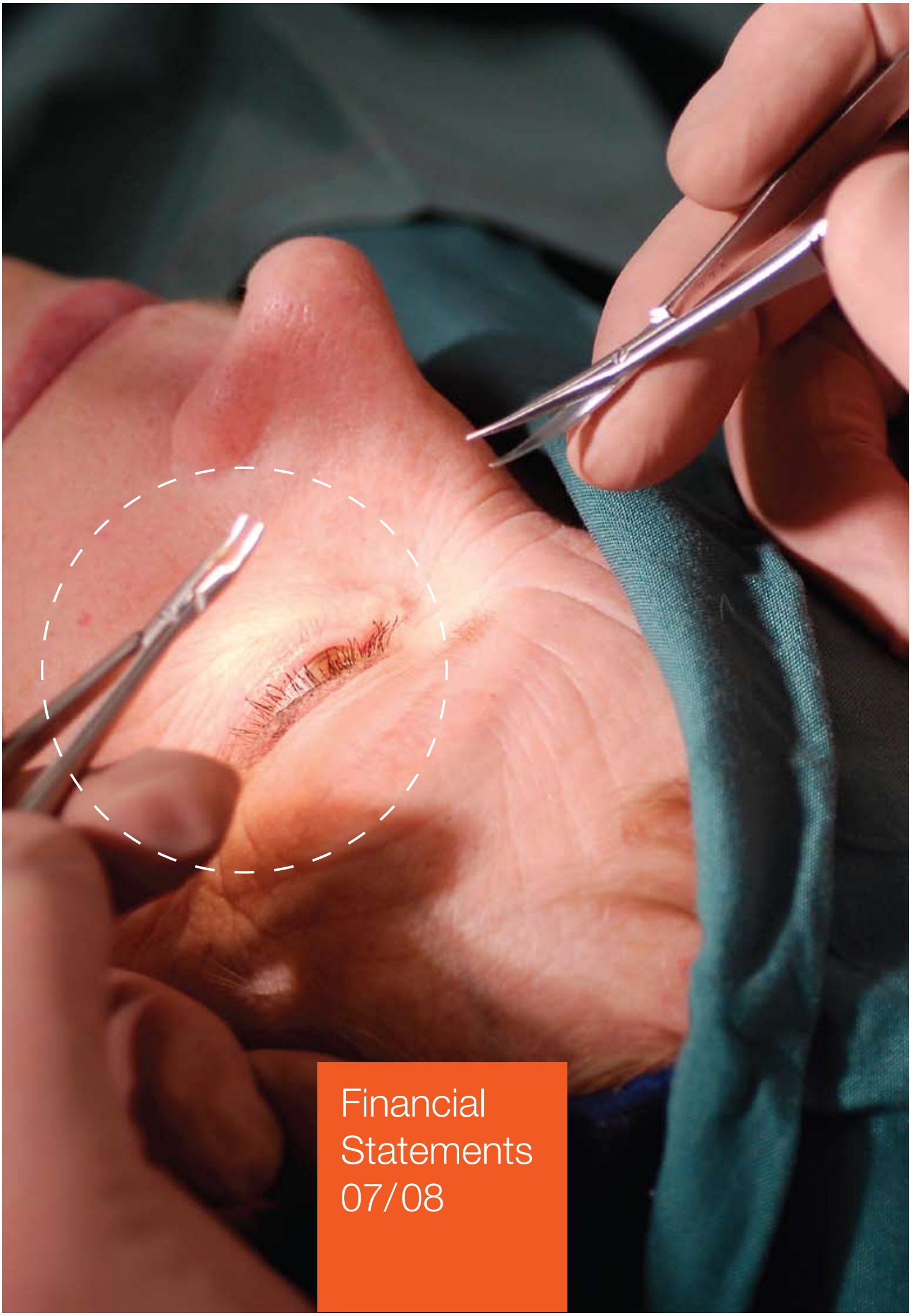
Average collection days	2007/08 $'000	2006/07 $'000
Private	43.03	29.41
Transport Accident Commission	n/a	n/a
Victorian WorkCover Authority	37.38	45.32
Other Compensable	48.00	35.75

n/a = not applicable

Inpatient Debtors Outstanding As at 30 June, 2008	Under 30 days $'000	31-60 days $'000	61-90 days $'000	Over 90 days $'000	Total 30/06/08 $'000	Total 30/06/07 $'000
Private	309	40	5	18	372	123
Transport Accident Commission	0	0	0	0	0	0
Victorian WorkCover Authority	20	5	0	4	29	19
Other Compensable	0	0	0	4	4	12

Financial Analysis of Operating and Expenses

	2007/08 $'000	2006/07 $'000
REVENUE		
Services supported by Health Service Agreement		
Government Grants	54,322	50,798
Indirect Contributions by Human Services	1,369	1,657
Patient Fees	3,248	2,745
Other Revenue	2,437	1,255
	61,376	**56,455**
Services supported by Hospital and Community Initiatives		
Government Grants	713	125
Donations and Bequests	3,233	1,618
Investment Income	5,365	6,233
Property Income	225	226
Other Revenue	1,605	1,552
	11,141	**9,754**
TOTAL REVENUE FROM ORDINARY ACTIVITIES	**72,517**	**66,209**
EXPENSES FROM ORDINARY ACTIVITIES		
Services supported by Health Service Agreement		
Salaries and Related Expenses	39,630	37,813
Supplies and Consumables	12,610	10,072
Other	10,570	10,127
	62,810	**58,012**
Services supported by Hospital and Community Initiatives (H&CI)		
Salaries and Related Expenses	1,928	1,619
Supplies and Consumables	183	122
Other	7,049	3,853
	9,160	**5,594**
TOTAL EXPENSES FROM ORDINARY ACTIVITIES	**71,970**	**63,606**
NET RESULT FROM ORDINARY ACTIVITIES	**547**	**2,603**
Extraordinary Items	0	0
NET RESULT FOR THE YEAR	**547**	**2,603**



Financial Statements 07/08

Operating Statement

For the year ended 30 June 2008

	Note	2008 $'000	2007 $'000
Revenue from Operating Activities	2	66,323	59,280
Revenue from Non-operating Activities	2	1,432	1,444
Employee Benefits	3	(40,666)	(38,736)
Non Salary Labour Costs	3	(674)	(556)
Supplies and Consumables	3	(12,793)	(10,194)
Other Expenses from Continuing Operations	3	(11,285)	(11,186)
Net Result Before Capital and Specific Items		**2,337**	**52**
Capital Purpose Income	2	4,762	5,485
Impairment of Financial Assets	3	(3,512)	–
Depreciation and Amortisation	4	(2,817)	(2,614)
Expenditure using Capital Purpose Income	3	(223)	(320)
NET RESULT FOR THE PERIOD		**547**	**2,603**

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

Balance Sheet

As at 30 June 2008

	Note	2008 $'000	2007 $'000
Current Assets			
Cash and Cash Equivalents	6	5,490	1,252
Receivables	7	973	1,444
Other Financial Assets	8	3,000	3,000
Inventories	9	1,179	965
Other Current Assets	10	300	286
Total Current Assets		**10,942**	**6,947**
Non-Current Assets			
Receivables	7	258	444
Other Financial Assets	8	56,792	58,580
Property, Plant and Equipment	11	64,344	64,965
Intangible Assets	12	191	176
Investment Properties	13	640	640
Total Non-Current Assets		**122,225**	**124,805**
TOTAL ASSETS		**133,167**	**131,752**
Current Liabilities			
Payables	14	5,545	4,402
Provisions	16	9,918	9,541
Other Liabilities	17	12	51
Total Current Liabilities		**15,475**	**13,994**
Non-Current Liabilities			
Provisions	16	273	156
Total Non-Current Liabilities		**273**	**156**
TOTAL LIABILITIES		**15,748**	**14,150**
NET ASSETS		**117,419**	**117,602**
EQUITY			
Asset Revaluation Reserve	18a	11,708	11,708
Available for Sale Revaluation Reserve	18a	–	1,258
General Purpose Reserve	18a	37,218	34,947
Restricted Specific Purpose Reserve	18a	18,715	19,004
Contributed Capital	18a	51,568	51,040
Accumulated Surpluses/(Deficits)	18a	(1,790)	(355)
TOTAL EQUITY	**18a**	**117,419**	**117,602**
Contingent Liabilities and Contingent Assets	22		
Commitments for Expenditure	21		

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

Cash Flow Statement

For the year ended 30 June 2008

	Note	2008 $'000	2007 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Grants from Government		55,751	58,773
Patient and Resident Fees Received		3,128	2,883
Private Practice Fees Received		1,552	895
Donations and Bequests Received		2,667	1,046
GST Received from/(paid to) ATO		1,853	(3,201)
Realised Investment Returns		1,206	1,218
Property Rental Received		248	249
Other Receipts		3,970	1,770
Employee Benefits Paid		(41,303)	(38,841)
Payments for Supplies and Consumables		(24,966)	(22,580)
Other Payments		(209)	(342)
Cash Generated from Operations		**3,897**	**1,870**
Capital Grants from Government		664	118
Realised Investment Returns		4,257	4,914
Capital Donations and Bequests Received		–	382
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**19**	**8,818**	**7,284**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(2,212)	(3,504)
Proceeds from Sale of Property, Plant and Equipment		–	50
Net (Purchase)/Redemption of Investments		(2,896)	(4,347)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		**(5,108)**	**(7,801)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributed Capital from Government		528	–
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		**528**	**–**
NET INCREASE/(DECREASE) IN CASH HELD		**4,238**	**(517)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,252	1,769
CASH AND CASH EQUIVALENTS AT END OF YEAR	**6**	**5,490**	**1,252**

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

Statement of Changes in Equity

For the year ended 30 June 2008

	Note	2008 $'000	2007 $'000
Total equity at beginning of financial year		**117,602**	**109,611**
Gain/(loss) on Asset Revaluation	18a	–	5,007
Available-for-sale investments:			
Gain/(Loss) taken to equity	18a	(1,258)	381
NET INCOME RECOGNISED DIRECTLY IN EQUITY		**(1,258)**	**5,388**
Net result for the year		547	2,603
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR		**(711)**	**7,991**
Transactions with the State in its capacity as owner	18b	528	–
TOTAL EQUITY AT THE END OF THE FINANCIAL YEAR		**117,419**	**117,602**

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

Contents

Note		Page
1	Statement of Significant Accounting Policies	41
2	Revenue	50
2(a)	Analysis of Revenue by Source	52
2(b)	Patient and Resident Fees	54
2(c)	Net Gain/(Loss) on Disposal Non-Current Assets	54
3	Expenses	55
3(a)	Analysis of Expenses by Source	57
3(b)	Analysis of Expenses by Internal and Restricted Specific Purpose Funds for Services Supported by Hospital and Community Initiatives	61
3(c)	Specific Expenses	61
4	Depreciation and Amortisation	62
5	Finance Costs	62
6	Cash and Cash Equivalents	62
7	Receivables	63
8	Other Financial Assets	64
9	Inventories	65
10	Other Assets	65
11	Property, Plant and Equipment	66
12	Intangible Assets	68
13	Investment Properties	69
14	Payables	69
15	Interest Bearing Liabilities	69
16	Provisions	70
16(a)	Employee Benefits	71
17	Other Liabilities	71
18	Equity	72
19	Reconciliation of Net Result for the Year to Net Cash Inflow/(Outflow) from Operating Activities	74
20	Financial Instruments	74
21	Commitments for Expenditure	79
22	Contingent Assets and Contingent Liabilities	80
23	Segment Reporting	80
24(a)	Responsible Person Disclosures	81
24(b)	Executive Officer Disclosures	82
25	Events occurring after the Balance Sheet Date	82

Notes to and forming part of the Financial Statements
For the year ended 30 June 2008

Note 1: Statement of Significant Accounting Policies

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared on an accrual basis in accordance with the *Financial Management Act* 1994, applicable Australian Accounting Standards (AAS), which includes the Australian accounting standards issued by the Australian Accounting Standards Board (AASB), Interpretations and other mandatory professional requirements. The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 11 September 2008.

(b) Basis of preparation

The financial report is prepared in accordance with the historical cost convention, except for the revaluation of certain non-current assets and financial instruments, as noted. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of AAS 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 circumstance, 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.

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

The accounting policies set out below have been applied in preparing the financial report for the year ended 30 June 2008, and the comparative information presented in these financial statements for the year ended 30 June 2007.

(c) Reporting Entity

The financial report includes all the controlled activities of The Royal Victorian Eye and Ear Hospital ("the hospital"). The hospital is a not-for profit hospital and therefore applies the additional Aus paragraphs applicable to "not-for-profit" entities under the AAS.

(d) Rounding of Amounts

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

(e) 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.

For the cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts, which are included as current borrowings in the balance sheet.

(f) 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 uncollectable 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.

(g) 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.

Inventories acquired for no cost or nominal considerations are measured at current replacement cost at the date of acquisition.

(h) 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 Royal Victorian Eye and Ear Hospital classifies its other financial assets between current and non-current assets based on the purpose for which the assets were acquired. Management determines the classification of its other financial assets at initial recognition.

The Royal Victorian Eye and Ear Hospital assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Available-for-sale financial assets

All of the other financial assets 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 20.

(i) 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 (2007: 3 to 10 years).

(j) 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.

Plant, Equipment and Vehicles are measured at cost less accumulated depreciation and impairment.

(k) Revaluations of Non-current Physical Assets

Non-current physical assets measured at fair value are revalued in accordance with FRD 103C. This revaluation process normally occurs every five years, as dictated by timelines in FRD103C which sets the next revaluation to occur on 30 June 2009, or earlier should there be an indication that fair values are materially different from the carrying value.

Revaluation increments or decrements arise from differences between an asset's carrying value and fair value.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised at an expense in net result, the increment is recognised as income in the net result.

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

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.

(l) 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 the leasing of investment properties is recognised in the Operating Statement in the periods in which it is receivable, as this represents the pattern of service rendered through the provision of the properties.

(m) Depreciation

Assets with a cost in excess of $1,000 (2006-7 and 2007-8) are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost or fair value 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 Human Services (DHS).

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

	2008	*2007*
Buildings	Up to 40 Years	Up to 40 Years
Plant and Equipment	From 3 to 20 Years	From 3 to 20 Years
Medical Equipment	From 3 to 10 Years	From 3 to 10 Years
Computers and Communications	From 3 to 5 Years	From 3 to 15 Years
Furniture and fittings	From 3 to 10 Years	From 3 to 10 Years
Motor vehicles	From 4 Years	From 4 Years

(n) Impairment of 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 instrument assets; and
- investment property that is measured at fair value

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 by a charge to the operating statement except to the extent that the write-down can be debited to an asset revaluation reserve 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.

(o) 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 Nett 30 days.

(p) 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 cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

(q) 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.

(r) Goods and Services Tax

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.

(s) 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 employees' 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)

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 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's staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

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:

Fund	*Contributions Paid or Payable for the year*	
	2008 $'000	*2007 $'000*
Defined benefit plans:		
Health Super Pty Ltd	198	204
Defined contribution plans:		
Health Super Pty Ltd	2,378	2,421
Hesta	397	300
Other	125	17
Total	**3,098**	**2,942**

The hospital does not recognise any 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 report.

Termination 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 (workers compensation, superannuation, annual leave and LSL accrued while on LSL taken in service) are recognised separately from provision for employee benefits.

(t) Intersegment Transactions

Transactions between segments within the hospital have been eliminated to reflect the extent of the hospital's operations as a group.

(u) 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 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.

(v) 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.

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.

Indirect Contributions

– Insurance is recognised as revenue following advice from the DHS.

– Long Service Leave (LSL) – Revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Acute Health Division Hospital Circular 13/2008.

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.

(w) 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 fund-raising activities conducted solely in respect of these funds.

(x) 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 DHS 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.

(y) Comparative Information

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

(z) Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

(aa) Available-for-Sale Revaluation Reserve

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, and is effectively realised, is recognised in the operating statement. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in the Operating Statement.

(ab) 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 Human Services 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.

(ac) 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.

(ad) Contributed Capital

Consistent with Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* and FRD 2A *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.

(ae) Net Result Before Capital and Specific Items

The subtotal entitled 'Net result Before Capital and Specific Items' is included in the 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, DHS and the Victorian Government to measure the ongoing result of hospital 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
  - Write-down of inventories
  - Non-current asset revaluation increments/ decrements
  - Diminution in investments
  - Restructuring of operations (disaggregation/ aggregation of health services)
  - Litigation settlements
  - Non-current assets lost or found
  - Forgiveness of loans
  - 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 non current assets, includes all impairment losses (and reversal of previous impairment losses), related to non current assets only which have been recognised in accordance with note 1 (n);
- Depreciation and amortisation, as described in note 1 (m);
- 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 (m), or doesn't meet asset recognition criteria and therefore does not result in the recognition of an asset in the balance sheet, where funding for that expenditure is from capital purpose income.

(af) 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.

(ag) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting period. As at 30 June 2008, the following standards and interpretations had been issued but were not mandatory for financial years ended 30 June 2008. The Royal Victorian Eye and Ear Hospital has not and does not intend to adopt these standards early.

Standard / Interpretation	*Summary*	*Applicable for reporting periods beginning on or ending on*	*Impact on Entities Annual Statements*
Interpretation 12 Service Concession Agreements & AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12.	Amendments arise from the release in February 2007 of Interpretation 12 Service Concession Arrangements.	Beginning 1 July 2008	Unless the hospital enters into PPP arrangement, the impact is expected to be minimal.
AASB 8 Operating Segments.	Supersedes AASB 114 Segment Reporting.	Beginning 1 January 2009	Not applicable.
AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038]	An accompanying amending standard, also introduced consequential amendments into other Standards.	Beginning 1 January 2009	Not applicable.
AASB 123 (Revised) & AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	Option to expense borrowing cost related to a qualifying asset had been removed. Entities are now required to capitalise borrowing costs relevant to qualifying assets.	Beginning 1 January 2009	All Australian government jurisdictions are currently still actively pursuing an exemption for government from capitalising borrowing costs. Impact expected to be minimal.
AASB 101 (Revised) & AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101	Editorial amendments to Australian Accounting Standards to align with IFRS terminology	Beginning 1 January 2009	Impact expected to be not significant.
AASB 1004 (Revised) Contributions	Relocation of requirements on contributions from AASs 27, 29 and 31, into AASB 1004.	Beginning 1 July 2008	Impact expected to be not significant.

Standard / Interpretation	*Summary*	*Applicable for reporting periods beginning on or ending on*	*Impact on Entities Annual Statements*
AASB 1050 Administered Items	Relocation of the requirements for the disclosure of administered items from AAS 29 into a new topic-based Standard.	Beginning 1 July 2008	Impact expected to be not significant.
AASB 1051 Land Under Roads	Relocation of the requirements for the disclosure into a new topic-based Standard.	Beginning 1 July 2008	Impact expected to be not significant.
AASB 1052 Disaggregated Disclosures	Relocation of the requirements relating to reporting of disaggregated information from AAS 27 and AAS 29, into a new topic-based Standard.	Beginning 1 July 2008	Impact expected to be not significant.
Interpretation 1038 (Revised) Contributions by Owners Made to Wholly-Owned Public Sector Entities	Relocation of the requirements on contributions from AASs 27, 29 and 31, into AASB 1004.	Beginning 1 July 2007	Impact expected to be not significant.
AASB 2007-9 Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31 [AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127 & AASB 137]	Relocation of certain relevant requirements from AASs 27, 29 and 31, into existing topic-based Standards. In particular, this Standard addresses: (a) the notion of reporting hospital as it applies to local governments, governments and government departments; (b) restructures of local governments; (c) infrastructure, cultural, community and heritage assets; (d) control in the public sector; and (e) obligations arising from local government and government existing public policies, budget policies, election promises or statements of intent. This Standard also makes consequential amendments, arising from the short-term review of the requirements in AASs 27, 29 and 31, to AASB 5, AASB 8, AASB 101 and AASB 114.	Beginning 1 July 2008	Impact expected to be not significant.

Note 2: Revenue

	HSA 2008 $'000	HSA 2007 $'000	Non HSA 2008 $'000	Non HSA 2007 $'000	Total 2008 $'000	Total 2007 $'000
Revenue from Operating Activities						
Government Grants						
– Department of Human Services	53,888	50,377	109	18	53,997	50,395
– State Government – Other						
– Equipment and Infrastructure Maintenance	434	421	–	–	434	421
Research	–	–	566	265	566	265
Total Government Grants	**54,322**	**50,798**	**675**	**283**	**54,997**	**51,081**
Indirect Contributions by Department of Human Services						
– Insurance	1,222	1,491	–	–	1,222	1,491
– Long Service Leave	147	166	–	–	147	166
Total Indirect Contributions by Department of Human Services	**1,369**	**1,657**	**–**	**–**	**1,369**	**1,657**
Patient and Resident Fees						
– Patient and Resident Fees (refer note 2b)	3,248	2,745	–	–	3,248	2,745
Total Patient and Resident Fees	**3,248**	**2,745**	**–**	**–**	**3,248**	**2,745**
Donations and Bequests	–	–	2,667	971	2,667	971
Recoupment from Private Practice for Use of Hospital Facilities	–	–	983	896	983	896
Pharmacy Fees	–	–	229	165	229	165
Car Park	–	–	94	116	94	116
Kiosk Takings	–	–	–	75	–	75
Other Revenue from Operating Activities	2,437	1,255	299	319	2,736	1,574
Sub-Total Revenue from Operating Activities	**61,376**	**56,455**	**4,947**	**2,825**	**66,323**	**59,280**
Revenue from Non-Operating Activities						
Investment Returns	–	–	1,207	1,218	1,207	1,218
Property Revenue	–	–	225	226	225	226
Sub-Total Revenue from Non-Operating Activities	**–**	**–**	**1,432**	**1,444**	**1,432**	**1,444**

Note 2: Revenue (continued)

	HSA 2008 $'000	*HSA 2007 $'000*	*Non HSA 2008 $'000*	*Non HSA 2007 $'000*	*Total 2008 $'000*	*Total 2007 $'000*
Revenue from Capital Purpose Income						
State Government Capital Grants						
– Targeted Capital Works and Equipment	–	–	604	107	604	107
Net Gain/(Loss) on Disposal of Non-Current Assets (refer note 2c)	–	–	–	(20)	–	(20)
Capital Interest	–	–	4,032	4,805	4,032	4,805
Capital Dividends	–	–	126	210	126	210
Donations and Bequests	–	–	–	382	–	382
Other Capital Purpose Income	–	–	–	1	–	1
Sub-Total Revenue from Capital Purpose Income	**–**	**–**	**4,762**	**5,485**	**4,762**	**5,485**
Total Revenue (refer to note 2a)	**61,376**	**56,455**	**11,141**	**9,754**	**72,517**	**66,209**

Indirect contributions by Department of Human Services:

Department of Human Services makes certain payments on behalf of The Royal Victorian Eye and Ear Hospital. These amounts relate to (a) Insurances, and (b) reimbursement of long service leave payments made by the Hospital over and above 1.8% funding allowed in the DHS's annual funding of the Royal Victorian Eye and Ear 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 2008

Note 2a: Analysis of Revenue by Source

	Admitted Patients 2008 $'000	*Outpatients 2008 $'000*	*EDS 2008 $'000*	*Other 2008 $'000*	*Total 2008 $'000*
Revenue from Services Supported by Health Services Agreement					
Government Grants					
– Department of human Services	33,629	17,063	3,196	–	53,888
– State Government – Other	271	137	26	–	434
Indirect contributions by Department of Human Services					
– Insurance	763	387	72	–	1,222
– Long Service Leave	92	46	9	–	147
Patient and Resident Fees (refer note 2b)	2,734	166	348	–	3,248
Other Revenue from Operating Activities	954	970	513	–	2,437
Sub-Total Revenue from Services Supported by Health Services Agreement	**38,443**	**18,769**	**4,164**	**–**	**61,376**
Revenue from Services Supported by Hospital and Community Initiatives					
Internal and Restricted Specific Purpose Fund					
– Government Grants:	–	–	–	109	109
Department of Human Services					
– Private Practice and Other Patient Activities	–	–	–	983	983
– Pharmacy Fees	–	–	–	229	229
– Car Park	–	–	–	94	94
– Property Income	–	–	–	225	225
– Research	–	–	–	566	566
– Investments Returns	–	–	–	1,207	1,207
– Other	–	–	–	299	299
Capital Purpose Income (refer note 2)	–	–	–	4,762	4,762
Donations and Bequests (non capital)	–	–	–	2,667	2,667
Sub-Total Revenue from Services Supported by Hospital and Community Initiatives	**–**	**–**	**–**	**11,141**	**11,141**
Total Revenue	**38,443**	**18,769**	**4,164**	**11,141**	**72,517**

Indirect contributions by Department of Human Services:

Department of Human Services makes certain payments on behalf of The Royal Victorian Eye and Ear Hospital. These amounts relate to (a) Insurances, and (b) reimbursement of long service leave payments made by the Hospital over and above 1.8% funding allowed in the DHS's annual funding of the Royal Victorian Eye and Ear Hospital. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

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

	Admitted Patients 2007 $'000	Outpatients 2007 $'000	EDS 2007 $'000	Other 2007 $'000	Total 2007 $'000
Revenue from Services Supported by Health Services Agreement					
Government Grants					
– Department of Human Services	30,176	17,297	2,904	–	50,377
– State Government – Other	252	145	24	–	421
Indirect contributions by Department of Human Services					
– Insurance	894	511	86	–	1,491
– Long Service Leave	99	58	9	–	166
Patient and Resident Fees (refer note 2b)	2,332	133	280	–	2,745
Other Revenue from Operating Activities	646	352	257	–	1,255
Sub-Total Revenue from Services Supported by Health Services Agreement	**34,399**	**18,496**	**3,560**	**–**	**56,455**
Revenue from Services Supported by Hospital and Community Initiatives					
Internal and Restricted Specific Purpose Fund					
– Government Grants:					
Department of Human Services	–	–	–	18	18
– Private Practice and Other Patient Activities	–	–	–	896	896
– Pharmacy Fees	–	–	–	165	165
– Kiosk takings	–	–	–	75	75
– Car Park	–	–	–	116	116
– Property Income	–	–	–	226	226
– Research	–	–	–	265	265
– Investments Returns	–	–	–	1,218	1,218
– Other	–	–	–	319	319
Capital Purpose Income (refer note 2)	–	–	–	5,485	5,485
Donations and Bequests (non capital)	–	–	–	971	971
Sub-Total Revenue from Services Supported by Hospital and Community Initiatives	**–**	**–**	**–**	**9,754**	**9,754**
Total Revenue	**34,399**	**18,496**	**3,560**	**9,754**	**66,209**

Indirect contributions by Department of Human Services:

Department of Human Services makes certain payments on behalf of The Royal Victorian Eye and Ear Hospital. These amounts relate to (a) Insurances, and (b) reimbursement of long service leave payments made by the Hospital over and above 1.8% funding allowed in the DHS's annual funding of the Royal Victorian Eye and Ear 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 2008

Note 2b: Patient and Resident Fees

	2008 $'000	2007 $'000
Patient and Resident Fees Raised		
Recurrent:		
Acute		
– Inpatients	2,548	2,182
– Outpatients	700	563
Total Recurrent	**3,248**	**2,745**

Patient and Resident Fees exclude recoupment from private practice.

Note 2c: Net Gain/(Loss) on Disposal of Non–Current Assets

	2008 $'000	2007 $'000
Proceeds from Disposals of Non-Current Assets		
Plant and Equipment	–	3
Medical Equipment	–	27
Total Proceeds from Disposal of Non-Current Assets	**–**	**30**
Less: Written Down Value of Non-Current Assets Sold		
Plant and Equipment	–	2
Medical Equipment	–	48
Total Written Down Value of Non-Current Assets Sold	**–**	**50**
Net gains/(losses) on Disposal of Non-Current Assets	**–**	**(20)**

Note 3: Expenses

	HSA 2008 $'000	HSA 2007 $'000	Non HSA 2008 $'000	Non HSA 2007 $'000	Total 2008 $'000	Total 2007 $'000
Employee Benefits						
Salaries and Wages	34,769	33,387	1,682	1,362	36,451	34,749
WorkCover Premium	160	207	2	11	162	218
Long Service Leave	978	737	(7)	93	971	830
Superannuation	3,064	2,928	18	11	3,082	2,939
Total Employee Benefits	**38,971**	**37,259**	**1,695**	**1,477**	**40,666**	**38,736**
Non Salary Labour Costs						
Agency Costs – Nursing	577	480	–	–	577	480
Agency Costs – Other	82	74	15	2	97	76
Total Non Salary Labour Costs	**659**	**554**	**15**	**2**	**674**	**556**
Supplies and Consumables						
Drug Supplies	3,505	2,038	115	60	3,620	2,098
Medical, Surgical Supplies and Prosthesis	7,999	7,039	52	20	8,051	7,059
Pathology Supplies	575	488	–	–	575	488
Food Supplies	531	507	16	42	547	549
Total Supplies and Consumables	**12,610**	**10,072**	**183**	**122**	**12,793**	**10,194**
Other Expenses from Continuing Operations						
Domestic Services and Supplies	2,267	2,124	1	1	2,268	2,125
Fuel, Light, Power and Water	571	549	–	–	571	549
Insurance costs funded by DHS	1,222	1,492	–	–	1,222	1,492
Motor Vehicle Expenses	68	69	–	–	68	69
Postal and Telephone	371	405	23	43	394	448
Repairs and Maintenance	579	575	66	10	645	585
Maintenance Contracts	405	239	–	–	405	239
Patient Transport	155	121	–	–	155	121
Bad and Doubtful Debts	43	17	(1)	28	42	45
Lease Expenses	525	489	9	10	534	499
Other Administrative Expenses	4,235	3,926	509	768	4,744	4,694
Investment Management Fees	–	–	–	30	–	30
Loss on Sale of Investment	–	–	–	44	–	44
Car Park Expenses	–	–	108	119	108	119
Audit Fees						
– VAGO – Audit of Financial Statements	36	34	–	–	36	34
– Other	93	87	–	6	93	93
Total Other Expenses from Continuing Operations	**10,570**	**10,127**	**715**	**1,059**	**11,285**	**11,186**

Note 3: Expenses (continued)

	HSA 2008 $'000	HSA 2007 $'000	Non HSA 2008 $'000	Non HSA 2007 $'000	Total 2008 $'000	Total 2007 $'000
Expenditure using Capital Purpose Income						
Employee Benefits						
– Salaries and Wages	–	–	199	136	199	136
– WorkCover Premium	–	–	2	–	2	–
– Superannuation	–	–	16	3	16	3
– Long Service Leave	–	–	1	1	1	1
Total Employee Benefits	**–**	**–**	**218**	**140**	**218**	**140**
Other Expenses						
– Loss on Sale of Investment	–	–	–	154	–	154
– Food Supplies	–	–	1	–	1	–
– Other	–	–	4	26	4	26
Total Other Expenses	**–**	**–**	**5**	**180**	**5**	**180**
Impairment of Financial Assets						
– Avaliable-for-Sale Financial Assets	–	–	3,512	–	3,512	–
Total Expenditure using Capital Purpose Income	**–**	**–**	**3,735**	**320**	**3,735**	**320**
Depreciation and Amortisation	–	–	2,817	2,614	2,817	2,614
Total	**–**	**–**	**2,817**	**2,614**	**2,817**	**2,614**
Total Expenses	**62,810**	**58,012**	**9,160**	**5,594**	**71,970**	**63,606**

Notes to and forming part of the Financial Statements
For the year ended 30 June 2008

Note 3a: Analysis of Expenses by Source

	Admitted Patients 2008 $'000	*Outpatients 2008 $'000*	*EDS 2008 $'000*	*Other 2009 $'000*	*Total 2009 $'000*
Services Supported by Health Services Agreement					
Employee Benefits					
Salaries and Wages	18,434	13,709	2,626	–	34,769
WorkCover Premium	85	63	12	–	160
Long Service Leave	446	442	90	–	978
Superannuation	1,602	1,217	245	–	3,064
Non Salary Labour Costs					
Agency Costs – Nursing	538	37	2	–	577
Agency Costs – Other	42	40	–	–	82
Supplies and Consumables					
Drug Supplies	1,544	1,766	195	–	3,505
Medical Surgical Supplies and Prostheses	7,499	394	106	–	7,999
Pathology Supplies	225	161	189	–	575
Food Supplies	485	29	17	–	531
Other Expenses from Continuing Operations					
Domestic Services and Supplies	1,672	517	78	–	2,267
Fuel, Light, Power and Water	403	148	20	–	571
Insurance Costs Funded by DHS	862	316	44	–	1,222
Motor Vehicle Expenses	51	15	2	–	68
Postal and Telephone	261	97	13	–	371
Repairs and Maintenance	391	151	37	–	579
Maintenance Contracts	321	74	10	–	405
Patient Transport	85	70	–	–	155
Bad and Doubtful Debts	30	11	2	–	43
Lease Expenses	371	136	18	–	525
Other Administrative Expenses	2,978	1,104	153	–	4,235
Audit Fees	91	33	5	–	129
Sub-Total Expenses from Services Supported by Health Services Agreement	**38,416**	**20,530**	**3,864**	**–**	**62,810**

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

	Admitted Patients 2008 $'000	Outpatients 2008 $'000	EDS 2008 $'000	Other 2009 $'000	Total 2009 $'000
Services Supported by Hospital and Community Initiatives					
Employee Benefits					
Salaries and Wages	–	–	–	1,682	1,682
WorkCover Premium	–	–	–	2	2
Long Service Leave	–	–	–	(7)	(7)
Superannuation	–	–	–	18	18
Non Salary Labour Costs					
Agency Costs – Other	–	–	–	15	15
Supplies and Consumables					
Drug Supplies	–	–	–	115	115
Medical Surgical Supplies and Prostheses	–	–	–	52	52
Food Supplies	–	–	–	16	16
Other Expenses from Continuing Operations					
Domestic Services and Supplies	–	–	–	1	1
Postal and Telephone	–	–	–	23	23
Repairs and Maintenance	–	–	–	66	66
Bad and Doubtful Debts	–	–	–	(1)	(1)
Lease Expenses	–	–	–	9	9
Other Administrative Expenses	–	–	–	509	509
Car Park Expenses	–		–	108	108
Sub-Total Expense from Services Supported by Hospital and Community Initiatives	**–**	**–**	**–**	**2,608**	**2,608**
Services Supported by Capital Sources					
Employee Benefits					
Salaries and Wages	–	–	–	199	199
WorkCover Premium	–	–	–	2	2
Long Service Leave	–	–	–	1	1
Superannuation	–	–	–	16	16
Non Salary Labour Costs					
Other Expenses					
Food Supplies	–	–	–	1	1
Other	–	–	–	4	4
Impairment of Financial Assets (refer note 3)	–	–	–	3,512	3,512
Sub-Total Expenses from Services Supported by Capital Resources	**–**	**–**	**–**	**3,735**	**3,735**
Depreciation and Amortisation (refer note 4)	–	–	–	2,817	2,817
Total Expenses	**38,416**	**20,530**	**3,864**	**9,160**	**71,970**

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

	Admitted Patients 2007 $'000	*Outpatients 2007 $'000*	*EDS 2007 $'000*	*Other 2007 $'000*	*Total 2007 $'000*
Services Supported by Health Services Agreement					
Employee Benefits					
Salaries and Wages	17,392	13,550	2,445	–	33,387
WorkCover Premium	105	87	15	–	207
Long Service Leave	301	398	38	–	737
Superannuation	1,493	1,211	224	–	2,928
Non Salary Labour Costs					
Agency Costs – Nursing	479	1	–	–	480
Agency Costs – Other	38	36	–	–	74
Supplies and Consumables					
Drug Supplies	1,396	474	168	–	2,038
Medical Surgical Supplies and Prostheses	6,647	334	58	–	7,039
Pathology Supplies	137	189	162	–	488
Food Supplies	451	44	12	–	507
Other Expenses from Continuing Operations					
Domestic Services and Supplies	1,383	641	100	–	2,124
Fuel, Light, Power and Water	339	185	25	–	549
Insurance Costs Funded by DHS	920	502	70	–	1,492
Motor Vehicle Expenses	45	21	3	–	69
Postal and Telephone	250	137	18	–	405
Repairs and Maintenance	363	179	33	–	575
Maintenance Contracts	159	70	10	–	239
Patient Transport	67	54	–	–	121
Bad and Doubtful Debts	11	6	–	–	17
Lease Expenses	302	164	23	–	489
Other Administrative Expenses	2,456	1,282	188	–	3,926
Audit Fees	75	41	5	–	121
Sub–Total Expenses from Services Supported by Health Services Agreement	**34,809**	**19,606**	**3,597**	**–**	**58,012**

Notes to and forming part of the Financial Statements
For the year ended 30 June 2008

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

	Admitted Patients 2007 $'000	*Outpatients 2007 $'000*	*EDS 2007 $'000*	*Other 2007 $'000*	*Total 2007 $'000*
Services Supported by Hospital and Community Initiatives					
Employee Benefits					
Salaries and Wages	–	–	–	1,362	1,362
WorkCover Premium	–	–	–	11	11
Long Service Leave	–	–	–	93	93
Superannuation	–	–	–	11	11
Non Salary Labour Costs					
Agency Costs – Other	–	–	–	2	2
Supplies and Consumables					
Drug Supplies	–	–	–	60	60
Medical Surgical Supplies and Prostheses	–	–	–	20	20
Food Supplies	–	–	–	42	42
Other Expenses from Continuing Operations					
Domestic Services and Supplies	–	–	–	1	1
Postal and Telephone	–	–	–	43	43
Repairs and Maintenance	–	–	–	10	10
Bad and Doubtful Debts	–	–	–	28	28
Lease Expenses	–	–	–	10	10
Other Administrative Expenses	–	–	–	768	768
Investment Management Fees	–	–	–	30	30
Loss on Sale of Investments	–	–	–	44	44
Car Park Expenses	–	–	–	119	119
Audit Fees	–	–	–	6	6
Sub-Total Expense from Services Supported by Hospital and Community Initiatives	**–**	**–**	**–**	**2,660**	**2,660**
Services Supported by Capital Sources					
Employee Benefits					
Salaries and Wages	–	–	–	136	136
Long Service Leave	–	–	–	1	1
Superannuation	–	–	–	3	3
Non Salary Labour Costs	–	–	–	–	–
Other Expenses					
Administrative Expenses	–	–	–	5	5
Investment Management Fees	–	–	–	21	21
Loss on Sale of Investments	–	–	–	154	154
Sub-Total Expenses from Services Supported by Capital Resources	**–**	**–**	**–**	**320**	**320**
Depreciation and Amortisation (refer note 4)	–	–	–	2,614	2,614
Total Expenses	**34,809**	**19,606**	**3,597**	**5,594**	**63,606**

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

	2008 $'000	2007 $'000
Private Practice and Other Patient Activities	779	617
Pharmacy Services	139	78
Laundry	–	1
Car Park	108	130
Property Expenses	10	22
Computer Implementation Expenses	17	33
Investment Management Fees	–	28
Loss on Sale of Investments	–	197
Impairment of Financial Assets (refer note 3c)	3,512	–
Other	505	343
Other Activities		
Fundraising and Community Support	345	810
Research and Scholarship	928	688
Education and Training	–	33
TOTAL	**6,343**	**2,980**

Note 3c: Specific Expenses

	2008 $'000	2007 $'000
Specific Expenses		
Impairment of Financial Assets (refer note 3)	3,512	–
TOTAL	**3,512**	**–**

The strategic investment portfolio of the hospital returned a positive 0.58% for 2007/08. Components of the asset allocations provided negative returns which accumulated in available-for-sale financial assets. For the year ended 30 June 2008, the hospital made a significant judgement about the impairment of its available-for-sale financial assets. The hospital followed the guidance of AASB 139 Financial Instruments: Recognition and Measurement on determining whether and when an available-for-sale financial asset is impaired. This determination required significant judgement. In making this judgement, the hospital evaluated, among other factors, the duration and extent to which fair value of an investment is less than its cost and the financial health of and near term business outlook for the investments, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. As at 30 June 2008 it was decided to impair $3.512m at this point in time after considering the recent negative returns and the expected future performance of these non-cash portfolio assets.

Note 4: Depreciation and Amortisation

	2008 $'000	2007 $'000
Depreciation		
Buildings	862	876
Plant and Equipment	157	114
Medical Equipment	1,530	1,264
Computers and Communication	157	183
Non-Medical Equipment	13	134
Furniture and Equipment	32	22
Motor Vehicles	–	1
Total Depreciation	**2,751**	**2,594**
Amortisation		
Intangible Assets	66	20
Total Amortisation	**66**	**20**
Total Depreciation & Amortisation	**2,817**	**2,614**

Note 5: Finance Costs

The Royal Victorian Eye and Ear Hospital did not incur any finance costs arising from borrowings during the year.

Note 6: 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.

	2008 $'000	2007 $'000
Cash on Hand	22	22
Cash at Bank	(112)	195
Bank Overdrafts	–	–
Deposits at Call	5,580	1,035
TOTAL	**5,490**	**1,252**
Represented by:		
Cash for Health Service Operations (as per Cash Flow Statement)	5,490	1,252
TOTAL	**5,490**	**1,252**

Note 7: Receivables

	2008 $'000	2007 $'000
CURRENT		
Inter Hospital Debtors	132	245
Trade Debtors	161	224
Patient Fees	441	190
Accrued Investment Income	38	17
Accrued Revenue – DHS	–	595
Accrued Revenue – Other	15	3
GST Receivable	264	245
TOTAL	**1,051**	**1,519**
LESS Allowance for Doubtful Debts		
Trade Debtors	(23)	(30)
Patient Fees	(55)	(45)
TOTAL CURRENT RECEIVABLES	**973**	**1,444**
NON CURRENT		
DHS – Long Service Leave	258	444
TOTAL NON-CURRENT RECEIVABLES	**258**	**444**
TOTAL RECEIVABLES	**1,231**	**1,888**

(a) Movement in the Allowance for doubtful debts

	2008 $'000	2007 $'000
Balance at beginning of year	75	96
Amounts written off during the year	37	69
Amounts recovered during the year	–	–
Increase/(decrease) in allowance recognised in profit or loss	(34)	(90)
Balance at end of year	**78**	**75**

(b) Ageing analysis of receivables

Please refer to note 20(d) for the ageing analysis of receivables.

(c) Nature and extent of risk arising from receivables

Please refer to note 20(d) for the nature and extent of credit risk arising from receivables.

Note 8: Other Financial Assets

	Operating Fund		Specific Purpose Fund		Capital Fund		Total	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
CURRENT								
Available-for-Sale Financial Assets								
Cash Management Account	–	–	3,000	3,000	–	–	3,000	3,000
Units in Managed Funds	–	–	–	–	–	–	–	–
Total Current	**–**	**–**	**3,000**	**3,000**	**–**	**–**	**3,000**	**3,000**
NON CURRENT								
Available-for-Sale Financial Assets								
Cash Management Account	–	–	20,548	22,333	10,430	10,286	30,978	32,619
Units in Managed Funds	–	–	25,814	25,961	–	–	25,814	25,961
Total Non Current	**–**	**–**	**46,362**	**48,294**	**10,430**	**10,286**	**56,792**	**58,580**
TOTAL	**–**	**–**	**49,362**	**51,294**	**10,430**	**10,286**	**59,792**	**61,580**
Represented by:								
Health Service Investments	–	–	49,362	51,294	10,430	10,286	59,792	61,580
TOTAL	**–**	**–**	**49,362**	**51,294**	**10,430**	**10,286**	**59,792**	**61,580**

(b) Ageing analysis of other financial assets

Please refer to note 20(d) for the ageing analysis of other financial assets.

(c) Nature and extent of risk arising from other financial assets

Please refer to note 20(d) for the nature and extent of credit risk arising from other financial assets.

Note 9: Inventories

	2008 $'000	2007 $'000
Pharmaceuticals		
At Cost	345	321
Medical and Surgical Lines		
At Cost	409	470
Administration Stores		
At Cost	9	20
Other		
Cochlear Implants – At Cost	401	143
Gift Shop – At Cost	15	11
TOTAL INVENTORIES	**1,179**	**965**

Note 10: Other Assets

	2008 $'000	2007 $'000
Prepayments	300	286
CURRENT	**300**	**286**
NON CURRENT	**–**	**–**
TOTAL	**300**	**286**

Note 11: Property, Plant and Equipment

	2008 $'000	2007 $'000
Land		
– Land at Valuation (2007)	20,070	20,070
Less Impairment	–	–
Total Land	**20,070**	**20,070**
Buildings		
– Buildings Under Construction	564	1,182
– Buildings at Valuation (2007)	34,480	34,480
– Buildings at Cost	1,060	–
Less Accumulated Depreciation	(862)	
Total Buildings	**35,242**	**35,662**
Plant and Equipment at Cost		
– Plant and Equipment	2,598	2,223
Less Accumulated Depreciation	(652)	(350)
Total Plant and Equipment	**1,946**	**1,873**
Medical Equipment at Cost		
– Medical Equipment	14,574	14,690
Less Accumulated Depreciation	(8,461)	(8,386)
Total Medical Equipment	**6,113**	**6,304**
Computers and Communication at Cost		
– Computers and Communication	1,343	1,714
Less Accumulated Depreciation	(694)	(1,255)
Total Computers and Communications	**649**	**459**
Non-Medical Equipment at Cost		
– Non-Medical Equipment	135	871
Less Accumulated Depreciation	(67)	(448)
Total Non-Medical Equipment	**68**	**423**
Furniture and Fittings at Cost		
– Furniture and Fittings	357	240
Less Accumulated Depreciation	(101)	(66)
Total Furniture and Fittings	**256**	**174**
Motor Vehicles at Cost		
– Motor Vehicles	25	25
Less Accumulated Depreciation	(25)	(25)
Total Motor Vehicles	**–**	**–**
TOTAL	**64,344**	**64,965**

Note 11: Property, Plant and Equipment (continued)

	Land $'000	Buildings $'000	Const-ruction in progress $'000	Plant & Equipment $'000	Medical Equipment $'000	Computers & Comm'ns $'000	Non-Medical Equipment $'000	Furniture & Fittings $'000	Motor Vehicles $'000	Total $'000
Balance at 1 July 2006	**15,200**	**34,500**	**1,016**	**1,979**	**5,251**	**497**	**520**	**178**	**1**	**59,142**
Additions	–	–	895	8	2,366	146	37	18		3,470
Disposals	–	–	–	–	(49)	(1)	–	–	–	(50)
Capitalisation of Construction-in-Progress upon project completion	–	729	(729)	–	–	–	–	–	–	–
Revaluation increments/ (decrements)	4,890	117	–	–	–	–	–	–	–	5,007
Transfer to Investment Properties	(20)	10	–	–	–	–	–	–	–	(10)
Depreciation and Amortisation (note 4)	–	(876)	–	(114)	(1,264)	(183)	(134)	(22)	(1)	(2,594)
Balance at 1 July 2007	**20,070**	**34,480**	**1,182**	**1,873**	**6,304**	**459**	**423**	**174**	**–**	**64,965**
Additions	–	374	68	21	1,252	382	–	2	–	2,099
Disposals	–	–	–	–	–	–	–	–	–	–
Fixed assets discovered from stocktake	–	–	–	–	–	–	–	–	–	–
Capitalisation of Construction-in-Progress upon project completion	–	686	(686)	–	–	–	–	–	–	–
Write back of Depreciation on Disposed Assets	–	–	–	–	–	–	–	–	–	–
Depreciation and Amortisation (note 4)	–	(862)	–	(157)	(1,530)	(157)	(13)	(32)	–	(2,751)
Balance at 30 June 2008	**20,070**	**34,678**	**564**	**1,946**	**6,113**	**649**	**68**	**256**	**–**	**64,344**

Note 11: Property, Plant and Equipment (continued)

Land and Buildings carried at valuation

(a) Freehold Land and Buildings on Freehold Land – 2007

An independent kerb-side valuation of the Hospital's land and buildings was performed by Mr. Gary Longden, AVLE (Val) of Jones Lang LaSalle Advisory Services Pty Ltd to determine the fair value of the land and buildings. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments. The effective date of the valuation was 30 June, 2007.

Freehold land owned by the Royal Victorian Eye and Ear Hospital was valued at 30 June, 2007 on the basis of its market value.

Buildings situated on the freehold land were valued at 30 June, 2007 on the basis of depreciated replacement cost.

As a result of the valuation undertaken in June, 2007, the Hospital's Asset Revaluation Reserve was increased by $5.007 million to $11.708 million. The increase of $5.007 million comprised and increase in the Land component of the Asset Revaluation Reserve of $4.890 million, and an increase in the Buildings component of the Asset Revaluation Reserve of $116,124.

(b) Plant, Equipment, Furniture and Fittings – 2008 and 2007

The Royal Victorian Eye and Ear Hospital uses the cost basis for measuring all of its plant, equipment, furniture and fittings.

Note 12: Intangible Assets

	2008 $'000	*2007 $'000*
Computer Software	594	977
Less Acc'd Amortisation	(403)	(801)
Total Written Down Value	**191**	**176**

	Computer Software $'000
Balance at 1 July 2006	**112**
Additions	84
Amortisation (note 4)	(20)
Balance at 1 July 2007	**176**
Additions	28
Fixed assets discovered from stocktake	53
Amortisation (note 4)	(66)
Balance at 30 June 2008	**191**

Note 13: Investment Properties

	2008 $'000	2007 $'000
Balance at Beginning of Period	640	630
Net Gain/(Loss) from Fair Value Adjustments	–	10
Balance at End of Period	**640**	**640**

Valuation of Investment Properties

(a) Freehold Land and Buildings on Freehold Land – 2007

An Independent kerb-side valuation of the Hospital's investment properties was performed by Mr Gary Longden AVLE (Val) of Jones Lang LaSalle Advisory Services Pty Ltd to determine their fair value. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments.

The effective date of the valuation was 30 June, 2007. The basis of the valuation was at Market Value subject to lease.

Note 14: Payables

	2008 $'000	2007 $'000
CURRENT		
Trade Creditors	1,357	1,116
Accrued Expenses	3,711	2,278
GST Payable	18	403
Income in Advance – DHS	455	594
Fringe Benefits Tax Payable	4	11
TOTAL PAYABLES	**5,545**	**4,402**

(a) Maturity analysis of payables

Please refer to Note 20(e) for the ageing analysis of payables.

(b) Nature and extent of risk arising from payables

Please refer to note 20(e) for the nature and extent of risks arising from payables.

Note 15: Interest Bearing Liabilities

The Hospital did not have any Interest Bearing Liabilities.

Note 16: Provisions

	2008 $'000	2007 $'000
CURRENT		
Employee Benefits (refer Note 16a)		
– unconditional and expected to be settled within 12 months	5,728	5,329
– unconditional and expected to be settled after 12 months	3,929	3,961
Provisions related to employee benefit on-costs		
Unconditional and expected to be settled within 12 months (nominal value)	261	251
TOTAL	**9,918**	**9,541**
NON-CURRENT		
Employee Benefits (Note 16a)	273	156
TOTAL	**273**	**156**

Movements in Provisions	*Total 2008 $'000*	*Total 2007 $'000*
Carrying amount at start of year	**9,697**	**8,916**
Additional provisions recognised	35,173	33,764
Amounts incurred during the year (including estimates)	(34,679)	(32,983)
Carrying amount at end of year	**10,191**	**9,697**

Note 16a: Employee Benefits

	2008 $'000	2007 $'000
CURRENT (refer note 1 (s))		
Unconditional long service leave entitlements	4,693	4,566
Annual leave entitlements	2,831	2,723
Accrued Wages and Salaries	2,012	1,859
Accrued Days Off	121	122
Accrued Superannuation	246	256
Accrued Workcover	15	15
TOTAL	**9,918**	**9,541**
Current Employee benefits that:		
Expected to be utilised within 12 months (nominal value)	5,989	5,580
Expected to be utilised after 12 months (present value)	3,929	3,961
TOTAL	**9,918**	**9,541**
NON-CURRENT (refer note 1 (s))		
Conditional long service leave entitlements (present value)	273	156
TOTAL	**273**	**156**
Movement in Long Service Leave:		
Balance at start of year	**4,722**	**4,557**
Provision made during the year	972	749
Settlement made during the year	(728)	(584)
Balance at end of year	**4,966**	**4,722**

Note 17: Other Liabilities

	2008 $'000	2007 $'000
CURRENT		
Rental in Advance	1	33
Bond Money	9	9
Patient Fees	2	9
Total Other Liabilities	**12**	**51**

Note 18: Equity

	2008 $'000	2007 $'000
(a) Reserves		
Land and Buildings Asset Revaluation Reserve [1]		
Balance at the beginning of the reporting period	11,708	6,701
Revaluation Increment/(Decrements)		
– Land	–	4,890
– Buildings	–	117
Balance at the end of the reporting period*	**11,708**	**11,708**
* Represented by:		
– Land	9,981	9,981
– Buildings	1,727	1,727
Balance at the end of the reporting period	**11,708**	**11,708**
Financial Assets Available-for-Sale Revaluation Reserve [2]		
Balance at the beginning of the reporting period	1,258	877
Impairment recognised through the operating statement	3,512	–
Valuation gain/(loss) recognised	(4,770)	381
Balance at end of the reporting period	**–**	**1,258**
General Purpose Reserve		
Balance at the beginning of the reporting period	34,947	31,944
Transfer to and from General Reserve		
– Restricted Specific Purpose Reserve	2	–
– Accumulated Surpluses/ (Deficits)	2,269	3,003
Balance at the end of the reporting period	**37,218**	**34,947**

(1) The land and buildings assets revaluation reserve arises on the revaluation of land and buildings.

(2) The financial assets 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 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.

Note 18: Equity (continued)

	2008 $'000	2007 $'000
Restricted Specific Purpose Reserve		
Balance at the beginning of the reporting period	19,004	17,848
Transfer to and from Restricted Specific Purpose Reserve	–	–
– Accumulated Surpluses/ (Deficits)	(291)	1,156
Balance at the end of the reporting period	**18,713**	**19,004**
Total Reserves	**67,639**	**66,917**
(b) Contributed Capital		
Balance at the beginning of the reporting period	51,040	51,040
Capital contribution received from Victorian Government	528	–
Balance at the end of the reporting period	**51,568**	**51,040**
(c) Accumulated Surpluses/(Deficits)		
Balance at the beginning of the reporting period	(355)	1,201
Net Result for the Year	547	2,603
Transfers to and from Reserve		
– General Purpose Reserve	(2,269)	(3,003)
– Restricted Specific Purpose Reserve	289	(1,156)
Balance at the end of the reporting period	**(1,788)**	**(355)**
(d) Total Equity at end of financial year	**117,419**	**117,602**

Note 19: Reconciliation of Net Result for the Year to Net Cash Inflow/(Outflow) from Operating Activities

	2008 $'000	2007 $'000
Net Result for the Period	547	2,603
Depreciation of Fixed Assets	2,751	2,594
Amortisation of Intangibles	66	20
Provision for Doubtful Debts	3	(21)
Impairment loss	3,512	–
Fixed assets discovered from stocktake	(85)	–
Net (Gain)/Loss from Sale of Plant and Equipment	–	20
Change in Operating Assets and Liabilities		
Increase/(Decrease) in Payables/Creditors	1,673	2,435
Increase/(Decrease) in Accruals	(570)	(519)
Increase/(Decrease) in Employee Benefits	494	781
(Increase)/Decrease in Patient Fees	(249)	85
(Increase)/Decrease in Debtors	635	(467)
(Increase)/Decrease in Accrued Income	284	25
(Increase)/Decrease in Prepayments	(14)	(26)
(Increase)/Decrease in GST Debtor/Creditor	(15)	–
(Increase)/Decrease in Inventories	(214)	(246)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**8,818**	**7,284**

Note 20: Financial Instruments

(a) Significant accounting policies

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.

(b) Risk management policies

The Board of Directors has responsibility for the establishment and oversight of the risk management framework to guide the Board in identifying and analysing the risks faced by the hospital.

These other financial assets are invested by the hospital based on advice received from appointed financial advisers. The Investment Management Advisory Committee is responsible for setting the hospital's investment mandate based on advice received from the financial advisers and within the parameters set out in the *Financial Management Act* 1994. The committee meets quarterly to review the performance of the portfolio and provides advice to the Finance Committee. The other financial assets are predominately units held in managed funds of Colonial First State. The Board of Directors evaluates the performance of its portfolio based on reports received from the external financial advisor.

The hospital's activities expose it primarily to the financial risks of changes in interest rates, price risk, liquidity risk and credit risk. The hospital does not enter into or trade financial instruments including derivative financial instruments for speculative purposes. The Board reviews and agrees policies for managing each of these risks and undertakes regular monitoring of the performance of its financial assets and liabilities.

Note 20: Financial Instruments (continued)

(c) Categorisation of financial instruments

Details of each categories in accordance with AASB 139, shall be disclosed either on the face of the balance sheet or in the notes.

	Note	Category	Carrying Amount 2008 $000	Carrying Amount 2007 $000
Financial Assets				
Cash and cash equivalents	6	N/A	5,490	1,252
Receivables	7	Loans and Receivables	1,231	1,888
Other Financial assets	8	Available for sale financial assets (at fair value)	59,792	61,580
Financial Liabilities				
Payables	14	Financial liabilities measured at amortised cost	5,545	4,402
Other Liabilities	17	Financial liabilities measured at amortised cost	12	51

(d) 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 to the Department of Human Services.

The Royal Victorian Eye and Ear Hospital's exposure to credit risk and effective weighted average 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.

Interest rate exposure and ageing analysis of financial asset as at 30/06/2008

	*Weighted Average Effective Interest Rates (%)	Carrying Amount $'000	Interest Rate Exposure			Not Past Due and Not Impaired $'000
			Fixed Interest Rate $'000	Variable Interest Rate $'000	Non Interest Bearing $'000	
2008						
Financial Assets						
Cash and Cash Equivalents	7.46	5,490	–	5,490	–	5,490
Receivables	–	1,231	–	–	1,231	1,231
Other financial assets	7.46	59,792	–	33,978	25,814	59,792
Total Financial Assets		**66,513**	**–**	**39,468**	**27,045**	**66,513**
2007						
Financial Assets						
Cash and Cash Equivalents	6.48	1,252	–	1,252	–	1,252
Receivables	–	1,888	–	–	1,888	1,888
Other financial assets	6.48	61,580	–	35,620	25,960	61,580
Total Financial Assets		**64,720**	**–**	**36,872**	**27,848**	**64,720**

** Weighted average or effective interest rates for each class of assets*

Note 20: Financial Instruments (continued)

(d) Credit Risk (continued)

Interest rate exposure and ageing analysis of financial asset as at 30/06/2008

	Past Due But Not Impaired					
	Less than 1 Month $'000	*1-3 Months $'000*	*3 months – 1 Year $'000*	*1-5 Years $'000*	*Over 5 years $'000*	*Impaired Financial Assets $'000*
2008						
Financial Assets						
Cash and Cash Equivalents	–	–	–	–	–	–
Receivables	–	–	–	–	–	–
Other financial assets	–	–	–	–	–	–
Total Financial Assets	**–**	**–**	**–**	**–**	**–**	**–**
2007						
Financial Assets						
Cash and Cash Equivalents	–	–	–	–	–	–
Receivables	–	–	–	–	–	–
Other financial assets	–	–	–	–	–	–
Total Financial Assets	**–**	**–**	**–**	**–**	**–**	**–**

** Weighted average or effective interest rates for each class of assets*

(e) Liquidity Risk

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

Interest rate exposure and ageing analysis of financial asset as at 30/06/2008

		Interest Rate Exposure				
	Carrying Amount $'000	*Fixed Interest Rate $'000*	*Variable Interest Rate $'000*	*Non Interest Bearing $'000*	**Weighted Average Effective Interest Rates (%)*	*Contractual Cash Flows $'000*
2008						
Payables:						
Trade creditors and accruals	5,545	–	–	5,545	–	5,545
Other Financial Liabilities	12	–	–	12	–	12
Total Financial Liabilities	**5,557**	**–**	**–**	**5,557**		**5,557**
2007						
Payables:						
Trade creditors and accruals	4,402	–	–	4,402	–	4,402
Other Financial Liabilities	51	–	–	51	–	51
Total Financial Liabilities	**4,453**	**–**	**–**	**4,453**		**4,453**

Note 20: Financial Instruments (continued)

(e) Liquidity Risk (continued)

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

Interest rate exposure and ageing analysis of financial asset as at 30/06/2008

		Maturity Dates				
	Carrying amount $'000	*Less than 1 Month $'000*	*1-3 Months $'000*	*3 months – 1 Year $'000*	*1-5 Years $'000*	*Over 5 years $'000*
2008						
Payables:						
Trade creditors and accruals	5,545	3,050	665	1,830	–	–
Other Financial Liabilities	12	12	–	–	–	–
Total Financial Liabilities	**5,557**	**3,062**	**665**	**1,830**	**–**	**–**
2007						
Payables:						
Trade creditors and accruals	4,402	2,421	528	1,453	–	–
Other Financial Liabilities	51	51	–	–	–	–
Total Financial Liabilities	**4,453**	**2,472**	**528**	**1,453**	**–**	**–**

(f) Market Risk

Currency Risk

The Royal Victorian Eye and Ear 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 liabilities and assets with variable interest rate. Minimisation of risk is achieved by mainly undertaking fixed rate or non-interest bearing financial instruments. For financial liabilities, the hospital mainly undertake 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 instrument or factors affecting all instruments traded in the market. Market risk is managed by an asset allocation strategy of diversification that allows for the anticipated crystallisation of liabilities and by diversification within asset categories.

Note 20: Financial Instruments (continued)

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 (Base rates are sourced from the Federal Bank of Australia).

– A parallel shift of +1% and -1% in market interest rates (AUD) from year-end rates of 7.25%;
– A parallel shift of +1% and -1% in inflation rate from year-end rates of 4.5%.

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.

		Interest Rate Risk				Other Price Risk			
		-1%		+1%		-1%		+1%	
	Carrying Amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
2008									
Financial Assets									
Cash and Cash Equivalents	5,490	(55)	–	55	–	–	–	–	–
Receivables	1,231	(12)	–	12	–	–	–	–	–
Other financial assets	59,792	(340)	–	340	–	–	(258)	–	258
Financial Liabilities									
Trade creditors and accruals	5,090	51	–	(51)	–	–	–	–	–
Other Liabilities	12	0	–	0	–	–	–	–	–

		Interest Rate Risk				Other Price Risk			
		-1%		+1%		-1%		+1%	
	Carrying Amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
2007									
Financial Assets									
Cash and Cash Equivalents	1,252	(13)	–	13	–	–	–	–	–
Receivables	1,888	(19)	–	19	–	–	–	–	–
Other financial assets	61,580	(356)	–	356	–	–	(260)	–	260
Financial Liabilities									
Trade creditors and accruals	3,808	38	–	(38)	–	–	–	–	–
Other Liabilities	51	1	–	(1)	–	–	–	–	–

Note 21: Commitments for Expenditure

	2008 $'000	2007 $'000
Capital Expenditure Commitments		
Payable:		
Land and Buildings	126	118
Plant and Equipment	1,066	651
Furniture and Fittings	5	15
Computer Equipment	38	28
Total Capital Commitments	**1,235**	**812**
Not later than one year	1,235	812
Total	**1,235**	**812**
Other Expenditure Commitments		
Payable:		
Consumables/Supplies	1,592	1,910
Maintenance	97	97
Total Other Commitments	**1,689**	**2,007**
Not later than one year	1,648	1,677
Later than 1 year and not later than 5 years	41	330
TOTAL	**1,689**	**2,007**
Lease Commitments		
Commitments in relation to leases contracted for at the reporting date:		
Operating Leases	783	781
Total Lease Commitments	**783**	**781**
Operating Leases		
These operating leases relate to the provision of computers, photocopiers/facsimiles and printers for general hospital use		
Cancellable		
Not later than one year	465	450
Later than 1 year and not later than 5 years	318	331
TOTAL	**783**	**781**
Total Commitments for expenditure (inclusive of GST)	**4,078**	**3,960**
less GST recoverable from the Australian Tax Office	(371)	(360)
Total commitments for expenditure (exclusive of GST)	**3,707**	**3,600**

Note 22: Contingent Assets and Contingent Liabilities

The Royal Victorian Eye and Ear Hospital does not have any contingent assets or contingent Liabilities.

Note 23: Segment Reporting

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

Geographical Segment

The Royal Victorian Eye and Ear Hospital operates predominantly in Melbourne, Victoria. More than 90% of revenue, net surplus from ordinary activities and segment assets relate to operations as a public hospital providing ophthalmology and otolaryngology services to the people of Victoria. The Hospital has spoke services at Maroondah, Broadmeadows and Blackburn.

Note 24a: 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.

	Period
Responsible Ministers:	
The Honourable Bronwyn Pike, MLA, Minister for Health	1/07/2007 – 3/08/2007
The Honourable Daniel Andrews, MLA, Minister for Health	3/08/2007 – 30/06/2008
Governing Boards	
G. Ryan	1/07/2007 – 30/06/2008
K. Angelopoulos	1/07/2007 – 30/06/2008
C. Brown	1/07/2007 – 30/06/2008
T. O'Leary	1/07/2007 – 30/06/2008
I. Pollerd	1/07/2007 – 30/06/2008
N. Radford	1/07/2007 – 30/06/2008
C. Randell	1/07/2007 – 30/06/2008
J. Rossouw	1/07/2007 – 30/06/2008
M. Zafiropoulos	1/07/2007 – 30/06/2008
Accountable Officers	
Mr. Graeme Houghton	1/07/2007 – 30/06/2008

Remuneration of Responsible Persons

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

	2008 No.	*2007 No.*
Income Band		
$0 – $9,999	–	–
$10,000 – $19,999	8	8
$20,000 – $29,999	–	–
$30,000 – $39,999	1	–
$40,000 – $49,999	–	1
$240,000 – $249,999	1	1
$250,000 – $259,999	–	–
Total Numbers	**10**	**10**
Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:	**$447,967**	**$447,598**

Amounts relating to Responsible Ministers are reported in the financial statements of the Department of Premier and Cabinet.

Other Transactions of Responsible Persons and their Related Parties

There were no other transactions with Responsible Persons and their Related Parties.

Note 24b: Executive Officer Disclosures

Executive Officers' Remuneration

The numbers of Executive Officers, other than Ministers and Accountable Officers, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands.

The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits.

	Total Remuneration		*Base Remuneration*	
	2008	*2007*	*2008*	*2007*
$100,000 – $109,999	–	–	–	–
$110,000 – $119,999	–	1	–	1
$120,000 – $129,999	2	–	3	–
$130,000 – $139,999	–	1	–	1
$140,000 – $149,999	–	1	–	1
$150,000 – $159,999	–	–	–	–
$160,000 – $169,999	2	–	1	–
$170,000 – $179,999	–	–	–	–
$180,000 – $189,999	–	1	–	1
$190,000 – $199,999	–	–	–	–
$200,000 – $209,999	–	–	–	–
$210,000 – $219,999	–	–	–	–
$220,000 – $229,999	–	–	–	–
$230,000 – $239,999	–	–	–	–
Total	4	4	4	4
Total Remuneration	**$582,844**	**$584,464**	**$536,889**	**$584,464**

Note 25: Events Occurring after the Balance Sheet Date

The Royal Victorian Eye and Ear Hospital had the following changes to responsible persons after 30 June 2008:
– J. Boxall replaced G. Ryan on the Governing Board on 1 July 2008.
– A. Clark replaced G. Houghton as Accountable Officer on 8 August 2008.

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

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

We further state that, in our opinion, the information set out in the Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes forming part of the financial report, presents fairly the financial transactions during the year ended 30 June 2008 and financial position of the Royal Victorian Eye and Ear Hospital at 30 June 2008.

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 report for issue on this day.

Jan Boxall
Chairperson

Melbourne
11 September 2008

Ann Clark
Accountable Officer

Melbourne
11 September 2008

David Gerrard
Chief Finance and
Accounting Officer

Melbourne
11 September 2008

INDEPENDENT AUDITOR'S REPORT

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

The Financial Report

The accompanying financial report for the year ended 30 June 2008 of The Royal Victorian Eye & Ear Hospital which comprises the operating statement, balance sheet, cash flow statement, statement of changes in equity, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and board member's, accountable officer's and chief finance and 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 the 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 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 obtained is sufficient and appropriate to provide a basis for my audit opinion.

Level 24, 35 Collins Street, Melbourne Vic. 3000
Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial statements published in both the annual report and on the website of The Royal Victorian Eye & Ear Hospital for the year ended 30 June 2008. The Board Members of The Royal Victorian Eye & Ear 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 Royal Victorian Eye & Ear Hospital 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 2008 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
22 September 2008

for D D R Pearson
Auditor-General

Level 24, 35 Collins Street, Melbourne Vic. 3000
Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

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.

Legislation	*Requirement*	*Page reference*
MINISTERIAL DIRECTIONS		
Report of Operations – FRD Guidance		
Charter and purpose		
FRD 22B	Manner of establishment and the relevant Ministers	29
FRD 22B	Objectives, functions, powers and duties	28
FRD 22B	Nature and range of services provided	29
Management and structure		
FRD 22B	Organisational structure	13
Financial and other information		
SD 4.2(j)	Accountable officer, signed report of operations	6
SD 4.5.5	Risk Management Compliance	31
FRD 22B	Operational and budgetary objectives and performance against objectives	n/a
FRD 22B	Statement of merit and equity	30
FRD 22B	Workforce Data Disclosures	29
FRD 22B	Occupational health and safety	30
FRD 22B	Summary of the financial results for the year	33
FRD 22B	Significant changes in financial position during the year	33
FRD 22B	Major changes or factors affecting performance	33
FRD 22B	Subsequent events	82
FRD 22B	*Application and operation of Freedom of Information Act 1982*	30
FRD 22B	*Compliance with building and maintenance provisions of Building Act 1993*	29
FRD 25	Victorian Industry Participation Policy disclosures	n/a
FRD 22B	Statement on National Competition Policy	n/a
FRD 22B	*Application and operation of the Whistleblowers Protection Act 2001*	30
FRD 22B	Details of consultancies over $100,000	29
FRD 22B	Details of consultancies under $100,000	n/a
FRD 22B	Statement of availability of other information	30
FRD 10	Disclosure index	86
FRD 11	Disclosure of ex gratia payments	n/a
FRD 21A	Responsible person and executive officer disclosures	83

Disclosure Index

Continued

Legislation	*Requirement*	*Page reference*
Financial Statements – FRD Guidance		
Financial statements required under Part 7 of the FMA		
SD 4.2(b)	Operating Statement	36
SD 4.2(b)	Balance Sheet	37
SD 4.2(b)	Statement of Changes in Equity	39
SD 4.2(b)	Cash Flow Statement	38
SD 4.2(c)	Accountable Officer's declaration	83
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	41
SD 4.2(c)	Compliance with Ministerial Directions	28
SD 4.2(d)	Rounding of amounts	41
Legislation		
Freedom of Information Act 1982		30
Whistleblowers Protection Act 2001		30
Building Act 1993		29
Financial Management Act 1994		83
Audit Act 1994		84

The Royal Victorian Eye and Ear Hospital
32 Gisborne Street
East Melbourne, Victoria 3002
Australia

Locked Bag 8
East Melbourne, Victoria 8002
Australia

T +61 3 9929 8666
TTY +61 3 9929 8681
F +61 3 9663 7203
E info@eyeandear.org.au
W www.eyeandear.org.au

The Royal Victorian
Eye & Ear Hospital
caring in every sense