

ROYAL

REHABILITATION CENTRE SYDNEY



Annual Financial Report

30 June 2012

*To maximise your
abilities and life skills*

ANNUAL FINANCIAL REPORT

30 JUNE 2012

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This financial report covers Royal Rehabilitation Centre Sydney as an individual entity. This financial report is presented in Australian currency.

This financial report was authorised for issue by the Directors on 18 October 2012. 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 (Royal Rehab) for the financial year ended 30 June 2012. The following persons were directors of the company during the financial year and 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 NSW Regional Council Redkite. Chairman of the Royal Botanic Gardens Foundation. Chairman of Foundation and Friends of the Botanic Gardens Limited. Member of Board Nominations and Remuneration Committee, Board Executive, Audit and Risk Management Committee, Planning and Development Committee and Royal Rehabilitation Foundation. Joined the Board in 1993. Chairman since February 2003.

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

Tony has been a director of numerous private and public company subsidiaries as well as government and industry bodies and sporting associations. He is currently a Director of Balance Group Pty Limited and Balance Corporate Property Development Pty Limited. Chair Planning & Development Committee. Member of Board Executive, Board Nomination and Remuneration Committee, Royal Rehabilitation Foundation and Development Control Group. Joined the Board in 2000. Vice Chairman since January 2005.

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

Professor Emeritus, Sydney School of Medicine; former Foundation Professor of Developmental Disability in the Sydney 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). Member of Planning & Development Committee and Client Outcomes & Participation Committee. Joined the Board in 2000. Retired from the Board in August 2012.

Professor Gwynnyth Llewellyn PhD, DipOT, BA, MEd, DipContEd

Professor of Family and Disability Studies and Dean, Faculty of Health Sciences; Chair, Division Board, University of Sydney Business School. Director of Centre for Disability Research and Policy, Faculty of Health Sciences and Director of the Australian Family and Disability Studies Research Collaboration. Lead Investigator on University of Sydney and Parenting Research Centre Victoria Healthy Start National Strategy. Executive Member, 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. Associate Editor, Journal of Applied Research in Intellectual Disability. Chair, Board Nominations and Remuneration Committee. Member of Royal Rehabilitation Foundation. Joined the Board in September 2004.

Mr David Piper OAM

Retired insurance company executive, specialising 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. Past (immediate) 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. Chair, Royal Rehabilitation Foundation. Joined the Board in November 2004.

Mr Bruce Hatchman FCA, MAICD, JP

Former Chief Executive, Crowe Horwath. Has 40 years experience in providing audit and assurance services to listed companies and large private enterprises. Chairman of Darwin Clean Fuels Ltd, Non-Executive Director of Avastra Sleep Centres Limited, Non-Executive Director of Suters Architects. Chairman Audit & Finance Committee since February 2006. Joined the Board in February 2006. Retired from the Board November 2011.

Ms Bronwyn Connolly LLB, BA (Juris), MAICD

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 and Acting Deputy Chief Executive Officer of The Queen Elizabeth Hospital. Has been a part-time member of the Migration Review Tribunal and the Refugee Review Tribunal. Director of the Southern Region of Crown Lands in NSW. Joined the Board in May 2008. Retired from the Board in August 2012.

Mr John Cullity Grad Dip Mmgmt

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

Mr John Dakin MEdAdmin, BA, DipEd

Director of Directioneering Pty Ltd and Directioneering International. Previously Executive Director of the foundation of an independent school. Chairman, Royal Rehabilitation Foundation March 2009 – November 2011. Joined the Board in August 2008. Retired from the Board November 2011.

ROYAL REHABILITATION CENTRE SYDNEY

DIRECTORS' REPORT

Professor Richard Madden BSc. PhD, FIAA

University of Sydney: Professor of Health Statistics, Director, National Centre for Classification in Health, Management committee member and NDIS stream leader, Centre for Disability Research and Policy. Director, Australian Institute of Health (10 years), Australian Deputy Statistician, 1992-1995. Wide experience across Australian health and community services sectors - Deputy Secretary, NSW Health Department; Head, 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), Honorary Doctor of Science from University of Sydney. Chair, House with No Steps. Chair, Consumer Outcomes and Participation and Medical (and other) Appointments and Credentials Advisory Committees. Joined the Board in October 2008.

Mr Brian Hurley B.Comm ACA

Currently, Chief Financial Officer for the Asia Pacific Region with Crown Equipment Corporation. Has held senior executive position as Chief Financial Officer with significant companies such as Chandler MacLeod and Egis Consulting. Previous to taking up his current position Brian was Director Merger and Acquisitions Australasia for UTC Fire & Security. Member, Audit and Risk Committee. Joined the Board in February 2012.

Mr Anthony Wehby FCA, FAICD

Non-executive Chair of ASX listed YTC Resources Limited and Tellus Resources Limited; Member of the Advisory Board of Moss Capital Pty Limited; former Partner of PricewaterhouseCoopers until 2000. Independent Financial consultant to small and medium companies. Chair Audit and Risk Management Committee. Joined the Board in February 2012.

Ms Stella Wong BBus

Marketing Director Merivale Group; has held a number of senior marketing positions for organisations including FOXTEL, XYZnetworks, SHOWTIME, Netregistry and Nokia. Foundation work has run parallel in Stella's career with five years as a member of Kids for Life Foundation Committee and recently three years with Golden Stave Foundation Committee. Joined the Board in February 2012

BOARD MEETINGS

The number of Board Meetings held and the number of meetings attended by each Director during the financial year are:

Director	Directors' Meeting		Audit & Risk Management		Consumer Outcomes & Participation		Planning & Development		Royal Rehabilitation Foundation	
	No of meetings Note 1	Number attended	No of meetings Note 1	Number attended	No of meetings Note 1	Number attended	No of meetings Note 1	Number attended	No of meetings Note 1	Number attended
C. Austin	11	10	5	5			4	4	4	3
A. Staveley	11	10					4	4	4	4
B. Connolly	11	10	5	4	4	2				
J. Cullity	11	10					4	3		
J. Dakin - Note 2	6	0							3	0
B. Hatchman	6	4	3	2			2	1		
B. Hurley	4	4	2	2						
G. Llewellyn	10	9							4	0
R. Madden	10	7			4	4				
T. Parmenter	11	9			4	3	4	3		
D. Piper	11	8	5	5			4	2	4	4
A. Wehby	4	4	2	2						
S. Wong	4	2							1	1

Note 1: The number of meetings represent the number of meetings that each Director was eligible to attend.

Note 2: Mr John Dakin was granted absence of leave due to ill health.

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 and for the purchase of specialised equipment. These funds are not available for principal operational activities.

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 \$2.00.

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. Hurley
Director

Sydney, 18 October 2012



Auditor's Independence Declaration

As lead auditor for the audit of Royal Rehabilitation Centre Sydney for the year ended 30 June 2012, 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.

Peter Buchholz
Partner
PricewaterhouseCoopers

Sydney
18 October 2012

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ROYAL REHABILITATION CENTRE SYDNEY

INCOME STATEMENT

for the year ended 30 June 2012

	NOTE	2012 \$	2011 \$
Revenue from continuing operations	2	50,352,571	44,846,961
Other revenue	3	1,828,364	1,757,567
Other (expense)/income	4	(146,814)	30,869,960
Employment and related expenses		(40,872,701)	(40,819,655)
Goods and services expenses		(6,309,147)	(6,812,664)
Renewals, repairs and maintenance expenses		(1,967,166)	(1,562,619)
Depreciation expense	5	(3,179,584)	(9,215,765)
Net Profit/(Loss)		(294,477)	19,063,785
Allocated as follows:			
General Fund - net profit/(loss) for the year	16(a)	(750,063)	(5,223,975)
Special Purposes and Trust Funds - net profit/(loss) for the year	16(b)	455,586	24,287,760
Net Profit/(Loss)		(294,477)	19,063,785

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

STATEMENT of COMPREHENSIVE INCOME

for the year ended 30 June 2012

		2012 \$	2011 \$
Profit/(Loss) for the year		(294,477)	19,063,785
Other comprehensive income			
Revaluation (decrease)increment during the year	16(d)	(119,820)	190,070
Total comprehensive income		(414,297)	19,253,855

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

ROYAL REHABILITATION CENTRE SYDNEY

BALANCE SHEET

as at 30 June 2012

	NOTE	2012 \$	2011 \$
CURRENT ASSETS			
Cash and cash equivalents	6	36,387,602	24,175,007
Trade and other receivables	7	2,628,223	3,461,700
Inventories	8	150,242	160,965
Held to maturity investments	9	2,733,000	22,076,000
TOTAL CURRENT ASSETS		41,899,067	49,873,672
NON CURRENT ASSETS			
Trade and other receivables	10	-	24,941
Available for sale financial assets	11	3,800,774	4,451,564
Property, plant and equipment	12	31,403,867	23,585,149
TOTAL NON-CURRENT ASSETS		35,204,641	28,061,654
TOTAL ASSETS		77,103,708	77,935,326
CURRENT LIABILITIES			
Trade and other payables	13	8,707,449	9,598,385
Non interest bearing liability	14	448,217	186,899
Provisions	15	9,329,886	8,816,729
TOTAL CURRENT LIABILITIES		18,485,552	18,602,013
NON-CURRENT LIABILITIES			
Non interest bearing liability	14	-	448,114
Provisions	15	418,211	270,957
TOTAL NON-CURRENT LIABILITIES		418,211	719,071
TOTAL LIABILITIES		18,903,763	19,321,084
NET ASSETS		58,199,945	58,614,242
EQUITY			
Accumulated losses - General Fund	16(a)	(15,581,396)	(14,831,333)
Retained earnings - Special Purpose and Trust Funds	16(b)	34,794,579	34,338,993
Reserves	16(c),(d)	38,986,762	39,106,582
TOTAL EQUITY		58,199,945	58,614,242

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 2012

	Note	Retained earnings \$	Asset revaluation reserve \$	Investment revaluation reserve \$	Total equity \$
Balance at 1 July 2010		443,875	37,592,874	1,323,638	39,360,387
General Fund	16(a)	(5,223,975)	-	-	(5,223,975)
Special Purpose & Trust Account	16(b)	24,287,760	-	-	24,287,760
Net (Loss)/Profit for the year		19,063,785	-	-	19,063,785
Changes in fair value available for sale assets	16(d)	-	-	190,070	190,070
Balance at 30 June 2011		19,507,660	37,592,874	1,513,708	58,614,242
General Fund	16(a)	(750,063)	-	-	(750,063)
Special Purpose & Trust Account	16(b)	455,586	-	-	455,586
Net (Loss)/Profit for the year		(294,477)	-	-	(294,477)
Changes in fair value available for sale assets	16(d)	-	-	(119,820)	(119,820)
Balance at 30 June 2012		19,213,183	37,592,874	1,393,888	58,199,945

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 2012

	NOTE	2012 \$	2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations (inclusive of GST)		55,112,731	51,273,212
Cash payments in the course of operations (inclusive of GST)		(54,421,012)	(51,885,938)
		691,719	(612,726)
Interest received		2,364,775	892,721
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		3,056,494	279,995
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on sale of investments		19,873,970	388,829
Payments for purchase of investments		-	(22,483,667)
Proceeds from sale of property, plant and equipment		38,302	41,266,272
Payments for property, plant and equipment		(11,002,555)	(6,360,845)
Payment for Spinecare Village		(225,000)	(225,000)
Dividends received		269,736	77,243
Trust Distributions		201,648	153,141
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		9,156,101	12,815,973
NET INCREASE/(DECREASE) IN CASH HELD		12,212,595	13,095,968
Cash at the beginning of the financial year	6	24,175,007	11,079,039
CASH AT THE END OF THE FINANCIAL YEAR	6	36,387,602	24,175,007

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 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the entity consisting of Royal Rehabilitation Centre Sydney.

1.1 Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with Australian Accounting Standards – Reduced Disclosure Requirements

The financial statements of Royal Rehabilitation Centre Sydney comply with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

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.

Critical accounting estimates

The preparation of financial statements 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.

1.2 Cash & Cash Equivalents

For the purpose of presentation in the Statement of Cash Flows, 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 change in value.

1.3 Trade & Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. 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 there is objective evidence that the Company will not be able to collect all amounts due. Debts which form part of patients' 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.

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

1.4 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 where there is reasonable assurance that the company will comply with all of the attached conditions. 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.

1.5 Investments

Classification

The Company 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 Royal Rehabilitation Centre Sydney management has the positive intention and ability to hold to maturity. These investments have a maturity period of between 3 and 12 months.

(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.

1.6 Inventories

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

1.7 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 years is capitalised as a fixed asset.

1.8 Land & Buildings

Until 1 July 2000 the Company 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).

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

1.9 Plant & Equipment

Plant and equipment is measured at cost less accumulated depreciation.

1.10 Depreciation of Property, 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	1-40 years
Plant and equipment	3-15 years

The organisation is planning to redevelop part of the property that it owns. As part of the development plans call for the demolition of some of the current buildings, it has been necessary to recognise that these buildings will not have a future economic benefit and accordingly accelerate the depreciation so that their written values become nil at the time the redevelopment commences.

1.11 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).

1.12 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.

1.13 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.

1.14 Maintenance & Repairs

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

1.15 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 Royal Rehabilitation Centre Sydney are covered by the State Authorities Superannuation Board. As such the Company's superannuation commitments are the responsibility of NSW Treasury. Employer contributions for superannuation for the year ended 30 June 2011 were made directly by NSW Treasury.

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

(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. Employees are able to carry forward a maximum amount of three 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, a provision has been estimated to provide for this obligation.

1.16 Income Tax

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

1.17 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 Statement of Cash Flows 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.

1.18 Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

	2012	2011
	\$	\$
2. REVENUE		
Revenue from continuing activities		
NSW Health subsidy *	23,527,088	20,549,561
ADHC Funding	12,153,975	11,643,920
Patient Fees	9,846,536	9,443,611
Sale of goods	101,787	109,114
Grants	1,887,027	1,631,264
Interest	2,364,775	1,239,107
Dividends and distributions	471,383	230,384
Total revenue from continuing activities	50,352,571	44,846,961
* 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.		
3. OTHER REVENUE		
Legacies	10,889	7,253
Donations	292,110	333,710
Fundraising	13,705	86,903
Rental income	95,084	181,314
Course income	314,089	320,164
Consulting income	158,324	279,791
Other income	944,163	548,432
Total other income	1,828,364	1,757,567
4. OTHER (EXPENSES)/INCOME		
Net gain on disposal of plant and equipment	34,049	-
Net loss on disposal of financial assets	(180,863)	-
Net gain on disposal of land	-	30,869,960
	(146,814)	30,869,960
5. EXPENSES		
Net profit / (loss) includes the following specific expenses:		
Cost of goods sold	80,568	134,804
Rental expenses relating to operating leases	177,852	155,614
Depreciation of buildings	2,716,292	8,811,612
Depreciation of plant and equipment	463,292	404,153
Total depreciation	3,179,584	9,215,765
Annual leave expense	2,620,657	2,811,618
Long service leave expense	1,074,835	758,672

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

	2012 \$	2011 \$
6. CURRENT ASSETS - CASH and CASH EQUIVALENTS		
Cash at bank and on hand	482,602	501,480
Interest bearing term deposits	35,905,000	23,673,527
	36,387,602	24,175,007

Restricted and Non-Restricted Fund Analysis

Cash and cash equivalents	36,387,602	24,175,007
Held to maturity investments (note 9)	2,733,000	22,076,000
Available for sale assets (note 11)	3,800,774	4,451,564
Total cash and investments	42,921,376	50,702,571

The above assets were allocated as follows:

Externally restricted funds	1,453,606	1,265,891
Internally restricted funds	2,357,349	2,696,967
Unrestricted funds	39,110,421	46,739,713
	42,921,376	50,702,571

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.

7. CURRENT ASSETS - TRADE and OTHER RECEIVABLES

Trade receivables	1,390,829	2,042,799
Provision for doubtful debts	(98,465)	(488,920)
	1,292,364	1,553,879
Other receivables *	1,233,783	1,865,246
Prepayments	102,076	42,575
	2,628,223	3,461,700

* These amounts generally arise from transactions outside the usual operating activities of the Company in the nature of sundry income, cost recoveries and are GST recoverable.

8. CURRENT ASSETS - INVENTORIES

Supplies on hand - at cost	150,242	160,965
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ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

	2012 \$	2011 \$
9 CURRENT ASSETS - HELD TO MATURITY INVESTMENTS		
Interest bearing term deposits	<u>2,733,000</u>	<u>22,076,000</u>
10 NON-CURRENT ASSETS - TRADE and OTHER RECEIVABLES		
Trade receivables	-	49,234
Discounting for delayed collection	-	(3,213)
Provision for doubtful debts	-	(21,080)
	<u>-</u>	<u>24,941</u>
11 NON-CURRENT ASSETS - AVAILABLE FOR SALE FINANCIAL ASSETS		
At Market Value		
Managed investments	3,798,954	4,449,744
Shares and listed unit trusts	1,820	1,820
	<u>3,800,774</u>	<u>4,451,564</u>
12 NON-CURRENT ASSETS - PROPERTY, PLANT & EQUIPMENT		
Land - at cost	10,990,790	10,990,790
Buildings - at cost	18,310,037	23,880,644
Less: Accumulated depreciation	(7,002,486)	(18,622,183)
	<u>11,307,551</u>	<u>5,258,461</u>
Total Land & Buildings	<u>22,298,341</u>	<u>16,249,251</u>
Plant and Equipment - at cost	7,419,968	6,884,047
Less: Accumulated depreciation	(6,373,329)	(6,097,834)
	<u>1,046,639</u>	<u>786,213</u>
Total Plant & Equipment	<u>1,046,639</u>	<u>786,213</u>
Work in Progress - at cost	<u>8,058,887</u>	<u>6,549,685</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u><u>31,403,867</u></u>	<u><u>23,585,149</u></u>

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 2011	10,990,790	5,258,461	786,213	6,549,685	23,585,149
Additions/Adjustments	-	-	641,669	10,360,886	11,002,555
Disposals	-	-	(4,253)	-	(4,253)
Transfer	-	8,765,382	86,302	(8,851,684)	-
Depreciation expense	-	(2,716,292)	(463,292)	-	(3,179,584)
Carrying amount at 30 June 2012	<u>10,990,790</u>	<u>11,307,551</u>	<u>1,046,639</u>	<u>8,058,887</u>	<u>31,403,867</u>

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

	2012 \$	2011 \$
13 CURRENT LIABILITIES - TRADE and OTHER PAYABLES		
Trade creditors	400,839	372,433
Other creditors and accrued charges	8,306,610	9,225,952
	8,707,449	9,598,385
14 BORROWINGS - NON INTEREST BEARING LIABILITY		
Current liability		
Unsecured loan	448,217	186,899
Non-current liability		
Unsecured loan *	-	448,114
<p>The unsecured interest free loan is repayable in instalments over nine years and relates to the deferred purchase of a building (Spinal Care Village) 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. At 30 June 2012 there is one payment remaining.</p>		
15 PROVISIONS		
Current liability		
Provision for employee benefits	9,329,886	8,816,729
Non-current liability		
Provision for employee benefits	418,211	270,957
16 RETAINED EARNINGS and RESERVES		
(a) General Fund		
Retained profits at the beginning of the financial year	(14,831,333)	(9,607,358)
Net (loss)/profit for the year	(750,063)	(5,223,975)
Retained accumulated losses at the end of the financial year	(15,581,396)	(14,831,333)
(b) Special Purposes and Trust Funds		
Retained profits at the beginning of the financial year	34,338,993	10,051,233
Net profit/(loss) for the year	455,586	24,287,760
Retained profits at the end of the financial year	34,794,579	34,338,993
Allocated as follows:		
Development and Endowment Funds	31,926,333	31,286,580
Special Purpose Funds	2,565,476	2,806,561
Miscellaneous Accounts	302,770	245,852
	34,794,579	34,338,993

Development and Endowment Funds: are funds that will be used for future development of the Company.

Special Purpose Funds: are funds which are for a specific and defined purpose.

Miscellaneous Funds: are funds which are neither Development and Endowment Funds nor Special Purpose Funds.

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

	2012	2011
	\$	\$
(c) 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>
<p>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.</p>		
(d) Investment Revaluation Reserve		
Balance at the beginning of the financial year	1,513,708	1,323,638
Revaluation (decrease)/increment during the year	(119,820)	190,070
Investment revaluation reserve at the end of the financial year	<u>1,393,888</u>	<u>1,513,708</u>
<p>The investment revaluation reserve is used to record the cumulative fair value movements on available for sale financial assets.</p>		
Total Revaluation Reserve	<u>38,986,762</u>	<u>39,106,582</u>

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)

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

Total aggregate compensation	<u>1,113,151</u>	<u>1,329,403</u>
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18 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.

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

2012
\$

2011
\$

19 REMUNERATION OF AUDITORS

Remuneration of the auditors for:

Audit of the Financial Report of the Company	69,000	66,350
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20 RELATED PARTY DISCLOSURES

Directors

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

Mr C. Austin	Prof. T.R. Parmenter AM (retired August 2012)
Mr A. Staveley	Mr D. Piper OAM
Prof. G. Llewellyn	Ms B. Connolly (retired August 2012)
Mr B Hatchman (retired November 2011)	Mr. J. Dakin (retired November 2011)
Mr. J. Cullity	Prof. R. Madden
Mr. A. Wehby (joined February 2012)	Mr. B. Hurley (joined February 2012)
Mr.S. Wong (joined February 2012)	

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	Research grant	73,520
University of Sydney	Funding for research	311,945
University of Sydney	Workshop	256
Centre for Disability Studies	Management fee	50,000
Centre for Disability Studies	Catering and room hire	1,815
Centre for Disability Studies	Seminar attendance	2,600
Centre for Disability Studies	Reimbursement of expenses	730
Centre for Disability Studies	Partnership fee	1,500
Wheelchair Sport	Donations and fund raising receipts	68
C. Austin	Donations and fund raising receipts	3,734
A. Stavely	Donations and fund raising receipts	1,636
J. Cullity	Donations and fund raising receipts	400
		448,204

b) Purchases and payments

Paid to	Details	\$
University of Sydney	Conference attendance	280
Centre for Disability Studies	Grant	50,000
		50,280

21 ECONOMIC DEPENDENCY

A significant proportion of the Company's expenditure is funded by case mix payments from NSW Ministry of Health and NSW Government Family and Community Services Ageing, Disability and Home Care (ADHC).

\$

\$

22 SUPERANNUATION

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

2,581,940	2,508,439
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ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

	2012	2011
	\$	\$
23 COMMITMENTS FOR EXPENDITURE		
(a) Capital Commitments		
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Property, plant and equipment		-
Within one year (Note 26)	<u>31,223,591</u>	<u>-</u>
 (b) Lease Commitments –		
Commitments for minimum lease payments in relation to cancellable operating leases not recognised as liabilities but payable as follows:		
Within one year	58,619	43,226
Later than one year but not later than five years	94,855	25,594
	<u>153,474</u>	<u>68,820</u>

24 CHARITABLE FUNDRAISING ACTIVITIES

Royal Rehabilitation Centre Sydney conducts fund raising 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 expenditures disclosed below.

Income raised - general donations	292,110	333,710
Income raised - appeals & raffles	13,705	86,903
Total	305,815	420,613
Expenditure incurred in raising fundraising revenue	(132,785)	(202,371)
	<u>173,030</u>	<u>218,242</u>

The net proceeds were used for the following purposes:

Purchase of equipment and improvements	48,007	26,782
Held in Special Purposes & Trust Fund pending purchase	125,023	191,460
	<u>173,030</u>	<u>218,242</u>

25 CONTINGENT LIABILITIES

The Company utilises the services of a third party to process its payroll. A requirement of the service provider is that the Company's banker will agree to make up any shortfall should the company have insufficient funds when a deduction is made from the Company's bank in order for the provider to disburse payroll. The Company's bankers has agreed to make available such an amount of \$1,000,000 and has taken a set off against the term deposit.

From time to time the Company is involved in litigation in respect of various matters. At this point in time it is not practical to estimate the potential effect of any claim but legal advice indicates that any liability that may arise in the unlikely event the claim is successful will not be significant.

ROYAL REHABILITATION CENTRE SYDNEY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

26 EVENTS OCCURRING SUBSEQUENT TO BALANCE SHEET DATE

The Company has identified a potential short term funding gap relating to the redevelopment of its site prior to receiving the proceeds from the second and final Tranche in February 2014. To address this the Company has negotiated a \$20million loan with its bankers to cover the potential shortfall. The loan will be fully extinguished upon receipt of Tranche 2. The amount of Tranche 2 is substantially in excess of the funding requirements. Final term sheets have been exchanged and the Board expects to execute the binding funding agreement in October 2012.

Other than this matter, there is no other material subsequent event at 30 June 2012.

ROYAL REHABILITATION CENTRE SYDNEY

DIRECTORS' DECLARATION

for the year ended 30 June 2012

In the Directors' opinion:

- a. the financial statements and notes set out on pages 6 to 20 are in accordance with the *Corporations 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 2012 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. Hurley
Director

Sydney 18 October 2012



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

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 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001*, *Charitable Fundraising Act 1991 (NSW)* and *Charitable Fundraising Regulation 2008 (NSW)* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, ABN 52 780 433 757

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Independence

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

Auditor's opinion

a) In our opinion 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 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

b) In our opinion:

(i) the financial report of Royal Rehabilitation Centre Sydney shows a true and fair view of the financial result of fundraising appeals for the year ended 30 June 2012;

(ii) the accounts and associated records have been properly kept in accordance with section 22 (1-2) of the *Charitable Fundraising Act 1991 (NSW)* for the year ended 30 June 2012; and

(iii) money received as a result of fundraising appeals conducted during the year ended 30 June 2012 has been properly accounted for and applied in accordance with Section 20(1) of the *Charitable Fundraising Act 1991 (NSW)*.

PricewaterhouseCoopers

Peter Buchholz
Partner

Sydney
18 October 2012

PricewaterhouseCoopers, ABN 52 780 433 757

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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 2012; 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, 18 October 2012

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ROYAL

REHABILITATION CENTRE SYDNEY

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abilities and life skills*