



ROYAL REHAB

ANNUAL FINANCIAL REPORT

30 June 2015

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This financial report covers Royal Rehab as an individual entity. This financial report is presented in Australian currency.

This financial report was authorised for issue by the Directors on 6 October 2015. The Board has the power to amend and reissue the financial report.

ABN 34 000 025 794
Incorporated in Australia

ROYAL REHAB

DIRECTORS' REPORT

The directors present their report together with the accounts of ROYAL REHAB for the financial year ended 30 June 2015. The following persons were directors of the company during the financial year and up to the date of this report.

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

Extensive experience as a director of numerous private and public company subsidiaries as well as government and industry bodies and sporting associations. He is currently a Director of Balance Group Pty Limited and Balance Corporate Property Development Pty Limited. Chair Nominations and Remuneration Committee. Member of Board Executive, Audit and Risk Management Committee, Planning and Development Committee and Royal Rehab Foundation. Joined the Board in 2000. Vice Chairman January 2005 – October 2014. Chairman since October 2014.

Mr Anthony Wehby FCA MAICD

Non-executive Chair of ASX listed Aurelia Metals Limited and former Partner of PricewaterhouseCoopers until 2000. Independent Financial consultant to small and medium companies. Chair Audit and Risk Management Committee. Member of Nominations and Remuneration Committee and Board Executive. Joined the Board in February 2012. Vice-Chairman since October 2014.

Mr Clive Austin AM LLM, FAICD

Consultant to Sydney legal practice, Hardings Solicitors, of which he was Senior Partner. Former President of The Royal Life Saving Society of Australia (NSW) and NSW Regional Council Redkite. Chairman of Royal Botanic Gardens Foundation. Chairman of Foundation and Friends of the Botanic Gardens Limited. Member of Board Nominations and Remuneration Committee, Board Executive, Audit and Risk Management Committee, Planning and Development Committee and Royal Rehab Foundation. Joined the Board in 1993. Chairman February 2003 – October 2014.

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

Professor of Family and Disability Studies, Director for Centre for Disability Research and Policy, Director WHO Collaborating Centre on Workforce Development in Rehabilitation and Long Term Care, Director of the Australian Family and Disability Studies Research Collaboration, University of Sydney. Member of WHO Guideline Development Group, Guidelines on Health-related Rehabilitation. Editorial Board member, Scandinavian Journal of Disability Research. Joined the Board in September 2004, retired from the Board October 2014.

Mr David Piper OAM

Retired insurance company executive, specialising in marketing with an extensive knowledge of compensation and the evolving history and trends for compensation for the disabled, particularly in New South Wales. Involved in a number of other not-for-profit organisations including as Chairman of Wheelchair Sports New South Wales where he is also a Life Governor. Past President and Life Member of Queenscliff Surf Life Saving Club and Surf Life Saving Sydney Northern Beaches and Life Member of Surf Life Saving New South Wales. Chair, Royal Rehab Foundation. Member of Audit and Risk Management and Planning and Development Committees. Joined the Board in November 2004.

Mr John Cullity Grad Dip Mmgt

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

Professor Richard Madden BSc, PhD, FIAA

Professor, Health Statistics University of Sydney. Director, National Centre for Classification in Health. Co-leader of NDIS stream of University of Sydney's Centre for Disability Research and Policy. Director, Australian Institute of Health and Welfare 1996-2006. Australian Deputy Statistician, 1992-1995. Wide experience across Australian health and community services sectors including Deputy Secretary, NSW Health Department and Head of Disability Program Division in the then Commonwealth Department of Health and Community Services. Substantial involvement with WHO. Australian Actuary of the Year (2002), Public Service Medal (2003), Honorary Doctor of Science University of Sydney. Chair, House with No Steps. Chair, Consumer Outcomes and Participation and Medical Appointments and Credentials Advisory Committees. Joined the Board in October 2008.

Mr Brian Hurley B. Comm ACA

Currently Chief Financial Officer, Crown Equipment Corporation Asia Pacific Region. Has held senior executive positions with significant companies such as Chandler MacLeod and P&O Services. Previous to taking up his current position Director, Merger and Acquisitions Australasia for UTC Fire & Security. Member Audit and Risk Management Committee. Joined the Board in February 2012. Resigned from the Board July 2014.

ROYAL REHAB

DIRECTORS' REPORT

Ms Margot Hurwitz GAICD

Currently, the ANZ Managing Director of Fresenius Medical Care in addition to sitting on the advisory board of a specialist recruitment and talent management organisation. Held senior positions at various multinational medical device companies and prior to this was involved in medical research in South Africa. Joined the Board in June 2013. Resigned from the Board in February 2015.

Ms Unis Goh PSM MA BA

Currently, Deputy Chair of Disability Council NSW, the official advisor to the NSW Minister for Disability Services and Government on disability issues, policies and Disability Inclusion Action Plans. Has held senior executive positions in Mission Australia, NSW Department of Housing and Department of Family and Community Services. Has had a long and distinguished career culminating in being awarded the 2009 Public Service Medal for outstanding services to community housing in NSW. Member of Nominations and Remuneration and Consumer Outcomes and Participation Committees. Joined the Board in June 2013.

Mr Gregory Anderson ACA, CA

Executive Director of O'Connell Advisory, a management consulting business providing independent financial, business and strategy services in the health and disability sectors. Chairman, O'Connell Care, an Approved Aged Care Provider which delivers outsourced management services to Residential Aged Care businesses. Former Partner, PricewaterhouseCoopers and WHK. Chair, Planning and Development Committee. Joined the Board in June 2013.

Professor Catherine Dean BAppSc (Physiotherapy) MA, PhD

Head, Department of Health Professions and Director, Physiotherapy Program with Faculty of Medicine and Health Sciences Macquarie University. Former academic with University of Sydney. Significant research achievements with major contributions to clinical education and neurological physiotherapy. Department member of Faculty Centre for Physical Health. Joined the Board in May 2015.

BOARD MEETINGS

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

Director	Directors' Meeting		Audit & Risk Management		Consumer Outcomes & Participation		Medical (& Other) Appointments Credentials & Advisory		Nominations & Remuneration		Planning & Development		Royal Rehab Foundation	
	No of meetings Note 1	Number attended	No of meetings Note 1	Number attended	No of meetings Note 1	Number attended	No of meetings Note 1	Number attended	No of meetings Note 1	Number attended	No of meetings Note 1	Number attended	No of meetings Note 1	Number attended
C. Austin	8	8	4	4					2	2	3	3	3	2
A. Staveley	8	8							2	2	3	3	3	3
G. Anderson	8	7	4	4							3	3		
J. Cullity	8	8									3	2		
U. Goh	8	6			3	3								
B. Hurley	0	0												
M. Hurwitz	6	4			2	1								
G. Llewellyn	4	3							1	1			1	1
R. Madden*	8	5			3	3	2	2						
D. Piper	8	8	4	4							3	3	3	3
A. Wehby	8	7	4	4					1	1				
C. Dean	1	1											1	1

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

* Prof. Madden was granted leave of absence in respect of three Board Meetings.

ROYAL REHAB

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the financial year were the provision of rehabilitation, extended care services and supported accommodation services to people with disabilities living in the community.

The Company also receives restricted funds in the form of grants, donations and bequests to support research, teaching and educational activities and for the purchase of specialised equipment. These funds are not available for principal operational activities.

LIMITED GUARANTEE

Royal Rehab is a company limited by guarantee. Every member of the Company undertakes to contribute to the assets of the Company in the event of the Company being wound up during the time that he/she is a member or within one year afterwards for payments of the debts and liabilities of the Company contracted before the time at which he/she ceased to be a member and the costs, charges and expenses of winding up the same for such amount as may be required not exceeding \$2.00.

SUBSEQUENT EVENT

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the company or economic entity, the results of those operations or the state of affairs of the Company or economic entity in subsequent financial years.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration, as required under the Australian Charities and Non-for-Profits Act 2012 is set out on page 4 of this report.

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

A. Staveley
Chairman

A. Wehby
Director

Sydney, 6 October 2015



Auditor's Independence Declaration

As lead auditor for the audit of *ROYAL REHAB* for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

Peter Buchholz
Partner
PricewaterhouseCoopers

Sydney
6 October 2015

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ROYAL REHAB

STATEMENT of COMPREHENSIVE INCOME for the year ended 30 June 2015

	NOTE	2015 \$	2014 \$
Revenue from continuing operations	2	51,174,760	47,504,257
Other revenue	3	1,294,778	1,638,855
Gain on Sale of Assets held for sale		-	33,721,572
Other income	4	1,075,655	76,532
Employment and related expenses		(44,266,923)	(41,642,086)
Goods and services expenses		(7,386,030)	(6,553,723)
Renewals, repairs and maintenance expenses		(1,428,461)	(1,340,436)
Depreciation expenses	5	(2,328,508)	(1,609,960)
(Loss)/Profit from continuing operations		(1,864,729)	31,795,011
Profit/(Loss) from discontinued operation		7,620	(786,799)
(Loss)/Profit for the year		(1,857,109)	31,008,212
Other comprehensive income			
Revaluation increment during the year	14(d)	1,044,491	308,689
Building Replacement reserve	14 (e)	-	(33,721,572)
Total comprehensive income		(812,618)	(2,404,671)
Profit from operations allocated as follows:			
General Fund -loss for the year	14(a)	(4,474,782)	(4,291,379)
Special Purposes and Trust Funds - net profit for the year	14(b)	2,617,673	35,299,591
Net (Loss)/Profit		(1,857,109)	31,008,212

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

ROYAL REHAB

BALANCE SHEET as at 30 June 2015

	NOTE	2015 \$	2014 \$
CURRENT ASSETS			
Cash and cash equivalents	6	8,013,890	6,610,010
Restricted Cash	6, 14(e)	-	33,721,572
Trade and other receivables	7	2,771,419	3,422,485
Inventories	8	151,564	132,290
		10,936,873	43,886,357
Assets associated with discontinued operation	9	55,283	440,784
TOTAL CURRENT ASSETS		10,992,156	44,327,141
NON CURRENT ASSETS			
Available for sale financial assets	10	26,717,309	3,354,620
Property, plant and equipment	11	71,225,785	63,415,895
		97,943,094	66,770,515
TOTAL NON-CURRENT ASSETS		97,943,094	66,770,515
TOTAL ASSETS		108,935,250	111,097,656
CURRENT LIABILITIES			
Trade and other payables	12	7,653,984	9,192,831
Provisions	13	9,792,945	9,517,356
		17,446,929	18,710,187
Liabilities associated with discontinued operation	9	-	73,289
TOTAL CURRENT LIABILITIES		17,446,929	18,783,476
NON-CURRENT LIABILITIES			
Provisions	13	402,377	415,618
TOTAL NON-CURRENT LIABILITIES		402,377	415,618
TOTAL LIABILITIES		17,849,306	19,199,094
NET ASSETS		91,085,944	91,898,562
EQUITY			
Accumulated losses - General Fund	14(a)	(24,758,130)	(20,283,348)
Retained earnings - Special Purpose and Trust Funds	14(b)	41,343,210	38,725,537
Reserves	14(c),(d),(e)	74,500,864	73,456,373
TOTAL EQUITY		91,085,944	91,898,562

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

ROYAL REHAB

STATEMENT of CHANGES in EQUITY for the year ended 30 June 2015

	Note	Retained Earnings	Asset Revaluation Reserve	Investment Revaluation Reserve	Building Replacement Reserve	Total Equity
		\$	\$	\$	\$	\$
Balance at 1 July 2013		21,155,549	37,592,874	1,833,238	-	60,581,661
General Fund	14(a)	(4,291,379)	-	-	-	(4,291,379)
Special Purpose & Trust Account	14(b)	35,299,591	-	-	-	35,299,591
Net Profit for the year		31,008,212	-	-	-	31,008,212
Other comprehensive income:						
Changes in fair value available for sale assets	14(d)	-	-	308,689	-	308,689
Restricted cash for building maintenance/sinking fund for buildings renewals (set aside for building replacements)	14(e)	(33,721,572)	-	-	-	(33,721,572)
Total comprehensive income		(2,713,360)	-	308,689	-	(2,404,671)
Restricted cash for building maintenance/sinking fund for buildings renewals (set aside for building replacements)		-	-	-	33,721,572	33,721,572
Balance at 30 June 2014		18,442,189	37,592,874	2,141,927	33,721,572	91,898,562
General Fund	14(a)	(4,474,782)	-	-	-	(4,474,782)
Special Purpose & Trust Account	14(b)	2,617,673	-	-	-	2,617,673
Net (Loss) for the year		(1,857,109)	-	-	-	(1,857,109)
Other comprehensive income:						
Changes in fair value available for sale assets	14(d)	-	-	1,044,491	-	1,044,491
Total comprehensive income		(1,857,109)	-	1,044,491	-	(812,618)
Balance at 30 June 2015		16,585,080	37,592,874	3,186,418	33,721,572	91,085,944

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

ROYAL REHAB

STATEMENT OF CASH FLOWS

for the year ended 30 June 2015

	NOTE	2015 \$	2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations (inclusive of GST)		52,794,489	49,289,237
Cash payments in the course of operations (inclusive of GST)		(54,791,385)	(51,360,980)
		(1,996,896)	(2,071,743)
Interest received		767,332	539,316
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES		(1,229,564)	(1,532,427)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on sale of investments		-	1,050,775
Proceeds from sale of property, plant and equipment		1,285,655	-
Proceeds from sale of assets held for sale		-	41,249,744
Payments for property, plant and equipment		(10,348,398)	(12,323,521)
Payment for Investments		(22,318,198)	-
Dividends received		125,892	116,213
Trust Distributions		166,921	65,412
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		(31,088,128)	30,158,623
NET(DECREASE)/INCREASE IN CASH HELD		(32,317,692)	28,626,196
Cash at the beginning of the financial year	6	40,331,582	11,705,386
CASH AT THE END OF THE FINANCIAL YEAR	6	8,013,890	40,331,582

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

ROYAL REHAB

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The company is a not-for-profit entity for purpose of preparing these financial statements.

1.1 Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Australian Charities and Non - for Profits Commission Act 2012*.

Compliance with Australian Accounting Standards – Reduced Disclosure Requirements

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

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Reclassification of accounts

Certain accounts in the Statement of Comprehensive Income of the prior year were reclassified to conform with the presentation of the current year.

1.2 (a) Cash & Cash Equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with an insignificant risk of change in value.

1.2 (b) Restricted Cash

This cash is set aside for building maintenance and renewals principally for Royal Rehab's property located on Morrison Road Ryde NSW and not for the immediate and general use of Royal Rehab.

1.3 Trade & Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the Company may not be able to collect all amounts due. Debts which form part of patients' accident compensation claims may be subject to settlement or legal proceedings between parties. Accordingly, collection will often take extended periods of time.

Trade and other receivables expected to be recovered within 12 months are recognised at the amounts receivable. Trade and other receivables expected to be recovered over periods exceeding 12 months are discounted using the effective interest rate.

ROYAL REHAB

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

1.4 Revenue Recognition

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

Fee Income:

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

Government grants:

Government funding and grants are recognised as income in the financial period to which they relate where there is reasonable assurance that the Company will comply with all of the attached conditions. Expenditure for which Government funding and grants are received is recognised when incurred, which may be in a subsequent financial period.

Interest income:

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

Dividends:

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

1.5 Investments

Classification

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

(i) Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Royal Rehab management has the positive intention and ability to hold to maturity. These investments have a maturity period of between 3 and 12 months.

(ii) Available for sale

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

1.6 Inventories

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

ROYAL REHAB

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

1.7 Acquisition of Assets

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

1.8 Land & Buildings

Until 1 July 2000 the Company measured land and buildings at fair value and recognised an asset revaluation reserve for increments in fair value. From 1 July 2000, land and buildings have been carried at deemed cost, being the carrying amount at the date of the change in policy, less accumulated depreciation (where applicable).

1.9 Plant & Equipment

Plant and equipment is measured at cost less accumulated depreciation.

1.10 Depreciation of Property, Plant & Equipment

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

Buildings	1 - 40 years
Plant and equipment	3 - 15 years

1.11 Impairment of Non-Current Assets

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

1.12 Leases

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

1.13 Trade & Other Payables

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

1.14 Maintenance & Repairs

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

ROYAL REHAB

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

1.15 Employee Benefits

(i) *Wages and Salaries and Annual Leave*

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

(ii) *Long Service Leave*

The liabilities for long service leave are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guarantee securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) *Superannuation*

The employees of Royal Rehab are covered by the State Authorities Superannuation Board. As such the Company's superannuation commitments are the responsibility of NSW Treasury. Employer contributions for superannuation for the year ended 30 June 2015 were made directly by NSW Treasury.

(iv) *Allocated Days Off*

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

1.16 Income Tax

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

1.17 Goods and Services Tax (GST)

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

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

1.18 Fair value estimation

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

ROYAL REHAB

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2015

	2015	2014
	\$	\$
2. REVENUE		
Revenue from continuing activities		
NSW Health subsidy *	17,055,821	19,205,930
ADHC Funding	13,910,844	13,009,359
Patient Fees	18,594,752	14,102,335
Sale of goods	-	30,420
Grants	602,325	385,867
Interest	718,205	588,721
Dividends and distributions	292,813	181,625
Total revenue from continuing activities	<u>51,174,760</u>	<u>47,504,257</u>
* NSW Health subsidy in the current year is based upon budgeted expenditure net of the company's budgeted receipts which is received in accordance with the net appropriation method as directed by NSW Treasury.		
3. OTHER REVENUE		
Legacies	28,882	8,954
Donations	253,437	137,603
Fundraising	132,281	125,318
Rental income	274,909	196,847
Course income	271,736	513,191
Consulting income	41,918	63,378
Other income	291,615	593,564
Total other revenue	<u>1,294,778</u>	<u>1,638,855</u>
4. OTHER INCOME		
Net gain on disposal of property, plant and equipment	1,075,655	-
Net gain on disposal of financial assets	-	76,532
	<u>1,075,655</u>	<u>76,532</u>
5. EXPENSES		
Net profit / (loss) includes the following specific expenses:		
Cost of goods sold	-	30,419
Rental expenses relating to operating leases	121,602	140,321
Depreciation of buildings	1,417,974	986,394
Depreciation of plant and equipment	910,534	623,566
Total depreciation	<u>2,328,508</u>	<u>1,609,960</u>
Annual leave expense	3,169,145	2,967,943
Long service leave expense	567,640	683,266

ROYAL REHAB

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

	2015 \$	2014 \$
6. CURRENT ASSETS - CASH and CASH EQUIVALENTS		
Cash at bank and on hand	1,161,219	408,582
Interest bearing term deposits	6,852,671	6,201,428
	8,013,890	6,610,010
Restricted and Non-Restricted Fund Analysis		
Cash and cash equivalents	8,013,890	6,610,010
Restricted cash - held in interest bearing term deposits (note 14(e))	-	33,721,572
Available for sale financial assets (note 10)	26,717,309	3,354,620
Total cash and investments	34,731,199	43,686,202
7. CURRENT ASSETS - TRADE and OTHER RECEIVABLES		
Trade receivables	2,178,209	2,071,253
Provision for doubtful debts	(111,488)	(111,488)
	2,066,721	1,959,765
Other receivables *	268,684	1,080,290
Prepayments	436,014	382,430
	2,771,419	3,422,485

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

8. CURRENT ASSETS - INVENTORIES		
Supplies on hand - at cost	151,564	132,290

9 DISCONTINUED OPERATION

(a) Description

During the year the company agreed with the Kolling Institute at Royal North Shore Hospital to transfer the associated assets and liabilities of the Rehabilitation Studies Unit. The transfer took effect from 1 September 2014 and is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

b) Financial Performance and Cash Flow Information

The financial performance and cash flow information presented below:

	2015 \$	2014 \$
Profit/(Loss) from discontinued operation	7,620	(786,799)
Net cash (outflow)/inflow from operating activities	(814,451)	53,989
Net cash (outflow)/inflow from discontinued operation	(814,451)	53,989
Trade Receivables	55,283	440,784
Total assets associated with discontinued operation	55,283	440,784
Other creditors and accruals	-	73,289
Total liabilities associated with discontinued operation	-	73,289

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ROYAL REHAB

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

	2015 \$	2014 \$
10 NON-CURRENT ASSETS - AVAILABLE FOR SALE FINANCIAL ASSETS		
At Market Value		
Managed investments	26,715,489	3,352,800
Shares and listed unit trusts	1,820	1,820
	<u>26,717,309</u>	<u>3,354,620</u>
11 NON-CURRENT ASSETS - PROPERTY, PLANT & EQUIPMENT		
Land - at cost	6,343,085	5,313,085
Buildings - at cost	60,717,607	54,376,420
Less: Accumulated depreciation	(3,139,541)	(1,721,567)
	<u>57,578,066</u>	<u>52,654,853</u>
Total Land & Buildings	<u>63,921,151</u>	<u>57,967,938</u>
Plant and Equipment - at cost	12,834,481	10,874,074
Less: Accumulated depreciation	(8,212,712)	(7,273,178)
	<u>4,621,769</u>	<u>3,600,896</u>
Total Plant & Equipment	<u>4,621,769</u>	<u>3,600,896</u>
Work in Progress - at cost	<u>2,682,865</u>	<u>1,847,061</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u><u>71,225,785</u></u>	<u><u>63,415,895</u></u>

Reconciliations

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

	Freehold Land \$	Buildings \$	Plant & Equipment \$	Work in Progress \$	Total \$
Carrying amount at 1 July 2014	5,313,085	52,654,853	3,600,896	1,847,061	63,415,895
Additions	1,200,000	5,647,731	1,655,779	1,844,888	10,348,398
Disposals	(170,000)	(40,000)	-	-	(210,000)
Transfer	-	733,456	275,628	(1,009,084)	-
Depreciation expense	-	(1,417,974)	(910,534)	-	(2,328,508)
Carrying amount at 30 June 2015	<u>6,343,085</u>	<u>57,578,066</u>	<u>4,621,769</u>	<u>2,682,865</u>	<u>71,225,785</u>

12 CURRENT LIABILITIES - TRADE and OTHER PAYABLES

Trade creditors	510,114	510,537
Other creditors and accrued charges	7,143,870	8,682,294
	<u>7,653,984</u>	<u>9,192,831</u>

13 PROVISIONS

Current liability		
Provision for employee benefits	<u>9,792,945</u>	<u>9,517,356</u>
Non-current liability		
Provision for employee benefits	<u>402,377</u>	<u>415,618</u>

ROYAL REHAB

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

	2015 \$	2014 \$
14 RETAINED EARNINGS and RESERVES		
(a) General Fund		
Retained profits at the beginning of the financial year	(20,283,348)	(15,991,969)
Net loss for the year	(4,474,782)	(4,291,379)
Retained accumulated losses at the end of the financial year	<u>(24,758,130)</u>	<u>(20,283,348)</u>
(b) Special Purposes and Trust Funds		
Retained profits at the beginning of the financial year	38,725,537	37,147,518
Total Comprehensive Income	2,617,673	1,578,019
Retained profits at the end of the financial year	<u>41,343,210</u>	<u>38,725,537</u>
(c) Asset Revaluation Reserve		
Asset revaluation reserve at the beginning of the year	37,592,874	37,592,874
Add: Movements during the year	-	-
Asset revaluation reserve at the end of the year	<u>37,592,874</u>	<u>37,592,874</u>
The asset revaluation reserve was used to record increments and decrements on the revaluation of non-current assets prior to the adoption of a deemed cost measurement basis.		
(d) Investment Revaluation Reserve		
Balance at the beginning of the financial year	2,141,927	1,833,238
Revaluation increase during the year	1,044,491	308,689
Investment revaluation reserve at the end of the financial year	<u>3,186,418</u>	<u>2,141,927</u>
The investment revaluation reserve is used to record the cumulative fair value movements on available for sale financial assets.		
(e) Restricted cash for building maintenance/sinking fund for buildings renewals/replacement reserve		
Balance at the beginning of the financial year	33,721,572	-
Add: Movements during the year	-	33,721,572
Building Replacement Reserve at the end of the financial year	<u>33,721,572</u>	<u>33,721,572</u>
Total reserves	<u>74,500,864</u>	<u>73,456,373</u>

ROYAL REHAB

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

	2015 \$	2014 \$
15 DISCLOSURES ON DIRECTORS and other KEY MANAGEMENT PERSONNEL		
a. Remuneration of Directors		
No remuneration was paid or is payable to Directors. No superannuation contributions were paid or are payable in respect of Directors.		
b. Remuneration of Key Management Personnel (KMP)		
The aggregate compensation of KMP personnel during the year comprising amounts paid or payable or provided for was as follows:		
Total aggregate compensation	<u>1,334,428</u>	<u>1,282,213</u>

16 LIMITED GUARANTEE

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

17 REMUNERATION OF AUDITORS

Remuneration of the auditors for:

Audit of the Financial Report of the Company	<u>77,500</u>	<u>74,630</u>
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18 RELATED PARTY DISCLOSURES

Directors

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

Mr A. Staveley	Mr D. Piper OAM
Mr C. Austin AM	Prof. R. Madden
Prof. G. Llewellyn (retired from Board October 2014)	Mr. A. Wehby
Mr. J. Cullity	Ms. M. Hurwitz (retired from Board February 2015)
Mr. B. Hurley (retired from Board July 2014)	Mr. G Anderson
Ms. Unis Goh	Prof. Catherine Dean

Information on the remuneration and retirement benefits of Directors is disclosed in Note 15.

ROYAL REHAB

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

18 RELATED PARTY DISCLOSURES (continued)

2015

\$

The following transactions occurred with Director related entities:

a) Receipts

Received from	Details	\$
University of Sydney	Research Grants	9,091
University of Sydney	Staff Placements	85,736
Wheelchair Sports	Catering and rental	23,465
C. Austin	Donations and fund raising receipts	4,655
A. Stavely	Donations and fund raising receipts	400
G. Llewellyn	Donations and fund raising receipts	750
D. Piper	Donations and fund raising receipts	400
		124,497

b) Purchases and payments

Paid to	Details	\$
Wheelchair Sports	Fundraising expenses	4,489
		4,489

19 ECONOMIC DEPENDENCY

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

2015

\$

2014

\$

20 SUPERANNUATION

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

3,508,131

3,220,169

21 COMMITMENTS FOR EXPENDITURE

(a) Capital Commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

Property, plant and equipment

Within one year

575,077

4,380,833

Later than one year but not later than five years

-

-

575,077

4,380,833

(b) Lease Commitments

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

Within one year

61,710

57,988

Later than one year but not later than five years

165,004

73,098

226,714

131,086

ROYAL REHAB

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

	2015 \$	2014 \$
22 CHARITABLE FUNDRAISING ACTIVITIES		
Royal Rehab conducts fund raising activities. The income received and the cost of raising income for specific fundraising has been recognised in the Financial Report. A summary of the income raised and expenditures disclosed below.		
Income raised - general donations	253,437	137,603
Income raised - appeals & raffles	132,281	125,318
Total receipts	385,718	262,921
Payments in respect of fundraising	(99,222)	(109,871)
Expenditure and administration incurred in fundraising	(19,887)	(13,272)
Total payments	(119,109)	(123,143)
Excess of receipts over payments	266,609	139,778
Excess of receipts over payments %	69%	53%
Payments to beneficiaries	(126,774)	(72,636)

23 CONTINGENT LIABILITIES

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

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

24 SUBSEQUENT EVENTS

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the company or economic entity, the results of those operations or the state of affairs of the Company or economic entity in subsequent financial years.

ROYAL REHAB

DIRECTORS' DECLARATION for the year ended 30 June 2015

In the Directors' opinion:

- a. the financial statements and notes set out on pages 5 to 19 are in accordance with the *Australian Charities and Not-for-Profit Commission Act* including:
 - (i) complying with Accounting Standards and other mandatory professional reporting requirements;
 - (ii) complying with the *Charitable Fundraising Act 1991* and the *Charitable Fundraising Regulations 2008*; and
 - (iii) giving a true and fair view of the Company's financial position as at 30 June 2015 and its performance, for the financial year ended on that date; and
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

A. Staveley
Chairman

A. Wehby
Director

Sydney 6 October 2015



Independent auditor's report to the members of ROYAL REHAB

Report on the financial report

We have audited the accompanying financial report of ROYAL REHAB (the company), which comprises the balance sheet as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with *Australian Accounting Standards – Reduced Disclosure Requirements* and the *Australian Charities and Not-for-profits Commission Act 2012 (ACNC Act 2012)* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Auditor's Opinion

In our opinion, the financial report of ROYAL REHAB is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (b) complying with *Australian Accounting Standards – Reduced Disclosure Requirements*.

PricewaterhouseCoopers, ABN 52 780 433 757

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Report on the Requirements of the NSW Charitable Fundraising Act 1991 and the NSW Charitable Fundraising Regulations 2008

We have audited the financial report as required by Section 24(2) of the *NSW Charitable Fundraising Act 1991*. The directors of the company are responsible for the preparation and presentation of the financial report in accordance with the *NSW Charitable Fundraising Act 1991* and *NSW Charitable Fundraising Regulations 2008*. Our responsibility is to express an opinion on the financial report based on our audit.

Auditor's Opinion

In our opinion :

(a) The financial report and associated records have been properly kept, during the financial year ended 30 June 2015, in accordance with:

- (i) sections 20(1), 22(1-2) and 24(1-3) of the *NSW Charitable Fundraising Act 1991*: and
- (ii) sections 9(6) and 10 of the *NSW Charitable Fundraising Regulations 2008*.

(iii) money received as a result of fundraising appeals conducted during the financial year ended 30 June 2015 has been properly accounted for and applied in accordance with the above mentioned Act and Regulations.

PricewaterhouseCoopers

Peter Buchholz
Partner

Sydney
6 October 2015

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ROYAL REHAB

DECLARATION BY THE CHIEF EXECUTIVE OFFICER

Declared opinion

I, Stephen Lowndes, Chief Executive Officer of ROYAL REHAB declare that in my opinion:

- (a) the report gives a true and fair view of all the income and expenditure of Royal Rehab with respect to fundraising appeals;
- (b) the balance sheet gives a true and fair view of the state of affairs with respect to fundraising appeals;
- (c) the provisions of the *Charitable Fundraising Act 1991* and the regulations under that Act and the conditions attached to the authority have been complied with for the year ended 30 June 2015; and
- (d) the internal controls exercised by ROYAL REHAB are appropriate and effective in accounting for all income received and expenditure incurred.

Stephen Lowndes
Chief Executive Officer

Sydney, 6 October 2015