The Royal Victorian
Eye & Ear Hospital
caring in every sense

Annual Report
2011–2012

Vision, Mission and Values

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

In 2011–2012, the Eye and Ear cared for over 250,000 patients throughout Victoria and continued to improve its operational and financial performance.

Vision
Improving quality of life through caring for the senses.

Mission
We aspire to be the world's leading eye and ear health service by:

- Excelling in specialist services
- Integrating teaching and research
- Enabling a highly engaged workforce
- Promoting health in our community
- Building a sustainable future

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

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

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

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

Chair and CEO Report

It has been a challenging and fulfilling year at the Royal Victorian Eye and Ear Hospital, with more Victorians accessing our specialist eye and ear health care services.

We have continued to invest in clinical innovation, training and ground-breaking research to ensure the hospital maintains its reputation as a world leader in specialised eye, ear, nose and throat healthcare.

Caring for Victorians

Demand for the Eye and Ear's services continued to grow, with the hospital caring for 192,186 outpatients, 14,598 inpatients and 44,936 emergency patients this year. As a state-wide provider, the hospital also supported care for patients through its network of metropolitan, regional and rural health partners. As Australia's only specialist eye, ear, nose and throat hospital, we have an important role to play in the health of our community.

Planning for the Future

Our planning for a redevelopment of the hospital continued this financial year. In collaboration with the Department of Health, the final Business Case for the redevelopment project was submitted and in the Victorian State Budget announced in May 2012, the government committed $2m to progress planning and development during 2012–2013. This funding is the next step in delivering the physical infrastructure required to build for the future at the Eye and Ear.

Restoration works continued on the Ensor Building, located on Victoria Parade, with stage two refurbishment works commencing in January and being completed in June 2012. The building will provide office space for 60 non-clinical operational staff requiring relocation during a redevelopment.

150th Celebration

In 2013, The Royal Victorian Eye and Ear Hospital will celebrate 150 years of service to the Victorian community. Planning is underway for a range of events to celebrate this significant milestone.

Service Excellence

The hospital constantly strives to apply new and efficient models of care, invest in research and training and share our knowledge to improve the eye and ear health of our community.

This year we continued to collaborate with other health services and formed partnerships with the Victorian Aboriginal Health Service (VAHS) and the Australian College of Optometry (ACO). By working together with these partners, we aim to improve our patient's journey and provide the best possible health care to the Victorian community.

Building on the work of our Aboriginal Health Project Manager and Pathway Coordinator, our partnership with the VAHS provides a crucial link between the hospital, Aboriginal and Torres Strait Islander patients, Aboriginal Health Services and the community. In April 2012 we launched our first specialist ENT outreach clinic at the VAHS to provide a culturally appropriate model of care where Aboriginal children can be supported through every stage of their journey as an Eye and Ear patient.

We also launched a joint clinic in partnership with the Australian College of Optometry (ACO). The clinic is part of a pilot project, funded by the Department of Health, to test a new pathway for patients that significantly improved access to specialist care for over 600 patients who were provided with initial eye consultations offsite at the ACO.

Accreditation

The Eye and Ear has been accredited by the Australian Council on Healthcare Standards until April 2015. The hospital was awarded 13 extensive achievements and one outstanding achievement at its last formal review.

Research collaboration

We continued to collaborate with our research partners, the Centre for Eye Research Australia, the University of Melbourne, Bionics Institute, Bionic Vision Australia, La Trobe University and HEARing CRC on research that has application for our patients. We would also like to acknowledge and thank the generosity of our patients who take part in this ground breaking research.

In 2012, the Eye and Ear officially joined the Bionic Vision Australia Consortium (BVA) as a supporting participant and clinical partner of the bionic eye project. This partnership agreement marks a significant milestone as researchers, engineers, ICT specialists, surgeons and clinicians work towards testing the bionic eye with patients at the hospital. As the home of the bionic ear, we have a proud history in bionics and now, with the BVA partnership, the Eye and Ear continues to be at the forefront of research and clinical application.

In 2011, the Eye and Ear partnered with the Deafness Foundation to jointly fund the Peter Howson Deafness Fellowship. The two year fellowship in the field of Hearing Science aims to support important innovative clinical and scientific research with the potential to directly benefit patients with deafness. The inaugural recipient of the Peter Howson Deafness Fellowship was Dani Tomlin, whose project is titled *The Impact of Auditory Processing Disorder on Aboriginal children*.

Awards and acknowledgements

The Board Chair and CEO would like to thank Board Members, clinicians, volunteers and all staff for their commitment and passion throughout the year and congratulate those who have been recognised by the Eye and Ear or in the community for their dedication. A special thank you to Mr Tim O'Leary and Mr Mike Zafiropoulos, AM, for their contribution during their time on the Board of Directors, both having served on the Board for the maximum term of nine years. We welcome two new members, Mr Peter Buzzard and Ms Jenny Taing.

At the 2011 AGM, we launched the inaugural annual Eye and Ear Excellence Awards, which recognise individuals and specialist groups that have contributed to achieving organisational excellence. The six award categories acknowledge creative and original thinking that results in positive outcomes for our patients, an improved working environment or improved hospital systems. In 2011, these were awarded to:

Linda Miln Board Chair's Medal
Orthoptics team CEO's Team Award
Dr Anne Brooks Dr J Aubrey Bowen Medal
Facilities team Administrative Excellence
Ramil Tranquilino Nursing Excellence Award
Shannon Ferguson Allied Health Award

We also recognised our long standing staff members at the bi-annual Staff Service Awards in 2011. This ceremony is one way to acknowledge the loyalty, dedication and hard work of a diverse group of long standing staff from all areas of the hospital, who celebrated 10, 15, 20, 25, 30 and 35 years of service at the Eye and Ear.

Thank you

The hospital is sincerely grateful to its financial donors, volunteers and community advisory members for their generosity.

In accordance with the *Financial Management Act 1994*, the hospital is pleased to present the Report of Operations for The Royal Victorian Eye and Ear Hospital for the year ending 30 June 2012.

Jan Boxall
Chair, Board of Directors

Ann Clark
Chief Executive Officer

Board of Directors

Ms Jan Boxall LLB FAICD
Appointed 1 July 2008, reappointed 1 July 2011
Chair Board of Directors, Remuneration Committee
Member Audit Committee, Board Redevelopment Committee, Finance Committee, Quality Committee

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

Dr Malcolm Brown MBBS, DOH, FAFOEM (RACP)
Appointed 1 July 2011
Member Audit Committee, Quality Committee, Primary Care and Population Health Advisory Committee

Dr Brown is an occupational physician in private practice and has many years' corporate experience, working primarily in the oil and gas and mining industries in Australia, the Middle East and Europe. He has sat on government expert committees, mainly on environmental health matters and is also an adjunct lecturer at the School of Public Health and preventative Medicine at Monash University.

Mr Roger Greenman AM
Appointed 1 July 2009
Chair Quality Committee, Board Redevelopment Committee
Member Finance Committee, Remuneration Committee

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

Dr Sandra Mercer Moore AM
Appointed 1 July 2011
Member Quality Committee, Community Advisory Committee, Board Redevelopment Committee

Dr Mercer Moore has extensive experience in the Australian and International health care industry, covering both private and public sectors. She is the immediate past-president of the World Confederation for Physical Therapy and a Fellow of the Australian Institute of Company Directors. Dr Mercer Moore, an independent management and training consultant, has served as a Board member for a range of organisations.

Mr Timothy O'Leary DIP.WELFARE STUD. MBA
Appointed 1 July 2003, reappointed 1 July 2006, reappointed 1 July 2009, term expired 30 June 2012
Chair Primary Care and Population Health Advisory Committee
Member Board Redevelopment Committee

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

Mr Ian Pollerd B.ED(BUS) E.ED (ADMIN), GRAD DIP ED ADMIN, DIP CRIM, MAICD
Appointed 1 July 2007, reappointed 1 July 2010
Member Audit Committee, Quality Committee

Mr Pollerd has extensive experience in rural health, disability services, aged care, palliative care and family and community services. He is manager of the Office of the National Health Practitioner Ombudsman and Privacy Commissioner. He is also the manager of the Office of the National Education and Care Services Ombudsman, Freedom of Information and Privacy Commissioner and a member of the Australian Institute of Company Directors. Mr Pollerd was also previously a member of the Board of Governance Connections Uniting Care and the Chinese Medicine Registration Board of Victoria. Mr Pollerd is currently a member of the Southern Metropolitan Cemeteries Trust.

Mr Andrew Porter MA (HONS), FCA, MAICD
Appointed 1 July 2009, reappointed 1 July 2011
Chair Finance Committee
Member Board Redevelopment Committee, Remuneration Committee

Mr Porter is a Chartered Accountant and has had over 20 years' experience in accounting and financial management. He is currently Chief Financial Officer of the ASX-listed companies Australian Foundation Investment Company Ltd, Djerriwarrh Investments Ltd, Mirrabooka Investments Ltd and AMCIL Ltd.

Mr John Wilson B.COM (HONS) CA, CPA, FFIN
Appointed 3 March 2009, reappointed 1 July 2010
Chair Audit Committee
Member Board Redevelopment Committee, Finance Committee, Remuneration Committee

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

Mr Mike Zafiropoulos AM, JP, BAPPSC, DIP COMPUTER SCIENCE
Appointed 1 July 2003, reappointed 1 July 2006 and 1 July 2009, term expired 30 June 2012
Chair Community Advisory Committee
Member Remuneration Committee

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

Board of Directors and Board Committees

The Board of Directors is appointed by the Governor in Council on the recommendation of the Victorian Minister for Health and is governed by the principles contained within the *Health Services Act 1988* (as amended).

The Board provides governance of The Royal Victorian Eye and Ear Hospital and is responsible for its financial performance, strategic directions, the quality of its health care services and strengthening community involvement through greater partnerships.

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

Finance Committee

The Finance Committee membership comprises the following non-executive directors: Mr Andrew Porter (Chair), Ms Jan Boxall, Mr Roger Greenman AM and Mr John Wilson.

The Finance Committee meets at least seven times per year and assists the Board to fulfil its duties relating to the effective financial management of the Eye and Ear.

Key responsibilities for the Finance Committee include oversight of the hospital's annual operating and capital budget, review of the monthly financial management reports, advising the Board on the financial implications associated with major projects and reviewing the relevant financial policies and procedures. All the Finance Committee members are independent of Management.

Audit Committee

The Audit Committee membership comprises the following non-executive directors: Mr John Wilson (Chair), Ms Jan Boxall, Dr Malcolm Brown and Mr Ian Pollerd.

The Audit Committee meets at least four times per year and assists the Board in monitoring compliance with laws, regulation, internal controls and standards.

Key responsibilities for the Audit Committee include: monitoring the hospital's strategic and operational risks, developing the hospital's strategic internal audit plan, oversight of the Internal Audit Program, review of the Draft Annual Accounts and review of the relevant risk policies and procedures. All the Audit Committee members are independent of Management.

Board Redevelopment Committee

The Board Redevelopment Committee membership comprises the following non-executive directors: Mr Roger Greenman AM (Chair), Ms Jan Boxall, Dr Sandra Mercer Moore AM, Mr Timothy O'Leary, Mr Andrew Porter and Mr John Wilson.

The Board Redevelopment Committee meets bi-monthly to provide regular, ongoing advice to the Board on the capital redevelopment of the Eye and Ear, represents the Board's oversight of the planning and business case for the redevelopment of the hospital and ensures alignment with the hospital's strategic direction. A major achievement in the 2011–2012 financial year included the submission of the final Business Case to the Department of Treasury, which led to a State Budget announcement of a further $2 million dollars to continue redevelopment planning and documentation and completion of refurbishment of Ensor, an offsite building to be used for relocating non-clinical staff as part of the enabling works for redevelopment.

Remuneration Committee

The Remuneration Committee membership comprises the following non-executive directors: Ms Jan Boxall (Chair), Mr Roger Greenman AM, Mr Andrew Porter, Mr John Wilson and Mr Mike Zafiropoulos AM.

The Remuneration Committee assesses and makes recommendations to the Board concerning the performance against the agreed Performance Plan; remuneration and bonus awards (if applicable); and terms and conditions of employment for the Chief Executive Officer. It also provides oversight of the remuneration and bonus arrangements (if applicable) of the Executive Directors of the hospital.

Quality Committee

The Quality Committee membership comprises the following non-executive directors: Mr Roger Greenman AM (Chair), Ms Jan Boxall, Dr Malcolm Brown, Dr Sandra Mercer Moore AM and Mr Ian Pollerd.

The Quality Committee provides leadership and strategic direction on issues regarding the quality of services at the Eye and Ear. The Committee's focus is to foster innovation to improve quality and safety systems and processes to ensure the provision of high standards of care. The Committee works in conjunction with the Community Advisory Committee to develop the annual Quality of Care Report which highlights patient and family centred care service improvements.

Community Advisory Committee

The Community Advisory Committee membership comprises the following non-executive directors: Mr Mike Zafiropoulos AM (Chair) and Dr Sandra Mercer Moore AM.

The Community Advisory Committee advises the Board on consumer and community participation in the development and delivery of services. The Committee meets bi-monthly and members include community, consumer and carer representatives who are appointed for a two-year term. A major achievement in 2011–2012, was the development and evaluation of an educational resource on patient centred care and communication, as part of the Department of Health Evaluating Effectiveness of Participation Project grant.

Primary Care and Population Health Advisory Committee

The Primary Care and Population Health Advisory Committee membership comprises the following non-executive directors: Mr Timothy O'Leary (Chair) and Dr Malcolm Brown.

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 2011–2012 membership included representatives from community groups, partner organisations and consumer representation. This year's highlights were the implementation of a Primary Care and Population Health Advisory Committee Plan, including Aboriginal and Torres Strait Islander health and GP liaison initiatives.

Executive Management

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

Executive Director Ophthalmology Services
Mr David Lau BPharm, MClinPharm, ProfCertHealthSysMgt, FSHP
Seconded to Hospital Improvement Program 18 April 2011 to 16 September 2011.
Ms Tracy Siggins
Acting from 18 April 2011 to 16 September 2011.

The Executive Director Ophthalmology Services is responsible for the coordination of ophthalmic care, outpatients, emergency, orthoptics, medical photography, pharmacy, pathology, radiology, clinical ICT, switchboard and satellite services.

Clinical Director Ophthalmology Services
Dr Michael Coote MBBS, FRANZCO, GAICD
The Clinical Director Ophthalmology Services is responsible for ophthalmic medical leadership. The role advises on strategy and models of care in Ophthalmology that are sustainable and lead to excellence.

Executive Director ENT Services and Clinical Support, Chief Nursing Officer
Ms Jenni Bliss General Nursing, Grad Dip, Advanced Clinical Practice Paediatrics and Professional Certificate in Health Systems Management
The Executive Director ENT Services and Clinical Support is responsible for the ear, nose and throat and clinical services of the Eye and Ear, including surgical services and inpatient services. As Chief Nursing Officer, the role also has professional responsibility for nursing staff.

Clinical Director ENT Services
Mr Robert Briggs MBBS, FRACS, FACS
The Clinical Director ENT Services, provides clinical and medical leadership; advice on models of care to support clinical excellence in ear, nose and throat; and surgical support services.

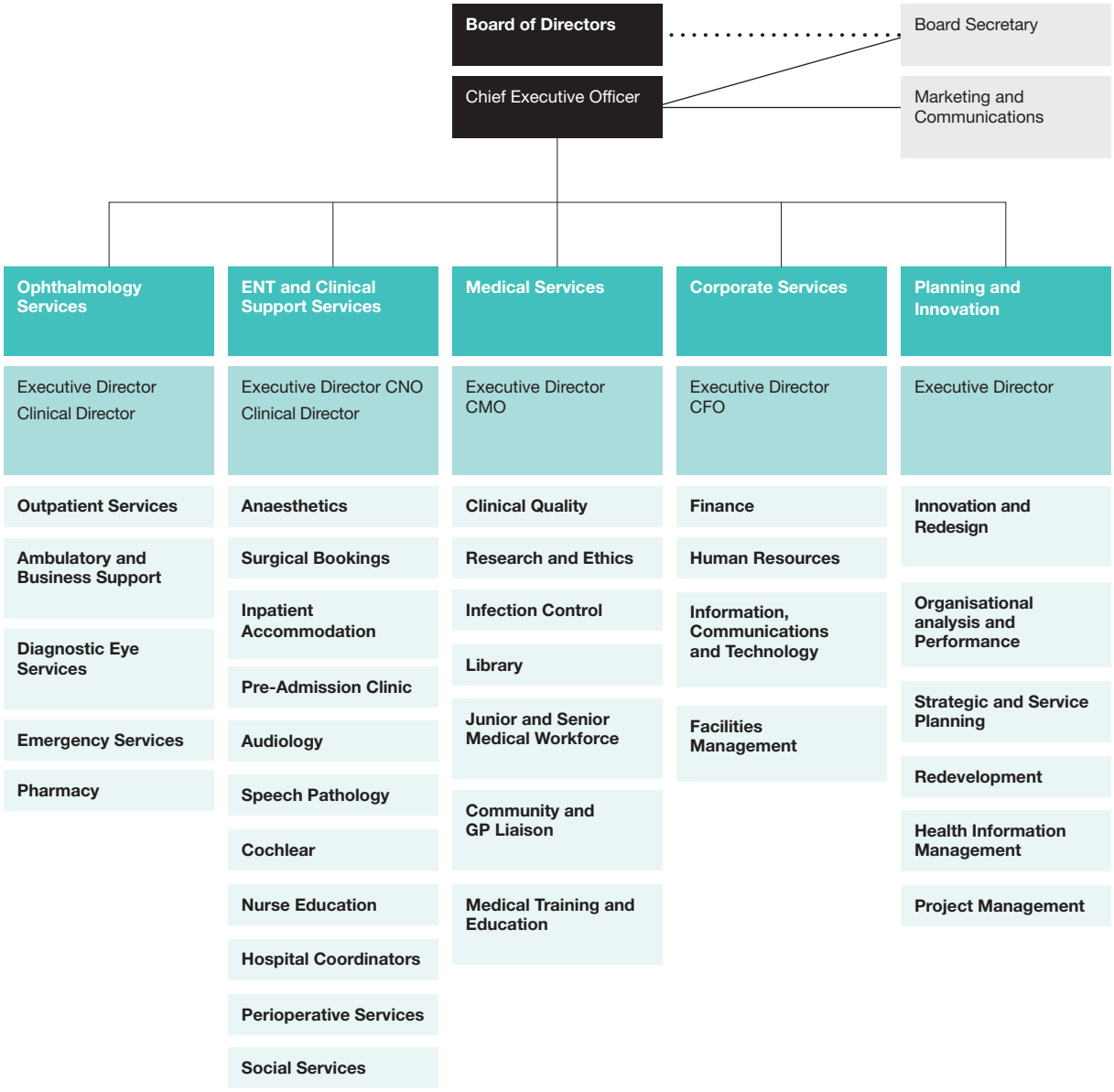
Executive Director Medical Services, Chief Medical Officer
Dr Caroline Clarke MD, FRACP, MRCP, FRACMA
The Executive Director, Medical Services leads the development and implementation of a central framework for clinical governance and medical administration. As Chief Medical Officer, the role requires key involvement in the recruitment, credentialing and scope of practice of senior and junior medical staff and provides leadership for all issues relating to medical staff and clinical quality and safety. There are also responsibilities for medical education and research governance.

Executive Director Corporate Services, Chief Financial Officer
Mr Peter Gould BBus, PGradDipSIA, FCPA, FFin
The Executive Director Corporate Services is responsible for the management of corporate services which includes, Financial Services, ICT, Human Resources and Facilities Management.

Executive Director Planning and Innovation
Ms Jenni Gratton-Vaughan BAppSc, GradDipRehabStud, MBus, Dip Project Mgt, AFACHSM
The Executive Director Planning and Innovation has overarching responsibility for capital redevelopment of the Eye and Ear and future strategy regarding health service delivery. The role also involves establishing and implementing a comprehensive organisation-wide performance monitoring system, knowledge management and redesigning care principles across all systems and processes to enable efficiencies in patient care.

Director of Anaesthetics
Dr Peter Read MBBS, FFARCS
The Director of Anaesthetics is the head of the Department of Anaesthetics and is responsible for leadership of peri-operative services and Anaesthetics.

Organisational Chart



Donors and Supporters

The Eye and Ear is grateful for the continued support of our donors, ambassadors and volunteers.

The financial donations we receive enable us to purchase state-of-the-art equipment, upgrade our facilities and continue research into new treatments, all of which greatly benefit our patients.

Gratitude is also extended to those who have expressed their intent to support us through a bequest and those who have left a legacy to help us continue to improve care and treatment for those living with vision and hearing loss.

A significant bequest from Ernest Wagstaff received in 1996 established major research fellowships in Ophthalmology and Otolaryngology.

Wagstaff Fellows 2011–2012

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

Wagstaff Fellow in Otolaryngology
Associate Professor Gary Rance PhD for study of auditory neuropathy in patients with neuro-degenerative disease.

Major Donors, Bequestors, Corporate and Community Supporters

Trust and Foundations
The Orloff Family Charitable Trust
The Trust Company Pty Ltd
The Ruldolph Hally and Pia Martin Memorial Trust
State Trustees Australia Foundation
- The Estate of Jessie Ross
- Estate of Bruce Leslie Powell

ANZ Trustees
- The Louis and Lesley Nelken Trust

Major Donors
Theodora Adamopoulos
Glen Annetts
The Brotherhood of Dimous Aristomenos
Keith Bailey
Mr and Mrs Brewer
Beryl Coombs
John Cooper
Varun Dhawan
Elizabeth Donovan
Zelman Elton
Miriam Faine
John Furlong
Brian Goddard
Vojko Gorjanc
Janice Hackett
Harold and Margaret Jarvis
Sudirkumar Kukarni
Douglas McLean
Peter Merrigan
Salih Mustafa
Khanh Nquyen
Dr Katherine Rush
Elizabeth Russell
Jo Buzza and Daniel Ryan
John Schotkamp
Greg Shalit
Marjorie Todd
Arthur Tsilibakis
David and Fiona Walker
Robert Young

Bequests and Estates
The Estate of the late John Anderson
Estate of Dr Mark Ashkenasy
The Erica Cromwell Trust
Estate of the late Alfred Herman William Dehnert
Estate of Brenda Tynan Donald
Estate of Alan Patrick Dwyer
Estate of Margaret Herring
Estate of George H Ievers
Estate of Barbara Brigit Iles
Joseph and Kate Levi Charitable Trust
Estate of Martha Miranda Livingstone
George Thomas and Lockyer Potter Charitable Trust
Estate of Frank David Mansell
Estate of Lorna M Price
Estate of Traian Purza
William Hall Russell Trust Fund
Estate of Olive Brenda Sidwell
Heather Sybil Smith Estate
Estate of Leonard Smith
The Estate of Steven Robert Smith
The Estate of Barbara Waddell
Eliza Wallis Charitable Trust
Ernest and Letitia Wears' Memorial Trust Fund
Joe White Bequest
Estate of William Wilkinson
Estate of Eunice Eleanor Winter
The John Frederick Wright Estate
Harry Yoffa Charitable Fund

Corporate Supporters
Medirest Australia Pty Ltd
Waterman Engineering Consulting
Alcon Laboratories Australia Pty Ltd
Advantage Salary Packaging
Ritchies Stores
CAF Community Fund
Zouki Catering

Community Supporters
Ballarat Combined Charities Card Shop
Banyule Support and Information Centre
Camcare Charity Gift Shop
Complete Mailing Pty Ltd
Frankston Friends
Lions Club of Box Hill
Malta Star of the Sea
Monash and Waverly Community Centre
Mornington Community Centre
Mitcham Uniting Church Centre
Nunawading Friends
Royal Automobile Club of Victoria Ltd

Volunteers

The hospital is fortunate to have a very dedicated group of volunteers who play various roles within the hospital. This year they provided over 4,610 hours of their time to assist patients with directions, information and that extra bit of help to reassure patients in need. Once again we would like to take the opportunity to thank our Auxiliary members who continue to raise vital funds both within the hospital and the wider community.

Service Overview

The Royal Victorian Eye and Ear Hospital has provided state-wide eye and ear health care since it was founded in 1863.

The hospital is accountable to the people of Victoria, through the Minister for Health.

Manner of Establishment and Relevant Minister

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

Powers and Duties

The power and duties of The Royal Victorian Eye and Ear Hospital are prescribed by the *Health Services Act 1988*.

Nature and Range of Services

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

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

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

The Eye and Ear has over 50 different outpatient clinics for the diagnosis, monitoring and treatment of vision and hearing loss and provides a 24/7 emergency eye and ENT health service. The majority of services provided at the Eye and Ear are on an outpatient or same day basis. In 2011–2012 we cared for:

- 192,186 outpatients,
- 14,598 inpatients,
- 44,936 emergency patients.*

The hospital is a teaching and research centre and has key partnerships with the Centre for Eye Research Australia, the University of Melbourne, Bionics Institute, Bionic Vision Australia, La Trobe University and HEARing CRC.

Cultural Responsiveness Plan

The Cultural Diversity Committee has continued to implement the Cultural Diversity Plan which is in line with the Department of Health's Cultural Responsiveness Framework Guidelines. The Plan aims to provide an organisational approach to cultural diversity for staff and patients and addresses the four domains: Organisational Effectiveness; Risk Management; Consumer Participation and Effective Workforce. As a result, an e-learning tool on working effectively with interpreters has been implemented, recognising that communication between health professionals and patients is critical for high quality care to be achieved. A clinicians' guide, *Accessing Language Services* has been developed to ensure that patient-professional relationships can be optimised by using correct etiquette, cultural sensitivity and protocols.

Disability Action Plan

The Eye and Ear is committed to providing an inclusive and accessible environment for staff, patients and visitors to the hospital, regardless of ability or capacity. A Disability Action Plan (DAP) has been endorsed by the Eye and Ear Board after a rigorous development phase that included extensive consultation, the formation of an action group and a review by the hospital Executive and Community Advisory Committee. The DAP reflects the strategic priorities of the Eye and Ear, whilst meeting the requirements of the *Federal Disability Discrimination Act 2006*. Major plan achievements implemented include: improvements in signage near the Emergency Department to assist patients in finding their way around the hospital, provision of captioning on televisions for hearing impaired patients and attendance of Guide Dogs Victoria at all staff induction sessions to provide awareness in sighted guide techniques.

* In February 2012 Emergency review attendances were changed from being reported as an Emergency presentation and are represented as an Outpatient attendance. For 2011–2012 data the data source for Emergency presentations is the VEMD extract.

Privacy

Privacy is an important part of the culture at the Eye and Ear and since the *Health Records Act 2001* came into operation on 1 July 2002, the hospital has aimed to ensure all staff are aware of the Act and its implications in the work place. The hospital also aims to ensure compliance with the *Information Privacy Act 2000*. The Eye and Ear's Privacy Officer is the Executive Director, Medical Services.

Freedom of Information

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

FREEDOM OF INFORMATION APPLICATIONS 2011–2012

Total Requests	140
Fully granted	139
Completed	140

Human Resources

The Human Resources Department provides advice and services relating to recruitment and employment, award interpretation, employee relations, Occupational Health and Safety, injury management, equal opportunity, employee benefits and performance management. It also incorporates learning and development, which is responsible for organisational development, staff education and reward and recognition initiatives.

WORKFORCE DATA BY LABOUR CATEGORY

Labour Category	June 2012 FTE*	June 2011 FTE*
Nursing	163	160
Administration and Clerical	150	141
Medical Support	44	40
Hotel and Allied Services	11	11
Hospital Medical Officers	57	51
Sessional Clinicians	27	32
Ancillary Staff (Allied Health)	38	35
	490	**470**

* Full Time Equivalent

Merit and Equity Principles

Merit and equity principles are encompassed in all employment and management activities throughout The Royal Victorian Eye and Ear Hospital. The organisation disseminates the Code of Conduct and has procedures that foster equity relating to people with a disability and equal employment opportunity.

Recruitment

The Human Resource Strategy 2010–2013 articulates initiatives to '…retain and further attract the best quality clinicians and support staff…' Human Resources are leading the transition to a more enhanced online recruitment system. This will increase our ability to track recruitment activity and internal variations and improve the experience for new hires. A monthly orientation program is held for new employees in addition to a local departmental induction.

Pre-employment checks

Police checks are mandatory for all new Eye and Ear employees. All relevant clinical staff are obliged to hold a valid Working With Children Check.

Staff Recognition

This year, 51 employees were recognised at the Staff Service Award Ceremony in November. Continuous service for 10, 15, 20, 25, 30 or 35 years were celebrated and recognised.

The Values in Action, Reward and Recognition Program called, *I see you, I hear you* assists in recognising and retaining staff who contribute to the organisations' vision of *improving quality of life through caring for the senses.* Recognition Awards are granted quarterly from a pool of nominations received from the public, their peers and managers. Recipients have demonstrated consistent application of the organisations' values and behaviours in their daily efforts.

Developing our Workforce

A Leadership Effectiveness Program was piloted at the beginning of the year, with 33 managers attending. Building Positive Attendance workshops commenced to equip managers to improve absenteeism and reduce excessive leave accruals.

The Executive Management Team participated in the 360° feedback initiative which provided participants with constructive feedback about their behaviours and leadership qualities.

The development and implementation of the Partnering for Performance for senior medical staff was led by the Executive Director Medical Services, supporting the Clinical Governance policy framework as outlined by the Department of Human Services. An annual performance appraisal system for non-medical staff was designed and implemented with a 97% completion rate.

The Eye and Ear participated in the People Matter Survey conducted by the State Services Authority (SSA) in May. The Survey provides staff the opportunity to share their views on what we do well and what we can improve. The results will provide valuable information on our communication, leadership, teamwork and workplace behaviours and will provide information regarding attracting and retaining staff.

Staff support services
The Employee Assistance Program is a confidential, external counselling service available to staff and their family. The counselling service can assist to resolve personal, family or work issues that impact well-being and quality of life. Approximately 22 staff or family members accessed the service in the year.

Payroll
Payroll is outsourced to Melbourne Health who process approximately 19,000 pays per year.

Whistleblowers Protection Officer
The Eye and Ear has policies and procedures in place to facilitate the making of disclosures about improper conduct and to provide protection for whistleblowers in accordance with the *Whistleblowers Protection Act 2001* and the Guidelines issued by the Victorian Ombudsman.

The Eye and Ear's Manager, Human Resources is the Protected Disclosure Officer for the purpose of the Act. During 2011–2012, there were no disclosures of corrupt or improper conduct as defined by the Act and accordingly there were no referrals to or from the Ombudsman for investigation.

Occupational Health and Safety
The Eye and Ear is committed to providing a safe environment for employees, patients, visitors, volunteers and contractors and operates in accordance with the *Victorian Occupational Health and Safety Act 2004*, *Occupational Health and Safety Regulations 2007*, *Accident Compensation Act 1995* and other relevant legislation.

As part of our commitment to OHS, the Eye and Ear continues to build a strong safety culture within the organisation.

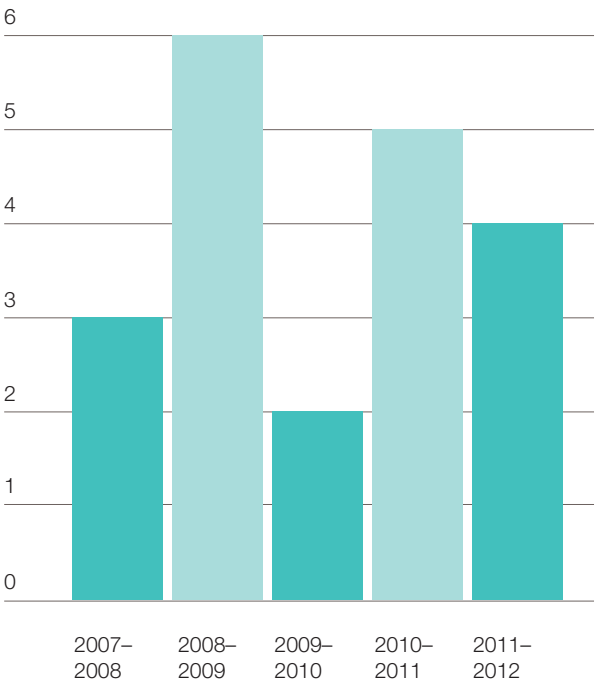
OHS activities undertaken in the year include:

- OHS education is provided at staff orientation and induction;
- Accident and incident investigation involves implementing remedial action;
- Quarterly workplace inspections to identify and control OHS hazards;
- Provision of training to staff via online systems, practical demonstration and workshops;
- The engagement of a specialist external organisation to facilitate our Emergency preparedness and warden training; and
- Workers' compensation/ injury management being brought in-house and a hospital Return To Work Coordinator was appointed.

During the year there were four claims lodged under the *Accident Compensation Act 1985* (see comparison with previous four years in graph).

Building and Maintenance compliance
There is a requirement under the *Building Act 1993*; *Building Regulations 2006*, Regulation 1209 & 1215 for the hospital to establish comprehensive management of the Essential Safety Measures. In March 2012, the hospital once again achieved 100% compliance with mandatory ESM inspections, testing, maintenance and documentation in relation to building safety. The hospital has established a comprehensive process to manage maintenance of the ESM. All ESM are identified on the Certificate of Occupancy, issued by the building surveyor. Each ESM is maintained as per certified maintenance agreements at the specified time intervals. The Building Surveyor 'Stokes Perna' audits the maintenance of all the ESM at the Royal Victorian Eye and Ear Hospital annually and certifies the ESM report as evidence of an appropriate level of maintenance of the relevant physical fire safety measures. The ESM compliance certificates can be located on display at the main entrance of the hospital.

STANDARD CLAIMS REPORTED



Environmental Achievements

In December 2011 the Board of Directors approved the hospital's Environmental Management Plan.

The Environmental Management Plan outlines the hospital's environmental achievements and identifies future initiatives to support continued improvement. Over the past 12 months a number of actions have been undertaken including:

- An upgrade of the hospital's chillers to ensure better efficiency.
- The commission and construction of a weatherproof and secure bicycle storage facility to encourage staff and other building occupants to ride to work.
- An expansion of the waste recycling program to include the collection and recycling of batteries, fluorescent lamps and foam.
- The recommencement of recycling for plastics and packaging from medical consumables in theatres.
- A trial replacement of fluorescent lighting, with brighter and more efficient LED lighting.
- A trial of window tinting to reduce external heat with the potential to reduce future air-conditioning demands.

Victorian Industry Participation Policy Disclosure

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

National Competition Policy

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

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.

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

Compliance

The Eye and Ear has complied substantially with the Tax Compliance Framework Certification and Financial Management Compliance Framework Certification in accordance with the requirements of the Victorian Public Sector Financial Management Compliance Framework for the year ended 30 June 2012.

Consultancies less than $10k

In 2011-12, the Eye and Ear engaged eight consultancies where the total fees payable to the consultants were less than $10,000, with a total expenditure of $27,142 (excl. GST).

Consultancies more than $10k

In 2011-12, the Eye and Ear engaged one consultant, Deloitte to review the clinical application systems, both current and future options, with a total expenditure of $119,902 (excl. GST).

Disclosure of ex-gratia payments

The Eye and Ear made no ex-gratia payments for the year ending 30 June 2012.

Additional information (FRD 22C Appendix)

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by The Royal Victorian Eye and Ear Hospital and are available to the relevant Ministers, Members of Parliament and the public on request (subject to the freedom of information requirements, if applicable):

- A statement that declarations of pecuniary interests have been duly completed by all relevant officers;
- Details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary;
- Details of publications produced by the entity about itself, and how these can be obtained;
- Details of changes in prices, fees, charges, rates and levies charged by the entity;
- Details of any major external reviews carried out on the entity;
- Details of major research and development activities undertaken by the entity;
- Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- Details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services;
- Details of assessments and measures undertaken to improve the occupational health and safety of employees;
- A general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes; and
- A list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved.

Key Financial and Service Performance Reporting

Part A: Strategic Priorities for 2011-2012

Victorian Health Priorities Framework	The Royal Victorian Eye and Ear Hospital Strategy	Deliverables	Outcomes
Developing a system that is responsive to people's needs.	Test and implement service improvements provided in General Eye and Otology outpatient clinics to improve the timeliness of access to health care.	Service improvements targeting access as per project plan by March 2012.	Outpatients Access Project completed and reported by December 2011. Some improvements achieved and further improvement initiatives underway.
Improving every Victorian's health status and experiences.	Develop a framework for consumer participation at the Eye and Ear linked to 'Doing it with us not for us' Community Participation Plan.	Endorsed consumer participation framework and plan by February 2012.	Patient Centred Care Framework completed and rolled out. This aligns with Community Participation Plan submitted to Department of Health.
Expanding service workforce and system capacity.	Working in collaboration with the Department of Health, develop the final Business Case for Redevelopment and submit to Treasury.	Final Business Case submitted by December 2011.	Redevelopment Business Case submitted within required timeframes.
Increasing the system's financial sustainability and productivity.	Design and test an integrated model of care with the Australian College of Optometry enabling more patients to be seen in community based settings.	Tested model of care by June 2012.	Project successfully completed and evaluated. Negotiation underway with ACO to establish clinic to operate in an ongoing way.
	Contribute to developing and maintaining a skilled workforce for ophthalmology and ENT specialties through registrar secondment program.	Rotation program with 45% of registrars on secondment throughout 2011–2012.	40% of Registrars on secondment.
Implementing continuous improvements and innovation.	Develop and implement research plan aligned to Research Framework which integrates with affiliated research and university partners.	Research plan by June 2012.	Year in Review publication completed.
		Identified number of research projects changing clinical practice by June 2012.	16 reported changes to clinical practice for the 2011–2012 period.
Increasing accountability and transparency.	Further develop, implement and evaluate clinical audit tool across ENT, ophthalmology and anaesthetics.	Reporting on agreed organisational indicators by June 2012.	Clinical Audit Tool developed. Clinical indicator working group in place, capturing local audits completed by individual medical units, ENT bi-monthly audit meeting.
Utilising e-health and communications technology.	Utilise technology to improve service delivery through a review of the Eye and Ear internet site and revision of all content.	Upgraded internet site by March 2012.	New internet site went live in October 2011.

Part B: Performance Priorities for 2011-2012

FINANCIAL PERFORMANCE

	Target	2011–2012 actuals
Operating Result		
Annual Operating Result ($m)	0	$95,000
Cash Management/Liquidity		
Creditors	60 days	23
Debtors	60 days	22

SERVICE PERFORMANCE

	Target	2011–2012 actuals
WIES activity performance		
WIES (public and private) performance to target (%)	± 2%	+ 2.6%
Elective Surgery		
Elective surgery admissions – Quarter 1	3000	2962
Elective surgery admissions – Quarter 2	2885	2755
Elective surgery admissions – Quarter 3	2630	2363
Elective surgery admissions – Quarter 4	2955	2922
Quality and Safety		
Health Service Accreditation	Full	Full *Received 13 awards for extensive achievement and one award for outstanding achievement by the Australian Council on Healthcare Standards. Scheduled for a Periodic Review 11-13 in December 2012.*
Cleaning Standards	Full	Full *96.5% against target of 85%**
Submission of data to VICNISS (%)	Full	Full
Hand Hygiene Program compliance rate (%)	65%	76%**
SAB rate per occupied bed days	<2.0 rate per 10,000	Annual rate is 1.1 *Represents two cases for the year*
Victorian Patient Satisfaction Monitor (VPSM): Overall Care Index	73%	79%***
VPSM Consumer Participation Indicator	75%	80.4%

*Measured by Acceptable Quality Level

**Most recent hand hygiene audit compliance rate

***Overall Care index

	Target	2011–2012 actuals
Emergency care		
Percentage of emergency patients admitted to an inpatient bed within 8 hours	80%	96%
Percentage of non-admitted emergency patients with length of stay of less than 4 hours	80%	84%
Number of patients with length of stay in the emergency department greater than 24 hours	0	0
Percentage of Triage Category 1 emergency patients seen immediately	100%	100%
Percentage of Triage Category 2 emergency patients seen within 10 minutes	80%	89%
Percentage of Triage Category 3 emergency patients seen within 30 minutes	75%	76%
Elective surgery		
Percentage of Category 1 elective patients admitted within 30 days	100%	100%
Percentage of Category 2 elective surgery patients waiting less than 90 days	80%	98%
Percentage of Category 3 elective surgery patients waiting less than 365 days	90%	99%
Number of patients on the elective surgery waiting list	2580	2114
Number of Hospital Initiated Postponements (HiPs) per 100 scheduled admissions	8	2.16

Part C: Activity and Funding

Activity	2011–2012
Admitted patients	
Same Day Separations	10,154
Multi Day Separations	4,444
Total Separations	14,598
Total Bed Days	17,501
Average length of stay in days	1.26
WIES Public	7,212
WIES Private	2,426
Total WIES (Public and Private)	**9,638**
WIES DVA	128
WIES TAC	4
WIES TOTAL	**9,770**
Non Admitted patients	
Emergency Department presentations	44,936
Outpatients – All Clinic Occasion of Service	192,186
Total occasions of service	237,122
VACS – Allied Health	81,976
VACS – Variable	83,704

Summary of Financial Results

For the year ended 30 June 2012 compared with the last five financial years

	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Total Revenue	89,252	83,602	79,614	73,662	72,517	66,209
Total Expenses	(89,250)	(87,700)	(80,567)	(78,489)	(71,970)	(63,606)
Operating Surplus/(Deficit)	2	(4,098)	(953)	(4,827)	547	2,603
Retained Surplus/ (Accumulated Deficit)	(8,626)	(6,374)	(4,451)	(2,848)	(1,790)	(355)
Total Assets	183,053	182,415	183,711	181,909	133,167	131,752
Total Liabilities	(19,529)	(17,502)	(16,720)	(18,563)	(15,748)	(14,150)
Net Assets	163,524	164,913	166,991	163,346	117,419	117,602
Total Equity	**163,524**	**164,913**	**166,991**	**163,346**	**117,419**	**117,602**

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

Significant Changes in Financial Position During 2011-12

There were no significant changes in financial position during 2011-12.

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

In meeting new Department of Health requirements for measurement of outpatient activity, review appointments seen in the Emergency Department have, since March 2012 been recorded as outpatient visits rather than emergency presentations. This has had a material impact on the numbers reported in each dataset, as well as the hospital's performance against its emergency access targets.

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

There have been no events subsequent to balance date affecting the operations of the hospital.

REVENUE INDICATORS

For the year ended 30 June 2012

	2012	2011
Average Collection Days		
Private	24	28
Transport Accident Commission	0	0
Worksafe Victoria	129	100
Other Compensable	7	12

	Under 30 Days	31–60 Days	61–90 Days	Over 90 Days	Total 30/06/12	Total 30/06/11
	$'000	$'000	$'000	$'000	$'000	$'000
Inpatient debtors outstanding as at 30 June 2012						
Private	176	24	8	18	226	198
Transport Accident Commission	0	0	0	0	0	0
Worksafe Victoria	22	5	5	0	32	52
Other Compensable	0	3	0	0	3	3

Financial Analysis of Operating Revenues and Expenses

REVENUE

Revenue from Ordinary Activities

	2011–2012	2010-2011
Services supported by Health Services Agreement		
Government Grants	71,115	68,144
Indirect Contributions by Human Services – Insurances	175	1,771
Patient Fees	4,307	3,927
Other Revenue	1,757	1,258
	77,355	**75,100**
Services supported by Hospital and Community Initiatives		
Government Grants	3,674	895
Private Practice Fees	1,214	0
Donations and Bequests	998	1,366
Interest	4,474	3,581
Property Income	288	193
Other Revenue	1,249	2,467
	11,897	**8,502**
Total Revenue from Ordinary Activities	**89,252**	**83,602**

EXPENSES

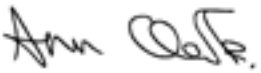
Expenses from Ordinary Activities

Services supported by Health Services Agreement		
Salaries and Related Expenses	52,300	48,806
Supplies and Consumables	16,579	16,551
Other	10,732	11,698
	79,611	**77,055**
Services supported by Hospital and Community Initiatives		
Salaries and Related Expenses	703	925
Supplies and Consumables	281	285
Other	8,655	9,435
	9,639	**10,645**
Total Expenses from Ordinary Activities	**89,250**	**87,700**
Net Results from Ordinary Activities	**2**	**(4,098)**

Attestations

Attestation on Data Integrity

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



Ann Clark
Accountable Officer
Melbourne
23 August 2012

Attestation on Compliance with Australian / New Zealand Risk Management Standard

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 executives to understand, manage and satisfactorily control risk exposures. The audit committee verifies this assurance and that the risk profile of The Royal Victorian Eye and Ear Hospital has been critically reviewed within the last 12 months.

Jan Boxall
Chair, Board of Directors
Melbourne
23 August 2012

Responsible Bodies Declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present the Report of Operations for The Royal Victorian Eye and Ear Hospital for the year ending 30 June 2012.

Jan Boxall
Chair, Board of Directors
Melbourne
23 August 2012

Disclosure Index

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

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Financial Statements

Comprehensive Operating Statement

For the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Revenue from Operating Activities	2	80,461	78,982
Revenue from Non-Operating Activities	2	1,413	800
Employee Expenses	3	(50,442)	(47,127)
Non Salary Labour Costs	3	(2,562)	(2,604)
Supplies & Consumables	3	(16,860)	(16,836)
Other Expenses	3	(11,915)	(13,086)
Net Result Before Capital & Specific Items		**95**	**129**
Capital Purpose Income	2	7,378	3,820
Depreciation and Amortisation	4	(7,217)	(7,223)
Written Down Value of Assets sold		(25)	(1)
Expenditure using Capital Purpose Income	3	(229)	(823)
Net Result For The Year		**2**	**(4,098)**
Other Comprehensive Income			
Net fair value gains/(losses) on Available for Sale Financial Assets	16	(1,391)	2,020
Comprehensive Result For The Year		**(1,389)**	**(2,078)**

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

Balance Sheet

For the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Current Assets			
Cash and Cash Equivalents	5	1,639	783
Receivables	6	1,149	1,735
Investments and Other Financial Assets	7	67,223	64,924
Inventories	8	575	490
Other Assets	9	950	1,414
Total Current Assets		**71,536**	**69,346**
Non-Current Assets			
Receivables	6	678	460
Investments and Other Financial Assets	7	2,722	2,824
Property, Plant & Equipment	10	105,511	107,253
Intangible Assets	11	1,606	1,892
Investment Properties	12	1,000	640
Total Non-Current Assets		**111,517**	**113,069**
Total Assets		**183,053**	**182,415**
Current Liabilities			
Payables	13	4,466	4,263
Provisions	14	11,371	10,050
Other Liabilities	15	1,268	1,314
Total Current Liabilities		**17,105**	**15,627**
Non-Current Liabilities			
Provisions	14	2,424	1,875
Total Non-Current Liabilities		**2,424**	**1,875**
Total Liabilities		**19,529**	**17,502**
Net Assets		**163,524**	**164,913**
Equity			
Property, Plant & Equipment Revaluation Surplus	16a	62,462	62,462
Financial Asset Available for Sale Revaluation Surplus	16a	3,227	4,618
General Purpose Surplus	16a	23,939	22,372
Restricted Specific Purpose Surplus	16a	30,954	30,267
Contributed Capital	16b	51,568	51,568
Accumulated Surpluses/(Deficits)	16c	(8,626)	(6,374)
Total Equity	**16d**	**163,524**	**164,913**
Commitments	19		
Contingent Assets and Contingent Liabilities	20		

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

Statement of Changes in Equity

For the year ended 30 June 2012

	Note	Property, Plant & Equipment Revaluation Surplus	Financial Asset Available for Sale Revaluation Surplus	General Purpose Surplus	Restricted Specific Purpose Surplus	Contributions by owners	Accumulated Surpluses/ (Deficits)	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2010		**62,462**	**2,598**	**33,090**	**21,724**	**51,568**	**(4,451)**	**166,991**
Effects of correction of errors		—	—	—	—	—	—	—
Restated balance at 1 July 2010		**62,462**	**2,598**	**33,090**	**21,724**	**51,568**	**(4,451)**	**166,991**
Net result for the year as restated		—	—	—	—	—	(4,098)	(4,098)
Other comprehensive income for the year	16a	—	2,020	—	—	—	—	2,020
Transfer to / (from) General Purpose Surplus	16a	—	—	(10,718)	—	—	—	(10,718)
Transfer to / (from) Restricted Specific Purpose Surplus	16a	—	—	—	8,543	—	—	8,543
Transfer to / (from) Accumulated Surplus	16a, c	—	—	—	—	—	2,175	2,175
Restated balance at 30 June 2011		**62,462**	**4,618**	**22,372**	**30,267**	**51,568**	**(6,374)**	**164,913**
Net result for the year		—	—	—	—	—	2	2
Other comprehensive income for the year	16a	—	(1,391)	—	—	—	—	(1,391)
Transfer to / (from) General Purpose Surplus	16a	—	—	1,567	—	—	—	1,567
Transfer to / (from) Restricted Specific Purpose Surplus	16a	—	—	—	687	—	—	687
Transfer to / (from) Accumulated Surplus	16a, c	—	—	—	—	—	(2,254)	(2,253)
Balance at 30 June 2012		**62,462**	**3,227**	**23,939**	**30,954**	**51,568**	**(8,626)**	**163,524**

Cash Flow Statement

For the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Cash Flows From Operating Activities			
Operating Grants from Government		71,658	69,870
Patient Fees Received		4,596	4,268
Private Practice Fees Received		1,264	1,404
Donations and Bequests Received		1,011	1,393
GST Received from/(paid to) ATO		2,893	2,473
Recoupment from private practice for use of hospital facilities		—	—
Interest Received		1,012	800
Dividend Received		401	—
Property Rental Income		288	193
Other Receipts (disclose material items)		2,278	1,588
Employee Expenses Paid		(47,737)	(46,241)
Non Salary Labour Costs		(3,398)	(2,604)
Payments for Supplies & Consumables		(31,576)	(34,055)
Cash Generated from Operations		**2,690**	**(911)**
Capital Grants from Government		3,670	—
Capital Grants from Non-Government		—	—
Capital Donations and Bequests Received		—	—
Other Capital Receipts (disclose material items)		3,298	2,900
Net Cash Inflow/(Outflow) From Operating Activities	17	**9,658**	**1,989**
Cash Flows From Investing Activities			
Purchase of Investments		(3,843)	(2,333)
Payments for Non-Financial Assets		(4,944)	(4,905)
Proceeds from sale of Non-Financial Assets		(15)	—
Net Cash Inflow/(Outflow) From Investing Activities		**(8,802)**	**(7,238)**
Cash Flows From Financing Activities		**—**	**—**
Net Cash Inflow/(Outflow) From Financing Activities		**—**	**—**
Net Increase/(Decrease) In Cash And Cash Equivalents Held		**856**	**(5,249)**
Cash and Cash Equivalents at Beginning of Year		783	6,032
Cash and Cash Equivalents at End of Year	5	**1,639**	**783**

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

Note 1: Summary of significant accounting policies

(a) Statement of Compliance

The Royal Victorian Eye and Ear Hospital's (The Hospital) financial statements are general purpose financial statements which have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AASs) issued by the Australian Accounting Standards Board (AASB).

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

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

The annual financial statements were authorised for issue by the Board of The Royal Victorian Eye and Ear Hospital on 23 August 2012.

(b) Basis of Accounting Preparation and Measurement

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2012, and the comparative information presented in these financial statements for the year ended 30 June 2011.

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

These financial statements are presented in Australian dollars, the functional and presentation currency of the Hospital.

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

The financial statements are prepared in accordance with the historical cost convention, except for the revaluation of certain non-financial assets and financial instruments, as noted. Particularly, exceptions to the historical cost convention include:

- Non-current physical assets, which subsequent to acquisition, are measured at valuation and are re-assessed with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair values;
- Investment properties after initial recognition are measured at fair value through profit or loss; and
- Available-for-sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised.
- The fair value of assets other than land is generally based on their depreciated replacement value

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision, and future periods if the revision affects both current and future periods. Judgements made by management in the application of AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the subsequent reporting period, relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 1(i));
- actuarial as sumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(j)).

(c) Reporting Entity

The financial statements include all the controlled activities of The Hospital.

Its principal address is:
32 Gisborne Street
East Melbourne
Victoria 3002.

A description of the nature of the Hospital's operations and its principal activities is included in the report of operations, which does not form part of these financial statements.

(d) Scope and Presentation of Financial Statements

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.

Services Supported By Health Services Agreement and Services Supported By Hospital and Community Initiatives

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

Comprehensive Operating Statement

The Comprehensive Operating Statement includes the subtotal entitled 'Net Result Before Capital & Specific Items' 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, expenditure using capital purpose income and items of an unusual nature and amounts such as specific income 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 & Specific Items' is used by the management of the Hospital, the Department of Health and the Victorian Government to measure the ongoing performance of Health Services in operating hospital services.

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

- Capital purpose income, which comprises all tied grants, donations and bequests received for the purpose of acquiring non-current assets, such as capital works, plant and equipment or intangible assets. It also includes donations of plant and equipment (refer Note 1 (e)). 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/impairment of investments
  - Restructuring of operations (disaggregation/ aggregation of Health Services)
  - Litigation settlements
  - Non-current assets lost or found
  - Reversals of provisions
  - Voluntary changes in accounting policies (which are not required by an accounting standard or other authoritative pronouncement of the Australian Accounting Standards Board)
- Impairment of financial and non-financial assets, includes all impairment losses (and reversal of previous impairment losses), which have been recognised in accordance with Notes 1 (h) and (i)
- Depreciation and amortisation, as described in Note 1 (f)
- Assets provided or received free of charge (refer to Notes 1 (e) and (f))
- Expenditure using capital purpose income comprises expenditure which either falls below the asset capitalisation threshold or doesn't meet asset recognition criteria and therefore does not result in the recognition of an asset in the balance sheet, where funding for that expenditure is from capital purpose income.

Balance Sheet

Assets and liabilities are categorised either as current or non-current.

Statement of Changes in Equity

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income related to other non-owner changes in equity.

Cash Flow Statement

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of Cash Flows*.

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

Comparative Information

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

(e) Income Recognition

Income is recognised in accordance with AASB 118 *Revenue* and is recognised as to the extent that it is probable that the economic benefits will flow to the Hospital and the income can be reliably measured. Unearned income at reporting date is reported as income received in advance.

Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes.

If conditions are attached to a grant, the recognition of the grant as revenue will be deferred until the conditions have been satisfied.

Government Grants and Other Transfers of Income (other than contributions by owners)
In accordance with AASB 1004 *Contributions*, government grants and other transfers of income (other than contributions by owners) are recognised as income when the Hospital gains control of the underlying assets irrespective of whether conditions are imposed on the Hospital's use of the contributions.

Contributions are deferred as income in advance when the Hospital has a present obligation to repay them and the present obligation can be reliably measured.

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

Patient 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.

Revenue from Commercial Activities
Revenue from commercial activities such as private pharmacy sales is recognised 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 surplus, such as the specific restricted purpose surplus.

Dividend Revenue
Dividend revenue is recognised when the right to receive payment is established.

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

Sale of Investments
The gain/loss on the sale of investments is recognised when the investment is realised.

Resources Received Free of Charge or for Nominal Consideration
Resources received free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another Health Service or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such transfer will be recognised at carrying value. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

(f) Expense Recognition
Expenses are recognised as they are incurred and reported in the financial year to which they relate.

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

Employee Expenses
Employee expenses include:

- Wages and salaries;
- Annual leave;
- Sick leave;
- Long service leave; and
- Superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans.

Defined Contribution Superannuation Plans
In relation to defined contribution (i.e. accumulation) superannuation plans, the associated expense is simply the employer contributions that are paid or payable in respect of employees who are members of these plans during the reporting period. Contributions to defined contribution superannuation plans are expensed when incurred.

Defined Benefit Superannuation Plans
The amount charged to the Comprehensive Operating Statement in respect of defined benefit superannuation plans represents the contributions made by the Hospital to the superannuation plans in respect of the services of current Hospital staff during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan, and are based upon actuarial advice.

Employees of the 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:

Workforce Data by Labour Category

	Contributions Paid or Payable for the year	
Fund	2012 $'000	2012 $'000
Defined benefit plans		
Health Super Pty Ltd	178	134
Other		
Defined contribution plans		
Health Super Pty Ltd	2,742	2,647
Hesta	780	677
Other	277	202
Total	3,977	3,660

Depreciation
Assets with a cost in excess of $1,000 are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost or valuation over their estimated useful lives. Depreciation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and depreciation method for all assets are reviewed at least annually, and adjustments made where appropriate. This depreciation charge is not funded by the Department of Health.

Depreciation is provided on property, plant and equipment, including freehold buildings, but excluding land and investment properties. Depreciation begins when the asset is available for use, which is when it is in the location and condition necessary for it to be capable of operating in a manner intended by management.

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

	2012	2011
Buildings	Up to 40 years	Up to 40 years
Plant & Equipment	5–20 years	5–20 years
Medical Equipment	3–10 years	3–10 years
Computers & Communication	3–10 years	3–10 years
Furniture & Fitting	3–15 years	3–15 years
Motor Vehicles	From 4 years	From 4 years

As part of the Buildings valuation, building values were componentised and each component assessed for its useful life which is represented above.

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

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

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually or whenever there is an indication that the asset may be impaired. The useful lives of intangible assets that are not being amortised are reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. In addition, the Hospital tests all intangible assets with indefinite useful lives for impairment by comparing the recoverable amount for each asset with its carrying amount:

- annually; and
- whenever there is an indication that the intangible asset may be impaired.

Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

Intangible assets with finite useful lives are amortised over a 3–5 year period (2011: 3–5 years).

Resources Provided Free of Charge or for Nominal Consideration
Resources provided free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another Health Service or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such transfer will be recognised at carrying value. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

(g) Financial Instruments
Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Hospital's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract.

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

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

Financial assets and liabilities at fair value through profit or loss

Financial assets are categorised as fair value through profit or loss at trade date if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed by the entity concerned based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies.

Financial instruments at fair value through profit or loss are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result.

Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the net result. The net gain or loss recognised in net result incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 18.

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits (refer to Note 1(h)), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

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

Held-to-maturity investments

Where the Hospital has the positive intent and ability to hold nominated investments to maturity, then such financial assets may be classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

The Hospital makes limited use of this classification because any sale or reclassification of more than an insignificant amount of held-to-maturity investments not close to their maturity, would result in the whole category being reclassified as available-for-sale. The Hospital would also be prevented from classifying investment securities as held-to-maturity for the current and the following two financial years.

The held-to-maturity category includes certain term deposits and debt securities for which the entity concerned intends to hold to maturity.

Available-for-sale financial assets

Available-for-sale financial instrument assets are those designated as available-for-sale or not classified in any other category of financial instrument asset. Such assets are initially recognised 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 net result for the period. Fair value is determined in the manner described in Note 18.

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method.

Financial instrument liabilities measured at amortised cost include all of the Hospital's contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

(h) Financial Assets

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 three months or less, which are held for the purpose of meeting short term cash commitments rather than for investment purposes, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Receivables

Receivables consist of:

- Contractual receivables, which includes mainly debtors in relation to goods and services, loans to third parties, accrued investment income; and
- Statutory receivables, which includes predominantly amounts owing from the Victorian Government and GST input tax credits recoverable.

Receivables that are contractual are classified as financial instruments and categorised as loans and receivables. Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition. Collectability of debts is reviewed on an ongoing basis, and debts which are known to be uncollectible are written off. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified.

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

Investments are classified in the following categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables; and
- Available-for-sale financial assets.

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

The Hospital assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

All financial assets, except those measured at fair value through profit or loss are subject to annual review for impairment.

Impairment of Financial Assets
At the end of each reporting period the Hospital assesses whether there is objective evidence that a financial asset or group of financial asset is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Receivables are assessed for bad and doubtful debts on a regular basis. Bad debts considered as written off and allowances for doubtful receivables are expensed.

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Where the fair value of an investment in an equity instrument at balance date has reduced by 20 per cent or more than its cost price or where its fair value has been less than its cost price for a period of 12 or more months, the financial asset is treated as impaired.

In order to determine an appropriate fair value as at 30 June 2012 for its portfolio of financial assets, the Hospital obtained a valuation based on the best available advice using an estimated fair value based on market value through a reputable financial institution. This value was compared against valuation methodologies provided by the issuer as at 30 June 2012. These methodologies were critiqued and considered to be consistent with standard market valuation techniques.

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

Net Gain/(Loss) on Financial Instruments
Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments that are designated at fair value through profit or loss or held-for-trading;
- impairment and reversal of impairment for financial instruments at amortised cost; and
- disposals of financial assets.

Revaluations of Financial Instruments at Fair Value
The revaluation gain/(loss) on financial instruments at fair value excludes dividends or interest earned on financial assets.

(i) Non-Financial Assets
Inventories
Inventories include goods and other property held either for sale, consumption or for distribution at no or nominal cost in the ordinary course of business operations. It includes land held for sale and excludes depreciable assets.

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

The 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 is assigned to land for sale (undeveloped, under development and developed) and to other high value, low volume inventory items on a specific identification of cost basis.

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

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

Non-financial Physical Assets Classified as Held for Sale
Non-financial physical assets and disposal groups and related liabilities are treated as current and are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset's sale (or disposal group) is expected to be completed within 12 months from the date of classification, and the asset is available for immediate use in the current condition.

Non-financial physical assets (including disposal groups) classified as held for sale are treated as current and are measured at the lower of carrying amount and fair value less costs to sell, and are not subject to depreciation.

Property, Plant and Equipment
All non-current physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

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

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

Plant, Equipment and Vehicles are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and impairment. Depreciated historical cost is generally a reasonable proxy for fair value because of the short lives of the assets concerned.

Restrictive Nature of Cultural and Heritage Assets, Crown Land and Infrastructure Assets
During the reporting period, the Hospital may hold cultural assets, heritage assets, Crown land and infrastructure assets.

Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. The nature of these assets means that there are certain limitations and restrictions imposed on their use and/or disposal.

Revaluations of Non-current Physical Assets
Non-current physical assets are measured at fair value and are revalued in accordance with FRD 103D *Non-current physical assets*. This revaluation process normally occurs at least every five years, based upon the asset's Government Purpose Classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations and any interim revaluations are determined in accordance with the requirements of the FRDs. Revaluation increments or decrements arise from differences between an asset's carrying value and fair value.

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

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

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

Revaluation surplus is not transferred to accumulated funds on derecognition of the relevant asset.

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

Investment Properties
Investment properties represent properties held to earn rentals or for capital appreciation or both. Investment properties exclude properties held to meet service delivery objectives of 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, determined annually by independent valuers. Changes in the fair value are recognised as income or expenses in the period that they arise. Investment properties are neither depreciated nor tested for impairment.

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

Intangible Assets
Intangible assets represent identifiable non-monetary assets without physical substance such as patents, trademarks, and 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.

Other Non-Financial Assets

Prepayments

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Disposal of Non-Financial Assets

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

Impairment of Non-Financial Assets

Apart from intangible assets with indefinite useful lives (and intangible assets not yet available for use), all other non-financial assets are assessed annually for indications of impairment, except for:

- inventories;
- financial assets;
- assets arising from construction contracts;
- non-current physical assets held for sale; 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 as an expense except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that same class of asset.

If there is an indication that there has been a change in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction 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.

(j) Liabilities

Payables

Payables consist of:

- contractual payables which consist predominantly of accounts payable representing 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 those goods and services.
- The normal credit terms for accounts payable are usually Nett 30 days.
- statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are initially recognised at fair value, and then subsequently carried at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Employee Benefits

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

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

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

Long Service Leave

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

Current Liability – Unconditional LSL

(representing 10 or more years of continuous service) is disclosed in the notes to the financial statements 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.

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

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

On-Costs
Employee benefit on-costs, such as payroll tax, workers compensation and superannuation are recognised separately from provisions for employee benefits.

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

Onerous Contracts
An onerous contract is considered to exist when the Hospital has a contract under which the unavoidable cost of meeting the contractual obligation exceeds the estimated economic benefits to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the estimated economic benefits to be received.

(k) Leases
Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership.

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

Finance Leases
Entity as lessor
The Hospital does not hold any finance lease arrangements with other parties.

Entity as lessee
No other parties hold any finance lease arrangement with the Hospital.

Operating Leases
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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

Property, Plant & Equipment Revaluation Surplus
The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current physical assets.

Financial Asset Available-for-Sale Revaluation Surplus
The available-for-sale revaluation surplus arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold that portion of the surplus which relates to that financial asset is effectively realised, and is recognised in the Comprehensive Operating Statement. Where a revalued financial asset is impaired that portion of the surplus which relates to that financial asset is recognised in the Comprehensive Operating Statement.

Specific Restricted Purpose Surplus
A specific restricted purpose surplus 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.

(m) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 19) at their nominal value and are inclusive of the goods and services tax ('GST') payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised on the balance sheet.

(n) Goods and Services Tax ('GST')

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

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

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

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

(o) Events after the Reporting Period

Assets, liabilities, income or expenses arise from past transactions or other past events. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting period and before the date the financial statements are authorised for issue, where those events provide information about conditions which existed in the reporting period. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period and which may have a material impact on the results of subsequent reporting periods.

(p) Rounding

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

Minor discrepancies in tables between totals and sum of components are due to rounding.

(q) AASs issued that are not yet effective

Certain new Australian accounting standards and interpretations have been published that are not mandatory for the 30 June 2012 reporting period.

As at 30 June 2012, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. The Hospital has not and does not intend to adopt these standards early.

Standard/Interpretation	Summary	Reporting period	Impact on financial statements
AASB 9 Financial Instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: recognition and measurement (AASB 139 Financial Instruments: recognition and measurement).	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 10 Consolidated Financial Statements	This Standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities and supersedes those requirements in AASB 127 Consolidated and Separate Financial Statements and Interpretation 112 Consolidation – Special Purpose Entities.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 10 in a not-for-profit context. As such, impact will be assessed after the AASB's deliberation.
AASB 11 Joint Arrangements	This Standard requires entities that have an interest in arrangements that are controlled jointly to assess whether the arrangement is a joint operation or joint venture. AASB 11 shall be applied for an arrangement that is a joint operation. It also replaces parts of requirements in AASB 131 Interests in Joint Ventures.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 11 in a not-for-profit context. As such, impact will be assessed after the AASB's deliberation.
AASB 12 Disclosure of Interests in Other Entities	This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements in AASB 127 and AASB 131.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 12 in a not-for-profit context. As such, impact will be assessed after the AASB's deliberation.
AASB 13 Fair Value Measurement	This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other AASs. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.	1 Jan 2013	Disclosure for fair value measurements using unobservable inputs are relatively onerous compared to disclosure for fair value measurements using observable inputs. Consequently, the Standard may increase the disclosures for public sector entities that have assets measured using depreciated replacement cost.

* Applicable for annual reporting periods beginning or ending on

AASB 119 Employee Benefits	In this revised Standard for defined benefit superannuation plans, there is a change to the methodology in the calculation of superannuation expenses, in particular there is now a change in the split between superannuation interest expense (classified as transactions) and actuarial gains and losses (classified as 'Other economic flows – other movements in equity') reported on the comprehensive operating statement.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. While the total superannuation expense is unchanged, the revised methodology is expected to have a negative impact on the net result from transactions of the general government sector and for those few Victorian public sector entities that report superannuation defined benefit plans.
AASB 127 Separate Financial Statements	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 127 in a not-for-profit context. As such, impact will be assessed after the AASB's deliberation.
AASB 128 Investments in Associates and Joint Ventures	This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 128 in a not-for-profit context. As such, impact will be assessed after the AASB's deliberation.
AASB 1053 Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	These consequential amendments are in relation to the introduction of AASB 9.	1 Jan 2013	No significant impact is expected from these consequential amendments on entity reporting.

AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	This amendment provides a practical approach for measuring deferred tax assets and deferred tax liabilities when measuring investment property by using the fair value model in AASB 140 Investment Property.	Beginning 1 Jan 2012	This amendment provides additional clarification through practical guidance.
AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	The amendments ultimately affect AASB 1 First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.	1 Jan 2013	No significant impact is expected on entity reporting.
AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054]	The objective of this amendment is to include some additional disclosure from the Trans-Tasman Convergence Project and to reduce disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]	This amends AASB 1049 to clarify the definition of the ABS GFS Manual, and to facilitate the adoption of changes to the ABS GFS Manual and related disclosures.	1 July 2012	This amendment provides clarification to users preparing the whole of government and general government sector financial reports on the version of the GFS Manual to be used and what to disclose if the latest GFS Manual is not used. No impact on departmental or entity reporting.
AASB 2011-4. Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Standard amends AASB 124 Related Party Disclosures by removing the disclosure requirements in AASB 124 in relation to individual key management personnel (KMP).	1 July 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2011-6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [AASB 127, AASB 128 & AASB 131]	The objective of this Standard is to make amendments to AASB 127 Consolidated and Separate Financial Statements, AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures to extend the circumstances in which an entity can obtain relief from consolidation, the equity method or proportionate consolidation.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	This Standard outlines consequential changes arising from the issuance of the five 'new Standards' to other Standards. For example, references to AASB 127 Consolidated and Separate Financial Statements are amended to AASB 10 Consolidated Financial Statements or AASB 127 Separate Financial Statements, and references to AASB 131 Interests in Joint Ventures are deleted as that Standard has been superseded by AASB 11 and AASB 128 (August 2011).	1 Jan 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	This amending Standard makes consequential changes to a range of Standards and Interpretations arising from the issuance of AASB 13. In particular, this Standard replaces the existing definition and guidance of fair value measurements in other Australian Accounting Standards and Interpretations.	1 Jan 2013	Disclosures for fair value measurements using unobservable inputs is potentially onerous, and may increase disclosures for assets measured using depreciated replacement cost.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	The main change resulting from this Standard is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). These amendments do not remove the option to present profit or loss and other comprehensive income in two statements, nor change the option to present items of OCI either before tax or net of tax.	1 July 2012	This amending Standard could change the current presentation of 'Other economic flows- other movements in equity' that will be grouped on the basis of whether they are potentially reclassifiable to profit or loss subsequently. No other significant impact will be expected.
AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14]	This Standard makes consequential changes to a range of other Australian Accounting Standards and Interpretation arising from the issuance of AASB 119 Employee Benefits.	1 Jan 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	This Standard makes amendments to AASB 119 Employee Benefits (September 2011), to incorporate reduced disclosure requirements into the Standard for entities applying Tier 2 requirements in preparing general purpose financial statements.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1]	This Standard makes amendments to AASB 1 First-time Adoption of Australian Accounting Standards, as a consequence of the issuance of IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine. This Standard allows the first-time adopters to apply the transitional provisions contained in Interpretation 20.	1 Jan 2013	There may be an impact for new agencies that adopt Australian Accounting Standards for the first time. No implication is expected for existing entities in the Victorian public sector.
2011-13 Amendments to Australian Accounting Standard – Improvements to AASB 1049	This Standard aims to improve the AASB 1049 Whole of Government and General Government Sector Financial Reporting at the operational level. The main amendments clarify a number of requirements in AASB 1049, including the amendment to allow disclosure of other measures of key fiscal aggregates as long as they are clearly distinguished from the key fiscal aggregates and do not detract from the information required by AASB 1049. Furthermore, this Standard provides additional guidance and examples on the classification between 'transactions' and 'other economic flows' for GAAP items without GFS equivalents.	1 July 2012	No significant impact is expected from these consequential amendments on entity reporting.
2012-1 Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements [AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141]	This amending Standard prescribes the reduced disclosure requirements in a number of Australian Accounting Standards as a consequence of the issuance of AASB 13 Fair Value Measurement.	1 July 2013	As the Victorian whole of government and the general government (GG) sector are subject to Tier 1 reporting requirements (refer to AASB 1053 Application of Tiers of Australian Accounting Standards), the reduced disclosure requirements included in AASB 2012-1 will not affect the financial reporting for Victorian whole of government and GG sector.
AASB Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	This Interpretation clarifies when production stripping costs should lead to the recognition of an asset and how that asset should be initially and subsequently measured.	1 Jan 2013	No significant impact is expected on entity reporting.

(r) 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.

Note 2: Revenue

	HSA 2012 $'000	HSA 2011 $'000	H&CI 2012 $'000	H&CI 2011 $'000	Total 2012 $'000	Total 2011 $'000
Revenue from Operating Activities						
Government Grants						
– Department of Health	65,714	63,757	—	—	65,714	63,757
– Equipment and Infrastructure Maintenance	571	556	—	—	571	556
Commonwealth Government						
– Other	3,670	3,831	—	—	3,670	3,831
Total Government Grants	**69,955**	**68,144**	**—**	**—**	**69,955**	**68,144**
Indirect Contributions by Department of Health						
Insurance	1,336	1,771	—	—	1,336	1,771
Total Indirect Contributions by Department of Health	**1,336**	**1,771**	**—**	**—**	**1,336**	**1,771**
Patient Fees						
Patient Fees (refer Note 2b)	4,307	3,927	300	322	4,607	4,249
Total Patient Fees	**4,307**	**3,927**	**300**	**322**	**4,607**	**4,249**
Business Units						
Research	—	—	165	116	165	116
Total Commercial Activities & Specific Purpose Funds	—	—	**165**	**116**	**165**	**116**
Donations & Bequests	13	5	998	1,366	1,011	1,371
Recoupment from Private Practice for Use of Hospital Facilities	50	35	1,214	1,368	1,264	1,403
Other Revenue from Operating Activities	1,456	1,098	667	830	2,123	1,928
Sub-Total Revenue from Operating Activities	**77,117**	**74,980**	**3,344**	**4,002**	**80,461**	**78,982**
Revenue from Non-Operating Activities						
Interest & Dividends	238	120	1,175	680	1,413	800
Other Revenue from Non-Operating Activities	—	—	—	—	—	—
Sub-Total Revenue from Non-Operating Activities	**238**	**120**	**1,175**	**680**	**1,413**	**800**
Capital Purpose Income						
State Government Capital Grants						
– Targeted Capital Works and Equipment	—	—	3,670	895	3,670	895
Capital Interest	—	—	3,085	2,992	3,085	2,992
Capital Dividends	—	—	213	(91)	213	(91)
Donations & Bequests	—	—	—	22	—	22
Proceeds on sale of Non Financial Assets (refer Note 2c)	—	—	10	40	10	40
Other Capital Purpose Income	—	—	400	(38)	400	(38)
Sub-Total Revenue from Capital Purpose Income	**—**	**—**	**7,378**	**3,820**	**7,378**	**3,820**
Total Revenue (refer to Note 2a)	**77,355**	**75,100**	**11,897**	**8,502**	**89,252**	**83,602**

Indirect contributions by Department of Health: Department of Health makes certain payments on behalf of the Hospital. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses. This note relates to revenues above the net result line only, and does not reconcile to comprehensive income.

Note 2a: Analysis of Revenue by Source

(based on the consolidated view of note 2)

	Admitted Patients	Outpatients	EDS	Other	Total
	2012 $'000	2012 $'000	2012 $'000	2012 $'000	2012 $'000
Revenue from Services Supported by Health Services Agreement					
Government Grants					
– Department of Health	43,714	21,361	4,309	—	69,384
– State Government – Other	360	176	35	—	571
Indirect contributions by Department of Health					
– Insurance	842	411	83	—	1,336
Patient Fees (refer Note 2b)	3,439	868	—	—	4,307
Donations & Bequests (non capital)	—	13	—	—	13
Recoupment from Private Practice for Use of Hospital Facilities	10	40	1	—	51
Other Revenue from Operating Activities	554	853	48	—	1,455
Interest & Dividends	150	73	15	—	238
Sub-Total Revenue from Services Supported by Health Services Agreement	**49,069**	**23,795**	**4,491**	**—**	**77,355**
Revenue from Services Supported by Hospital and Community Initiatives					
Donations & Bequests (non capital)	—	—	—	998	998
Other					
– Patient Fees (refer Note 2b)	—	—	—	300	300
– Private Practice and Other Patient Activities	—	—	—	1,214	1,214
– Pharmacy Fees	—	—	—	65	65
– Car Park	—	—	—	13	13
– Property Income	—	—	—	235	235
– Research	—	—	—	165	165
– Investment Returns	—	—	—	1,175	1,175
– Other	—	—	—	354	354
Capital Purpose Income (refer Note 2)	—	—	—	7,378	7,378
Sub-Total Revenue from Services Supported by Hospital and Community Initiatives	**—**	**—**	**—**	**11,897**	**11,897**
Total Revenue	**49,069**	**23,795**	**4,491**	**11,897**	**89,252**

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

Note 2b: Patient Fees Raised

	2012 $'000	2011 $'000
Patient Fees		
Acute		
– Inpatients	3,439	3,175
– Outpatients	1,168	1,074
– Other	—	—
Total Patient Fees	**4,607**	**4,249**

Note 2c: Net Gain/(Loss) on Disposal of Non-Financial Assets

	2012 $'000	2011 $'000
Proceeds from Disposals of Non-Current Assets		
Plant and Equipment	—	—
Medical Equipment	10	33
Motor Vehicles	—	7
Computer	—	—
Total Proceeds from Disposal of Non-Current Assets	**10**	**40**
Less: Written Down Value of Non-Current Assets Sold		
Plant and Equipment	1	—
Medical Equipment	21	1
Motor Vehicles	—	—
Computer	3	—
Total Written Down Value of Non-Current Assets Sold	**25**	**1**
Net gain/(loss) on Disposal of Non-Financial Assets	**(15)**	**39**

Note 3: Expenses

	HSA 2012	HSA 2011	H&CI 2012	H&CI 2011	Total 2012	Total 2011
Employee Expenses						
Salaries & Wages	44,538	40,931	379	614	44,917	41,545
WorkCover Premium	291	392	2	4	293	396
Departure Packages	(26)	220	2	—	(24)	220
Long Service Leave	1,279	1,304	—	2	1,279	1,306
Superannuation	3,947	3,621	30	39	3,977	3,660
Total Employee Expenses	**50,029**	**46,468**	**413**	**659**	**50,442**	**47,127**
Non Salary Labour Costs						
Agency Costs – Nursing	624	334	—	—	624	334
Agency Costs – Other	1,647	2,004	291	266	1,938	2,270
Total Non Salary Labour Costs	**2,271**	**2,337**	**291**	**267**	**2,562**	**2,604**
Supplies & Consumables						
Drug Supplies	5,656	5,701	240	256	5,896	5,957
Medical, Surgical Supplies and Prosthesis	9,650	9,785	34	27	9,684	9,812
Pathology Supplies	779	592	1	—	780	592
Food Supplies	494	473	6	2	500	475
Total Supplies & Consumables	**16,579**	**16,551**	**281**	**285**	**16,860**	**16,836**
Other Expenses						
Domestic Services & Supplies	2,265	2,281	29	31	2,294	2,312
Fuel, Light, Power and Water	580	637	—	—	580	637
Insurance costs funded by Department of Health	957	1,766	—	—	957	1,766
Motor Vehicle Expenses	182	43	—	—	182	43
Repairs & Maintenance	1,338	1,421	—	15	1,338	1,436
Maintenance Contracts	428	410	1	—	429	410
Patient Transport	207	197	—	—	207	197
Bad & Doubtful Debts	24	18	2	17	26	35
Lease Expenses	2	268	—	—	2	268
Postal and Telephone	397	459	34	17	431	476
Other Administrative Expenses	3,503	3,509	1,014	1,121	4,517	4,630
Other	569	553	103	187	672	740
Audit Fees						
– VAGO – Audit of Financial Statements	54	57	—	—	54	57
– Other	226	79	—	—	226	79
Total Other Expenses	**10,732**	**11,698**	**1,183**	**1,388**	**11,915**	**13,086**

Expenditure Using Capital Purpose Income						
Employee Expenses						
– Salaries & Wages	—	—	—	319	—	319
Total Employee Expenses	**—**	**—**	—	**319**	—	**319**
Other Expenses						
– Fuel, Light, Power and Water	—	—	—	32	—	32
– Repairs and Maintenance	—	—	81	74	81	74
– Administrative Expenses	—	—	148	398	148	398
Total Other Expenses	**—**	**—**	**229**	**504**	**229**	**504**
Total Expenditure using Capital Purpose Income	**—**	**—**	**229**	**823**	**229**	**823**
Depreciation & Amortisation	—	—	7,217	7,223	7,217	7,223
Written Down Value of Assets sold (refer Note 2c)	—	—	25	1	25	1
Total Impairment of Assets	**—**	**—**	**7,242**	**7,224**	**7,242**	**7,224**
Total Expenses	**79,611**	**77,055**	**9,638**	**10,645**	**89,250**	**87,700**

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

Note 3a: Analysis of Expenses by Source

	Admitted Patients	Outpatients	EDS	Other	Total
	2012 $'000	2012 $'000	2012 $'000	2012 $'000	2012 $'000
Services Supported by Health Services Agreement					
Employee Expenses	29,921	14,847	5,261	—	50,029
Non Salary Labour Costs	1,306	850	115	—	2,271
Supplies & Consumables	11,083	4,799	697	—	16,579
Other Expenses from Continuing Operations	4,622	4,457	1,653	—	10,732
Total Expenses from Services Supported by Health Services Agreement	**46,932**	**24,953**	**7,726**	**—**	**79,611**
Services Supported by Hospital and Community Initiatives					
Employee Expenses	—	—	—	413	413
Non Salary Labour Costs	—	—	—	291	291
Supplies & Consumables	—	—	—	281	281
Other Expenses from Continuing Operations	—	—	—	1,183	1,183
Total Expense from Services Supported by Hospital and Community Initiatives	**—**	**—**	**—**	**2,1698**	**2,168**
Expenditure using Capital Purpose Income					
Other Expenses	—	—	—	229	229
Total Expenditure using Capital Purpose Income	**—**	**—**	**—**	**229**	**229**
Depreciation & Amortisation (refer Note 4)	—	—	—	7,217	7,217
Written Down Value of Assets sold (refer Note 2c)	—	—	—	25	25
Total Expenditure from Services supported by Health Services Agreement and by Hospital and Community Initiatives	**—**	**—**	**—**	**7,242**	**7,242**
Total Expenses	**46,932**	**24,953**	**7,726**	**9,639**	**89,250**

	Admitted Patients	Outpatients	EDS	Other	Total
	2011 $'000	2011 $'000	2011 $'000	2011 $'000	2011 $'000
Services Supported by Health Services Agreement					
Employee Expenses	28,072	13,698	4,699	—	46,469
Non Salary Labour Costs	1,289	983	65	—	2,337
Supplies & Consumables	7,379	8,527	645	—	16,551
Other Expenses from Continuing Operations	7,515	3,710	473	—	11,698
Total Expenses from Services Supported by Health Services Agreement	**44,255**	**26,918**	**5,882**	**—**	**77,055**
Services Supported by Hospital and Community Initiatives					
Employee Expenses	—	—	—	635	635
Non Salary Labour Costs	—	—	—	289	289
Supplies & Consumables	—	—	—	286	286
Other Expenses from Continuing Operations	—	—	—	1,388	1,388
Total Expense from Services Supported by Hospital and Community Initiatives	**—**	**—**	**—**	**2,598**	**2,598**
Expenditure using Capital Purpose Income					
Employee Expenses	—	—	—	319	319
Other Expenses	—	—	—	504	504
Total Expenditure using Capital Purpose Income	**—**	**—**	**—**	**823**	**823**
Written Down Value of Assets Sold (refer Note 2c)	—	—	—	1	1
Depreciation & Amortisation (refer Note 4)	—	—	—	7,223	7,223
Total Expenditure from Services supported by Health Services Agreement and by Hospital and Community Initiatives	**—**	**—**	**—**	**7,224**	**7,224**
Total Expenses	**44,255**	**26,918**	**5,882**	**10,645**	**87,700**

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

Commercial Activities	2012 $'000	2011 $'000
Private Practice and Other Patient Activities	914	962
Pharmacy Services	270	283
Property Expenses	7	13
Computer Implementation	—	1
Other (include any activity not stated above)	405	639
Other Activities		
Fundraising and Community Support	212	307
Research and Scholarship	355	393
Education and Training	5	—
Total	**2,168**	**2,598**

Note 4: Depreciation and Amortisation

	2012 $'000	2011 $'000
Depreciation		
Buildings	4,612	4,549
Plant & Equipment	178	160
Medical Equipment	1,239	1,305
Computers and Communication	514	329
Non-Medical Equipment	10	10
Furniture and Fittings	23	20
Motor Vehicle	7	4
Total Depreciation	**6,583**	**6,377**
Amortisation		
Intangible Assets	634	846
Total Amortisation	**634**	**846**
Total Depreciation & Amortisation	**7,217**	**7,223**

Note 5: Cash and Cash Equivalents

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

	2012 $'000	2011 $'000
Cash on Hand	2	1
Cash at Bank	1,624	108
Deposits at Call	13	674
Total Cash and Cash Equivalents	**1,639**	**783**
Represented by:		
Cash for Health Service Operations (as per Cash Flow Statement)	1,639	783
Total Cash and Cash Equivalents	**1,639**	**783**

Note 6: Receivables

Current	2012 $'000	2011 $'000
Contractual		
Inter Hospital Debtors	228	296
Trade Debtors	225	396
Patient Fees	288	273
Accrued Revenue - Other	107	319
Less Allowance for Doubtful Debts		
– Trade Debtors	(31)	(34)
– Patient Fees	(29)	(24)
	788	**1,226**
Statutory		
GST Receivable	361	509
	361	**509**
Total Current Receivables	**1,149**	**1,735**
Non-current		
Statutory		
Long Service Leave – Department of Health	678	460
	678	**460**
Total Non-Current Receivables	**678**	**460**
Total Receivables	**1,827**	**2,195**

a. Movement in the Allowance for doubtful debts

	2012	2011
Balance at beginning of year	58	47
Amounts written off during the year	26	35
Amounts recovered during the year	—	—
Increase/(decrease) in allowance recognised in net result	(24)	(24)
Balance at end of year	**60**	**58**

2011 closing balance has been adjusted to reflect amount reported in prior year Note 6.

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

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

Note 7: Investments and other Financial Assets

	Operating Fund		Specific Purpose Fund		Capital Fund		Total	
Current	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Term Deposit								
Aust. Dollar Term Deposits > 3 months*	—	—	48,951	45,500	—	—	48,951	45,500
Australian Listed Equity Securities	—	—	18,272	19,424	—	—	18,272	19,424
Total Current	**—**	**—**	**67,223**	**64,924**	**—**	**—**	**67,223**	**64,924**
Non Current								
Available-for-Sale Financial Assets								
Units in Managed Funds	—	—	2,722	2,824	—	—	2,722	2,824
Total Non Current	**—**	**—**	**2,722**	**2,824**	**—**	**—**	**2,722**	**2,824**
Total Investments And Other Financial Assets	**—**	**—**	**69,945**	**67,748**	**—**	**—**	**69,945**	**67,748**
Represented by								
Health Service Investments	—	—	69,945	67,748	—	—	69,945	67,748
Total Investments And Other Financial Assets	**—**	**—**	**69,945**	**67,748**	**—**	**—**	**69,945**	**67,748**

* Term deposits under 'investments and other financial assets' class include only term deposits with maturity greater than 90 days.

a. Ageing analysis of investments and other financial assets

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

b. Nature and extent of risk arising from investments and other financial assets

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

c. Restrictions on investments

The Hospital has cash and cash equivalents that are subject to restrictions. As at the reporting date the Hospital held Specific Purpose Funds that are restricted comprising:

Note 8: Inventories

	2012 $'000	2011 $'000
Pharmaceuticals*		
At cost	196	196
Medical and Surgical Lines*		
At cost	373	288
Total Medical and Surgical lines	**569**	**484**
Other *		
Gift Shop – At Cost	6	6
Total Inventories	**575**	**490**

* All categories are valued at the lower of Cost or Net Realisable Value.

Note 9: Other Assets

Current	2012 $'000	2011 $'000
Prepayments	124	391
Accrued Investment Income	826	1,023
Total Current Other Assets	**950**	**1,414**
Non-Current		
Total Non-Current Other Assets	**—**	**—**
Total Other Assets	**950**	**1,414**

Note 10: Property, Plant & Equipment

	2012 $'000	2011 $'000
Land		
Land at Fair Value	27,160	27,160
– Less Impairment	—	—
Total Land	**27,160**	**27,160**
Buildings		
Buildings at Fair Value	184,300	181,770
Buildings at Cost	100	100
– Less Acc'd Depreciation	(117,718)	(113,106)
Total Buildings	**66,682**	**68,7 64**
Plant and Equipment		
Plant and Equipment at Fair Value	3,536	3,213
– Less Acc'd Depreciation	(1,278)	(1,097)
Total Plant and Equipment	**2,258**	**2,116**
Medical Equipment		
Medical Equipment at Fair Value	16,062	16,870
– Less Acc'd Depreciation	(10,933)	(11,529)
Total Medical Equipment	**5,129**	**5,341**
Computers and Communication		
Computers and Communication at Cost	1,870	2,371
– Less Acc'd Depreciation	(858)	(1,305)
Total Computers and Communication	**1,012**	**1,066**
Non-Medical Equipment		
Non-Medical Equipment at Cost	139	157
– Less Acc'd Depreciation	(76)	(88)
Total Non-Medical Equipment	**63**	**69**
Furniture and Fittings		
Furniture and Fittings at Cost	398	348
– Less Acc'd Depreciation	(233)	(170)
Total Furniture and Fittings	**165**	**178**
Motor Vehicles		
Motor Vehicles at Fair Value	27	27
– Less Acc'd Depreciation	(10)	(4)
Total Motor Vehicles	**17**	**24**
Work in Progress		
Work in Progress at Cost	3,025	2,535
Total Work in Progess	**3,025**	**2,535**
Total Property, Plant & Equipment	**105,511**	**107,253**

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

	Land	Buildings	Plant & Equipment	Medical Equipment	Computers & Comm'ns	Non-Medical Equipment	Furniture & Fittings	Motor Vehicles	Work in Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2010	**27,160**	**73,295**	**1,761**	**5,821**	**696**	**74**	**155**	**—**	**1,638**	**110,600**
Additions	—	18	515	826	699	5	43	27	897	3,030
Disposals	—	—	—	(1)	—	—	—	—	—	(1)
Depreciation and Amortisation (Note 4)	—	(4,549)	(160)	(1,305)	(329)	(10)	(20)	(4)	—	(6,377)
Balance at 1 July 2011	**27,160**	**68,764**	**2,116**	**5,341**	**1,066**	**69**	**178**	**24**	**2,535**	**107,253**
Additions	—	2,530	324	1079	460	13	67	—	490	4,962
Disposals	—	—	(4)	(52)	—	(9)	(57)	—	—	(121)
Depreciation and Amortisation (Note 4)	—	(4,612)	(178)	(1,239)	(514)	(10)	(23)	(7)	—	(6,583)
Balance at 30 June 2012	**27,160**	**66,682**	**2,258**	**5,129**	**1,012**	**63**	**165**	**17**	**3,025**	**105,511**

Land and buildings carried at valuation

For the year ended 30 June 2009 an independent valuation of the Hospital's property, plant and equipment was performed by the Valuer-General Victoria to determine the fair value of the land and buildings. This exercise resulted in the assets being revalued in that year leading to an increase in the Asset Revaluation Reserve of $50.754 million.

Plant, Equipment, Furniture and Fittings

For the year ended 30 June 2012 the Hospital reviewed the carrying values of a large number of Medical Equipment assets against the replacement costs of these assets in order to assess carrying value against fair value. This exercise indicated that fair value did not materially differ from the current value and as a result no adjustment was recorded.

Note 11: Intangible Assets

	2012 $'000	2011 $'000
Computer Software	2,500	3,294
– Less Acc'd Amortisation	(1,160)	(1,445)
	1,340	**1,849**
Computer Software – Work in Progress	266	43
	266	**43**
Total Intangible Assets	**1,606**	**1,892**

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

	Computer Software	Comp S'ware Work in Progess	Total
	$'000	$'000	$'000
Balance at 1 July 2010	**821**	**43**	**864**
Additions	1,874	—	1,874
Amortisation (Note 4)	(846)	—	(846)
Balance at 1 July 2011	**1,849**	**43**	**1,892**
Additions	125	223	348
Disposals	(919)	—	(919)
Amortisation (Note 4)	(634)	—	(634)
Amortisation on disposals	919	—	919
Balance at 30 June 2012	**1,340**	**266**	**1,606**

Note 12: Investment Properties

	2012 $'000	2011 $'000
Land	600	600
Buildings	40	40
Balance at Beginning of Period	**640**	**640**
Net Gain/(Loss) from Fair Value Adjustments	360	—
Balance at End of Period	**1,000**	**640**

Net Rental Income		
Rental Income	42	27
Rental Expenses	(2)	(1)
Net Rental Income	**40**	**26**

Valuation

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

At 30 June 2012, management verified this valuation by applying the Valuer-General Victoria indices relevant for the asset category and period. Accordingly, the carrying value has been adjusted by $360,000 to reflect an approximation of fair value.

Note 13: Payables

Current	2012 $'000	2011 $'000
Contractual		
Trade Creditors	1,813	2,266
Accrued Expenses	2,416	1,952
	4,229	**4,218**
Statutory		
GST Payable	112	45
Fringe Benefits Tax Payable	125	—
	237	**45**
Total Current	**4,466**	**4,263**
Total Payables	**4,466**	**4,263**

a. Maturity analysis of payables

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

b. Nature and extent of risk arising from payables

Please refer to Note 18c for the nature and extent of risks arising from contractual payables.

Note 14: Provisions

	2012 $'000	2011 $'000
Current Provisions		
Employee Benefits		
– Unconditional and expected to be settled within 12 months	6,778	5,600
– Unconditional and expected to be settled after 12 months	3,979	3,876
	10,757	**9,476**
Provisions related to Employee Benefit On-Costs		
– Unconditional and expected to be settled within 12 months	614	574
	614	**574**
Total Current Provisions	**11,371**	**10,050**
Non-Current Provisions		
Employee Benefits	2,424	1,875
Total Non-Current Provisions	**2,424**	**1,875**
Total Provisions	**13,795**	**11,925**

a. Employee Benefits and Related On-Costs

Current Employee Benefits and related on-costs		
Unconditional LSL Entitlement	3,867	4,364
Annual Leave Entitlements	3,790	2,845
Accrued Wages and Salaries	2,718	1,973
Sick Leave		
Accrued Days Off	142	161
Other		
– Superannuation	240	133
Non-Current Employee Benefits and related on-costs		
Conditional Long Service Leave Entitlements	2,424	1,875
Total Employee Benefits	**13,181**	**11,351**
Current On-Costs	614	574
Non-Current On-Costs	—	—
Total On-Costs	**614**	**574**
Total Employee Benefits and Related On-Costs	**13,795**	**11,925**

b. Movement in Provisions

Movement in Long Service Leave		
Balance at start of year	**6,239**	**5,570**
Provision made during the year		
– Revaluations	(220)	23
– Expense recognising Employee Service	1,499	1,281
Settlement made during the year	(614)	(635)
Balance at end of year	**6,904**	**6,239**

2011 closing balance has been adjusted to reflect amount reported in prior year Note 14(a).

Note 15: Other Liabilities

	2012 $'000	2011 $'000
Current		
Prepaid Revenue	30	37
Bond Money	9	9
Patient Fees	46	29
Income in Advance – Department of Health	1,154	1,227
Income in Advance – Rent	29	12
Total Current	**1,268**	**1,314**
Non Current		
Total Non-Current	**–**	**–**
Total Other Liabilities	**1,268**	**1,314**

Note 16: Equity

a. Surpluses	2012 $'000	2011 $'000
Property, Plant & Equipment Revaluation Surplus [1]		
Balance at the beginning of the reporting period	62,462	62,462
Revaluation Increment/(Decrements)		
– Land	–	–
– Buildings	–	–
Balance at the end of the reporting period*	**62,462**	**62,462**
* Represented by:		
– Land	17,071	17,071
– Buildings	45,391	45,391
	62,462	**62,462**
Financial Assets Available-for-Sale Revaluation Surplus [2]		
Balance at the beginning of the reporting period	4,618	2,598
Valuation gain/(loss) recognised	(1,391)	2,020
Balance at end of the reporting period	**3,227**	**4,618**
General Purpose Surplus		
Balance at the beginning of the reporting period	22,372	33,090
Transfer (to) and from:		
– Restricted Specific Purpose Surplus	5,092	(8,871)
– Accumulated Surplus / (Deficits)	(3,525)	(1,847)
Balance at the end of the reporting period	**23,939**	**22,372**
Restricted Specific Purpose Surplus		
Balance at the beginning of the reporting period	30,267	21,724
Transfer (to) and from:		
– General Purpose Surplus	(5,092)	8,871
– Accumulated Surpluses / (Deficits)	5,779	(328)
Balance at the end of the reporting period	**30,954**	**30,267**
Total Surpluses	**120,582**	**119,719**

1. The property, plant & equipment asset revaluation surplus arises on the revaluation of property, plant and equipment. The most recent valuation was at 30 June 2009.
2. The financial assets available-for-sale revaluation surplus arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, that portion of the reserve which relates to the financial asset, and is effectively realised, is recognised in the net result. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in net result.

b. Contributed Capital	2012 $'000	2011 $'000
Balance at the beginning of the reporting period	51,568	51,568
Balance at the end of the reporting period	**51,568**	**51,568**

c. Accumulated Surpluses/(Deficits)		
Balance at the beginning of the reporting period	(6,374)	(4,451)
Net Result for the Year	2	(4,098)
Transfers (to) and from:		
– General Purpose Reserve	3,525	1,847
– Restricted Specific Purpose Reserve	(5,779)	328
Balance at the end of the reporting period	**(8,626)**	**(6,374)**

d. Total Equity at end of financial year	**163,524**	**164,913**

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

	2012 $'000	2011 $'000
Net Result for the Year	**2**	**(4,098)**
Depreciation	6,583	6,377
Amortisation of Intangibles	634	846
Revaluation of Investment Properties	(360)	—
Provision for Doubtful Debts	2	11
Net (Gain)/Loss from Disposal of Non Financial Physical Assets	15	(39)
Change in Operating Assets & Liabilities		
– (Increase)/Decrease in Receivables	372	(705)
– (Increase)/Decrease in Other Assets	198	(1,140)
– (Increase)/Decrease in Prepayments	267	(186)
– Increase/(Decrease) in Payables	206	(669)
– Increase/(Decrease) in Provisions	1,870	1,158
– Increase/(Decrease) in Other Liabilities	(46)	302
– Change in Inventories	(85)	132
Net Cash Inflow/(Outflow) From Operating Activities	**9,658**	**1,989**

Note 18: Financial Instruments

a. Financial Risk Management objectives and policies

The Hospital's principal financial instruments comprise of:

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

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

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

CATEGORISATION OF FINANCIAL INSTRUMENTS

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

	Carrying Amount	Carrying Amount
	2012 $'000	2011 $'000
Financial Assets		
Cash and cash equivalents	1,639	783
Loans and Receivables	788	1,226
Available for Sale	69,945	67,748
Total Financial Assets (i)	**72,372**	**69,757**
Financial Liabilities		
Financial Liabilities at Amortised Cost	4,229	4,218
Other Liabilities at Amortised Cost	1,268	1,314
Total Financial Liabilities (ii)	**5,497**	**5,532**

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

NET HOLDING GAIN/(LOSS) ON FINANCIAL INSTRUMENTS BY CATEGORY

	Net holding gain/ (loss)	Net holding gain/ (loss)
	2012 $'000	2011 $'000
Financial Assets		
Available for Sale (i)	(1,391)	2,020
Total Financial Assets	**(1,391)**	**2,020**
Financial Liabilities		
Total Financial Liabilities	**–**	**–**

(i) For cash and cash equivalents, loans or receivables and available-for-sale financial assets, the net gain or loss is calculated by taking the movement in the fair value of the asset, interest revenue, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result;
(ii) For financial liabilities measure at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost;

b. Credit Risk

Credit risk arises from the contractual financial assets of the Hospital, which comprise cash and deposits, non-statutory receivables and available for sale contractual financial assets. The Hospital's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Hospital. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Hospital's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the Government, it is the Hospital's policy to only deal with entities with high credit ratings of a minimum Triple-B rating and to obtain sufficient collateral or credit enhancements, where appropriate.

In addition, the Hospital does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash assets, which are mainly cash at bank. As with the policy for debtors, the Hospital's policy is to only deal with banks with high credit ratings.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the Hospital will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings.

Except as otherwise detailed, 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.

CREDIT QUALITY OF CONTRACTUAL FINANCIAL ASSETS THAT ARE NEITHER PAST DUE NOR IMPAIRED

	Financial institutions (AAA credit rating)	Government agencies (AAA credit rating)	Government agencies (BBB credit rating)	Not Past Due and Not Impaired	Other (min BBB credit rating)	Total
2012	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Cash and Cash Equivalents	1,639	—	—	—	—	1,639
Receivables						
– Trade Debtors	—	—	—	422	—	422
– Other Receivables	—	—	—	366	—	366
Other Financial Assets						
– Other Financial Assets	20,994	—	—	—	—	20,994
– Term Deposit	48,951	—	—	—	—	48,951
Total Financial Assets	**71,584**	**—**	**—**	**788**	**—**	**72,372**
2011						
Financial Assets						
Cash and Cash Equivalents	783	—	—	—	—	783
Receivables						
– Trade Debtors	—	—	—	658	—	658
– Other Receivables	—	—	—	568	—	568
Other Financial Assets						
– Other Financial Assets	22,248	—	—	—	—	22,248
– Term Deposit	45,500	—	—	—	—	45,500
Total Financial Assets	**68,531**	**—**	**—**	**1,226**	**—**	**69,757**

(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable).

AGEING ANALYSIS OF FINANCIAL ASSET AS AT 30 JUNE

			Past Due But Not Impaired			
	Carrying Amount	Not Past Due and Not Impaired	Less than 1 Month	1-3 Months	3 months – 1 Year	1–5 Years
2012	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Cash and Cash Equivalents	1,639	1,639	—	—	—	—
Receivables						
– Trade Debtors	422	175	226	15	6	—
– Other Receivables	366	314	28	20	4	—
Other Financial Assets						
– Other Financial Assets	20,994	20,994	—	—	—	—
– Term Deposit	48,951	48,951				
Total Financial Assets	**72,372**	**72,073**	**254**	**35**	**10**	—
2011						
Financial Assets						
Cash and Cash Equivalents	783	783	—	—	—	—
Receivables						
– Trade Debtors	658	512	101	41	4	—
– Other Receivables	568	517	40	6	5	—
Other Financial Assets						
– Other Financial Assets	22,248	22,248	—	—	—	—
– Term Deposit	45,500	45,500	—	—	—	—
Total Financial Assets	**69,757**	**69,560**	**141**	**47**	**9**	—

c. Liquidity Risk

Liquidity risk is the risk that the Hospital would be unable to meet its financial obligations as and when they fall due.

The Hospital's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet.

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.

MATURITY ANALYSIS OF FINANCIAL LIABILITIES AS AT 30 JUNE

			Maturity Dates			
	Carrying Amount	Contractual Cash Flows	Less than 1 Month	1-3 Months	3 months – 1 Year	1–5 Years
2012	$'000	$'000	$'000	$'000	$'000	$'000
Financial Liabilities						
Payables	4,229	4,229	3,863	359	7	—
Other Financial Liabilities (i)						
– Other	1,268	1,268	1,236	10	13	9
Total Financial Liabilities	**5,497**	**5,497**	**5,099**	**369**	**20**	**9**
2011						
Financial Liabilities						
Payables	4,218	4,218	3,929	289	—	—
Other Financial Liabilities (i)						
– Other	1,314	1,314	1,269	25	20	—
Total Financial Liabilities	**5,532**	**5,532**	**5,198**	**314**	**20**	**—**

(i) Ageing analysis of financial liabilities excludes the types of statutory financial liabilities (i.e GST payable)

d. Market Risk

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

Currency Risk

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

Interest Rate Risk

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

Other Price Risk

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

INTEREST RATE EXPOSURE OF FINANCIAL ASSETS AND LIABILITIES AS AT 30 JUNE

			Interest Rate Exposure		
	Weighted Average Effective Interest Rate	Carry Amount	Fixed Interest Rate	Variable Interest Rate	Non-Interest Bearing
2012	(%)	$'000	$'000	$'000	$'000
Financial Assets					
Cash and Cash Equivalents	4.36	1,639	—	1,639	—
Receivables(i)					
– Trade Debtors	—	422	—	—	422
– Other Receivables	—	366	—	—	366
Other Financial Assets					
– Other Financial Assets	—	20,994	—	—	20,994
– Term Deposit	5.78	48,951	48,951	—	—
Totals		**72,372**	**48,951**	**1,639**	**21,782**
Financial Liabilities					
Payables(i)	—	4,229	—	—	4,229
Other Financial Liabilities					
– Other	—	1,268	—	—	1,268
Totals		**5,497**	**—**	**—**	**5,497**
2011					
Financial Assets					
Cash and Cash Equivalents	4.75	783	—	783	—
Receivables(i)					
– Trade Debtors	—	658	—	—	658
– Other Receivables	—	568	—	—	568
Other Financial Assets					
– Other Financial Assets	—	22,248	—	—	22,248
– Term Deposit	6.1	45,500	45,500	—	—
Totals		**69,757**	**45,500**	**783**	**23,474**
Financial Liabilities					
Payables(i)	—	4,218	—	—	4,218
Other Financial Liabilities					
– Other	—	1,314	—	—	1,314
Totals		**5,532**	**—**	**—**	**5,532**

(i) The carrying amount must exclude types of statutory financial assets and liabilities (i.e. GST input tax credit and GST payable)

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.

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

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

		Interest Rate Risk				Other Price Risk			
		-2%		2%		-2%		2%	
2012	Carrying Amount	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial Assets									
Cash and Cash Equivalents(i)	1,639	(33)	(33)	33	33	—	—	—	—
Receivables(ii)									
– Trade Debtors	422	—	—	—	—	—	—	—	—
– Other Receivables	366	—	—	—	—	—	—	—	—
Other Financial Assets									
– Other Financial Assets	20,994	—	—	—	—	(420)	(420)	420	420
– Term Deposit	48,951	(979)	(979)	979	979	—	—	—	—
	72,372	**(1,012)**	**(1,012)**	**1,012**	**1,012**	**(420)**	**(420)**	**420**	**420**
Financial Liabilities									
Payables	4,229	—	—	—	—	(85)	(85)	85	85
Other Financial Liabilities(ii)	—	—	—	—	—	—	—	—	—
– Other	1,268	—	—	—	—	(25)	(25)	25	25
	5,497	**—**	**—**	**—**	**—**	**(110)**	**(110)**	**110**	**110**
	69,757	**(1,012)**	**(1,012)**	**1,012**	**1,012**	**(530)**	**(530)**	**310**	**310**
2011									
Financial Assets									
Cash and Cash Equivalents(i)	783	(16)	(16)	16	16	—	—	—	16
Receivables(ii)									
– Trade Debtors	658	—	—	—	—	—	—	—	—
– Other Receivables	568	—	—	—	—	—	—	—	—
Other Financial Assets									
– Other Financial Assets	22,248	—	—	—	—	(445)	(445)	445	445
– Term Deposit	45,500	(910)	(910)	910	910	—	—	—	—
	69,757	**(926)**	**(926)**	**926**	**926**	**(445)**	**(445)**	**445**	**445**
Financial Liabilities									
Payables	4,263	—	—	—	—	(84)	(84)	84	84
Other Financial Liabilities(ii)									
– Other	1,314	—	—	—	—	(26)	(26)	26	26
	5,532	**—**	**—**	**—**	**—**	**(110)**	**(110)**	**110**	**110**
	64,225	**(926)**	**(926)**	**926**	**926**	**(555)**	**(555)**	**335**	**335**

(i) eg. Sensitivity of cash and cash equivalents to a +2% movement in interest rates: [$4,332k*0.08]-[$4,332k*0.06] = $87k. Similar for a -2% movement in interest rate, impact = $(87k).

(ii) The carrying amount must exclude types of statutory financial assets and liabilities (i.e. GST input tax credit and GST payable).

e. Fair Value

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

- Level 1 The fair value of financial instrument assets and liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 The fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly;

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

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

COMPARISON BETWEEN CARRYING AMOUNT AND FAIR VALUE

	Carrying Amount	Fair value	Carrying Amount	Fair value
	2012 $'000	2012 $'000	2011 $'000	2011 $'000
Financial Assets				
Cash and Cash Equivalents	1,639	1,639	783	783
Receivables(i)				
– Trade Debtors	422	422	658	658
– Other Receivables	366	366	568	568
Other Financial Assets				
– Other Financial Assets	20,994	20,994	22,248	22,248
– Term Deposit	48,951	48,951	45,500	45,500
Total Financial Assets	**72,372**	**72,372**	**69,757**	**69,757**
Financial Liabilities				
Payables	4,229	4,229	4,218	4,218
Other Financial Liabilities(i)				
– Other	1,268	1,268	1,314	1,314
Total Financial Liabilities	**5,497**	**5,497**	**5,532**	**5,532**

(i) The carrying amount must exclude types of statutory financial assets and liabilities (i.e. GST input tax credit and GST payable).

FINANCIAL ASSETS MEASURED AT FAIR VALUE

	Carrying Amount as at 30 June	Fair value measurement at end of reporting period using:	
2012	$'000	Level 1 $'000	Level 2 $'000
Financial assets at fair value through profit & loss			
Available for sale financial assets			
– Equities and managed funds	20,994	15,234	5,760
Total Financial Assets	**20,994**	**15,234**	**5,760**
2011			
Financial assets at fair value through profit & loss			
Available for sale financial assets			
– Equities and managed funds	22,248	15,690	6,558
Total Financial Assets	**22,248**	**15,690**	**6,558**

Level 1 means
Quoted prices (unadjusted) in active markets for identical assets.

Level 2 means
Inputs other than quoted prices that are observable, either directly as prices or indirectly derived. At 30 June 2012 the hospital holds an investment in a Global Proprties Securities Fund of $3.038M (2011– $3.735M) and a Wholesale Infrastructure Income Fund of $2.722M (2011– $2.824M) managed by Colonial First State Global Asset Management. Prices are provided by the Manager at each balance date and are measured at fair value in line with AASB139.

There is no significant transfer between Level 1 and Level 2.

Note 19: Commitments

	2012 $'000	2011 $'000
Capital Expenditure Commitments		
Payable		
– Land and Buildings	—	509
– Plant and Equipment	—	53
Total Capital Expenditure Commitments	**—**	**562**
Land and Buildings		
Not later than one year	—	562
Total	**—**	**562**
Other Expenditure Commitments		
Payable		
– Consumables/Supplies	410	376
– Maintenance	3,168	5,335
Total Other Expenditure Commitments	**3,578**	**5,711**
Not later than one year	2,688	2,913
Later than 1 year and not later than 5 years	890	2,798
Total	**3,578**	**5,711**
Total Commitments (inclusive of GST)	**3,578**	**6,273**
Less GST recoverable from the Australian Tax Office	(325)	(570)
Total Commitments (exclusive of GST)	**3,252**	**5,703**

All amounts shown in the commitments note are nominal amounts inclusive of GST.

Note 20: Contingent Assets and Contingent Liabilities

The Hospital does not have any contingent assets or contingent liabilities, (2010–11:$nil).

Note 21: Operating Segments

The Royal Victorian Eye and Ear Hospital derives all its revenue from the Acute Health Programs Services.

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

Note 22a: Responsible Persons Disclosures

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

	Period
Responsible Ministers	
The Honourable David Davis, MLC, Minister for Health	1/07/2011 – 30/06/2012
The Honourable Mary Wooldridge, MLA, Minister for Mental Health	1/07/2011 – 30/06/2012
Governing Boards	
Ms Jan Boxall	1/07/2011 – 30/06/2012
Dr Malcolm Brown	1/07/2011 – 30/06/2012
Mr Roger Greenman AM	1/07/2011 – 30/06/2012
Mr Timothy O'Leary	1/07/2011 – 30/06/2012
Mr Ian Pollerd	1/07/2011 – 30/06/2012
Mr Andrew Porter	1/07/2011 – 30/06/2012
Dr Sandra Mercer-Moore AM	1/07/2011 – 30/06/2012
Mr John Wilson	1/07/2011 – 30/06/2012
Mr Mike Zafiropoulos AM	1/07/2011 – 30/06/2012
Accountable Officers	
Ms Ann Clark	1/07/2011 – 30/06/2012

REMUNERATION OF RESPONSIBLE PERSONS

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

	2012 No.	2011 No.
Income band		
$0 – $9,999	—	—
$10,000 – $19,999	8	8
$20,000 – $29,999	—	—
$40,000 – $49,999	1	1
$100,000 – $109,999	—	—
$190,000 – $199,999	—	—
$270,000 – $279,999	—	1
$280,000 – $289,999	1	—
$290,000 – $299,999	—	—
Total Numbers	**10**	**10**
Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:	**$489,266**	**$475,522**
Other Transactions of Responsible Persons and their Related Parties		
There were no other transactions with Responsible Persons and their Related Parties	—	—

Note 22b: 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.

For comparative purposes, the Total Remuneration for 2011 has been amended to be inclusive of bonuses and superannuation.

	Total Remuneration		Base Remuneration	
	2012 No.	2011 No.	2012 No.	2011 No.
$130,000 – $139,999	—	—	1	2
$140,000 – $149,999	—	1	1	—
$150,000 – $159,999	1	1	—	1
$160,000 – $169,999	—	—	2	1
$170,000 – $179,999	1	—	—	1
$180,000 – $189,999	—	2	1	—
$190,000 – $199,999	2	1	—	—
$200,000 – $209,999	1	—	—	—
Total	**5**	**5**	**5**	**5**
Total Remuneration	**$909,227**	**$874,119**	**$796,997**	**$765,614**

Note 23: Remuneration of Auditors

	2012 $'000	2011 $'000
Audit fees paid or payable to the Victorian Auditor-General's Office for audit of the Hospital's current financial report	45	57
Internal audit	180	79
Compliance audit	55	—
Total Paid and Payable	**280**	**136**

Note 24: Events Occurring after the Balance Sheet Date

There were no events after the Balance Sheet Date of 30 June 2012 that materially affected the financial result for that period.

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

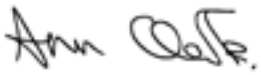
We certify that the attached financial statements for The Royal Victorian Eye and Ear Hospital have been prepared in accordance with Standing Direction 4.2 of the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards, Australian Accounting Interpretations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

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2012 and financial position of The Royal Victorian Eye and Ear Hospital at 30 June 2012.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

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

Jan Boxall
Chair, Board of Directors
23 August 2012



Ann Clark
Chief Executive Officer
23 August 2012

Peter Gould
Chief Finance and Accounting Officer
23 August 2012

VAGO

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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 2012 of The Royal Victorian Eye & Ear Hospital which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the 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 fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of The Royal Victorian Eye & Ear Hospital as at 30 June 2012 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of The Royal Victorian Eye & Ear Hospital for the year ended 30 June 2012 included both in The Royal Victorian Eye & Ear Hospital's annual report and on the website. The Board Members of The Royal Victorian Eye & Ear Hospital are responsible for the integrity of The Royal Victorian Eye & Ear Hospital's website. I have not been engaged to report on the integrity of The Royal Victorian Eye & Ear Hospital's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

for D D R Pearson
Auditor-General

MELBOURNE
23 August 2012

The Royal Victorian Eye and Ear Hospital is affiliated with:
Bionic Vision Australia
La Trobe University
Lions Eye Donations Service Melbourne
The Bionics Institute
The Centre for Eye Research Australia
The HEARing CRC
The University of Melbourne

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

The World Association of Eye Hospitals
Members: Tun Hussein On National Eye Hospital, Kuala Lumpur, Malaysia; The Department of Ophthalmology of the University Hospital Leuven, Belgium; Singapore National Eye Centre, Singapore; Moorfields Eye Hospital, London, UK; The Royal Victorian Eye and Ear Hospital, Melbourne, Australia; Rutnin Eye Hospital, Bangkok, Thailand; St Erik Eye Hospital, Stockholm, Sweden; The Rotterdam Eye Hospital, The Netherlands; The Royal Victoria Eye and Ear Hospital, Dublin, Ireland; Jakarta Eye Center, Jakarta, Indonesia; Tianjin Medical University Eye Centre, China; Sydney Eye Hospital, Australia; Kim's Eye Hospital, Seoul, South Korea; Aditya Jyot Eye Hospital, Maharashtra, India.

The American Association of Eye and Ear Centers of Excellence
Members: Bascom Palmer Eye Institute, Florida, USA; Emory Eye Centre, Georgia, USA; Massachusetts Eye and Ear Infirmary, Massachusetts, USA; Moorfields Eye Hospital, London, UK; New York Eye and Ear Infirmary, New York, USA; Phillips Eye Institute, Minnesota, USA; Rotterdam Eye Hospital, The Netherlands; The Royal Victorian Eye and Ear Hospital, Melbourne, Australia; Rutnin Eye Hospital, Bangkok, Thailand; Show Chwan Health Care System, Taiwan; Singapore National Eye Centre, Singapore; St. Erik's Eye Hospital, Stockholm, Sweden; Wills Eye Hospital, Pennsylvania, USA; Wilmer Eye Institute, Maryland, USA.

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