



IV. Financial statements

Children's Health Queensland Hospital and Health Service

Financial statements 2013–14

Children's Health Queensland Hospital and Health Service Financial Statements 2013-14

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General information

Children's Health Queensland Hospital and Health Service (Children's Health Queensland) is a statutory body established on 1 July 2012 under the *Hospital and Health Board Act 2011*.

Children's Health Queensland is controlled by the State of Queensland which is the ultimate parent.

The principal address of Children's Health Queensland is:

Level 1, North Tower
Royal Children's Hospital
Herston QLD 4029

A description of the nature of the Hospital and Health Service's (HHS) operations and its principal activities is included in the notes to the financial statements.

For information in relation to Children's Health Queensland's financial statements, email CHQ_Comms@health.qld.gov.au or visit the website at: <http://www.health.qld.gov.au/childrenshealth>

Amounts shown in these financial statements may not add to the correct subtotals or totals due to rounding.

Children's Health Queensland Hospital and Health Service

Statement of Comprehensive Income

For the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Income from continuing operations			
User charges and fees	3	317,890	316,305
Grants and other contributions	4	7,350	4,149
Other revenue	5	8,020	6,866
Total revenue		333,260	327,320
Gains on disposal/re-measurement of assets	6	105	25
Total income from continuing operations		333,365	327,345
Expenses from continuing operations			
Employee expenses	7	2,390	1,660
Health services employee costs	8	236,851	231,408
Supplies and services	11	77,327	75,268
Grants and subsidies	12	1,084	75
Depreciation and amortisation	13	7,334	7,005
Impairment losses	14	(44)	678
Revaluation decrement	15	-	104
Other expenses	16	1,703	884
Total expenses from continuing operations		326,645	317,082
Operating result from continuing operations		6,720	10,263
Other comprehensive income			
Items that will not be reclassified subsequently to operating result:			
- Increase in asset revaluation surplus	27	4,974	3,157
Total other comprehensive income		4,974	3,157
Total comprehensive income		11,694	13,420

The accompanying notes form part of these statements.

Children's Health Queensland Hospital and Health Service

Statement of Financial Position

As at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Current assets			
Cash and cash equivalents	17	38,968	26,669
Receivables	18	8,121	11,770
Inventories	19	2,603	2,985
Other current assets	20	136	142
		49,828	41,566
Non-current assets classified as held for sale	21	-	7,104
Total current assets		49,828	48,670
Non-current assets			
Intangible assets	22	1,240	2
Property, plant and equipment	23	98,952	94,547
Total non-current assets		100,192	94,549
Total assets		150,020	143,219
Current liabilities			
Payables	24	27,047	23,971
Employee benefits	25	232	113
Other current liabilities	26	289	361
Total current liabilities		27,568	24,445
Total liabilities		27,568	24,445
Net assets		122,452	118,774
Equity			
Contributed equity		97,338	105,354
Accumulated surplus		16,983	10,263
Asset revaluation surplus	27	8,131	3,157
Total equity		122,452	118,774

The accompanying notes form part of these statements.

Children's Health Queensland Hospital and Health Service

Statement of Changes in Equity

For the year ended 30 June 2014

	Accumulated Surplus	Asset Revaluation Surplus (Note 27)	Contributed Equity	TOTAL
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2012	-	-	-	-
Operating result from continuing operations	10,263	-	-	10,263
<i>Other Comprehensive Income:</i>				
- Increase in asset revaluation surplus	-	3,157	-	3,157
Total Comprehensive Income for the Year	10,263	3,157	-	13,420
<i>Transactions with Owners as Owners:</i>				
- Equity injections	-	-	1,860	1,860
- Assets received from restructure	-	-	119,478	119,478
- Liabilities received from restructure	-	-	(9,024)	(9,024)
- Equity withdrawals	-	-	(6,960)	(6,960)
Net Transactions with Owners as Owners	-	-	105,354	105,354
Balance as at 30 June 2013	10,263	3,157	105,354	118,774
Balance as at 1 July 2013	10,263	3,157	105,354	118,774
Operating result from continuing operations	6,720	-	-	6,720
<i>Other Comprehensive Income:</i>				
- Increase in asset revaluation surplus	-	4,974	-	4,974
Total Comprehensive Income	6,720	4,974	-	11,694
<i>Transactions with Owners as Owners:</i>				
- Equity injections*	-	-	6,751	6,751
- Equity withdrawals**	-	-	(14,767)	(14,767)
Net Transactions with Owners as Owners	-	-	(8,016)	(8,016)
Balance as at 30 June 2014	16,983	8,131	97,338	122,452

* Reimbursement from the Department of Health for assets purchased and minor capital works projects (\$2.728 million) and equity movements for the transfer of property plant and equipment from other HHS's (\$4.023 million).

** Represents equity movements for the transfer of non-current assets classified as held for sale to the Department of Health (\$7.104 million), a building transferred to the Department of Health (\$0.350 million), depreciation funding from the Department of Health (\$7.278 million) and the transfer of equipment to other HHS's (\$0.035 million).

The accompanying notes form part of these statements.

Children's Health Queensland Hospital and Health Service

Statement of Cash Flows

For the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Cash flows from operating activities			
<i>Inflows:</i>			
User charges and fees		313,807	302,423
Grants and other contributions		7,268	4,510
Interest received		263	265
GST collected from customers		1,107	1,182
GST input tax credits from ATO		3,621	2,025
Other inflows		8,137	6,601
<i>Outflows:</i>			
Employee expenses		(2,271)	(1,500)
Health service employee costs		(233,755)	(231,408)
Supplies and services		(77,950)	(59,775)
Grants and subsidies		(48)	(75)
GST paid to suppliers		(3,941)	(2,517)
GST remitted to ATO		(1,002)	(691)
Other outflows		(1,312)	(950)
Net cash provided by (used in) operating activities	28	13,924	20,090
Cash flows from investing activities			
<i>Outflows:</i>			
Payments for property, plant and equipment		(4,353)	(1,958)
Net cash provided by (used in) investing activities		(4,353)	(1,958)
Cash flows from financing activities			
<i>Inflows:</i>			
Cash and cash equivalents transferred from restructure		-	6,677
Equity injections		2,728	1,860
Net cash provided by (used in) financing activities		2,728	8,537
Net increase/(decrease) in cash and cash equivalents		12,299	26,669
Cash and cash equivalents at beginning of financial year		26,669	-
Cash and cash equivalents at end of financial year	17	38,968	26,669

The accompanying notes form part of these statements.

Notes to the Financial Statements

For the year ended 30 June 2014

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Notes to the Financial Statements

For the year ended 30 June 2014

1 Objectives and strategic priorities of Children's Health Queensland

Children's Health Queensland's vision is the best possible health for every child and young person, in every family, in every community in Queensland. To achieve the provision of the best possible care for children and young people, the entity strives to align its activities with the following strategic directions:

- Leading the provision of quality health care for children and young people
- Building strong partnerships for outcomes
- Defining and implementing Children's Health Queensland's state-wide role
- Enhancing financial management
- Building an empowered and engaged workforce
- Developing and translating new knowledge into improved outcomes

Further to this, Children's Health Queensland has adopted five 'pillars' to deploy the strategic directions throughout the organisation. These pillars are:

- People: Committed to engaging an empowered and engaged workforce
- Service: Driving improvements in the delivery of paediatric health care across the state with a core focus on child and family centred care
- Quality and Safety: Leading the way in best practice care models, patient safety, quality systems and clinical outcomes
- Value: Focusing on fiscal sustainability and enhancing revenue generation for future investment in key initiatives
- Research: Excellence in Children's Health Queensland care through discovery, education and translation of research into improved health outcomes.

2 Summary of significant accounting policies

(a) Statement of compliance

These general purpose financial statements have been prepared pursuant to Section 62(1) of the *Financial Accountability Act 2009*, the relevant sections of the *Financial and Performance Management Standard 2009* and other prescribed requirements. These financial statements are general purpose financial statements and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations applicable to not-for-profit entities as Children's Health Queensland is a not-for-profit entity. In addition, the financial statements comply with Queensland Treasury and Trade's Minimum Reporting Requirements for the year ended 30 June 2014, and other authoritative pronouncements. Except where stated, the historical cost convention is used.

(b) The reporting entity

As a consequence of the National Health Reform Agreement, Children's Health was established as an independent statutory body on 1 July 2012 under the *Hospital and Health Board Act 2011*. Children's Health Queensland delivers specialist state-wide care to children from across Queensland and beyond – including northern New South Wales and overseas, in particular providing paediatric services to the Brisbane metropolitan community (and particularly the community north of the Brisbane River) and tertiary paediatric services to all Queensland children and beyond.

(c) Third party monies

Children's Health Queensland acts in a fiduciary trust capacity in relation to patient trust accounts. Consequently, these transactions and balances are not recognised in the financial statements. Although patient funds are not controlled by Children's Health Queensland, trust activities are included in the audit performed annually by the Auditor-General of Queensland.

In addition, Children's Health Queensland acts as a billing agency for medical practitioners who use Children's Health Queensland facilities for the purpose of seeing patients under a Right of Private

Notes to the Financial Statements

For the year ended 30 June 2014

(c) Third party monies (continued)

Practice agreement (ROPP). Under this agreement, Children's Health Queensland acts as a billing agent for the medical practitioner, and deducts from the private patient fees received, an administration fee and a facility fee (where applicable) to cover the use of the facility by the medical officer for private practice.

Note 33 provides additional information on these balances.

(d) User charges and fees

User charges and fees primarily comprise Department of Health funding, hospital fees, reimbursement of pharmaceutical benefits and sales of goods and services. There has been a change in the recognition of Department of Health funding from grants and other contributions in 2012-13 to user charges and fees this year, refer Note 3 for details.

User charges and fees controlled by Children's Health Queensland are recognised as revenues when the revenue has been earned and can be measured reliably with sufficient degree of certainty. User charges and fees are controlled by the HHS where they can be deployed for the achievement of Children's Health Queensland's objectives.

The funding from Department of Health is provided predominantly for specific public health services purchased by the Department from Children's Health Queensland in accordance with a service agreement between the Department and Children's Health Queensland. The service agreement is reviewed periodically and updated for changes in activities and prices of services delivered by Children's Health Queensland.

The funding from Department of Health is received fortnightly in advance. At the end of the financial year, a financial adjustment may be required where the level of services provided is above or below the agreed level.

Revenue recognition for other user charges and fees is based on either invoicing for related goods, services and/or the recognition of accrued revenue.

(e) Grants and other contributions

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which Children's Health Queensland obtains control over them (control is generally obtained at the time of receipt). Where grants are received that are reciprocal in nature, revenue is progressively recognised as it is earned, according to the terms of the funding agreements.

Contributed assets are recognised at their fair value. The accounting treatment for contributions of services is explained in Note 2(v).

(f) Interest income

Interest income is recognised as it accrues, using the effective interest rate method.

(g) Special payments

Special payments includes ex gratia expenditure and other expenditure that is not under a contract. In compliance with the *Financial and Performance Management Standard 2009*, Children's Health Queensland maintains a register setting out details of all special payments greater than \$5,000. Information about such payments that have been made is disclosed separately within other expenses (refer to Note 16).

(h) Cash and cash equivalents

For the purpose of the Statement of Financial Position and the Statement of Cash Flows, cash assets includes all cash on hand and in banks, cheques receipted but not banked at the reporting date, call deposits and cash debit facility.

Notes to the Financial Statements

For the year ended 30 June 2014

(h) Cash and cash equivalents (continued)

Children's Health Queensland has an approved debt facility of \$3 million under whole-of-Government banking arrangements to manage any short term cash shortfalls. This facility has not been drawn down as at 30 June 2014.

(i) Receivables

Trade receivables are recognised at their carrying value, less any impairment. The recoverability of trade receivables is reviewed on a monthly basis at an operating unit level. Trade receivables are generally settled within 30 day payment terms. Any allowance for impairment is disclosed in Note 18. All known bad debts are written off when identified.

(j) Inventories

Inventories consist mainly of pharmaceuticals and medical supplies held for distribution to and consumption by the hospital and other facilities. Inventories are measured at weighted average cost, adjusted for obsolescence. Unless material, inventories do not include supplies held for ready use in the wards throughout the hospital facilities and are expensed on issue from Children's Health Queensland's main storage facilities.

(k) Non-current assets classified as held for sale

Non-current assets held for sale consist of those assets that the government has determined are available for immediate sale in their present condition, for which their sale is highly probable in the next 12 months.

In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, these assets are measured at the lower of their carrying amounts and fair values less costs to sell (in compliance with AASB 5) which is a non-recurring valuation. These assets are no longer depreciated upon being classified as held for sale.

(l) Property, plant and equipment

Recognition and measurement

Property, plant and equipment are initially recorded at consideration plus any other costs directly incurred in bringing the asset ready for use. Items or components that form an integral part of an asset are recognised as a single (functional) asset. The cost of items acquired during the financial year has been judged by management to materially represent the fair value at the end of the reporting period.

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds and with a useful life of more than one year are recognised at acquisition. Items below these values are expensed on acquisition.

Land	\$1
Buildings	\$10,000
Plant and equipment	\$5,000

Land improvements undertaken by Children's Health Queensland are included within the buildings asset class.

Where assets are acquired for no consideration from another Queensland Government entity (whether as a result of a machinery-of-Government change or other involuntary transfer), the acquisition cost is recognised as the gross carrying amount in the books of the transferor immediately prior to the transfer together with any accumulated depreciation. Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland Government entity, are initially recognised at their fair value at the date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

Notes to the Financial Statements

For the year ended 30 June 2014

(I) Property, plant and equipment (continued)

The majority of Children's Health Queensland's assets were acquired under this arrangement, with the initial value of the assets based on the fair value at 30 June 2012 in the Department of Health's financial statements.

On 1 July 2012, the Minister for Health approved the transfer of land and buildings via a three year concurrent lease (representing its right to use the assets) to Children's Health Queensland from the Department of Health. Under the terms of the lease, no consideration in the form of a lease or residual payment by Children's Health Queensland is required.

While the Department of Health retains legal ownership, effective control of these assets was transferred to Children's Health Queensland. Under the terms of the lease, Children's Health Queensland has full exposure to the risks and rewards of asset ownership.

Children's Health Queensland has the full right of use and managerial control of land and building assets and is responsible for their maintenance. The Department of Health generates no economic benefits from these assets. In accordance with the definition of control under Australian Accounting Standards, Children's Health Queensland must recognise the value of these assets in the Statement of Financial Position.

Land and buildings are measured at fair value (refer to valuation section below). Plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses.

Valuation

Land and buildings are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment*, AASB 13 *Fair Value Measurement* and Queensland Treasury and Trade's *Non-Current Asset Policies* for the Queensland Public Sector. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and impairment losses where applicable. The cost of items acquired during the financial year has been judged by management to materially represent their fair value at the end of the reporting period.

Land and buildings are revalued on an annual basis by an independent professional valuer or by the use of appropriate and relevant indices. Revaluations using an independent professional valuer are undertaken at least once every five years. However, if a particular asset class experiences significant and volatile changes in fair value (i.e. where indicators suggest that the value of the class has changed by 20% or more since the previous reporting period), that class is subject to specific appraisal in the reporting period, where practicable, regardless of the timing of the last specific appraisal.

Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up-to-date via the application of relevant indices. Children's Health Queensland ensures that the application of such indices results in a valid estimation of the assets' fair value at reporting date. The valuer supplies the indices used for the various types of assets. Such indices are either publicly available, or are derived from market information available to the valuer. The valuer provides assurance of their robustness, validity and appropriateness for application to the relevant assets. Indices used are also tested for reasonableness by applying the indices to a sample of assets, comparing the results to similar assets that have been valued by a valuer, and analysing the trend of changes in values over time. Through this process, which is undertaken annually, management assesses and confirms the relevance and suitability of indices provided by the valuer based on the entities own particular circumstances.

In 2013-14, Children's Health Queensland reviewed all fair value methodologies in light of the new principles in AASB13 and they did not result in a material impact on the values for the affected land and buildings classes.

Land is valued using the market based direct comparison method. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value. The valuation of land is determined by analysing

Notes to the Financial Statements

For the year ended 30 June 2014

(I) Property, plant and equipment (continued)

comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From the sales analysed, an appropriate rate per square metre is applied to the subject asset.

Reflecting the specialised nature of health service buildings, fair value is determined using depreciated replacement cost methodology, due to there not being an active market for such facilities. Depreciated replacement cost is determined as the replacement cost less the cost to bring an asset to current standards.

The methodology applied by the valuer is a financial simulation in lieu of a market based measurement as these assets cannot be bought and sold on the open market. A replacement cost is estimated by creating a cost plan (cost estimate) of the asset through the measurement of key quantities such as:

- Gross Floor Area
- Number of floors
- Girth of the building
- Height of the building
- Number of lifts and staircases

The model developed by the valuer creates an elemental cost plan using these quantities, includes multiple building types, and is based on the valuer's experience of cost managing construction contracts.

The cost model is updated each year and tests are done to compare the model outputs on actual recent projects to ensure it produces a true representation of the cost of replacement. The costs are at Brisbane prices and published location indices are used to adjust the pricing to suit local market conditions. Live project costs from across the state are also assessed to inform current market changes that may influence the published factors.

The key assumption on the replacement cost is that the estimate is based on replacing the current function of the building with a building of the same form (size and shape). This assumption has a significant impact if an asset's function changes.

The 'cost to bring to current standards' is the estimated cost of refurbishing the asset to bring it to current standards and a new condition. This is a component for establishing the likely 'exit price' of any transaction in the principal market for an asset of this type. For each of the five condition ratings, the estimate is based on professional opinion as well as having regard to historical project costs.

In assessing the cost to bring to current standard, a condition rating is applied based upon the following information:

- Visual inspection of the asset
- Asset condition data provided by the Department of Health
- Verbal guidance from the asset manager
- Previous reports and inspection photographs if available (to show the change in condition over time).

Notes to the Financial Statements

For the year ended 30 June 2014

(I) Property, plant and equipment (continued)

The following condition ratings are linked to the cost to bring to current standards:

Category	Condition	Comments
1	Very good condition	Only normal maintenance required
2	Minor defects only	Minor maintenance required
3	Maintenance required to return to accepted level of service	Significant maintenance required (up to 50% of capital replacement cost)
4	Requires renewal	Complete renewal of the internal fit out and engineering services required (up to 70% of capital replacement cost)
5	Asset unserviceable	Complete asset replacement required

Estimates of remaining life are based on the assumption that the asset remains in its current function and will be maintained. No allowance has been provided for significant refurbishment works in the estimate of remaining life as any refurbishment should extend the life of the asset.

Buildings have been valued on the basis that there is no residual value.

Revaluation increments are credited to the asset revaluation surplus of the appropriate class, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that asset class.

Children's Health Queensland has adopted the gross method of reporting comprehensively revalued assets. This method restates separately the gross amount and related accumulated depreciation of the assets comprising the class of revalued assets. Accumulated depreciation is restated proportionally in accordance with the independent advice of the valuers. The proportionate method has been applied to those assets that have been revalued by way of indexation.

Plant and equipment is measured at cost in accordance with Queensland Treasury and Trade's *Non-Current Asset Policies* for the Queensland Public Sector. The carrying amount for plant and equipment at cost should not materially differ from their fair value.

Subsequent additional costs

Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits, in excess of the originally assessed performance of the asset, will flow to the entity in future years. Costs that do not meet the criteria for capitalisation are expensed as incurred.

Depreciation

Land is not depreciated as it has an unlimited useful life.

Property, plant and equipment is depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset over the estimated useful life. Assets under construction (work-in-progress) are not depreciated until they are ready for use. For each class of depreciable assets, the following depreciation rates were used:

Buildings	1.3% - 5.6%
Plant and equipment	4.5% - 20.0%

The depreciable amount of improvements to or on leasehold land is allocated progressively over the shorter of the estimated useful lives of the improvements or the unexpired period of the lease. The unexpired period of leases includes any option period where exercise of the option is probable.

Notes to the Financial Statements

For the year ended 30 June 2014

(l) Property, plant and equipment (continued)

Any expenditure that increases the originally assessed or service potential of an asset is capitalised, and the new carrying amount is depreciated over the remaining useful life of the asset.

The assets' useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition

Property, plant, and equipment assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Derecognition of property, plant, and equipment includes writing back accumulated depreciation and any accumulated impairment losses against the cost of acquisition. Any resulting gain or loss is represented by the difference between the proceeds, if any, and the carrying amount of the assets are recognised in the consolidated Statement of Comprehensive Income.

(m) Intangible assets

Recognition and measurement

Children's Health Queensland has two classes of intangible assets, being purchased computer software and internally generated computer software. Both software types have an asset recognition threshold of \$100,000. Software with a lesser cost is expensed.

Intangible assets are only recognised if they satisfy recognition criteria in accordance with AASB 138 *Intangible Assets*. Intangible assets are recorded at cost, which is consideration plus costs incidental to the acquisition, less accumulated amortisation and any accumulated impairment losses.

Subsequent additional costs

Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits, in excess of the originally assessed performance of the asset, will flow to the entity in future years. Costs that do not meet the criteria for capitalisation are expensed as incurred.

Amortisation

Software is amortised on a straight-line basis over the period in which the related benefits are expected to be realised. Current amortisation rate for software is 20.0 per cent.

The assets' useful lives and amortisation methods are reviewed and adjusted if appropriate, at each financial year end.

Derecognition

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Derecognition of intangible assets includes writing back accumulated amortisation and any accumulated impairment losses against the cost of acquisition. Any resulting gain or loss is represented by the difference between the proceeds, if any, and the carrying amount of the intangible asset and is recognised in the Statement of Comprehensive Income.

(n) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (ie. an exit price) regardless of whether the price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued, and include, but are not limited to, published sales data for land.

Notes to the Financial Statements

For the year ended 30 June 2014

(n) Fair value measurement (continued)

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Significant unobservable inputs used by Children's Health Queensland include, but are not limited to, subjective adjustments made to observable data to take account of the specialised nature of health service buildings and on hospital-site residential facilities, including historical and current construction contracts (and/or estimates of such costs), and assessments of physical condition and remaining useful life. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities of Children's Health Queensland for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

- Level 1: represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
- Level 2: represents fair value measurements that are substantially derived from inputs (other than quoted prices included in level 1) that are observable, either directly or indirectly; and
- Level 3: represents fair value measurements that are substantially derived from unobservable inputs.

None of Children's Health Queensland's valuations of assets or liabilities are eligible for categorisation into level 1 of the fair value hierarchy. As 2013-14 is the first year of application of AASB 13 by the Children's Health Queensland, there were no transfers of assets between fair value hierarchy levels during the period.

More specific fair value information about the entities property, plant and equipment is outlined further in Note 23.

(o) Leased property, plant and equipment

Operating lease payments, being representative of benefits derived from the leased assets, are recognised as an expense of the period in which they are incurred.

AASB 117 *Leased Assets* is not applicable to land and buildings, currently under a Deed of Lease with the Department of Health, as no consideration in the form of lease payments are required under the agreement. Children's Health Queensland has no assets subject to finance leases.

(p) Impairment of non-current assets

All non-current and intangible assets are assessed for indicators of impairment on an annual basis in accordance with AASB 136 *Impairment of Assets*. If an indicator of impairment exists, Children's Health Queensland determines the asset's recoverable amount (higher of value in use and fair value less costs to sell). Any amount by which the asset's carrying amount exceeds the recoverable amount is considered an impairment loss.

The assets recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount in which case the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

Notes to the Financial Statements

For the year ended 30 June 2014

(p) Impairment of non-current assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(q) Payables

Payables are recognised for amounts to be paid in the future for goods and services received. Trade payables are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. The amounts are unsecured and normally settled within 30 days.

(r) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Children's Health Queensland holds financial instruments in the form of cash, call deposits, receivables and payables. Children's Health Queensland accounts for its financial instruments in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* and reports instruments under AASB 7 *Financial Instruments: Disclosures*. Children's Health Queensland does not enter into transactions for speculative purposes, or for hedging. Financial assets and financial liabilities are recognised in the Statement of Financial Position when Children's Health Queensland becomes a party to the contractual provisions of the financial instrument.

Financial instruments are classified and measured as follows: cash and cash equivalents – held at fair value through profit or loss; receivables – held at amortised cost; payables – held at amortised cost.

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are additionally assessed for impairment on a collective basis. For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Financial assets (excluding cash) and liabilities held by Children's Health Queensland are classified as level three in the fair value hierarchy. Fair values are derived from data not observable in a market. Other disclosures relating to the measurement and financial risk management of other financial instruments are included in Note 34.

(s) Employee benefits

Health service employees

In accordance with the *Hospital and Health Boards Act 2011* section 67, the employees of the Department of Health, referred to as Health Service Employees, remain employees of the Department of Health and are contracted to Children's Health Queensland for the provision of health service delivery.

As a result of this arrangement, Children's Health Queensland reimburses the Department of Health on a fortnightly basis for the salaries, on-costs and other employee related expenses of these contracted Health Service Employees. These payments are disclosed separately under Note 8 and are shown as a separate item under the expenses from continuing operations category of the Statement of Comprehensive Income.

Notes to the Financial Statements

For the year ended 30 June 2014

(s) Employee benefits (continued)

Health service executives

In addition to the Health Service Employees contracted from the Department of Health, Children's Health Queensland in accordance with section 67(2) of the *Hospital and Health Boards Act 2011* directly engage the majority of the Health Service Executives and Board members. The information detailed below relates specifically to these directly engaged employees and board members only.

Employer superannuation contributions, annual and long service leave levies are regarded as employee benefits in accordance with AASB 119 *Employee Benefits* (refer to Note 7).

Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses

Wages, salaries and sick leave

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at current salary rates.

Unpaid entitlements are expected to be paid within 12 months and as such any liabilities are recognised at their undiscounted values.

As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Annual and long service leaves

Under the Queensland Government's Annual Leave Central Scheme (established on 30 June 2008) and Long Service Leave Central Scheme (established on 1 July 1999), levies are payable by Children's Health Queensland to cover the cost of employees' annual leave (including leave loading and on-costs) and long service leave. These levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave and long service leave are claimed from the schemes quarterly in arrears which is currently facilitated by the Department of Health.

No provisions for long service leave or annual leave are recognised in Children's Health Queensland's financial statements as the provisions for these schemes are reported on a Whole-of-Government basis pursuant to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

These levies are expensed in the period in which they are paid or payable. Amounts paid to employees for annual leave and long service leave are claimed from the schemes quarterly in arrears

Superannuation

Employer superannuation contributions are paid to QSuper for Children's Health Queensland executives and to other nominated superannuation funds for Board members. QSuper is the superannuation scheme for Queensland Government employees, at rates determined by the Treasurer on the advice of the State Actuary. Contributions are expensed in the period in which they are paid or payable and Children's Health Queensland's obligation is limited to its contribution to QSuper and the other funds. The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held on a Whole-of-Government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Key executive management personnel and remuneration

Key executive management personnel and remuneration disclosures are made in accordance with section 5 of the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury. Refer to Note 9 for the disclosures on key executive management personnel and remuneration.

Notes to the Financial Statements

For the year ended 30 June 2014

(t) Insurance

Property and general losses above a \$10,000 threshold are insured through the Queensland Government Insurance Fund (QGIF) under the Department of Health's insurance policy. Health litigation payments above a \$20,000 threshold and associated legal fees are also insured through QGIF. Premiums are calculated by QGIF on a risk assessed basis. Children's Health Queensland is covered in respect of its obligations for employee compensation through the Department of Health's cover with WorkCover Queensland.

Children's Health Queensland pays fees for these insurances to the Department of Health as part of a fee for service arrangement. This is included in supplies and services (refer to Note 11).

(u) Services received/provided free of charge or for a nominal value

Contributions of services are recognised only if the services would have been purchased if they had not been donated and their fair value can be measured reliably. When this is the case, an equal amount is recognised as revenue and an expense.

Children's Health Queensland receives corporate services support from the Department of Health for no cost. Corporate services received include payroll services, accounts payable services, accounts, finance transactional services, taxation services, supply services and information technology services. As the fair value of these services is unable to be estimated reliably, no associated revenue and expense is recognised in the Statement of Comprehensive Income.

Children's Health Queensland provides office accommodation to a small number of not-for-profit organisations for nominal consideration. These include Children's Hospital Foundation, Kid's Safe House and Leonard Lodge.

(v) Contributed equity

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-Government changes are adjusted to Contributed Equity in accordance with Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*. Appropriations for equity adjustments are similarly designated.

Transactions with owners as owners include equity injections for non-current asset acquisitions and non-cash equity withdrawals to offset non-cash depreciation funding received under the Service Agreement with the Department of Health.

(w) Taxation

Children's Health Queensland is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only Commonwealth taxes recognised by Children's Health Queensland.

Children's Health Queensland and the Department of Health satisfy section 149-25(e) of the *A New Tax System (Goods and Services) Act 1999* (the Act) and were able, with other Hospital and Health Services, to form a "group" for GST purposes under the Division 149 of the Act. This means that any transactions between the members of the group do not attract GST. However, all entities are responsible for the payment or receipt of any GST for their own transactions. As such, GST credits receivable from and payable to the Australian Taxation Office (ATO) are recognised and accrued (refer to Note 18). The GST transactions with the Australian Taxation Office are lodged and managed via the Department of Health.

Revenues and expenses are recognised net of GST except for where GST incurred on a purchase of goods and services is not recoverable from the tax authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Notes to the Financial Statements

For the year ended 30 June 2014

(w) Taxation (continued)

Cash flows are included in the statement of cash flows on a gross basis and GST component of the cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(x) Issuance of financial statements

The financial statements are authorised for issue by the Chair of the Board, the Health Service Chief Executive and the Chief Finance Officer, at the date of signing the Management Certificate.

(y) Accounting Estimates and Judgements

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions and management judgements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, and are reviewed on an ongoing basis. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates and assumptions with the most significant effect on the financial statements relate to and are outlined in the following notes:

- Depreciation and Amortisation: Notes 2(l), 2(m) and 13
- Receivables: Note 18
- Valuation of Property, Plant and Equipment and Intangible Assets : Notes 2(l), 2(m), 22 and 23
- Contingencies: Note 31

The former Australian Government passed the Clean Energy Act in November 2011 which resulted in the introduction of a price on carbon emissions made by Australian businesses from 1 July 2012. However, with effect from the 1st July 2014, the current Australian Government has now abolished the carbon tax. The withdrawal of the carbon pricing mechanism is not expected to have a significant impact on the Children's Health Queensland's critical accounting estimates, assumptions and management judgements.

(z) Economic dependence

Children's Health Queensland's primary source of income is from the State government. Children's Health Queensland's ability to continue viable operations is dependent on this funding in accordance with the Service Agreement with the Department of Health (refer to Note 2(d)). At the date of this report management has no reason to believe that this financial support will not continue.

(aa) Rounding and comparatives

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000 or, where the amount is \$500 or less, to zero unless the disclosure of the full amount is specifically required.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period. In particular, payments made by the Department of Health to Children's Health Queensland, under Service Level Agreements, are now classified as service revenue within user charges and fees. Accordingly, the comparatives have been restated to be consistent with disclosures in the current reporting period and to improve transparency across reporting periods.

Notes to the Financial Statements

For the year ended 30 June 2014

(ab) Voluntary change in accounting policy

Queensland Treasury and Trade released the guideline *Distinction between Grants and Service Procurement Payments* which has resulted in payments made by the Department of Health to Hospital and Health Services, under Service Level Agreements, being re-classified from grants and other contributions to service revenue.

Children's Health Queensland has made a voluntary change in accounting policy for the recognition of funding provided by the Department of Health under a service agreement between the Department and Children's Health Queensland. The service agreement specifies those public health services purchased by the Department from Children's Health Queensland.

In 2012-13 the Department of Health provided this funding as grant payments but for 2013-14 has determined that the payment is not of a grants nature but rather is procurement of public health services. Specific public health services are received by the department under a service agreement and the department has determined that it receives approximately equal value for the payment provided, and directly receives an intended benefit.

To align with this basis of funding provided by the Department of Health under a service agreement, Children's Health Queensland now recognises the 2013-14 funding of \$296.390 million as user charges and fees revenue for 2013-14 rather than as grants revenue which occurred in 2012-13. The main affect is that the revenue is now recognised under the criteria detailed in AASB 118 Revenue for 2013-14, rather than under AASB 1004 Contributions in 2012-13. The revenue recognition criteria is described in Note 3 user charges and fees and Note 4 grants and other contributions.

This change in accounting policy has been applied retrospectively with the affect that grants and other contributions revenue for 2012-13 has reduced by \$296.201 million and user charges and fees revenue has increased by the same amount.

(ac) New and revised accounting standards

Children's Health Queensland is not permitted to early adopt an accounting standard unless approved by Queensland Treasury and Trade.

The only Australian Accounting Standard changes applicable for the first time as from 2013-14 that have had a significant impact on the financial statements are those arising from AASB 13 *Fair Value Measurement*, as explained as follows:

- AASB 13 *Fair Value Measurement* became effective from reporting periods beginning on or after 1 January 2013. AASB 13 sets out a new definition of 'fair value' as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements apply to all of Children's Health Queensland's assets and liabilities that are measured and/or disclosed at fair value or another measurement based on fair value. The impacts of AASB 13 relate to the fair value measurement methodologies used and financial statement disclosures made in respect of such assets and liabilities.
- Children's Health Queensland reviewed its fair value methodologies (including instructions to valuers, data used and assumptions made) for all items of property, plant and equipment measured at fair value to assess whether those methodologies comply with AASB 13, and applied necessary changes to the valuations. None of the changes to valuation methodologies resulted in material differences from the previous methodologies.
- AASB 13 has required an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. For those fair value measurements of assets or liabilities that substantially are based on data that is not 'observable' (i.e. accessible outside of Children's Health Queensland), the amount of information disclosed has significantly increased. Note 2(n) explains some of the principles underpinning the additional fair value information disclosed. Most of this additional information is set out in Note 23 Property Plant and Equipment.

Notes to the Financial Statements

For the year ended 30 June 2014

(ac) New and revised accounting standards (continued)

The following Accounting Standards issued but not yet effective may impact Children's Health Queensland in future periods. The potential effect of the revised Standards and Interpretations on Children's Health Queensland financial statements has not yet been determined.

Standards effective for annual periods beginning on or after 1 July 2014:

- AASB 10 *Consolidated Financial Statements* redefines and clarifies the concept of control of another entity, and is the basis for determining which entities should be consolidated into an entity's financial statements. AASB 2013-8 applies the various principles in AASB 10 for determining whether a not-for-profit entity controls another entity.
- AASB 11 *Joint Arrangements* deals with the concept of joint control and sets out new principles for determining the type of joint arrangement that exists, which in turn dictates the accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement.
- AASB 1055 *Budgetary Reporting* specifies the nature of budgetary disclosures and the circumstances in which they are to be included in the financial statements, as well as whole of government reporting.

All other Australian Accounting Standards and Interpretations with future commencement dates have been initially assessed as either not being applicable to Children's Health Queensland or have no material impact on the financial statements of Children's Health Queensland.

Notes to the Financial Statements

For the year ended 30 June 2014

3 User charges and fees

	2014	2013
	\$'000	\$'000
Hospital fees	12,955	13,658
Sale of goods and services	8,495	6,446
Service revenue:*		
– State	251,750	219,474
– Federal	44,640	76,727
Rental income	50	-
Total	317,890	316,305

* Funding from the Department of Health has been reclassified from grants and other contributions to user charges and fees representing service procurement funding. Refer Note 2(d).

4 Grants and other contributions

Grants	7,286	4,096
Donations other	11	34
Donations non-current physical assets	53	19
Total	7,350	4,149

5 Other revenue

Health service employee cost recoveries*	4,970	4,712
Insurance recoveries	998	606
Other recoveries	1,644	1,112
Interest	282	265
Other	126	171
Total	8,020	6,866

* Health service employee cost recoveries are for services provided to external parties not including the Department of Health or other Hospital and Health Services.

6 Gains on disposal/re-measurement of assets

Land revaluation increment*	104	-
Gain on sale of property, plant and equipment	1	25
Total	105	25

* The asset revaluation surplus represents the net effect of upwards and downwards revaluations of assets to fair value. The increment, being a reversal of a previous revaluation decrement in respect of the same class of assets, has been recognised as income in the Statement of Comprehensive Income.

Notes to the Financial Statements

For the year ended 30 June 2014

7 Employee expenses

	2014	2013
	\$'000	\$'000
Employee expenses*		
Wages and salaries	1,605	1,115
Board member fees	352	240
Employer superannuation contributions	201	135
Annual leave levy	159	100
Long service leave levy	34	22
Employee related expenses*		
Workers' compensation premium	5	1
Payroll tax	34	47
Total	2,390	1,660
Number of employees**:	11	6

* Employee expenses represent members of the Board and executive management staff that are employed by Children's Health Queensland. Refer to Note 2(s).

** The number of employees (rounded to the nearest whole number) represents full-time or part-time executive management staff, measured on a full-time equivalent basis reflecting Minimum Obligatory Human Resource Information (MOHRI) as at 30 June. Members of the Board are not included in this total.

8 Health service employee costs

Health service employee costs *	236,851	231,408
Total	236,851	231,408
Number of employees**:	1,996	1,901

* Health service employee costs represent the cost of Department of Health employees contracted to Children's Health Queensland. Refer Note 2(s).

** The number of employees (rounded to the nearest whole number) represents full-time, part-time and casual employees, measured on a full-time equivalent basis (reflecting Minimum Obligatory Human Resource Information (MOHRI)) as at 30 June.

Notes to the Financial Statements

For the year ended 30 June 2014

9 Key management personnel and remuneration expenses

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of Children's Health Queensland during 2013-14. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

(a) Board

Position of current incumbents	Responsibilities	Appointment authority	Date appointed (resigned)
Board Chair - Ms Susan Johnston	Perform duties of Chair as prescribed in the <i>Hospital and Health Boards Act 2011</i> Member - Quality and Safety Committee	Governor-in-Council Appointment	18/05/2012
Deputy Chair - Ms Jane Yacopetti	Perform duties of Deputy Chair as prescribed in the <i>Hospital and Health Boards Act 2011</i> Chair - Health Service Executive Committee	Governor-in-Council Appointment	18/05/2013
Board Member - Dr David Wood	Perform duties of Board Member as prescribed in the <i>Hospital and Health Boards Act 2011</i> Chair - Quality and Safety Committee Member - Audit and Risk Committee	Governor-in-Council Appointment	29/06/2012
Board Member - Dr Leanne Johnston	Perform duties of Board Member as prescribed in the <i>Hospital and Health Boards Act 2011</i> Member - Finance and Performance Committee Member - Audit and Risk Committee (29 May 2014 to present) Member - Health Service Executive Committee (ceased 29 May 2014)	Governor-in-Council Appointment	29/06/2012

Children's Health Queensland Hospital and Health Service

Notes to the Financial Statements

For the year ended 30 June 2014

(a) Board (continued)

Position of current incumbents	Responsibilities	Appointment authority	Date appointed (resigned)
Board Member Mr Paul Cooper	Perform duties of Board Member as prescribed in the <i>Hospital and Health Boards Act 2011</i> Chair - Audit and Risk Committee Member - Finance and Performance Committee	Governor-in-Council Appointment	29/06/2012
Board Member Ms Eileen Jones	Perform duties of Board Member as prescribed in the <i>Hospital and Health Boards Act 2011</i> Member - Quality and Safety Committee Member - Health Service Executive Committee	Governor-in-Council Appointment	Appointed 29/06/2012 Ceased 17/05/2014
Board Member Mr David Gow	Perform duties of Board Member as prescribed in the <i>Hospital and Health Boards Act 2011</i> Chair - Finance and Performance Committee Member - Audit and Risk Committee	Governor-in-Council Appointment	18/05/2013
Board Member Ms Georgina Somerset	Perform duties of Board Member as prescribed in the <i>Hospital and Health Boards Act 2011</i> Member - Health Service Executive Committee Member - Quality and Safety Committee (29 May 2014 to present)	Governor-in-Council Appointment	23/08/2013
Board Member Ms Andrea O'Shea	Perform duties of Board Member as prescribed in the <i>Hospital and Health Boards Act 2011</i> Member - Quality and Safety Committee	Governor-in-Council Appointment	Appointed 23/08/2013 Ceased 17/05/2014
Board Member Mr Ross Willims	Perform duties of Board Member as prescribed in the <i>Hospital and Health Boards Act 2011</i> Member - Finance and Performance Committee (29 May 2014 to present) Member - Health Service Executive Committee (29 May 2014 to present)	Governor-in-Council Appointment	18/05/2014
Board Member Associate Professor Susan Young	Perform duties of Board Member as prescribed in the <i>Hospital and Health Boards Act 2011</i> Member - Quality and Safety Committee (29 May 2014 to present) Member - Health Service Executive Committee (29 May 2014 to present)	Governor-in-Council Appointment	18/05/2014

Children's Health Queensland Hospital and Health Service

Notes to the Financial Statements

For the year ended 30 June 2014

(b) Executive management

Position of current incumbents	Responsibilities	Contract classification and appointment authority	Date appointed (resigned)
Health Service Chief Executive	<p>The single point of accountability for ensuring patient safety through the effective executive leadership and management of Children's Health Queensland, as well as associated support functions.</p> <p>Accountable for ensuring that Children's Health Queensland achieves a balance between efficient service delivery and high quality health outcomes.</p>	Individual contract <i>Hospital and Health Boards Act 2011</i>	01/07/2012
Executive Director, People and Culture	<p>Develop and implement strategies relating to people and culture so that Children's Health Queensland has the necessary skills, capabilities and enabling human resource and industrial relations frameworks to meet current and future health service needs in a rapidly evolving environment.</p> <p>To lead the People and Culture team in ensuring the organisational culture and the management and development of people and performance contribute to optimal employee engagement and productivity and that Children's Health Queensland complies with all statutory requirements relating to people issues.</p> <p>Lead the development of the workforce for the Lady Cilento Children's Hospital which is due to open in November 2014.</p> <p>Help build a partnership approach with staff, stakeholders and representative groups in the creation of Children's Health Queensland and the new Lady Cilento Children's Hospital.</p>	Health Executive Service (HES 2) <i>Hospital and Health Boards Act 2011</i>	01/07/2012
Chief Finance Officer	<p>To provide strategic advice and leadership of the financial management function for Children's Health Queensland and work with the executive team to ensure that financial stewardship and governance arrangements are in place to meet financial performance targets and imperatives.</p> <p>To lead Children's Health Queensland's Financial Services Unit in providing expert support and advice to Children's Health Queensland's executive team and Children's Health Queensland's divisional and operational service line managers on the management of financial resources and the matching of those resources to achieve organisational objectives. To also lead the Facilities Management, Procurement and Supply Services Functions for Children's Health Queensland.</p> <p>Accountability and reporting to Children's Health Queensland's Board Committees on performance against workforce, asset management and financial plans.</p>	Health Executive Service (HES 2) <i>Hospital and Health Boards Act 2011</i>	07/01/2013
Executive Director, Office of Strategy Management	<p>To provide leadership in the design, implementation and continuous improvement of the integrated planning, strategy management, performance monitoring and strategy communications frameworks and systems for the organisation.</p> <p>Develop effective systems and processes that select, collect, align, integrate and communicate data and information to support organisational decision making, innovation and performance monitoring.</p> <p>Provide secretariat functions and support for the Children's Health Queensland Board.</p>	Health Executive Service (HES 2) <i>Hospital and Health Boards Act 2011</i>	Acting from 28/08/2012 to 19/02/2013 Appointed 20/02/2013

Children's Health Queensland Hospital and Health Service

Notes to the Financial Statements

For the year ended 30 June 2014

(b) Executive management (continued)

Position of current incumbents	Responsibilities	Contract classification and appointment authority	Date appointed (resigned)
General Manager Operations	<p>Responsible for the effective and efficient delivery of all clinical and non-clinical services and resources at the Royal Children's Hospital, Child and Youth Mental Health Services, Community Services and non-clinical support for Children's Health Queensland.</p> <p>Critically analyse service delivery and strategically lead the development of strategies to address key service gaps, high level risks, performance gaps and performance targets.</p> <p>Leading an executive team that must be future focussed to contribute actively and innovatively to the reform processes required to drive contemporary practice in a tertiary setting and leading to the transition to the Lady Cilento Children's Hospital.</p>	Health Executive Service (HES 3) Hospital and Health Boards Act 2011	03/12/2012
Executive Director, Medical Services	<p>Single point of accountability for the effective executive leadership of medical services across Children's Health Queensland.</p> <p>Develop and create an environment and culture that draws the best medical talent and enhances the attraction and retention of high quality child and family focused doctors.</p> <p>Develop, implement and continuously monitor Children's Health Queensland policy and specialist support to line managers in relation to the recruitment, credentialing, employment, development and performance management of doctors.</p> <p>Shape and lead strategic thinking and strategy development of an integrated medical service delivery model within both Children's Health Queensland and the Lady Cilento Children's Hospital.</p> <p>Lead the development, implementation and evaluation of the health service Patient Safety and Quality Improvement Strategy</p> <p>Lead the development and implementation of the health service research strategy.</p>	Senior Medical Officers' and Resident Medical Officers' Award (Level 29)	05/11/2012
Executive Director, Nursing Services	<p>Provide nursing executive leadership, strategic focus, managerial direction, authoritative and expert advice on a wide range of professional and policy issues.</p> <p>Shape and lead strategic thinking and strategy development of an integrated nursing service delivery model within both Children's Health Queensland and the Lady Cilento Children's Hospital.</p> <p>Provide professional leadership and accountability for Children's Health Queensland's Nursing Services.</p> <p>Lead the Commission of Nursing Workforce for Lady Cilento Children's Hospital and participation in the clinical commissioning of the facility.</p>	Queensland Health Nurses and Midwives Award (Nurse Grade 12)	26/11/2012

Notes to the Financial Statements

For the year ended 30 June 2014

(b) Executive management (continued)

Position of current incumbents	Responsibilities	Contract classification and appointment authority	Date appointed (resigned)
Executive Director, Allied Health and Community Services	<p>Provide allied health and community services executive leadership, strategic focus, managerial direction and authoritative and expert advice on a wide range of professional and policy issues.</p> <p>Shape and lead strategic thinking and strategy development of an integrated allied health service delivery model within both Children's Health Queensland and the Lady Cilento Children's Hospital. Provide professional leadership and accountability for Children's Health Queensland's Allied Health and Community Services.</p> <p>Responsible for establishing a service delivery system within Child and Youth Community Health that reflects the needs of the many communities, and for ensuring that the full range of services provided are safe, effective, and efficient, of high quality and are evidence-based.</p>	Health Executive Service (HES 2) <i>Hospital and Health Boards Act 2011</i>	03/12/2012
Executive Director, Development and Commissioning	<p>Commissioning lead who coordinates Children's Health Queensland activities and facilities communication with the Lady Cilento Children's Hospital Project Team, providing direction, advice and decision where necessary.</p> <p>Ensure Children's Health Queensland has a clearly established, articulated and functional governance framework that incorporates the commissioning of, and transition to fully operational facilities, including the Lady Cilento Children's Hospital, Centre for Children's Health Research and the Central Energy Plant.</p> <p>Accountable for the outcomes through directing, driving and supporting the work of the Children's Health Queensland commissioners and executives at a high level and from an organisational perspective to achieve effective and timely outcomes.</p>	Health Executive Service (HES 2) <i>Hospital and Health Boards Act 2011</i>	28/4/2014

(c) Remuneration expenses

Remuneration Policy

The remuneration policy for the entity's key management personnel is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*.

Board

The remuneration of members of the Board is approved by Governor-in-Council as part of the terms of appointment. Each member is entitled to receive a fee, with the exception of appointed public service employees unless otherwise approved by the Government. Members may also be eligible for superannuation payments.

Executive Management

In accordance with section 67 of the *Hospital and Health Boards Act 2011*, the Director-General of the Department of Health determines the remuneration for Children's Health Queensland key executive management personnel. The remuneration and other terms of employment are specified in employment contracts. For the 2013-14 financial year, the remuneration of key executive management personnel increased by 2.2 per cent in accordance with government policy.

Notes to the Financial Statements

For the year ended 30 June 2014

(c) Remuneration expenses (continued)

Remuneration expenses for key executive management personnel comprise the following components:

- Short-term employee expenses which include:
 - o Monetary expenses: salaries, allowances and leave entitlements earned and expensed for the entire year or for that part of the year during which the employee occupied the specified position.
 - o Non-monetary benefits: benefits provided through salary sacrificing arrangements (excluding superannuation) or directly paid on behalf of the executive by Children's Health Queensland including fringe benefits tax where applicable.
- Long term employee expenses include amounts expensed in respect of long service leave entitlements earned.
- Post-employment expenses include amounts expensed in respect of employer superannuation obligations.
- Termination benefits are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

Performance bonuses are not paid to executive management.

(i) Board

Position		Short term employee expenses		Long term employee expenses	Post-employment expenses	Termination benefits	Total expenses
		Monetary expenses \$'000	Non-monetary benefits \$'000	\$'000	\$'000	\$'000	\$'000
Board Chair Ms Susan Johnston	2014	71	-	-	6	-	77
	2013	80	-	-	7	-	87
Deputy Chair Ms Jane Yacopetti (from 18/05/2013 to present)	2014	37	-	-	3	-	40
	2013	-	-	-	-	-	-
Deputy Chair Mr Andrew Taylor (ceased 06/03/2013)	2014	-	-	-	-	-	-
	2013	24	-	-	2	-	26
Board Member Dr David Wood	2014	36	*	*	3	*	39
	2013	33	-	-	3	-	36
Board Member Dr Leanne Johnston	2014	36	-	-	3	-	39
	2013	33	-	-	3	-	36
Board Member Mr Paul Cooper	2014	36	-	-	3	-	39
	2013	33	-	-	3	-	36

Notes to the Financial Statements

For the year ended 30 June 2014

(i) Board (continued)

Position		Short term employee expenses		Long term employee expenses	Post-employment expenses	Termination benefits	Total expenses
		Monetary expenses \$'000	Non-monetary benefits \$'000	\$'000	\$'000	\$'000	\$'000
Board Member Ms Eileen Jones (ceased 17/05/2014)	2014	29	-	-	3	-	32
	2013	35	-	-	3	-	38
Board Member Mr David Gow (from 18/05/2013 to present)	2014	36	-	-	3	-	39
	2013	2	-	-	-	-	2
Board Member Ms Georgina Somerset (23/08/2013 to present)	2014	35	-	-	2	-	37
	2013	-	-	-	-	-	-
Board Member Ms Andrea O'Shea (ceased 17/05/2014)	2014	24	-	-	2	-	26
	2013	-	-	-	-	-	-
Board Member Mr Ross Willims (from 18/05/2014 to present)	2014	6	-	-	-	-	6
	2013	-	-	-	-	-	-
Board Member Associate Professor Susan Young (from 18/05/2014 to present)	2014	6	-	-	-	-	6
	2013	-	-	-	-	-	-
Total Remuneration: Board	2014	352	-	-	28	-	380
	2013	240	-	-	21	-	261

(ii) Executive Management

Position		Short term employee expenses		Long term employee expenses	Post-employment expenses	Termination benefits	Total expenses
		Monetary expenses \$'000	Non-monetary benefits \$'000	\$'000	\$'000	\$'000	\$'000
Health Service Chief Executive	2014	448	29	9	47	-	533
	2013	459	29	9	48	-	545
Executive Director, People and Culture	2014	162	9	3	17	-	191
	2013	151	9	3	15	-	178

Notes to the Financial Statements

For the year ended 30 June 2014

(ii) Executive Management (continued)

Position		Short term employee expenses		Long term employee expenses	Post-employment expenses	Termination benefits	Total expenses
		Monetary expenses \$'000	Non-monetary benefits \$'000	\$'000	\$'000	\$'000	\$'000
Chief Finance Officer (from 07/01/2013 to present)	2014	190	9	4	20	-	223
	2013	98	-	2	10	-	110
Acting Chief Finance Officer (from 20/08/2012 to 06/01/2013)	2014	-	-	-	-	-	-
	2013	69	3	1	6	-	79
Acting Executive Director, Office of Strategy Management (from 02/04/2013 to present) ¹	2014	165	10	3	18	-	196
	2013	36	-	1	4	-	41
Executive Director, Office of Strategy Management (from 28/08/2012 to present) ¹	2014	60	-	1	4	-	65
	2013	131	-	2	13	-	146
General Manager Operations (from 03/12/2012 to present)	2014	195	9	4	16	-	224
	2013	110	-	2	9	-	121
Executive Director, Medical Services (from 05/11/2012 to present)	2014	462	10	5	37	-	514
	2013	292	6	3	23	-	324
Executive Director, Nursing Services (from 26/11/2012 to present)	2014	214	6	4	23	-	247
	2013	136	3	3	11	-	153
Executive Director, Allied Health and Community Services (from 03/12/2012 to present)	2014	164	9	3	18	-	194
	2013	89	6	2	10	-	107
Executive Director of Commissioning and Development (from 28/04/2014 to present)	2014	36	1	1	4	-	42
	2013	-	-	-	-	-	-
Total Remuneration: Executive Management	2014	2,096	92	37	204	-	2,429
	2013	1,571	56	28	149	-	1,804

¹ There are two Executive Director, Office of Strategy Management positions disclosed due to the incumbent being on maternity leave as well as returning to work in a part time capacity during the reporting periods.

Notes to the Financial Statements

For the year ended 30 June 2014

10 Related Parties

Mr David Gow (member of the Board) is the Children's Health Queensland nominated member on the Queensland Children's Medical Research Institute Board (QCMRI). A number of Children's Health Queensland research activities are facilitated through this organisation. Membership of the Board is in line with the QCMRI Constitution and the governance terms of such arrangement.

The terms and conditions of other transactions with members of the Board, key executive management, and their related entities were no more favourable than those available or which might reasonably be expected to be available, in similar transactions with non-Board member or key executive management related entities on an arm's length basis.

11 Supplies and services

	2014	2013
	\$'000	\$'000
Clinical supplies and services	22,187	23,878
Consultants and contractors	14,135	11,387
Pharmaceuticals	13,291	12,548
Catering and domestic supplies	3,849	3,656
Communications	3,347	2,725
Insurance	3,291	4,228
Repairs and maintenance	2,679	4,221
Computer services	2,530	1,653
Building utilities	2,419	2,136
Operating lease rentals	2,162	2,197
Travel	1,400	1,416
Office supplies	1,318	1,165
Linen	1,192	1,132
Other inter-entity supplies	1,128	498
Other	2,399	2,428
Total	77,327	75,268

12 Grants and subsidies

Medical research programs	253	75
Non-government organisation grants	831	-
Total	1,084	75

13 Depreciation and amortisation

Depreciation and amortisation were incurred in respect of:

- Buildings	4,337	4,189
- Plant and equipment	2,822	2,815
- Intangible assets	175	1
Total	7,334	7,005

Notes to the Financial Statements

For the year ended 30 June 2014

14 Impairment losses

	Note	2014 \$'000	2013 \$'000
Transfer to/(from) allowance for impairment of receivables	18	(102)	240
Bad debts written off		58	438
Total		(44)	678

15 Revaluation decrement

Land	-	104
Total	-	104

The asset revaluation surplus represents the net effect of upwards and downwards revaluations of assets to fair value. The decrement, not being a reversal of a previous revaluation increment in respect of the same class of assets, has been recognised as an expense in the Statement of Comprehensive Income

16 Other expenses

External audit fees*	145	149
Other audit fees	289	148
Inventory written off	49	171
Losses from the disposal of non-current assets	120	192
Other legal costs	941	107
Bank fees	25	20
Special payments		
- Donations/gifts	-	5
- Ex-gratia payments**	78	30
Other	56	62
Total	1,703	884

* External audit fees relating to payments made to the Queensland Audit Office (QAO) are estimated to be \$0.145 million (2013: \$0.149 million). There were no non-audit services provided by the QAO during the period.

**Ex-gratia payments (exceeding \$5,000) were made for the following reasons:

- Financial hardship payments made to families whose children had a serious medical condition.
- Payment made to a temporary contracted medical officer in lieu of private practice earnings.
- Payment of legal fees on behalf of a health service employee following a workplace investigation.

Notes to the Financial Statements

For the year ended 30 June 2014

17 Cash and cash equivalents

	2014	2013
	\$'000	\$'000
Imprest accounts	18	18
Cash at bank and on hand*	31,443	19,144
Cash on deposit**	7,507	7,507
Total	38,968	26,669

* Children's Health Queensland's bank accounts are grouped within the whole-of-Government set-off arrangement with Queensland Treasury Corporation. As a result, Children's Health Queensland does not earn interest on surplus funds and is not charged interest or fees for accessing its approved cash debit facility. Interest earned on the aggregate set-off arrangement balance accrues to the Consolidated Fund.

**Cash and cash equivalents include \$7.507 million in relation to General Trust fund monies which are not grouped within the whole-of-Government set-off arrangement and are able to be invested and earn interest. Cash on deposit with the Queensland Treasury Corporation earned interest at an annual effective rate of 3.43 per cent during the 2013-14 financial year.

18 Receivables

Trade receivables	4,528	6,655
Less: allowance for impairment loss	(164)	(504)
	4,364	6,151
GST input tax credits receivable	320	492
GST payable	(105)	(491)
	215	1
Service revenue receivable	2,136	3,819
Accrued other revenue	1,406	1,799
Total	8,121	11,770

Movements in the allowance for impairment loss

Balance at 1 July	504	-
Amount transferred from restructure	-	264
Amounts written off during the financial year	(238)	-
Increase/(decrease) in allowance recognised in operating result	(102)	240
Balance at 30 June	164	504

Notes to the Financial Statements

For the year ended 30 June 2014

19 Inventories

	2014	2013
	\$'000	\$'000
Inventory held for distribution - at cost	2,603	2,985
Total	2,603	2,985

20 Other current assets

Prepayments	136	142
Total	136	142

21 Non-current assets classified as held for sale

Land	-	6,680
Buildings	-	424
Total	-	7,104

In June 2013, the Minister for Health approved the disposal of the building and parcel of land at 169 Water Street, Spring Hill to the Department of Education, Training and Employment as an arm's length transaction. Settlement of the transaction was effected by the Department of Health on 30 June 2014. As the land and building was legally owned by the Department of Health at time of sale (under a Deed of Lease to Children's Health Queensland), the property was transferred to the Department of Health on 30 June 2014 being the effective date of the Surrender of the Deed of Lease and immediately prior to completion of the sale.

Derecognition of the property by Children's Health Queensland occurred through a reduction in contributed equity (owner's equity withdrawal) and the recognition of the asset by the Department of Health as an increase in contributed equity (owner's equity injection) in accordance with AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* and Queensland Treasury and Trade Accounting Policy Guideline (APG) 9 *Accounting for Contributions by Owners and Distributions to Owners*. The property transferred to the Department of Health at a value of \$7.104 million reflecting the net book value as at 30 June 2014.

Notes to the Financial Statements

For the year ended 30 June 2014

22 Intangible assets

	2014	2013
	\$'000	\$'000
Purchased software - at cost	-	160
Less: accumulated amortisation	-	(158)
Total purchased software	-	2
Developed software - at cost	1,570	-
Less: accumulated amortisation	(330)	-
Total developed software	1,240	-
Total intangible assets	1,240	2

Intangibles reconciliation

	Purchased Software	Developed Software	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2013	2	-	2
Acquisitions	-	-	-
Cost transferred from DoH	-	1,570	1,570
Accumulated depreciation transferred from DoH	-	(157)	(157)
Amortisation charge for the year*	(2)	(173)	(175)
Balance at 30 June 2014	-	1,240	1,240
	Purchased Software	Developed Software	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2012	-	-	-
Acquisitions from restructure	160	-	160
Accumulated depreciation from restructure	(157)	-	(157)
Amortisation charge for the year*	(1)	-	(1)
Balance at 30 June 2013	2	-	2

*Amortisation of intangibles is included in the line item „Depreciation and Amortisation’ in the Statement of Comprehensive Income.

Notes to the Financial Statements

For the year ended 30 June 2014

23 Property, plant and equipment

	2014	2013
	\$'000	\$'000
Land:		
At fair value	16,698	14,532
	<u>16,698</u>	<u>14,532</u>
Buildings:		
At fair value	204,548	169,183
Less: accumulated depreciation	(135,474)	(101,971)
	<u>69,074</u>	<u>67,212</u>
Plant and equipment:		
At cost	32,818	31,293
Less: accumulated depreciation	(19,638)	(19,402)
	<u>13,180</u>	<u>11,891</u>
Capital works in progress:		
At cost	-	912
	<u>-</u>	<u>912</u>
Total	<u>98,952</u>	<u>94,547</u>

Land

In 2013-14, land was independently valued using a combination of comprehensive valuations and indexed valuations using indices provided by the State Valuation Service (SVS). Fair value was determined by SVS through the use of the market based direct comparison method. Indices were based on actual market movements for the relevant location and asset category. Management has assessed the indices provided by SVS as appropriate and has endorsed the use of the indices. The programme resulted in a net increment of \$0.159 million representing an increase of 1.1% from the value of land as at 30 June 2013.

Buildings

In 2013-14, all buildings were comprehensively valued as at 30 June 2014 by Davis Langdon. The building revaluations for 2013-14 resulted in a net increment of \$4.919 million representing an increase of 7.3% from the value of buildings as at 30 June 2013.

Plant and Equipment

Children's Health Queensland has plant and equipment with an original cost of \$0.804 million (or 2.4 per cent of total plant and equipment gross value) and a written down value of zero still being used in the provision of services.

Future developments

The new Lady Cilento Children's Hospital is expected to be completed and ready for service delivery capacity in November 2014. Buildings currently occupied at the Royal Children's Hospital site at Herston

Children's Health Queensland Hospital and Health Service

Notes to the Financial Statements

For the year ended 30 June 2014

Future developments (continued)

are expected to be vacated by 30 June 2015 in line with the current Deed of Lease with Metro North Hospital and Health Service. Refer Note 35 for further details.

Property, plant and equipment reconciliation

	Land (Level 2)	Buildings (Level 3)	Plant and equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2013	14,532	67,212	11,891	912	94,547
Acquisitions	-	473	3,881	-	4,354
Donation received	-	-	53	-	53
Transfers from other HHS's	2,006	604	-	-	2,610
Recognition/(Derecognition) of assets	-	-	30	(24)	6
Disposals	-	-	(150)	-	(150)
Transfer between classes	-	553	335	(888)	-
Transfer to DoH/other HHS's	-	(350)	(38)	-	(388)
Revaluation increments/(decrements)	160	4,919	-	-	5,079
Depreciation charge for the financial year	-	(4,337)	(2,822)	-	(7,159)
Balance at 30 June 2014	16,698	69,074	13,180	-	98,952

	Land (Level 2)	Buildings (Level 3)	Plant and equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2012	-	-	-	-	-
Acquisitions from restructure – cost	21,316	150,102	33,187	195	204,800
Acquisitions from restructure – accumulated depreciation	-	(81,693)	(19,315)	-	(101,008)
Acquisitions	-	-	1,115	976	2,091
Donation received	-	-	19	-	19
Disposals	-	-	(300)	-	(300)
Transfer between classes	-	259	-	(259)	-
Held for sale	(6,680)	(424)	-	-	(7,104)
Revaluation increments/(decrements)	(104)	3,157	-	-	3,053
Depreciation charge for the financial year	-	(4,189)	(2,815)	-	(7,004)
Balance at 30 June 2013	14,532	67,212	11,891	912	94,547

Notes to the Financial Statements

For the year ended 30 June 2014

Level 3 significant valuation inputs and relationship to fair value

All Children's Health Queensland buildings are classified as health service site buildings and are determined to be level 3 within the fair value hierarchy (refer to Note 2(n)). The fair value is calculated by quantity surveyors on behalf of Davis Langdon. The methodology is known as the Depreciated Replacement Cost valuation technique. The following table highlights the key unobservable (Level 3) inputs assessed during the valuation process and the relationship to the estimated fair value.

Description	Significant unobservable inputs	Unobservable inputs quantitative measures	Unobservable inputs – general effect on fair value measurement
Buildings – health service sites (fair value \$69.074 million)	Replacement cost estimates	Hospitals: \$23.332 million to \$90.579 million Other buildings: \$0.476 million to \$8.847 million	Replacement cost is based on tender pricing and historical building cost data. An increase in the estimated replacement cost would increase the fair value of the assets. A decrease in the estimated replacement cost would reduce the fair value of the assets.
	Remaining lives estimates	5 years to 31 years	The remaining useful lives are based on industry benchmarks. An increase in the estimated remaining useful lives would increase the fair value of the assets. A decrease in the estimated remaining useful lives would reduce the fair value of the assets.
	Costs to bring to current standards	Hospitals: \$7.304 million to \$18.803 million Other buildings: \$0.091 million to \$3.535 million	Costs to bring to current standards are based on tender pricing and historical building cost data. An increase in the estimated costs to bring to current standards would reduce the fair value of the assets. A decrease in the estimated costs to bring to current standards would increase the fair value of the assets.
	Condition rating	1 to 4	The condition rating is based on the physical state of the assets. An improvement in the condition rating (possible high of 1) would increase the fair value of the assets. A decline in the condition rating (possible low of 5) would reduce the fair value of the assets.

For further information on condition ratings refer to Note 2(l).

The use of alternative, suitable measures for each unobservable input would not materially impact fair value.

The condition rating of an asset is used as a mechanism to determine the cost to bring to current standards and also to estimate the remaining useful life.

There are no other direct or significant relationships between the unobservable inputs which materially impact fair value.

Notes to the Financial Statements

For the year ended 30 June 2014

24 Payables

	2014	2013
	\$'000	\$'000
Trade payables*	18,373	15,626
Accrued expenses	8,674	8,344
Other	-	1
Total	27,047	23,971

* Trade payables include outstanding payables of \$14.950 million of health service employee costs to the Department of Health.

25 Employee benefits

Accrued employee expenses	232	113
Total	232	113

26 Other current liabilities

Unearned service revenue	289	361
Total	289	361

27 Asset revaluation surplus by class

	Land (Level 2)	Buildings (Level 3)	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2013	-	3,157	3,157
Revaluation increment	55	4,919	4,974
Balance 30 June 2014	55	8,076	8,131
Balance at 1 July 2012	-	-	-
Revaluation increment	-	3,157	3,157
Balance at 30 June 2013	-	3,157	3,157

The asset revaluation surplus represents the net effect of revaluation movements in property, plant and equipment.

Notes to the Financial Statements

For the year ended 30 June 2014

28 Reconciliation of operating surplus to net cash from operating activities

	2014	2013
	\$'000	\$'000
Operating result from continuing operations	6,720	10,263
<i>Non-cash items:</i>		
Depreciation expense	7,159	7,004
Amortisation expense	175	1
Equity non cash withdrawals	(7,250)	(6,960)
Land revaluation decrement/(increment)	(104)	104
Increase/(decrease) in trade receivable impairment losses	(102)	240
Inventory written off	49	171
Donations non-current physical assets	(53)	(19)
Loss on sale of property, plant and equipment	120	172
Gain on sale of property, plant and equipment	(1)	(25)
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in receivables	2,068	(2,650)
(Increase)/decrease service revenue receivables	1,682	(3,818)
(Increase)/decrease in inventories	333	168
(Increase)/decrease in prepayments	6	18
Increase/(decrease) in payables	3,075	14,947
Increase/(decrease) in unearned service revenue	(72)	361
Increase/(decrease) in employee benefits	119	113
Net cash generated by operating activities	13,924	20,090

29 Non-cash financing and investing activities

Assets and liabilities received or transferred by Children's Health Queensland are set out in the Statement of Changes in Equity.

Notes to the Financial Statements

For the year ended 30 June 2014

30 Commitments for expenditure

	2014	2013
	\$'000	\$'000

(a) Non-cancellable operating leases

All operating leases for properties occupied by Children's Health Queensland are contractually held in the name of the Department of Health and as such are not reported in this note.

(b) Capital expenditure commitments

Material classes of capital expenditure commitments inclusive of anticipated GST, contracted for at reporting date but not recognised in the accounts, are payable as follows:

Not later than one year	4,153	-
Total	4,153	-

(c) Grants and subsidies commitments

Grants and subsidies commitments inclusive of anticipated GST, committed to provide at reporting date but not recognised in the accounts, are payable as follows:

Not later than one year	792	-
Total	792	-

(d) Other expenditure commitments

Other expenditure commitments inclusive of anticipated GST, contracted for at reporting date but not recognised in the accounts, are payable as follows:

Not later than one year	15,743	742
Later than one year and not later than five years	81,809	-
Total	97,552	742

The total increase in other expenditure commitments is primarily due to support services contracts relating to the Lady Cilento Children's Hospital.

Notes to the Financial Statements

For the year ended 30 June 2014

31 Contingencies

Litigation in progress

The number of cases filed with the courts is as follows:

	2014	2013
	Number of cases	Number of cases
Supreme court	-	-
District court	-	-
Magistrates court	-	-
Tribunals, commissions and boards	-	1
Total	-	1

Health litigation is underwritten by the Queensland Government Insurance Fund (QGIF). Children's Health Queensland's liability in this area is limited to an excess per insurance event. Refer to Note 2(t).

The introduction of the *Personal Injuries Proceedings Act 2002* has resulted in fewer cases appearing before the courts. These matters are usually resolved at the pre-proceedings stage.

All Children's Health Queensland indemnified claims are managed by QGIF. As at 30 June 2014, there were 14 claims managed by QGIF, some of which may never be litigated or result in payments to claims. The maximum exposure to Children's Health Queensland under this policy is up to \$20,000 for each insurable event.

Notes to the Financial Statements

For the year ended 30 June 2014

32 Restricted assets

Children's Health Queensland holds a number of General Trust accounts which meet the definition of restricted assets. These accounts ensure that the associated income is only utilised for the purposes specified by the issuing body.

Children's Health Queensland receives cash contributions primarily from private practice clinicians and from external entities to provide for education, study and research in clinical areas. Contributions are also received from benefactors in the form of gifts, donations and bequests for stipulated purposes.

At 30 June 2014, an amount of \$7.981 million in General Trust income is set aside for the specified purposes underlying the contribution.

	2014	2013
	\$'000	\$'000
Balance at 1 July	7,486	6,855
Income	1,691	1,786
Expenditure	(1,196)	(1,155)
Balance at 30 June	7,981	7,486

The main General Trust accounts include, but are not limited to:

- Private Practice Option B: Study, Education and Research Trust	2,824	2,339
- Strategic Development Fund	1,414	1,894
- Cherish the Children Foundation for future development of the hospital	1,293	1,200
- Personal Health Record	690	-
- Children's Foundation for Liver Transplant fund	401	436

Notes to the Financial Statements

For the year ended 30 June 2014

33 Third party monies

Children's Health Queensland acts as a billing agency for medical practitioners with a Right of Private Practice agreement. Refer to Note 2(c).

Children's Health Queensland acts in a custodial role in respect of these transactions. As such, they are not recognised in the financial statements, but are disclosed below for information purposes.

The Queensland Audit Office undertakes a review of such accounts as part of the audit of the Children's Health Queensland financial statements.

	2014	2013
	\$'000	\$'000
(a) Patient trust accounts		
Balance at 1 July	2	8
Cash receipts	1	2
Cash payments	(1)	(8)
Balance at 30 June	2	2
(b) Right of private practice accounts		
Trust account revenue and expense:		
<i>Revenue</i>		
Billings	3,906	3,709
Total revenue	3,906	3,709
<i>Expense</i>		
Payments to medical practitioners	2,170	2,279
Payments to Children's Health Queensland for recoverable costs	1,210	968
Payments to medical practitioners' Study, Education and Research Trust	526	462
Total expenditure	3,906	3,709
Third party assets and liabilities		
<i>Current assets</i>		
Cash at bank	776	783
Total assets	776	783
<i>Current liabilities</i>		
Payables to medical practitioners	196	170
Payables to Children's Health Queensland for recoverable costs	465	514
Payable to medical practitioners' Study, Education and Research Trust	115	99
Total liabilities	776	783

Notes to the Financial Statements

For the year ended 30 June 2014

34 Financial instruments

	Note	2014 \$'000	2013 \$'000
(a) Categorisation of financial instruments			
Children's Health Queensland has the following categories of financial assets and financial liabilities:			
Financial assets			
Cash and cash equivalents	17	38,968	26,669
Receivables	18	8,121	11,770
Total		47,089	38,439

Financial liabilities			
Payables	24	27,047	23,971
Total		27,047	23,971

(b) Financial risk management

Children's Health Queensland is exposed to a variety of financial risks – interest rate risk, credit risk, liquidity risk and market risk.

Financial risk is managed in accordance with Queensland Government and agency policies. Children's Health Queensland's policies provide written principles for overall risk management and aim to minimise potential adverse effects of risk events on the financial performance of the agency.

Risk exposure	Measurement method
Credit risk	Ageing analysis, earnings at risk
Liquidity risk	Monitoring of cash flows by active management of accrual accounts
Market risk	Interest rate sensitivity analysis

(c) Credit risk exposure

Credit risk is the potential for financial loss arising from a counterparty defaulting on its obligations. The maximum exposure to credit risk at balance date is equal to the gross carrying amount of the financial asset, inclusive of any allowance for impairment.

Credit risk, excluding receivables, is considered minimal given all Children's Health Queensland deposits are held by the State through Queensland Treasury Corporation.

The carrying amount of receivables represents the maximum exposure to credit risk. As such, receivables are not included in the below disclosure.

Maximum exposure to credit risk

Category

Financial assets			
Cash on deposit	17	7,507	7,507
Total		7,507	7,507

Notes to the Financial Statements

For the year ended 30 June 2014

(c) Credit risk exposure (continued)

No collateral is held as security and no credit enhancements relate to financial assets held by Children's Health Queensland.

No financial assets have had their terms renegotiated as to prevent them from being past due or impaired and are stated at the carrying amounts as indicated.

No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

The allowance for impairment reflects the occurrence of loss events. The most readily identifiable loss event is where a debtor is overdue in paying a debt to Children's Health Queensland, according to the due date (terms of 30 days).

If no loss events have arisen in respect of a particular debtor or group of debtors, no allowance for impairment is made in respect of that debt or group of debtors. If Children's Health Queensland determines that an amount owing by such a debtor does become uncollectible (after appropriate range of debt recovery actions), that amount is recognised as a bad debt expense and written-off directly against receivables. In other cases where a debt becomes uncollectible but the uncollectible amount exceeds the amount already allowed for impairment of that debt, the excess is recognised directly as a bad debt expense and written-off directly against receivables.

Impairment loss expense for the current year in regard to Children's Health Queensland's receivables is \$0.164 million. This is a decrease of \$0.340 million from 2012-13 and is due to a reduced level of aged outstanding debt as at 30 June 2014.

Ageing of past due but not impaired as well as impaired trade receivables are disclosed in the following tables:

	Neither past due nor impaired	Past due but not impaired	Impaired	Allowance for impairment	Net receivables
2014	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables					
Not yet due	3,224	-	-	-	3,224
Less than 30 days	-	78	476	(12)	542
30 - 60 days	-	85	204	(12)	277
61 - 90 days	-	55	97	(12)	140
More than 90 days	-	31	278	(128)	181
Total	3,224	249	1,055	(164)	4,364

	Neither past due nor impaired	Past due but not impaired	Impaired	Allowance for impairment	Net receivables
2013	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables					
Not yet due	4,020	-	-	-	4,020
Less than 30 days	-	52	980	(35)	997
30 - 60 days	-	62	559	(50)	571
61 - 90 days	-	59	312	(9)	362
More than 90 days	-	47	564	(410)	201
Total	4,020	220	2,415	(504)	6,151

Notes to the Financial Statements

For the year ended 30 June 2014

(d) Liquidity risk

Liquidity risk is the risk that Children's Health Queensland will not have the resources required at a particular time to meet its obligations to settle its financial liabilities. Children's Health Queensland is exposed to liquidity risk through its trading in the normal course of business. It aims to reduce the exposure to liquidity risk by ensuring sufficient funds are available to meet employee and supplier obligations at all times. Children's Health Queensland has an approved debt facility of \$3 million under whole-of-Government banking arrangements to manage any short term cash shortfalls. This facility has not been drawn down as at 30 June 2014.

The following table sets out the liquidity risk of financial liabilities held by Children's Health Queensland. It represents the contractual maturity of financial liabilities, calculated based on undiscounted cash flows relating to liabilities at reporting date.

	Note	< 1 year \$'000	1-5 years \$'000	> 5 years \$'000	Total \$'000
2014					
Payables	24	27,047	-	-	27,047
Total		27,047	-	-	27,047
2013					
Payables	24	23,971	-	-	23,971
Total		23,971	-	-	23,971

(e) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk. Children's Health Queensland has interest rate exposure on the 24 hour call deposits with Queensland Treasury Corporation. Children's Health Queensland does not undertake any hedging in relation to interest rate risk. Changes in interest rate have a minimal effect on the operating result of Children's Health Queensland.

Children's Health Queensland Hospital and Health Service

Notes to the Financial Statements

For the year ended 30 June 2014

(f) Interest rate sensitivity analysis

The following interest rate sensitivity analysis depicts the outcome on the operating result and equity position if interest rates were to change by +/- 1% from the year end rates applicable to Children Health Queensland's financial assets.

Financial instruments	Carrying amount \$'000	Interest rate risk			
		-1% Operating result	Equity	+1% Operating result	Equity
2014					
Cash on deposit	7,507	(75)	(75)	75	75
Potential impact on operating result and equity		(75)	(75)	75	75
2013					
Cash on deposit	7,507	(59)	(59)	91	91
Potential impact on operating result and equity		(59)	(59)	91	91

(g) Fair value

Apart from cash and cash equivalents, Children's Health Queensland does not recognise any financial instruments at fair value in the Statement of Financial Position.

The fair value of trade receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

35 Events occurring after balance date

(a) *Transition to the new Lady Cilento Children's Hospital*

The commissioning of the new Lady Cilento Children's Hospital (LCCH) is expected to occur in November 2014. This will result in a number of changes for Children's Health Queensland including the following:

i. An increase in services, workforce and Department of Health service level funding

The impending move to the new hospital will include the integration of the Mater Children's Hospital's current services and contract funding. As a result, Children's Health Queensland's service agreement funding for 2014-15 as provided by the Department of Health, is expected to increase reflecting seven months of increased activity and will further increase in 2015-16 to reflect twelve months of operation under the new arrangement. Total income including funding from the Department of Health (based on round 3 provisional service agreement funding) is estimated to increase by an estimated \$133.899 million in 2014-15. Estimated staffing numbers are expected to increase by approximately 1,040 full time equivalents (FTEs) to 3,073 FTEs as at 30 June 2015. This will have a material impact on the total income and expense balances reflected within the Statement of Comprehensive Income during the 2014-15 and later financial years.

ii. Transfer of buildings currently occupied at the Royal Children's Hospital site, Herston.

The transitioning of services to the new LCCH facility is expected to result in Children's Health Queensland vacating the Royal Children's Hospital and other associated buildings at the Herston site (referred to as "RCH buildings") on 30 June 2015 (current termination date of the Deed of Lease) or such time as the lease is surrendered.

Children's Health Queensland currently controls the RCH buildings under a Deed of Lease arrangement with Metro North Hospital and Health Service (Metro North). Metro North was prescribed as the legal owner of the RCH buildings effective from 1 July 2014. Under the terms of the Deed of Lease, Metro North is the lessor while Children's Health Queensland is the lessee of the RCH buildings. Children's Health Queensland is currently responsible for managing and maintaining the buildings during the Deed of Lease. At the time the lease is surrendered, control of the RCH buildings will transfer to Metro North. The current written down value as at 30 June 2014 of the RCH buildings that will transfer is \$59.815 million.

iii. Valuation of buildings currently occupied at the Royal Children's Hospital site, Herston.

On 1 August 2014, the Qld Government announced that the Royal Children's Hospital site at Herston is set to become a world class health precinct, with registrations of interest for future development proposals being called. The registration of interest process, run by Projects Queensland, will ask industry to submit their preliminary ideas for the use of the site, with an expression of interest process to follow.

All RCH buildings to which Children's Health Queensland currently control and reflect in the Statement of Financial Position, have been revalued as at 30 June 2014 by an independent valuer. This has been undertaken on the basis of depreciated replacement cost methodology with a remaining useful life ascribed for the buildings.

As at the signing of this financial report, no decision has been made by the Government with respect to the development of the RCH site. As the future use of the site is unknown, the RCH buildings have been valued using a depreciated replacement cost methodology which assumes continued use of the buildings as part of the redeveloped site. The pending Government decision with respect to the future use of the site may result in material adjustments to the current net

Notes to the Financial Statements

For the year ended 30 June 2014

(a) Transition to the new Lady Cilento Children's Hospital (continued)

book values of the RCH buildings. Any decision is unlikely to be confirmed prior to 30 June 2015. As the lease for the current buildings expires on the 30 June 2015 or earlier, it is expected the RCH buildings will transfer back to the lessor at the current fair value.

iv. Transfer of legal ownership of the LCCH hospital to Children's Health Queensland

Following expected transition to the new LCCH in November 2014, legal ownership of the facilities land and building assets will transfer to Children's Health Queensland from the Department of Health. As at the signing of this financial report, it has not yet been determined as to when such transfer will take place, however it is estimated to occur within the 2014-15 financial year. The respective land and buildings will be transferred at fair value, the value of which is yet to be determined.

(b) Transfer of legal ownership of health service land and buildings to HHSs

Commencing 1 July 2014, the legal title of health service land and buildings will progressively transfer from the Department of Health to HHSs. As HHSs currently control these assets, through Deed of Lease arrangements, there will be no material direct impact to the accounts of Children's Health Queensland upon such transfer from the Department of Health. Legal title transfer for Children's Health Queensland's land and building assets is expected to occur on 1 July 2015 with the exception of those building assets as mentioned in 1(ii) and 1(iv) above.

(c) Hospital and Health Services to be prescribed as employers

Prior to 1 July 2014, the majority of staff except the Health Service Chief Executive, health executive service (HES) employees and other applicable senior staff (working in a HHS), were employed by the Director-General, Department of Health.

In June 2012, amendments were made to the *Hospital and Health Boards Act 2011*, giving Hospital and Health Boards more autonomy by allowing them to become the employer of staff working for their HHS. As such, HHSs will become prescribed employers by regulation.

Children's Health Queensland demonstrated its readiness to become an employer and was prescribed as an employer on 1 July 2014. As a result, all existing and future staff working for the HHS became Children's Health Queensland employees. The HHS, not the department, will now recognise employee expenses in respect of these staff. The Director-General, Department of Health, will continue to be responsible for setting terms and conditions of employment, including remuneration and classification structures, and for negotiating enterprise agreements.

(d) Senior Medical Officer and Visiting Medical Officer Contracts

Effective 4 August 2014, Senior Medical Officers and Visiting Medical Officers will transition to individual employment contracts.

Individual contracts mean senior doctors will have a direct employment relationship with their HHS and employment terms and conditions tailored to individual or medical specialty circumstances (within a consistent state-wide framework).

Notes to the Financial Statements

For the year ended 30 June 2014

(d) Senior Medical Officer and Visiting Medical Officer Contracts (continued)

As a direct employment relationship will be established between contracted medical officers and their HHS, employee-related costs for contracted Senior Medical Officers and Visiting Medical Officers will be recognised by the employing HHS (not the Department of Health) from the date the contracts are effective.

Non-contracted Senior Medical Officers and Visiting Medical Officers will remain employed under current award arrangements. Where their HHS is not a prescribed employer, they will continue to be employed by the Department of Health.

(e) Other matters

Other than the above, no matters or circumstances have arisen since 30 June 2014 that have significantly affected, or may significantly affect Children's Health Queensland's operations, the results of those operations, or the HHS's state of affairs in future financial years.

**Children's Health Queensland Hospital and Health Service
Management Certificate**

These general purpose financial statements have been prepared pursuant to Section 62(1) of the *Financial Accountability Act 2009* (the Act), the relevant sections of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with Section 62(1)(b) of the Act, we certify that in our opinion:

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- (b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Children's Health Queensland for the financial year ended 30 June 2014 and of the financial position of Children's Health Queensland at the end of that year; and
- (c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



Susan Johnston
Chair
Children's Health Queensland
Hospital and Health Board

28/08/2014



Dr Peter Steer
Health Service Chief Executive
Children's Health Queensland
Hospital and Health Service

28/08/2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Children's Health Queensland Hospital and Health Service

Report on the Financial Report

I have audited the accompanying financial report of Children's Health Queensland Hospital and Health Service, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Chair and Health Service Chief Executive.

The Board's Responsibility for the Financial Report

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Board's responsibility also includes such internal control as the Board determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The 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 of the financial report that gives a true and fair view 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, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Children's Health Queensland Hospital and Health Service for the financial year 1 July 2013 to 30 June 2014 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



B R Steel CPA
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane

