



ROYAL REHABILITATION CENTRE SYDNEY

ANNUAL FINANCIAL REPORT

30 June 2009

| Contents: | Page |
|---|------|
| Directors' Report | 1 |
| Auditor's Independence Declaration.. .. | 5 |
| Financial Report | 6 |
| Directors' Declaration | 27 |
| Independent Audit Report to the Members | 28 |
| Declaration by the Chief Executive Officer..... | 30 |

This financial report covers Royal Rehabilitation Centre Sydney as an individual entity. This financial report is presented in Australian currency. Royal Rehabilitation Centre Sydney is a company limited by guarantee, incorporated and domiciled in Australia. Its registered office and principal place of business is 59 Charles Street, Ryde, N.S.W. Australia.

A description of the nature of the entity's operations and its principal activities is included in the review of operations and activities in the Directors' Report on page 3.

This financial report was authorised for issue by the Directors on 27 October 2009. The Board has the power to amend and reissue the financial report.

ABN 34 000 025 794
Incorporated in Australia

ROYAL REHABILITATION CENTRE SYDNEY

DIRECTORS' REPORT

The Directors present their report together with the accounts of Royal Rehabilitation Centre Sydney (RRCS) for the financial year ended 30 June 2009.

DIRECTORS

The following persons were Directors of the Company at any time during the financial year and/or up to the date of this report.

Mr Clive Austin LLM, FAICD

Chairman Consolo Limited (Group) and consultant to Sydney legal practice, Hardings Solicitors, of which he was Senior Partner. Former President of The Royal Life Saving Society of Australia (NSW) and the N.S.W. Regional Council Redkite. Chairman of the Royal Botanic Gardens Foundation. Director since 1993. Chairman since February 2003.

Mr Ian Hunt OAM, LLB

Solicitor of the Supreme Court of NSW. Consultant to legal firm Hunt & Hunt, Solicitors. Has served on Boards in capacities as Director and Chairman of United Permanent Building Society, The Hammond Care Group, Centre for Developmental Disability Studies, Forsight Foundation for Deaf/Blind, the CSEE Foundation, Burnside Homes and Macquarie Community College. Director from 1980 to 2008, Vice-Chairman from February 1987 to November 2008. Resigned November 2008.

Mr Anthony Staveley MComm, Grad Dip (Land Econ), FAPI, JP

Director Balance Group Pty Limited and Balance Corporate Property, Board Member and Chairman of the Regulatory Reform Working Group for the Australian Government's Facilities Management Action Agenda. Director since 2000. Chairman, Planning & Development Committee since February 2004. Vice Chairman since January 2005.

Professor Trevor Parmenter AM, BA, PhD, FACE, FAAIDD, FIASSID, FASSID

Director of Centre for Disability Studies and Foundation Professor of Developmental Disability in the School of Medicine, Honorary Professor in the Faculty of Education & Social Work and the Faculty of Health Sciences, at the University of Sydney. Adjunct Professor, School of Rural Medicine, University of New England. Past president of the International Association for the Scientific Study of Intellectual Disabilities (IASSID). Chair, Clinical Care Review Committee (until February, 2008), Chair of Scientific Research Advisory Committee. Member of Planning & Development Committee. Director since 2000.

Professor Kerry Goulston AO, MD, FRACP

Emeritus Professor of Medicine, University of Sydney. Positions held include President of the Gastroenterological Society of Australia; Chair NSW Postgraduate Council and Confederation of Postgraduate Medical Councils of Australia and New Zealand; Co-Chair of NSW Greater Metropolitan Implementation Group; and Chair, Greater Metropolitan Transition Taskforce, NSW Health and Greater Metropolitan Clinical Taskforce. Chairman, Research Foundation Committee. Director from 2002 to 2008. Resigned August 2008.

Professor Gwynnyth Llewellyn PhD, DipOT, BA, MEd, DipContEd, NE, NSW Coll OT GAICD

Dean, Faculty of Health Sciences, University of Sydney. Member of the NSW Children's Court Advisory Committee and the Department of Community Services, Research Advisory Committee. Chair of the Special Interest Research Group on Parents and Parenting with Intellectual Disability and Member of Council of the International Association for the Scientific Study of Intellectual Disability. Director since September 2004.

Mr David Piper OAM

Retired insurance company executive, specialising recently in marketing. Involved in a number of charitable positions, as a Director of NSW Wheelchair Sports and a member of the Board's fundraising committee. President and life member of Queenscliff Surf Life Saving Club Inc. Life governor of Wheelchair Sports and life member of, Surf Life Saving Sydney Northern Beaches, and Surf Life Saving NSW. Director since November 2004.

Mr Bruce Hatchman FCA

Former Chief Executive, WHK Horwath Pty Ltd. Has nearly 40 years experience in providing audit and assurance services to listed companies and large private enterprises. Chairman of Darwin Clean Fuels Pty Ltd, Director of Avastra Sleep Centres Limited. Director since February 2006. Chairman, Audit & Finance Committee since February 2006.

ROYAL REHABILITATION CENTRE SYDNEY

DIRECTORS' REPORT

Mr Ian Baggie BEd, FCA

Formerly a senior partner in accounting firm of Ernst & Young specializing in audit and with that firm for over 30 years. Advised charities and Foundations in accounting matters, regulatory and risk management issues. Director since February 2006. Mr Baggie passed away on 20 September 2009.

Ms Bronwyn Connolly LLB, BA (Juris)

Has held a number of legal counsel and other senior positions for organisations including Olympic Roads and Transport Authority, NSW Department of Ageing, Disability and Home Care, SA Department of Transport, SA Consumer Affairs, SA Health Commission, SA Department of Administrative and Information Services, and the WA Health Department. Also has acted as the Acting Deputy Chief Executive Officer of The Queen Elizabeth Hospital. Is a part-time member of the Migration Review Tribunal and the Refugee Review Tribunal. Joined the Board in May 2008.

Mr John Cullity Grad Dip Mngt

Until recently was Chief General Manager - Information Technology of Allianz Australia and was Director of a number of Allianz Australia subsidiary companies. Has in excess of 20 years with Allianz (and its predecessor MMI Insurance) and other roles included strategic and business planning and national responsibility for workers compensation and rehabilitation services. Joined the Board on 26 August 2008.

Mr John Dakin MEdAdmin, BA, DipEd

Director of Directioneering Pty Ltd, focusing on career assessment, organisational development and career transition. Prior to this was the Executive Director of the foundation of an independent school. Board member since 26 August 2008 and Chairman of the Royal Rehabilitation Foundation since March 2009.

Professor Richard Madden BSc. PhD, FIAA

Professor of Health Statistics University of Sydney and Director of National Centre for Classification in Health . Director of the Australian Institute of Health and Welfare for ten years. From 1992 to 1995 Australian Deputy Statistician. Wide experience across Australian health and community services sectors including Deputy Secretary of NSW Health Department and head of Disability Program Division in the then Commonwealth Department of Health and Community Services. Substantial involvement with WHO. Australian Actuary of the Year (2002), Public Service Medal (2003) and Honorary Doctor of Science from the University of Sydney. Chair Client Outcomes and Participation Committee. Chair Medical (and other) Appointments and Credentials Advisory Committee. Joined the Board on 28 October 2008.

BOARD MEETINGS

The number of Board meetings and number of meetings attended by each of the Directors of the Board during the financial year are:

| Director | Director's Meetings | | Audit & Risk Management | | Consumer Outcomes & Participation | | Planning & Development | | Royal Rehabilitation Foundation | |
|--------------|---------------------|-----------------|-------------------------|-----------------|-----------------------------------|-----------------|------------------------|-----------------|---------------------------------|-----------------|
| | No of meetings held | Number attended | No of meetings held | Number attended | No of meetings held | Number attended | No of meetings held | Number attended | No of meetings held | Number attended |
| C. Austin | 9 | 8 | 7 | 5 | | | 4 | 3 | 1 | 1 |
| I. Hunt | 5* | 3* | | | | | 2* | 2* | | |
| A. Staveley | 9 | 9 | | | | | 4 | 4 | 1 | 1 |
| K. Goulston | 2* | 2* | | | | | | | | |
| T. Parmenter | 9 | 3 | | | 2 | 1 | 4 | 1 | | |
| G. Llewellyn | 9 | 6 | | | 1 | 0 | | | 1 | 1 |
| D. Piper | 9 | 9 | 7 | 6 | | | 4 | 4 | 1 | 0 |
| B Hatchman | 9 | 8 | 7 | 7 | | | 4 | 1 | 1 | 0 |
| I. Baggie | 9 | 9 | 7 | 6 | 1 | 1 | | | | |
| B. Connolly | 9 | 9 | | | 2 | 0 | | | | |
| J. Cullity | 8* | 8* | | | | | 1* | 1* | | |
| J. Dakin* | 8* | 8* | | | | | | | 1* | 1* |
| R. Madden* | 6* | 4* | | | 1* | 1* | | | | |

* Number of meetings eligible to attend.

ROYAL REHABILITATION CENTRE SYDNEY

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the financial year were the provision of rehabilitation, extended care services and supported accommodation services to people with disabilities living in the community. The Company also receives restricted funds in the form of grants, donations and bequests to support research, teaching and educational activities. These funds are not available for principal activities.

REVIEW OF OPERATIONS & RESULTS

The operating result of the Company was a consolidated profit of \$1,502,304 (2008: \$2,678,836 loss). The current year consolidated profit is derived from an operating profit from principal activities of \$2,907,341 and a loss of (\$1,405,037) from restricted funds held in Special Purpose Trust Funds.

The current year results include non-cash depreciation expenditure totalling \$1,702,842 (2008: \$1,571,428).

The Centre continued to maintain services to the community.

EVENTS SUBSEQUENT TO BALANCE DATE

The sale of the Graythwaite estate was announced on 19 October 2009 and NSW Health will construct a new rehabilitation centre at Ryde Hospital that will provide sub-acute rehabilitation services with up to 60 beds of which approximately 30 general rehabilitation beds will be transferred from RRCS to the Ryde Hospital facility by 2012.

RRCS has been advised by NSW Health that the subsidy it receives from NSW Health will be substantially reduced for the 2009/10 financial year compared with the subsidy for the previous financial year. For the year ended 30 June 2009 receipts from NSW Health totalled approximately \$25 million. From the 2009/10 financial year the subsidy will be approximately \$20 million.

Since the end of the financial year the market value of the Company's *Non-Current Assets – Available for Sale Financial* assets has increase by \$532,840 (11.8%). The market value as at 30 September 2009 is \$5,065,208.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2009 that has affected or may significantly affect:

- (a) the Company's operations in future financial years, or
- (b) the result of the operations in future financial years, or
- (c) the Company's state of affairs in future financial years.

STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review, which are not otherwise disclosed in the financial report.

LIKELY DEVELOPMENTS

The Company will continue to pursue its policy of providing both inpatient and community based rehabilitation and extended care services during the next financial year. The Company will be working in partnership with Northern Sydney & Central Coast Area Health Service to explore strategies that will enhance the company's role in the delivery of health services in the future. It will continue negotiations with the Department of Ageing, Disability & Home Care for the expansion of its supported accommodation services into the community.

The contract for the sale of five lots of land at the Putney site did not proceed. Currently legal action is continuing to settle this matter in regard to default payments due from the purchaser. The land is not encumbered by litigation. At this stage the Directors do not believe that the result of the action will have a negative impact upon the Company.

ROYAL REHABILITATION CENTRE SYDNEY

DIRECTORS' REPORT

ENVIRONMENTAL REGULATION

The Directors believe that the Company has adequate systems in place for the management of relevant environmental requirements and are not aware of any breach, during the financial year, of those environmental requirements as they apply to the Company.

INSURANCE OF DIRECTORS

During the financial year the Company paid a premium of \$18,315 (2008: \$18,625) to insure all of the directors of the company. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the directors in their capacity as directors of the company.

COMPANY SECRETARY

Mr. S. Lowndes BRurSC, MAICUD was appointed Company Secretary with effect from 10 June 2008 being the date of appointment to the position of Chief Executive Officer.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 5 of this report.

This report is made in accordance with a resolution of the Directors.

C. Austin
Chairman

B. Hatchman
Director

Sydney, 27 October 2009

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Royal Rehabilitation Centre Sydney for the year ended 30 June 2009
I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Royal Rehabilitation Centre Sydney during the period.

Gareth Winter

Partner
PricewaterhouseCoopers

Sydney, 27 October 2009

ROYAL REHABILITATION CENTRE SYDNEY

INCOME STATEMENT

for the year ended 30 June 2009

| | NOTE | 2009 \$ | 2008 \$ |
|--|------|-------------------|--------------------|
| Revenue from continuing operations | 3 | 47,723,912 | 40,867,278 |
| Other income | 4 | 1,931,737 | 905,123 |
| | | 49,655,649 | 41,772,401 |
| Employment and related expenses | | (37,436,483) | (34,774,958) |
| Goods and services expenses | | (7,287,696) | (6,496,666) |
| Renewals, repairs and maintenance expenses | | (1,726,324) | (1,608,185) |
| Depreciation expense | | (1,702,842) | (1,571,428) |
| Net Profit/(Loss) | 16 | 1,502,304 | (2,678,836) |
| Allocated as follows: | | | |
| General Fund - net profit/(loss) for the year | | 2,907,341 | (2,362,802) |
| Special Purposes and Trust Funds - net (loss) for the year | | (1,405,037) | (316,034) |
| Net Profit/(Loss) | 16 | 1,502,304 | (2,678,836) |

The above Income Statement should be read in conjunction with the accompanying notes.

ROYAL REHABILITATION CENTRE SYDNEY

BALANCE SHEET

as at 30 June 2009

| | NOTE | 2009 \$ | 2008 \$ |
|---|------|-------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 6 | 8,329,532 | 2,070,640 |
| Trade and other receivables | 7 | 2,345,477 | 1,965,471 |
| Inventories | 8 | 128,219 | 146,280 |
| Held to maturity financial assets | 11 | - | 1,455,000 |
| TOTAL CURRENT ASSETS | | 10,803,228 | 5,637,391 |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | 9 | 249,255 | 990,616 |
| Available for sale financial assets | 10 | 4,528,091 | 5,028,967 |
| Property, plant and equipment | 12 | 41,919,819 | 42,994,681 |
| TOTAL NON-CURRENT ASSETS | | 46,697,165 | 49,014,264 |
| TOTAL ASSETS | | 57,500,393 | 54,651,655 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 3,301,920 | 2,495,730 |
| Non interest bearing liability | 14 | 166,340 | 156,924 |
| Provisions | 15 | 8,956,932 | 7,736,084 |
| TOTAL CURRENT LIABILITIES | | 12,425,192 | 10,388,738 |
| NON-CURRENT LIABILITIES | | | |
| Non interest bearing liability | 14 | 811,332 | 977,672 |
| Provisions | 15 | 136,276 | 159,079 |
| TOTAL NON-CURRENT LIABILITIES | | 947,608 | 1,136,751 |
| TOTAL LIABILITIES | | 13,372,800 | 11,525,489 |
| NET ASSETS | | 44,127,593 | 43,126,166 |
| EQUITY | | | |
| Accumulated losses - General Fund | 16 | (2,693,215) | (5,600,556) |
| Retained earnings - Special Purpose and Trust Funds | 16 | 8,169,793 | 9,574,830 |
| Reserves | 16 | 38,651,015 | 39,151,892 |
| TOTAL EQUITY | | 44,127,593 | 43,126,166 |

The above Balance Sheet should be read in conjunction with the accompanying notes.

ROYAL REHABILITATION CENTRE SYDNEY
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2009

| | 2009 \$ | 2008 \$ |
|--|-------------------|-------------|
| Total equity at the beginning of the financial year | 43,126,166 | 46,386,501 |
| Changes in the fair value of available-for-sale financial assets | (500,877) | (581,499) |
| Net income recognised directly in equity | (500,877) | (581,499) |
| Net profit/(loss) for the year | 1,502,304 | (2,678,836) |
| Total recognised income and expenses for the year | 1,001,427 | (3,260,335) |
| Total equity at the end of the financial year | 44,127,593 | 43,126,166 |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

ROYAL REHABILITATION CENTRE SYDNEY

STATEMENT OF CASH FLOWS

for the year ended 30 June 2009

| | NOTE | 2009 \$ | 2008 \$ |
|--|------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts in the course of operations (inclusive of GST) | | 53,722,970 | 45,418,996 |
| Cash payments in the course of operations (inclusive of GST) | | (48,413,660) | (45,151,466) |
| | | 5,309,310 | 267,530 |
| Interest received | | 328,874 | 263,332 |
| Dividends received | | 6,574 | 3,101 |
| NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES | 26 | 5,644,758 | 533,963 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds on sale of investments | | 1,455,000 | 1,295,000 |
| Proceeds from sale of property, plant and equipment | | 12,118 | 147,027 |
| Payments for property, plant and equipment | | (627,984) | (1,763,390) |
| Payment for Spinecare Village | | (225,000) | (225,000) |
| NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES | | 614,134 | (546,363) |
| NET INCREASE/(DECREASE) IN CASH HELD | | 6,258,892 | (12,400) |
| Cash at the beginning of the financial year | 6 | 2,070,640 | 2,083,040 |
| CASH AT THE END OF THE FINANCIAL YEAR | 6 | 8,329,532 | 2,070,640 |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation

This general purpose Financial Report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Historical cost convention

These Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

1.2 Going Concern

The Company's financial position is sound as at 30 June 2009, notwithstanding a net current liability position being shown in the balance sheet. The net current liability position arises due to the classification of available for sale investments as non-current assets as they are not expected to be realised within the next 12 months. These investments can be made available to pay debts where required. In addition certain employee benefits provisions are required to be recorded as current liabilities, notwithstanding that the majority of these balances are not expected to be settled within 12 months. Accordingly, this financial report is prepared on a going concern basis.

1.3 Cash & Cash Equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.4 Trade & Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Debts which form part of patient's accident compensation claims may be subject to settlement or legal proceedings between parties. Accordingly, collection will often take extended periods of time. Trade and other receivables expected to be recovered within 12 months are recognised at the amounts receivable. Trade and other receivables expected to be recovered over periods exceeding 12 months are discounted using the effective interest rate.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when some doubt as to the collection exists.

1.5 Revenue Recognition

Revenue is measured at fair value of the consideration received or receivable.

Fee Income:

Fee income from patients and health benefit organisations is recognised as revenue when services are provided.

Government grants:

Government funding and grants are recognised as income in the financial period received or due to be received. However, expenditure for which Government funding and grants are received is recognised when incurred, which may be in a subsequent financial period.

Interest income:

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the entity reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding discount as interest income. Interest income on impaired receivables is recognised using the original effective interest rate.

Dividends:

Dividends are recognised as revenue when the right to receive payment is established.

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

1.6 Investments

Classification

RRCS classifies its investments as either held to maturity financial assets or available for sale financial assets. The classification depends on the purpose for which the assets were acquired and the type of investments. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held to maturity, re-evaluates this designation at each reporting date.

(i) Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that RRCS's management has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost, with changes in the carrying amount being recognised in the income statement.

(ii) Available for sale

Available for sale financial assets comprise principally portfolios in managed equity funds. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Changes in the fair value of available for sale assets are recognised in equity. When financial assets classified as available for sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investments.

1.7 Inventories

Inventories are consumables and are stated at the lower of cost and net realisable value.

1.8 Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. In accordance with NSW Health policies, any item in excess of \$5,000 and a life expectancy of more than two (2) years is capitalised as a fixed asset.

1.9 Land & Buildings

Until 1 July 2000 RRCS measured land and buildings at fair value and recognised an asset revaluation reserve for increments in fair value. From 1 July 2000, land and buildings have been carried at deemed cost, being the carrying amount at the date of the change in policy, less accumulated depreciation (where applicable). Under Australian Accounting Standards equivalent to International Financial Reporting Standards (AIFRS) AIFRS, RRCS has continued to measure land and buildings at deemed cost.

1.10 Plant & Equipment

Plant and equipment is measured at cost less accumulated depreciation.

1.11 Depreciation of Plant & Equipment

Land is not depreciated. Depreciation on other property, plant and equipment is calculated using a straight line method to allocate their cost over their estimated useful life to the Company, as follows:

| | |
|---------------------|-------------|
| Buildings | 10-40 years |
| Plant and equipment | 3-15 years |

1.12 Impairment of Non-Current Assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

1.13 Leases

Leases under which a significant proportion of the risks and benefits of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

1.14 Trade & Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

1.15 Maintenance & Repairs

Maintenance, repairs and minor renewals are charged as expenses as incurred. In accordance with NSW Health policies, any assets acquired less than \$5,000 are expensed as repairs and maintenance.

1.16 Employee Benefits

(i) Wages and Salaries and Annual Leave

Liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in current provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long Service Leave

The liabilities for long service leave are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. 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 on national government guarantee securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation

The employees of RRCS are covered by the State Authorities Superannuation Board. As such the Company's superannuation commitments are the responsibility of the NSW Treasury. Employer contributions for superannuation for the year ended 30 June 2009 were made directly by NSW Treasury.

(iv) Allocated Days Off

Employees are entitled to approximately one day off per month provided they have worked sufficient hours to build up a sufficient balance. Going forward employees will be able to carry forward a maximum amount of days off. As employees are entitled to be paid for the days they have accumulated up to a predetermined level upon leaving the Company's employ. This provision has been estimated to provide for this obligation.

1.17 Income Tax

The Royal Rehabilitation Centre Sydney is exempt from income tax under Section 50-5 of the *Income Tax Assessment Act (1997)*.

1.18 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

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

1.19 Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The critical accounting estimates and judgements impacting on RRCS's financial report are the determination of the provision for doubtful receivables and the discounting of non-current receivables. Management has made assessments of the likely amounts to be recovered and the timing of the recovery in order to determine these balances.

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

1.20 New Accounting Standards and UIG Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Company's assessment and interpretation and impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009, but is not applicable to not-for-profit entities. Accordingly, there will be no impact for the Company.

(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Company as it is not a borrower and has no plans to become a borrower.

(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

The revised AASB 101 that was issued in September 2007 is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or a reclassification of items in the financial statements, it will also need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period.

(iv) AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations

AASB 2008-1 was issued in February 2008 and will become applicable for annual reporting periods beginning on or after 1 January 2009. The Company does not operate any share-based payments schemes and AASB 2008-1 will therefore have no impact on the financial statements.

(v) AASB 2008-2 Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations Arising on Liquidation [AASB 7, AASB 101, AASB 132, AASB 139 and Interpretation 2]

The amendments made by AASB 2008-2 in March 2008 relate to puttable financial instruments and instruments that require the entity to pay the holder a pro-rata share of the entity's net assets on liquidation. The revised standards have to be applied from 1 January 2009. As the Company has not issued any such instruments, the amendments will not have any effect on its financial statements.

(vi) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127

Revised accounting standards for business combinations and consolidated financial statements were issued in March 2008 and are operative for annual reporting periods beginning on or after 1 July 2009, but may be applied earlier. The new rules generally apply only prospectively to transactions that occur after the application date of the standard. Their impact will therefore depend on whether the Company enters into any business combinations, although this is not currently considered to be likely.

Under the new rules:

- all payments (including contingent consideration) to purchase a business are to be recorded at fair value at the acquisition date,
- with contingent payments subsequently remeasured at fair value through income, and
- all transaction costs will be expensed.

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

(vii) *AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

In July 2008, the AASB approved amendments to AASB 1 First-time Adoption of International Financial Reporting Standards and AASB 127 Consolidated and Separate Financial Statements. The new rules will be adopted from 1 July 2009. The Company does not have any subsidiaries, jointly controlled entities or associates and therefore the changes are not expected to impact the financial statements.

(viii) *AASB Interpretation 15 Agreements for the Construction of Real Estate* (effective 1 January 2009) AASB-I 15 clarifies whether AASB 118 *Revenue* or AASB 111 *Construction Contracts* should be applied to particular transactions. The Company intends to apply the interpretation from 1 July 2009. There are no current agreements for the sale of real estate which would be impacted by AASB-I 15.

(ix) *AASB Interpretation 16 Hedges of a Net Investment in a Foreign Operation* (effective 1 October 2008)

The Company does not have any foreign operations and therefore the changes will not impact the financial statements.

x) *AASB 2008-8 Amendment to IAS 39 Financial Instruments: Recognition and Measurement* (effective 1 July 2009)

AASB 2008-8 amends AASB 139 *Financial Instruments: Recognition and Measurement* and must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The Company will apply the amended standard from 1 July 2009. It is not expected to have any impact on the Company's financial statements.

xi) *AASB Interpretation 17 Distribution of Non-cash Assets to Owners* and *AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17*

AASB-I 17 applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders. The Company is prohibited by its Constitution and various pieces of legislation from making a dividend of any kind. and as a result this will not have any impact on the Company's financial statements.

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

2 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the financial performance of the Company. The Company uses different methods to measure and where possible minimise different type of risks to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks, specific analysis of aged debts for credit risk and a variety of investment techniques to determine market risk in respect of investment portfolio.

As the Company does not trade off-shore and does not have any of its financial assets or liabilities denominated in foreign currencies it is not exposed to foreign exchange risk.

Risk management is carried out by the Finance Department of the Company under policies set by the Board of Directors. The Board of Directors approves principles for overall credit risk management as well as policies covering specific areas such as interest rate risk, credit risk and investments instruments.

| | Note | 2009 \$ | 2008 \$ |
|-------------------------------------|-------|--------------------------|-------------------------|
| Financial assets | | | |
| Cash and cash equivalents | 6 | 8,329,532 | 2,070,640 |
| Trade and other receivables | 7 & 9 | 2,594,732 | 2,956,087 |
| Available for sale financial assets | 10 | 4,528,091 | 5,028,967 |
| Held to maturity investments | 11 | - | 1,455,000 |
| | | <u>15,452,355</u> | <u>11,510,694</u> |
| Financial liabilities | | | |
| Trade and other payables | 13 | <u>3,301,920</u> | <u>2,495,730</u> |
| Net financial assets | | <u>12,150,435</u> | <u>9,014,964</u> |

a) Market risk

Price risk

The Company is exposed to equity securities price risk. This arises from investments held by the Company and classified on the balance sheet as available-for-sale investments. The Company is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities the Company diversifies its portfolio and utilises the service of an experienced fund manager.

The majority of the Company's equities are publicly traded and most of these equities form part of those equities that make up the ASX 200 index.

Any change in the value of available for sale equity instruments will be reflected directly in the Investment Revaluation Reserve and will not go through the profit and loss statement provided prescribed conditions have been met.

Price risk sensitivity

The table below summarises the impact of increases/decreases on the Company's equity from changes in the valuation of the investments held by the Company. The analysis is based on the assumptions that the index had increase/decreased by 5% (2008 – 6%) with all other variables held constant and the Company's equity instruments moved according to the historical correlation with ASX 200 index.

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

| | Impact on equity | |
|--------------------------------|----------------------|----------------------|
| | 2009 | 2008 |
| Change in value of investments | \$ <u>226,406</u> | \$ <u>301,738</u> |

b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institution as well as credit exposure to clients including outstanding receivables and committed transactions. For banks and financial institutions only those large Australian headquartered organisations are considered.

Given the nature of the Company's business and the requirement that it must accept patients irrespective of their ability to pay for treatment (a condition of continuing to receive funding from the NSW Departments of Health and Ageing Disability and Home Care) it is not possible for the Company to adopt standard commercial policies in the management of its receivables. The recoverability of accounts receivable is evaluated by the Company by reviewing, on an individual basis, all accounts receivable. Generally, it will apply the following collection probability rates to each debt:

- 100% - high probability of collection of the debt in full or a recently incurred debt where it is not possible to assess the collectability at the present time;
- 50% - where there is a reasonable expectation that some of the debt will not be collected in full; or
- 0% - where there is a strong likelihood the majority of the debt will not be collected.

In broad details the Company has two types of debtors being chargeable and compensable.

Chargeable debtors are generally funded by either individual or health funds. The terms of trade for chargeable debtors are 30 days from receipt of invoice and the debtors ageing for chargeable debtors is as follows.

| | Current | Between 31 & 60 days | Between 61 & 90 days | Greater than 90 days | Total |
|------|---------|----------------------|----------------------|----------------------|---------|
| 2009 | 222,223 | 164,844 | 87,016 | 100,673 | 574,756 |
| 2008 | 181,944 | 195,426 | 22,912 | 126,583 | 526,865 |

Compensable debtors are those that form part of a patient's accident compensation claims which may be subject to settlement or legal proceedings between the parties. Accordingly, collection will often take extended periods of time and there are no fixed credit terms associated with these balances. The total value of compensable debtors in 2009 was \$2,711,491 (2008: \$3,752,763).

Accounts payable are measured at their nominal amount and are generally settled in accordance with the counterparty's normal term of trade – typically 30 days following the month in which the obligation was incurred.

c) Liquidity risk

Prudent liquidity risk management requires the maintenance of sufficient cash and marketable securities to be available to meet the needs of the Company. RRCS manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company aims to maintain flexibility in the availability of funds.

While it is not the aim of RRCS to utilise any of the assets held for sale or held to maturity they are available to assist the Company should it need short term funding principally due to a delay in the receipt of funding from government agencies.

The cash deposits held by company are at call or are placed on a 30 day term and are lodged with the Company's bankers.

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

2 FINANCIAL RISK MANAGEMENT (Con't)

d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measured for disclosure purposes.

The fair value of the financial instruments traded in an active market is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price.

The carrying values less any impairment provision of trade receivables and payables, included in either current assets or current liabilities, are assumed to approximate their fair values due to their generally short term nature.

Where it is considered that a receivable will not be collected within a 12 month period, the receivable is discounted using an effective interest rate. In 2009 the amount set aside as discount for delayed collection was \$50,644 (2008: \$260,345).

e) Interest Rate Risk Exposures

RRCS's exposure to interest rate risk and the effective weighted average interest rates for each class of financial assets is set out below.

Exposure arise predominantly from assets bearing variable interest rates as the Company intends to hold fixed rate assets to maturity.

RRCS does not hold any financial liabilities which attract an interest rate.

Interest rate sensitivity

The Company's main interest rate risk arises from cash equivalents with variable interest. At 30 June 2009, if interest had changed by +/- 50 basis points from the year end rates with other variables held constant profit would have been \$29,650 higher/lower (2008 – change of 75 basis points \$6,900 higher/lower).

| 2009 | Floating Interest Rate | Fixed Interest maturing in | | | Total |
|---------------------------------|------------------------|----------------------------|-------------------|-------------------|-----------|
| | | 1 year or less | Over 1 to 5 years | More than 5 years | |
| Cash & Deposits | 5,629,532 | - | - | - | 5,629,532 |
| Term Deposits (30 days or less) | - | 2,700,000 | - | - | 2,700,000 |
| | 5,629,532 | 2,700,000 | - | - | 8,329,532 |
| Weighted average interest rate | 4.48% | 3.43% | | | |

| 2008 | Floating Interest Rate | Fixed Interest maturing in | | | Total |
|--------------------------------|------------------------|----------------------------|-------------------|-------------------|-----------|
| | | 1 year or less | Over 1 to 5 years | More than 5 years | |
| Cash & Deposits | 2,070,640 | - | - | - | 2,070,640 |
| Held to maturity investments | - | 1,455,000 | - | - | 1,455,000 |
| | 2,070,640 | 1,455,000 | - | - | 3,525,640 |
| Weighted average interest rate | 6.5% | 6.0% | | | |

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

| | 2009 \$ | 2008 \$ |
|--|-------------------|-------------------|
| 3. REVENUE | | |
| Revenue from continuing activities | | |
| NSW Health subsidy * | 27,431,682 | 24,902,027 |
| DADHC Funding | 9,758,551 | 8,545,283 |
| Patient Fees | 8,332,761 | 5,612,966 |
| Sale of goods | 112,683 | 108,662 |
| Grants | 1,752,787 | 1,431,907 |
| Interest | 328,874 | 263,332 |
| Dividends | 6,574 | 3,101 |
| Total revenue from continuing activities | 47,723,912 | 40,867,278 |
| <p>* NSW Health subsidy in the current year is based upon budgeted expenditure net of the company's budgeted receipts which is received in accordance with the net appropriation method as directed by NSW Treasury.</p> | | |
| 4. OTHER INCOME | | |
| Legacies | 89,672 | 9,503 |
| Donations | 224,503 | 80,980 |
| Fundraising | 24,688 | - |
| Net gain on disposal of non-current assets | 12,118 | 9,797 |
| Rental income | 262,121 | 252,667 |
| Course income | 147,237 | 115,629 |
| Consulting income | 236,780 | 136,267 |
| Other income | 934,618 | 300,280 |
| Total other income | 1,931,737 | 905,123 |
| 5. EXPENSES | | |
| Net profit / loss includes the following specific expenses: | | |
| Cost of goods sold | 94,200 | 89,562 |
| Rental expenses relating to operating leases | 212,937 | 201,353 |
| Depreciation of buildings | 1,197,467 | 1,193,785 |
| Depreciation of plant and equipment | 505,375 | 377,643 |
| Total depreciation | 1,702,842 | 1,571,428 |
| Provision for annual leave | 2,780,783 | 2,800,829 |
| Provision for long service leave | 726,639 | 921,940 |
| Provision for allocated days off | 396,234 | - |

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

| | 2009 \$ | 2008 \$ |
|--|-------------------------|-------------------------|
| 6. CURRENT ASSETS - CASH and CASH EQUIVALENTS | | |
| Cash at bank and on hand | 2,399,532 | 1,150,640 |
| Interest bearing term deposits | 5,930,000 | 920,000 |
| | <u>8,329,532</u> | <u>2,070,640</u> |
| The above figures reconcile exactly to the cash at the end of the financial year as shown in the statement of cash flows. | | |
| 7. CURRENT ASSETS - TRADE and OTHER RECEIVABLES | | |
| Trade receivables | 2,078,893 | 1,726,864 |
| Provision for doubtful debts | (409,045) | (495,796) |
| | <u>1,669,848</u> | <u>1,231,068</u> |
| Other receivables * | 597,284 | 653,757 |
| Prepayments | 78,345 | 80,646 |
| | <u>2,345,477</u> | <u>1,965,471</u> |
| *These amounts generally arise from transactions outside the usual operating activities of the entity in the nature of sundry income, cost recoveries and GST recoverable. | | |
| 8. CURRENT ASSETS - INVENTORIES | | |
| Supplies on hand - at cost | <u>128,219</u> | <u>146,280</u> |
| 9. NON-CURRENT ASSETS - TRADE and OTHER RECEIVABLES | | |
| Trade debtors | 1,207,354 | 2,552,765 |
| Discounting for delayed collection | (50,644) | (260,345) |
| Provision for doubtful debts | (907,455) | (1,301,804) |
| | <u>249,255</u> | <u>990,616</u> |
| 10. NON-CURRENT ASSETS - AVAILABLE FOR SALE FINANCIAL ASSETS | | |
| At Market Value | | |
| Managed investments | 4,526,676 | 4,820,245 |
| Shares and listed unit trusts | 1,415 | 6,411 |
| Unlisted unit trusts | - | 202,311 |
| | <u>4,528,091</u> | <u>5,028,967</u> |

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

| | 2009 \$ | 2008 \$ |
|---|-------------------|-------------------|
| 11. HELD TO MATURITY INVESTMENTS | | |
| Floating rate notes matured on 24 June 2009 | | |
| - Current Assets | - | 1,455,000 |
| 12. NON-CURRENT ASSETS - PROPERTY, PLANT & EQUIPMENT | | |
| Land - at cost | 19,935,000 | 19,935,000 |
| Buildings - at cost | 27,946,174 | 27,946,174 |
| Less: Accumulated depreciation | (11,093,833) | (9,896,366) |
| | 16,852,341 | 18,049,808 |
| Total Land & Buildings | 36,787,341 | 37,984,808 |
| Plant and Equipment - at cost | 7,027,727 | 6,203,994 |
| Less: Accumulated depreciation | (5,540,254) | (5,094,400) |
| Total Plant & Equipment | 1,487,473 | 1,109,594 |
| Work in Progress - at cost | 3,645,005 | 3,900,279 |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | 41,919,819 | 42,994,681 |

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant & equipment at the beginning and end of the current financial year are set out below :

| | Freehold Land \$ | Buildings \$ | Plant & Equipment \$ | Work in Progress \$ | Total \$ |
|---------------------------------|------------------------|-------------------|----------------------------|---------------------------|-------------------|
| Carrying amount at 1 July 2008 | 19,935,000 | 18,049,808 | 1,109,594 | 3,900,279 | 42,994,681 |
| Additions/Adjustments | - | - | 883,255 | (255,275) | 627,980 |
| Disposals | - | - | - | - | - |
| Depreciation expense | - | (1,197,467) | (505,375) | - | (1,702,842) |
| Carrying amount at 30 June 2009 | 19,935,000 | 16,852,341 | 1,487,474 | 3,645,004 | 41,919,819 |
| | Freehold Land \$ | Buildings \$ | Plant & Equipment \$ | Work in Progress \$ | Total \$ |
| Carrying amount at 1 July 2007 | 19,969,300 | 19,331,655 | 1,262,286 | 2,378,275 | 42,941,516 |
| Additions | - | - | 241,386 | 1,522,004 | 1,763,390 |
| Disposals | (34,300) | (88,061) | (16,436) | - | (138,797) |
| Depreciation expense | - | (1,193,786) | (377,642) | - | (1,571,428) |
| Carrying amount at 30 June 2008 | 19,935,000 | 18,049,808 | 1,109,594 | 3,900,279 | 42,994,681 |

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

| | 2009 | 2008 |
|--|---------------------------|---------------------------|
| | \$ | \$ |
| 13. CURRENT LIABILITIES - TRADE and OTHER PAYABLES | | |
| Trade creditors | 376,444 | 341,426 |
| Other creditors and accrued charges | 2,925,476 | 2,154,304 |
| | <u>3,301,920</u> | <u>2,495,730</u> |
| 14. BORROWINGS - NON INTEREST BEARING LIABILITY | | |
| Current liability | | |
| Unsecured loan | <u>166,340</u> | <u>156,924</u> |
| Non-current liability | | |
| Unsecured loan * | <u>811,332</u> | <u>977,672</u> |
| <p>* The unsecured interest free loan is repayable in instalments over 9 years and relates to the deferred purchase of a building for a cost of \$2,500,000. Both the initial liability and the asset were recorded at fair value of \$1,903,356, being the discounted present value of the future payments.</p> | | |
| 15. PROVISIONS | | |
| Current liability | | |
| Provision for employee benefits | <u>8,956,932</u> | <u>7,736,084</u> |
| Non-current liability | | |
| Provision for employee benefits | <u>136,276</u> | <u>159,079</u> |
| 16. RETAINED EARNINGS and RESERVES | | |
| General Fund | | |
| Retained profits at the beginning of the financial year | (5,600,556) | (3,237,754) |
| Net profit/(loss) for the year | 2,907,341 | (2,362,802) |
| Retained accumulated losses at the end of the financial year | <u>(2,693,215)</u> | <u>(5,600,556)</u> |
| Special Purposes and Trust Funds | | |
| Retained profits at the beginning of the financial year | 9,574,830 | 9,890,864 |
| Net (loss)/profit for the year | (1,405,037) | (316,034) |
| Retained profits at the end of the financial year | <u>8,169,793</u> | <u>9,574,830</u> |
| Allocated as follows: | | |
| Development and Endowment Funds | 4,457,586 | 5,367,517 |
| Special Purpose Funds | 3,246,159 | 3,708,182 |
| Miscellaneous Accounts | 466,048 | 499,131 |
| | <u>8,169,793</u> | <u>9,574,830</u> |

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

| | 2009 \$ | 2008 \$ |
|--|-------------------|-------------------|
| Asset Revaluation Reserve | | |
| Asset revaluation reserve at the beginning of the year | 37,592,874 | 37,592,874 |
| Add: Movements during the year | - | - |
| Asset revaluation reserve at the end of the year | <u>37,592,874</u> | <u>37,592,874</u> |

The asset revaluation reserve was used to record increments and decrements on the revaluation of non-current assets prior to the adoption of a deemed cost measurement basis.

| | | |
|---|------------------|------------------|
| Investment Revaluation Reserve | | |
| Balance at the beginning of the financial year | 1,559,018 | 2,140,517 |
| Revaluation increment during the year | (500,877) | (581,499) |
| Investment revaluation reserve at the end of the financial year | <u>1,058,141</u> | <u>1,559,018</u> |

The investment revaluation reserve is used to record the cumulative fair value movements on available for sale financial assets.

| | | |
|----------------------------------|-------------------|-------------------|
| Total Revaluation Reserve | <u>38,651,015</u> | <u>39,151,892</u> |
|----------------------------------|-------------------|-------------------|

Restricted and Non-Restricted Fund Analysis

| | | |
|--|-------------------|------------------|
| Cash and cash equivalents (note 6) | 8,329,532 | 2,070,640 |
| Available for sale assets (note 10) | 4,528,091 | 5,028,967 |
| Held to maturity investments (note 11) | - | 1,455,000 |
| Total cash and investments | <u>12,857,623</u> | <u>8,554,607</u> |

The above assets were allocated as follows:

| | | |
|-----------------------------|-------------------|------------------|
| Externally restricted funds | 3,246,159 | 3,409,258 |
| Internally restricted funds | 6,164,778 | 4,145,719 |
| Unrestricted funds | 3,446,686 | 999,630 |
| | <u>12,857,623</u> | <u>8,554,607</u> |

Further information relating to the nature of the restrictions is set out below:

(a) Externally restricted funds

These amounts are to be used specifically for funding research projects and various other specific activities and initiatives as prescribed by the donors or granter of the funds and cannot be used for any other purpose.

(b) Internally restricted funds

These amounts have been allocated to fund an unsecured loan (i.e., the Spinecare Village) site, other development costs, research and quality grants, and other projects and are not available for use for any purpose.

(c) Unrestricted funds These funds are unrestricted and can be used by management for any purposes necessary to operate the centre.

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

17. DISCLOSURES ON DIRECTORS and other KEY MANAGEMENT PERSONNEL

a. Remuneration of Directors

No remuneration was paid or is payable to Directors. No superannuation contributions were paid or are payable in respect of Directors.

b. Remuneration of Key Management Personnel (KMP)

Key management persons are those persons having authority and responsibility for planning, directing and controlling the activities of RRCS, directly or indirectly, including any director (whether executive or otherwise) of that entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Key management persons (KMP), has been taken to comprise the Chief Executive Officer, Director of Rehabilitation Services, Director of Disability Services, Director of Medical Services, Director of Finance and Information Management, Director of Marketing and Business Development, Director of Allied Health and Community Services, and Director of Corporate Services.

The aggregate compensation of KMP persons during the year comprising amounts paid or payable or provided for was as follows:

| | 2009 | 2008 |
|--------------------------|------------------|------------------|
| | \$ | \$ |
| (a) Short term benefits | 1,252,980 | 871,825 |
| (b) Termination benefits | 57,776 | 286,646 |
| | 1,310,756 | 1,158,471 |

18. PATIENT'S SAFE CUSTODY FUNDS

The Patients' Safe Custody Funds are held in Trust on behalf of patients. These funds are not included in the cash disclosed in the company's balance sheet. The funds are represented by assets disclosed below:

Assets

| | | |
|--------------|----------------|----------------|
| Cash on hand | 3,000 | 3,000 |
| Cash at bank | 851,828 | 742,269 |
| Term deposit | 44,934 | 42,066 |
| | 899,762 | 787,335 |

19. LIMITED GUARANTEE

Royal Rehabilitation Centre Sydney is a Company limited by guarantee. Every member of the Company undertakes to contribute to the assets of the Company in the event of the Company being wound up during the time that he/she is a member or within one year afterwards for payments of the debts and liabilities of the Company contracted before the time at which he/she ceased to be a member and the costs, charges and expenses of winding up the same for such amount as may be required not exceeding \$2.

20. SEGMENT REPORTING

RRCS operates in a single industry segment, provision of hospital and extended care services. These operations are confined to Australia.

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

| | | |
|--|---------------|---------------|
| 21. REMUNERATION OF AUDITORS | 2009 | 2008 |
| Remuneration of the auditors for: | \$ | \$ |
| Audit of the Financial Report of the Company | 61,350 | 76,400 |

22. RELATED PARTY DISCLOSURES

Directors

The names of Directors who held office during the financial year are as follows:

| | |
|---|--|
| Mr C. Austin | Mr I. Hunt OAM (resigned November 2008) |
| Mr A. Staveley | Prof. T.R. Parmenter AM |
| Prof. K.G. Goulston AO (resigned August 2008) | Mr D. Piper OAM |
| Prof. G. Llewellyn | Mr I Baggie (deceased 20 September 2009) |
| Mr B Hatchman | Ms B. Connolly |
| Mr. J. Cullity (appointed 26 August 2008) | Mr. J. Dakin (appointed 26 August 2008) |
| Prof. R. Madden (appointed 28 October 2008) | |

Information on the remuneration and retirement benefits of Directors is disclosed in Note 17.

The following transactions occurred with Director related entities:

a) Receipts

| Received from | Details | \$ |
|-------------------------------|------------------------|----------------|
| University of Sydney | Recoup of expenses | 63,223 |
| University of Sydney | Staff placements | 111,608 |
| University of Sydney | Research grants | 87,556 |
| Centre for Disability Studies | Management fee | 50,000 |
| Centre for Disability Studies | Recoupment of expenses | 6,261 |
| Spinesafe | Rent | 10,343 |
| Youthsafe | Recoupment of expenses | 5,275 |
| Wheelchair Sports NSW | Recoupment of expenses | 1,520 |
| Wheelchair Sports NSW | Golf day receipt | 682 |
| J. Dakin | Foundation donation | 2,000 |
| B. Hatchman | Golf day receipt | 682 |
| Balance Group | Golf day receipt | 170 |
| | | 339,320 |

b) Purchase of goods and services

| Paid to | Details | \$ |
|-------------------------------|---------------------|---------------|
| Hunt & Hunt | Legal advice | 1,440 |
| Macquarie Community College | Training | 350 |
| Oasis Horticulture | Plants | 3,468 |
| Centre for Disability Studies | Training | 1,535 |
| Centre for Disability Studies | Grant | 50,000 |
| University of Sydney | Training | 1,341 |
| University of Sydney | Graduation expenses | 291 |
| University of Sydney | Reference material | 33 |
| | | 58,458 |

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

23. ECONOMIC DEPENDENCY

A significant proportion of the Company's expenditure is funded by subsidies from the NSW Department of Health and the NSW Department of Ageing, Disability and Home Care (DADHC).

| | 2009 | 2008 |
|---|------------------|------------------|
| | \$ | \$ |
| 24. EMPLOYEE BENEFITS | | |
| Employee benefit and related on-cost liabilities | | |
| Included in other creditors - current (note 13) | 838,455 | 727,731 |
| Provision for employee benefits - current (note 15) | 8,956,932 | 7,736,084 |
| Provision for employee benefits - non-current (note 15) | 136,276 | 159,079 |
| Aggregate employee benefit and related on-costs liability | 9,931,663 | 8,622,894 |

25. SUPERANNUATION

NSW Treasury has undertaken to meet the budgeted liability for the superannuation payments on behalf the Company for the current year.

| | | |
|--|------------------|------------------|
| | 2,430,508 | 2,258,582 |
|--|------------------|------------------|

26 RECONCILIATION OF PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

| | | |
|---|------------------|----------------|
| Profit/(Loss) for the year | 1,502,304 | (2,678,836) |
| Depreciation | 1,702,842 | 1,571,428 |
| (Profit)/Loss on disposal of plant and equipment | (12,118) | (8,228) |
| (Increase) in non-cash investments | | - |
| Increase/(Decrease) in debtor discounting | (209,701) | 57,758 |
| Unwind of discount on non-interest bearing loan | 68,076 | 76,958 |
| Change in operating assets and liabilities during the year: | | |
| Decrease/(Increase) in trade and other debtors | 571,060 | 484,345 |
| Decrease/(Increase) in inventory | 18,061 | (2,177) |
| Increase/(Decrease) in trade and other payables | 806,190 | 37,684 |
| Increase/(Decrease) in other provisions | 1,198,044 | 995,031 |
| NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES | 5,644,758 | 533,963 |

27. COMMITMENTS FOR EXPENDITURE

Lease Commitments:

Commitments for minimum lease payments in relation to cancellable operating leases not recognised as liabilities but payable as follows:

| | | |
|--|----------------|----------------|
| Within one year | 47,073 | 56,634 |
| Later than 1 year but not later than 5 years | 79,643 | 88,651 |
| | 126,716 | 145,285 |

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

28. CHARITABLE FUNDRAISING ACTIVITIES

RRCS conducts fundraising activities. The income received and the cost of raising income for specific fundraising has been recognised in the Financial Report. A summary of the income raised and expenditure is disclosed below:

| | 2009 | 2008 |
|---|---------------|---------------|
| | \$ | \$ |
| Income raised - general donations | 224,503 | 58,590 |
| Income raised - appeals & raffles | 24,688 | 22,390 |
| Total | 249,191 | 80,980 |
| Expenditure incurred in raising fundraising revenue | (151,676) | (20,901) |
| | 97,515 | 60,079 |

The net proceeds were used for the following purposes:

| | | |
|--|---------------|---------------|
| Purchase of equipment & improvements | 17,151 | 24,156 |
| Held in Special Purposes & Trust Fund pending purchase | 80,364 | 35,923 |
| | 97,515 | 60,079 |

29. EVENTS OCCURRING SUBSEQUENT TO BALANCE SHEET DATE

The sale of the Graythwaite estate was announced on 19 October 2009 and NSW Health will construct a new rehabilitation centre at Ryde Hospital that will provide sub-acute rehabilitation services with up to 60 beds of which approximately 30 general rehabilitation beds will be transferred from RRCS to the Ryde Hospital by 2012.

RRCS has been advised by NSW Health that the subsidy it receives from NSW Health will be substantially reduced for the 2009/10 financial year compared with the subsidy for the previous financial year. For the year ended 30 June 2009 receipts from NSW Health totalled approximately \$25 million. From the 2009/10 financial year the subsidy will be approximately \$20 million

Since the end of the financial year the market value of the Company's Non-Current Assets – Available for Sale Financial assets has increase by \$532,840 (11.8%). The market value as at 30 September 2009 is \$5,065,208. The market value as at 30 September 2009 is marginally above the market value as 30 June 2008.

30. CONTINGENT ASSET

The contract for the sale of five lots of land at the Putney site did not proceed. Currently legal action is continuing to settle this matter in regard to default payments due from the purchaser. The land is not encumbered by litigation. At this stage the Directors do not believe that the result of the action will have a negative impact upon the Company.

ROYAL REHABILITATION CENTRE SYDNEY

DIRECTORS' DECLARATION

for the year ended 30 June 2009

In the Directors' opinion:

- a. the financial statements and notes set out on pages 6 to 27 are in accordance with the *Corporation Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - (ii) complying with the *Charitable Fundraising Act 1991* and the *Charitable Fundraising Regulations 2008*); and
 - (iii) giving a true and fair view of the company's financial position as at 30 June 2009 and its performance, for the financial year ended on that date; and
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the Directors,

C. Austin
Chairman

B. Hatchman
Director

Sydney, 27 October 2009

**Independent auditor's report to the members of
Royal Rehabilitation Centre Sydney**

PricewaterhouseCoopers
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Report on the financial report

We have audited the accompanying financial report of Royal Rehabilitation Centre Sydney (the company, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*, *NSW Charitable Fundraising Act 1991* and *NSW Charitable Fundraising Regulation 2008*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Independent auditor's report to the members of
Royal Rehabilitation Centre Sydney (continued)**

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of Royal Rehabilitation Centre Sydney is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
 - (iii) giving a true and fair view of the financial result of fundraising appeals for the financial year ended 30 June 2009
- (b) the financial report and associated records have been properly kept in accordance with:
 - i) sections 20(1), 22(1-2), 24(1-3) of the *NSW Charitable Fundraising Act 1991*;
 - ii) sections 4(1-3), 7(1-5), 7(7), 7(9), 8, 18, 20(1-2), 21, 22 and 26 of Schedule 1 to the Authority to Fundraise under the *Charitable Fundraising Act* dated 1 December 2005; and
 - (iii) sections 8(6) and 9 of the *NSW Charitable Fundraising Regulations 2008* during the period 1 July 2008 to 30 June 2009; and
- (c) the money received as a result of fundraising appeals conducted during the year ended 30 June 2009 has been properly accounted for and applied in accordance with the above mentioned sections in the *NSW Charitable Fundraising Act 1991* and the *NSW Charitable Fundraising Regulations 2008* during the period 1 July 2008 to 30 June 2009.

PricewaterhouseCoopers

Gareth Winter
Partner

Sydney
27 October 2009

ROYAL REHABILITATION CENTRE SYDNEY

DECLARATION BY THE CHIEF EXECUTIVE OFFICER

Declared opinion

I, Stephen Lowndes, Chief Executive Officer of Royal Rehabilitation Centre Sydney declare that in my opinion:

- (a) the report gives a true and fair view of all the income and expenditure of Royal Rehabilitation Centre Sydney with respect to fundraising appeals;
- (b) the balance sheet gives a true and fair view of the state of affairs with respect to fundraising appeals;
- (c) the provisions of the *Charitable Fundraising Act 1991* and the regulations under that Act and the conditions attached to the authority have been complied with for the year ended 30 June 2009; and
- (d) the internal controls exercised by Royal Rehabilitation Centre Sydney are appropriate and effective in accounting for all income received and expenditure incurred.

Stephen Lowndes
Chief Executive Officer

Sydney, 27 October 2009