

**The Sydney
Children's Hospitals
Network
(Randwick and Westmead)**

Financial Statements

for the year ended 30 June 2018



INDEPENDENT AUDITOR'S REPORT

Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating the Royal Alexandra Hospital for Children)

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating the Royal Alexandra Hospital for Children) (the Network), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the Network and the consolidated entity. The consolidated entity comprises the Network and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Network and the consolidated entity as at 30 June 2018, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Network and the consolidated entity in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Emphasis of Matter – Presentation of Budget Information

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 1(ae). The note states that AASB 1055 'Budgetary Reporting' is not applicable to the Network. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the Network's financial statements present adjusted budget information.

Other information – Certification of the Financial Statements

Other information comprises the information included in the Network's annual report for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The Chief Executive of the Network is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Certification of the Financial Statements.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Chief Executive's Responsibilities for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing the ability of the Network and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where operations will cease as a result of an administrative restructure.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Network or the consolidated entity carried out their activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'R Meimaroglou', followed by a period.

Renee Meimaroglou
Director, Financial Audit Services

13 September 2018
SYDNEY



INDEPENDENT AUDITOR'S REPORT

Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating the Royal Alexandra Hospital for Children) Special Purpose Service Entity

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating the Royal Alexandra Hospital for Children) Special Purpose Service Entity (the Entity), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Entity as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Entity in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Other information – Certification of the Financial Statements

Other information comprises the information included in the Entity's annual report for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The Chief Executive of the Entity is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Certification of the Financial Statements.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Chief Executive's Responsibilities for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Entity's operations will cease as a result of an administrative restructure.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Entity carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'R Meimaroglou', followed by a period.

Renee Meimaroglou
Director, Financial Audit Services

13 September 2018
SYDNEY



**Certification of the Financial Statements
for the year ended 30 June 2018**

We state, pursuant to section 45F of the Public Finance and Audit Act 1983:

- 1) The financial statements of The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) for the year ended 30 June 2018 have been prepared in accordance with:
 - a) Australian Accounting Standards (which include Australian Accounting Interpretations);
 - b) the requirements of *the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2015*;
 - c) mandatory NSW Treasury accounting publications.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children); and
- 3) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

Dr. Michael Brydon
Chief Executive

06 September 2018

Brian Jackson
Director of Finance and Corporate Services

06 September 2018

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Statement of Financial Position as at 30 June 2018

PARENT			CONSOLIDATION				
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual	
2018	2018	2017		2018	2018	2017	
\$000	\$000	\$000		\$000	\$000	\$000	
ASSETS							
Current Assets							
8,874	83,102	103,733		8,874	83,102	103,733	
26,267	23,729	22,952	14	26,267	23,729	22,952	
6,736	7,129	7,129	15	6,736	7,129	7,129	
22,576	310	310	16	22,576	310	310	
83,000	-----	-----	17	83,000	-----	-----	
<u>147,453</u>	<u>114,270</u>	<u>134,124</u>	18	<u>147,453</u>	<u>114,270</u>	<u>134,124</u>	
<u>147,453</u>	<u>114,270</u>	<u>134,124</u>		<u>147,453</u>	<u>114,270</u>	<u>134,124</u>	
Total Current Assets							
Non-Current Assets							
37,044	59,344	54,345		37,044	59,344	54,345	
493,144	421,748	428,066	17	493,144	421,748	428,066	
53,217	62,829	65,635		53,217	62,829	65,635	
37,240	33,925	35,660	19	37,240	33,925	35,660	
3,279	3,279	3,424	19	3,279	3,279	3,424	
<u>586,880</u>	<u>521,781</u>	<u>532,785</u>		<u>586,880</u>	<u>521,781</u>	<u>532,785</u>	
16,554	1,055	3,620	19	16,554	1,055	3,620	
<u>640,478</u>	<u>582,180</u>	<u>590,750</u>	20	<u>640,478</u>	<u>582,180</u>	<u>590,750</u>	
<u>787,931</u>	<u>696,450</u>	<u>724,874</u>		<u>787,931</u>	<u>696,450</u>	<u>724,874</u>	
Total Assets							
LIABILITIES							
Current Liabilities							
55,278	52,377	51,667		55,278	52,377	51,667	
88,633	86,935	83,567	23	88,633	86,935	83,567	
2,082	2,589	2,589	24	2,082	2,589	2,589	
<u>145,993</u>	<u>141,901</u>	<u>137,823</u>	25	<u>145,993</u>	<u>141,901</u>	<u>137,823</u>	
Total Current Liabilities							
Non-Current Liabilities							
1,155	1,155	979		1,155	1,155	979	
<u>1,155</u>	<u>1,155</u>	<u>979</u>	24	<u>1,155</u>	<u>1,155</u>	<u>979</u>	
<u>147,148</u>	<u>143,056</u>	<u>138,802</u>		<u>147,148</u>	<u>143,056</u>	<u>138,802</u>	
<u>640,783</u>	<u>553,394</u>	<u>586,072</u>		<u>640,783</u>	<u>553,394</u>	<u>586,072</u>	
Total Liabilities							
Net Assets							
EQUITY							
333,627	265,074	265,074		333,627	265,074	265,074	
307,156	288,320	320,998		307,156	288,320	320,998	
<u>640,783</u>	<u>553,394</u>	<u>586,072</u>		<u>640,783</u>	<u>553,394</u>	<u>586,072</u>	

The accompanying notes form part of these financial statements.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Statement of Changes in Equity for the year ended 30 June 2018

PARENT AND CONSOLIDATION	Notes	Accumulated Funds \$000	Revaluation Surplus \$000	Total \$000
Balance at 1 July 2017		320,998	265,074	586,072
Total Equity at 1 July 2017		<u>320,998</u>	<u>265,074</u>	<u>586,072</u>
Net Result for the year		(19,155)	----	(19,155)
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	19	----	68,506	68,506
Transfers on Disposal		(47)	47	----
Total Other Comprehensive Income		<u>(47)</u>	<u>68,553</u>	<u>68,506</u>
Total Comprehensive Income for the year		<u>(19,202)</u>	<u>68,553</u>	<u>49,351</u>
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	34	5,360	----	5,360
Balance at 30 June 2018		<u><u>307,156</u></u>	<u><u>333,627</u></u>	<u><u>640,783</u></u>
Balance at 1 July 2016		309,879	265,074	574,953
Total Equity at 1 July 2016		<u>309,879</u>	<u>265,074</u>	<u>574,953</u>
Net Result for the year		11,119	----	11,119
Other Comprehensive Income:				
Total Other Comprehensive Income		----	----	----
Total Comprehensive Income for the year		<u>11,119</u>	<u>----</u>	<u>11,119</u>
Balance at 30 June 2017		<u><u>320,998</u></u>	<u><u>265,074</u></u>	<u><u>586,072</u></u>

The accompanying notes form part of these financial statements.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Statement of Cash Flows for the year ended 30 June 2018

PARENT			CONSOLIDATION				
Actual	Adjusted Budget Unaudited	Actual		Notes	Actual	Adjusted Budget Unaudited	Actual
2018	2018	2017			2018	2018	2017
\$000	\$000	\$000			\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES							
Payments							
----	----	----	Employee Related		(526,123)	(532,820)	(501,439)
(233,913)	(229,933)	(215,340)	Suppliers for Goods and Services		(233,913)	(229,933)	(215,340)
(16,224)	(14,563)	(17,180)	Grants and Subsidies		(16,224)	(14,563)	(17,180)
(526,123)	(532,820)	(501,439)	Other		----	----	----
<u>(776,260)</u>	<u>(777,316)</u>	<u>(733,959)</u>	Total Payments		<u>(776,260)</u>	<u>(777,316)</u>	<u>(733,959)</u>
Receipts							
580,113	580,113	541,397	NSW Ministry of Health Recurrent Allocations		580,113	580,113	541,397
6,314	7,072	13,024	NSW Ministry of Health Capital Allocations		6,314	7,072	13,024
9,292	9,292	7,964	Reimbursements from the Crown Entity		9,292	9,292	7,964
82,106	86,637	81,425	Sale of Goods and Services		82,106	86,637	81,425
2,326	310	2,845	Interest Received		2,326	310	2,845
77,656	59,706	70,844	Grants and Other Contributions		77,656	59,706	70,844
35,930	38,302	34,184	Other		35,930	38,302	34,184
<u>793,737</u>	<u>781,432</u>	<u>751,683</u>	Total Receipts		<u>793,737</u>	<u>781,432</u>	<u>751,683</u>
<u>17,477</u>	<u>4,116</u>	<u>17,724</u>	NET CASH FLOWS FROM OPERATING ACTIVITIES	29	<u>17,477</u>	<u>4,116</u>	<u>17,724</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
92	----	107	Proceeds from Sale of Property, Plant & Equipment and Intangible Assets		92	----	107
22,000	22,000	39,900	Proceeds from Sale of Financial Assets		22,000	22,000	39,900
(24,463)	(19,747)	(23,576)	Purchases of Property, Plant & Equipment and Intangible Assets		(24,463)	(19,747)	(23,576)
(109,965)	(27,000)	(38,401)	Purchases of Financial Assets		(109,965)	(27,000)	(38,401)
<u>(112,336)</u>	<u>(24,747)</u>	<u>(21,970)</u>	NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(112,336)</u>	<u>(24,747)</u>	<u>(21,970)</u>
(94,859)	(20,631)	(4,246)	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(94,859)	(20,631)	(4,246)
103,733	103,733	107,979	Opening Cash and Cash Equivalents	14	103,733	103,733	107,979
<u>8,874</u>	<u>83,102</u>	<u>103,733</u>	CLOSING CASH AND CASH EQUIVALENTS	14	<u>8,874</u>	<u>83,102</u>	<u>103,733</u>

The accompanying notes form part of these financial statements.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

a) The Reporting Entity

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) (the Network) was established under the provisions of the Health Services Act 1997 with effect from 1 July 2010.

The Network is a NSW Government entity and is controlled by the NSW Ministry of Health, which is the immediate parent. The reporting entity is also controlled by the State of New South Wales (and is consolidated as part of the NSW Total State Sector Accounts), which is the ultimate parent. The reporting entity is a not-for-profit entity (as profit is not its principal objective).

The Network, as a reporting entity, comprises all the entities under its control, namely:

- * The parent entity, comprises all the operating activities of the hospital facilities and the operating activities of the NSW Newborn and Paediatric Emergency Transport Services (NETS), the Pregnancy and Newborn Service Network (PSN) and the Children's Court Clinic (CCC) under its control. It also encompasses the Restricted Assets (as disclosed in Note 22), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) Special Purpose Service Entity, which was established as a Division of the Network on 1 July 2010 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the Network to exercise its functions.

As a consequence the values in the financial statements presented herein consist of the parent entity and the consolidated entity which comprises the parent and special purpose service entity. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

These consolidated financial statements for the year ended 30 June 2018 have been authorised for issue by the Chief Executive on 05 September 2018.

b) Basis of Preparation

The Network's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and the Public Finance and Audit Regulation 2015, and Financial Reporting Directions mandated by the Treasurer. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities. Further information on the adjusted budget figures can be found at Note 1(ae).

The financial statements of the Network have been prepared on a going concern basis.

The Secretary of NSW Health, the Chair of The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) Board and the Chief Executive, through the Performance Agreement have agreed to service and funding levels for the forward financial year. The Performance Agreement sets out the level of financial resources for public health services under the Network's control and the source of these funds. By agreement, the Performance Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the Network fails to meet Performance Agreement performance standards, the NSW Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the NSW Ministry of Health.

Other circumstances why the going concern assumption is appropriate include:

- * Allocated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.
- * The Network has the capacity to review timing of subsidy cashflows to ensure that debts can be paid when they become due and payable.
- * The Network has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the Network and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.

Property, plant and equipment, assets (or disposal groups) held for sale and financial assets at 'fair value through profit and loss' are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

c) Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

Certain comparative information has been reclassified to ensure consistency with current year presentation and classification.

d) Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards which include Australian Accounting Interpretations.

e) Employee Benefits and Other Provisions

i) Salaries and Wages, Annual Leave, Sick Leave, Allocated Days Off (ADO) and On-Costs

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave and ADO are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 17.6% are applied to the value of leave payable at 30 June 2018 (comparable on-costs for 30 June 2017 were 17.2%). The Network has assessed the actuarial advice based on the Network's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the consolidated entity does not expect to settle the liability within 12 months as the consolidated entity does not have an unconditional right to defer settlement.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

ii) Long Service Leave and Superannuation

The Network's liability for Long Service Leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity, which is a controlled entity of the ultimate parent.

The Network accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of Employee Benefits'.

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the Network as shown in Note 24.

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using Commonwealth government bond rate at the reporting date.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employee's salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employee's superannuation contributions.

iii) Consequential On-Costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of workers' compensation insurance premiums and fringe benefits tax.

iv) Other Provisions

Other provisions exist when the Network has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

f) Insurance

The Network's insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self insurance for government entities. The expense (premium) is determined by the Fund Manager based on past claims experience. The TMF is managed by Insurance and Care NSW (iCare), a controlled entity of the ultimate parent.

g) Grants and Subsidies

Grant and subsidies expense generally comprise contributions in cash or in kind to various local government authorities and not-for-profit community organisations to support their health-related objectives and activities. The grant and subsidies are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

h) Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred in accordance with NSW Treasury's Mandate to not-for-profit NSW general government sector entities.

i) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

Sale of Goods

Revenue from the sale of goods is recognised as revenue when the Network transfers the significant risks and rewards of ownership of the assets.

Rendering of Services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

Grants and Other Contributions

Grants and other contributions, comprising mainly cash and in-kind contributions, are recognised as revenues when control passes to the Network and the contractual obligations have been satisfied. In-kind contributions are measured at fair value on transfer date.

Patient Fees

Patient fees are derived from chargeable inpatients and non-inpatients on the basis of rates specified by the NSW Ministry of Health. Revenue is recognised on an accrual basis when the service has been provided to the patient.

Highly Specialised Drugs

Revenue for highly specialised drugs is paid by the Commonwealth in accordance with the terms of the Commonwealth agreement through Medicare and reflects the recoupment of costs incurred under Section 100 of the *National Health Act 1953* for highly specialised drugs. The agreement provides for the provision of medicines for the treatment of chronic conditions where specific criteria are met in respect of day admitted patients, non admitted patients or patients on discharge. Revenue is recognised when the drugs have been provided to the patient.

Motor Accident Authority Third Party

A bulk billing agreement exists in which motor vehicle insurers effect payment directly to NSW Health for the hospital costs for those persons hospitalised or attending for inpatient treatment as a result of motor vehicle accidents. The Network recognises the revenue on an accruals basis from the time the patient is treated or admitted into hospital.

Investment Revenue

Interest revenue is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Debt Forgiveness

Debts are accounted for as extinguished when and only when settlement occurs through repayment or replacement by another liability.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

Use of Hospital Facilities

Specialist doctors with rights of private practice are subject to an infrastructure charge including service charges where applicable for the use of hospital facilities at rates determined by the NSW Ministry of Health. Charges consist of two components:

- * a monthly charge raised by the Network based on a percentage of receipts generated.
- * the residual of the Private Practice Trust Fund at the end of each financial year, such sum being credited for the Network use in the advancement of the Network or individuals within it.

Refer to Note 7 (b) for further details.

Use of Outside Facilities

The Network uses a number of facilities owned and maintained by the local authorities in the area to deliver community health services for which no charges are raised by the authorities.

Where material, the cost method of accounting is used for the initial recording of all such services. Cost is determined as the fair value of the services given and is then recognised as revenue with a matching expense.

NSW Ministry of Health Allocations

Payments are made by the immediate parent on the basis of the allocation for the Network as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects.

This allocation is included in the Statement of Comprehensive Income before arriving at the "Net Result" on the basis that the allocation is earned in return for the health services provided on behalf of the NSW Ministry of Health. Allocations are normally recognised upon the receipt of cash.

j) Accounting for the Goods & Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except that the:

- * amount of GST incurred by the Network as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- * receivables and payables are stated with the amount of GST included.

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

k) Interstate Patient Flows

Interstate patient flows are funded through the State Pool, based on activity and consistent with the price determined in the service level agreement. The funding is recognised as recurrent allocation received from the immediate parent.

l) Acquisition of Property, Plant and Equipment

Property, plant and equipment acquired are initially recognised at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted over the period of credit.

Refer to Note 1(ab) for assets transferred as a result of equity transfer.

Land and buildings are owned by the Health Administration Corporation, an entity controlled by the immediate parent. Land and buildings which are operated/occupied by the Network are deemed to be controlled by the Network and are reflected as such in the financial statements.

m) Capitalisation Thresholds

Property, plant and equipment and Intangible Assets costing \$10,000 and above individually (or forming part of a network costing more than \$10,000) are capitalised.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

n) Depreciation of Property, Plant and Equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Network. Land is not a depreciable asset. All material identifiable components of assets are depreciated over their useful lives.

Details of depreciation rates initially applied for major asset categories are as follows:

Buildings	2.5%
Infrastructure Systems	2.5%
Plant and Equipment	
- Computer Equipment	20.0%
- Electro Medical Equipment	
* Costing less than \$200,000	10.0%
* Costing more than or equal to \$200,000	12.5%
- Furniture, Fittings and Furnishings	5.0%
- Motor Vehicle Sedans	12.5%
- Motor Vehicles, Trucks & Vans	20.0%
- Office Equipment	10.0%
- Plant and Machinery	10.0%
Leasehold Improvements	3.8%
Intangible Assets	15.1%

"Infrastructure Systems" means assets that comprise public facilities and which provide essential services and enhance the productive capacity of the economy including roads, bridges, water infrastructure and distribution works, sewerage treatment plants, seawalls and water reticulation systems.

Depreciation rates are subsequently varied where changes occur in the assessment of the remaining useful life of the assets reported.

o) Revaluation of Non-Current Assets

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and takes into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 19 and Note 21 for further information regarding fair value.

To ensure that the carrying amount for each asset does not differ materially from its fair value at reporting date, indices are sourced. The indices reflect an assessment of movements made in the period between revaluations.

Artworks are capitalised where their value is \$10,000 or over. The Network revalues Artworks at minimum every three years. The last revaluation of Artworks by the Network was completed in the 2017-18 financial year and was based on an independent assessment.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. The entity has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated.

For other assets valued using other valuation techniques, any balances of accumulated depreciation existing at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

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

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

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

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the revaluation surplus in respect of that asset is transferred to accumulated funds.

p) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 Impairment of Assets modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

q) Intangible Assets

The Network recognises intangible assets only if it is probable that future economic benefits will flow to the Network and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost.

Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Network's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

Computer software developed or acquired by Network are recognised as intangible assets and are amortised over five to fifteen years using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions. Some computer software is acquired from the Health Administration Corporation, a controlled entity of the immediate parent.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

r) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

s) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and rewards.

Where a non-current asset is acquired by means of a finance lease, at the commencement of the lease term, the asset is recognised at its fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

t) Inventories

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Obsolete items are disposed of in accordance with instructions issued by the NSW Ministry of Health.

u) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the Net Result when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

v) Investments

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The Network determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

* The Network subsequently measures investments classified as 'held for trading' or designated upon initial recognition "at fair value through profit or loss" at fair value.

Financial assets are classified as 'held for trading' if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the net result for the year.

TCorpIM Funds investment facilities are managed by New South Wales Treasury Corporation, a controlled entity of the ultimate parent. The facilities are designated at fair value through profit or loss as the management and performance of these financial assets is undertaken on a fair value basis, in accordance with a documented risk management strategy. Information about these assets is provided internally to the Network's key management personnel.

The risk management strategy of the Network has been developed consistent with the investment powers granted under the provision of the Public Authorities (Financial Arrangements) Act 1987.

TCorpIM Funds investment are made in an effort to improve interest returns on cash balances otherwise available whilst also providing secure investments.

The movement in the fair value of the TCorpIM Funds investment incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date; i.e. the date the Network commits to purchase or sell the asset.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the Statement of Financial Position date.

w) Impairment of Financial Assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For certain categories of financial assets, such as trade receivables, the entity first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Assets are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

x) De-recognition of Financial Assets and Financial Liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Network transfers the financial asset:

- * where substantially all the risks and rewards have been transferred; or
- * where the Network has not transferred substantially all the risks and rewards, if the Network has not retained control.

Where the Network has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Network's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

y) Payables

These amounts represent liabilities for goods and services provided to the Network and other amounts. Payables are recognised initially at fair value.

Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Network.

z) Borrowings

Loans are not held for trading or designated at fair value through profit or loss and are recognised at amortised cost using the effective interest rate method. Gains or losses are recognised in the net result for the year on derecognition.

Borrowings include finance lease liabilities. The finance lease liability is determined in accordance with *AASB 117 Leases*.

aa) Fair Value Hierarchy

A number of the Network's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13 Fair Value Measurement, the Network categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- * Level 1 – quoted prices in active markets for identical assets / liabilities that the entity can access at the measurement date.
- * Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- * Level 3 – inputs that are not based on observable market data (unobservable inputs).

The Network recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer to Note 21 and Note 35 for further disclosures regarding fair value measurements of non-financial and financial assets.

ab) Equity Transfers

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs/functions and parts thereof between entities controlled by the ultimate parent are recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004 Contributions and Australian Accounting Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government entities are recognised at the amount at which the asset was recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the Network recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the Network does not recognise that asset.

ac) Equity and Reserves

(i) Accumulated Funds

The category "accumulated funds" includes all current and prior period retained funds.

(ii) Revaluation Surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the Network's policy on the revaluation of property, plant and equipment as discussed in Note 1(o).

ad) Trust Funds

The Network receives monies in a trustee capacity for various trusts as set out in Note 27.

As the Network performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Network's own objectives, these funds are not recognised in the financial statements.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

ae) Adjusted Budget Amounts

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). The Network's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 Budgetary Reporting to present original budget information, the Network's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Performance Agreements between the Network and the NSW Ministry of Health at the beginning of the financial year, as well as any adjustments for the effects of additional supplementation provided in accordance with delegations to derive a final budget at year end (i.e. adjusted budget). The budget amounts are not subject to audit and, accordingly, the relevant column entries in the financial statements are denoted as "Unaudited".

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 33.

af) Changes in Accounting Policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2017-18

The accounting policies applied in 2017-18 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows applies to annual periods beginning on or after 1 January 2017. The standard amends *AASB 107 Statement of Cash Flows* to require additional disclosures for financing activities in the Statement of Cash Flows. The Network had no cash flows from financing activities.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless NSW Treasury determines otherwise. The following new Australian Accounting Standards, excluding standards not considered applicable or material to the Network have not been applied and are not yet effective. The possible impact of these Accounting Standards in the period of initial application includes:

AASB 9 Financial Instruments applies to annual periods beginning on or after 1 January 2018. *AASB 9 Financial Instruments* will replace *AASB 139 Financial Instruments: Recognition and Measurement* and establishes new principles for the financial reporting of financial assets, financial liabilities and hedge accounting. *AASB 9 Financial Instruments* also introduces a forward-looking 'expected credit losses' impairment model, which may impact the timing and amount of impairment recognition.

AASB 16 Leases replaces all existing leases requirements and applies to annual periods beginning on or after 1 January 2019. For lessees, the distinction between operating and finance leases will no longer exist. Instead, *AASB 16 Leases* will require lessees to account for practically all leases under a single on-balance sheet model in a similar way to finance leases under *AASB 117 Leases*. The standard includes two recognition exemptions for lessees – leases of 'low value' assets (e.g. personal computers below \$10,000) and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement of a lease, a lessee will recognise a liability representing its obligation to make future lease payments and an asset representing its right of use to the underlying asset for the lease term. Lessees will be required to separately recognise interest expense on the lease liability and depreciation expense on the Right of Use asset rather than operating lease expense.

The lease expense recognition pattern for leases will generally be accelerated as compared to today. Some key balance sheet metrics may also be impacted. Also, the statement of cash flows for lessees will be affected as payments for the principal portion of the lease liability will be presented within financing activities.

Lessor accounting is substantially unchanged from today's accounting under *AASB 117 Leases*. Lessors will continue to classify all leases using the same classification as in *AASB 117 Leases* and distinguish between two types of leases: operating and finance leases.

The standard permits two methods of adoption: full retrospective – by retrospectively adjusting each prior reporting period presented and recognising the cumulative effect of initially applying the new requirements at the start of the earliest period, which would be 1 July 2018; or modified retrospective – by recognising the cumulative effect of initially applying the new requirements at the initial application, which would be 1 July 2019. NSW Treasury has mandated modified retrospective application of this accounting standard.

AASB 15 Revenue from Contracts with Customers (and associated amending standards *AASB 2014-5*, *AASB 2015-8*, *AASB 2016-3*, *AASB 2016-7* and *AASB 2016-8*) applies to annual periods beginning on or after 1 January 2019 for not-for-profit entities. *AASB 15 Revenue from Contracts with Customers* establishes a contract-based five-step analysis of transactions to determine the nature, amount and timing of revenue arising from contracts with customers. This new standard requires revenue to be recognised when control of the goods or services are transferred to the customer at the transaction price. This may impact the timing of recognising certain revenue currently recognised by reference to the stage of completion of the transaction.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

AASB 1058 Income of Not-for-Profit Entities applies to not-for-profit entities and is effective for annual periods beginning on or after 1 January 2019. This standard requires entities to recognise income where the consideration to acquire an asset, including cash, is significantly less than the fair value principally to enable the entity to further its objectives. Under this standard, the timing of income recognition may be impacted depending on whether there is a liability or other performance obligation associated with the acquired asset, including cash. *AASB 1058 Income of Not-for-Profit Entities* also requires government agencies to recognise income for volunteer services received if the fair value of those services can be measured reliably and the services would have been purchased if they had not been donated. This is consistent with current practice under *AASB 1004 Contributions* and is not expected to materially impact these financial statements.

AASB 1059 Service Concession Arrangements is applicable to public sector entities only and requires the grantor to recognise a service concession asset in a service concession arrangement where it controls the asset. A corresponding financial liability and/or grant of right liability is also recognised depending on the nature of the consideration exchanged. Service concession assets (including those provided by the operator, an upgrade to or a major component replacement of an existing asset of the grantor; and existing assets of the grantor – also applicable to previously unrecognised intangible assets except goodwill) are initially measured at current replacement cost based on *AASB 13 Fair Value Measurement* principles. They are subsequently accounted for under *AASB 116 Property, Plant & Equipment* or *AASB 138 Intangible Assets*. Service concession liabilities are initially measured at the same amount as the service concession asset and subsequently measured using either the “financial liability” model applying *AASB 9 Financial Instruments* or, the “grant of right” model under *AASB 1059 Service Concession Arrangements*. *AASB 1059 Service Concession Arrangements* requires retrospective application.

Overview of Assessment Activities

NSW Health designed a project roadmap to implement the above five new accounting standards by its application date. The project consists of 4 phases: Scoping, Data gathering, In Depth Analysis and Implementation. Scoping phase was completed and data gathering has begun. An external project consultant and project manager will be appointed, and various steering committees and project teams will be internally formed as part of the implementation project. Central high level estimates on the impact of the new accounting standards were also calculated and reported to NSW Treasury by the central team at the NSW Ministry of Health. Further details are available in the NSW Ministry of Health's consolidated financial statements.

We are continuously analysing and assessing the impact of the new accounting standards. This includes changes to our accounting policies, internal and external reporting requirements, IT systems, business processes and associated internal controls with the objectives of quantifying the expected first time adoption impacts as well as supporting ongoing compliance with the new accounting requirements.

Potential Impact on the Network's Financial Report

While the consolidated entity is yet to undertake a detailed assessment of the classification and measurement of all of the accounting standards, the following general impacts are expected from the work conducted so far:

Leases

- * The total assets and liabilities on the balance sheet will increase. Net total assets are expected to decrease due to a reduction of the capitalised asset being on a straight line basis whilst the liability reduces the principal amount of repayments. Net current assets will also show a decrease due to an element of the liability being disclosed as current liability.
- * Interest expenses will increase due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a lease life due to the higher principal value causing profit variability over the course of the lease life. This effect may be partially mitigated due to the number of leases held in the entity at different stages of their lease terms.
- * Depreciation expense will be booked on Right of Use assets, which will be on a straight-line basis.
- * Operating cash flows will be higher as repayment of the principal portion of all lease liabilities will be classified as financing activities.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

Revenue and Income of Not-for-Profit Entities

- * The deferral of some revenues of the Network.
- * Impact on the estimates and judgements involved in the unbilled revenue process.
- * Specific quantitative and qualitative disclosures may be required under *AASB 15 Revenue from Contracts with Customers*.

Financial Instruments

- * The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred impairment losses. This may result in earlier recognition of credit loss provisions.

Service Concession Arrangements

- * No significant impact expected on the Network.

Application Date

The Network plans to adopt the new standards on the required effective date in line with the NSW Treasury's instructions.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		2. Employee Related Expenses		
----	----	Salaries and Wages (including annual leave and ADO)	477,522	455,458
----	----	Superannuation - Defined Benefit Plans	3,637	4,148
----	----	Superannuation - Defined Contribution Plans	42,304	40,163
----	----	Long Service Leave	20,889	7,442
----	----	Redundancies	107	332
----	----	Workers' Compensation Insurance	2,256	2,025
----	----	Fringe Benefits Tax	18	49
<hr/>	<hr/>		<hr/>	<hr/>
----	----		546,733	509,617
<hr/>	<hr/>		<hr/>	<hr/>
		The amounts below are capitalised and do not form part of the above total employee related costs:		
----	----	Employee Related Expenses Capitalised - Intangibles	2,780	1,731
<hr/>	<hr/>		<hr/>	<hr/>
----	----		2,780	1,731
<hr/>	<hr/>		<hr/>	<hr/>
		3. Personnel Services		
477,522	455,458	Salaries and Wages	----	----
----	----	Superannuation - Defined Benefit Plans	----	----
42,304	40,163	Superannuation - Defined Contribution Plans	----	----
2,205	(49)	Long Service Leave	----	----
107	332	Redundancies	----	----
2,256	2,025	Workers' Compensation Insurance	----	----
18	49	Fringe Benefits Tax	----	----
<hr/>	<hr/>		<hr/>	<hr/>
524,412	497,978		----	----
<hr/>	<hr/>		<hr/>	<hr/>
		Personnel services of The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) was provided by its controlled entity, The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) Special Purpose Service Entity.		
		The amounts below are capitalised and do not form part of the above total personnel services:		
2,780	1,731	Personnel Services Expenses Capitalised - Intangibles	----	----

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
4. Other Expenses				
124	169	Advertising	124	169
190	221	Auditor's Remuneration - Audit of Financial Statements	190	221
11,505	9,730	Blood and Blood Products	11,505	9,730
523	660	Consultancies	523	660
3,047	1,954	Contractors	3,047	1,954
5,036	4,779	Domestic Supplies and Services	5,036	4,779
41,074	38,363	Drug Supplies	41,074	38,363
7,302	7,088	Food Supplies	7,302	7,088
3,742	3,590	Fuel, Light and Power	3,742	3,590
6,177	5,684	Patient Transport Costs	6,177	5,684
11,242	9,340	Information Management Expenses	11,242	9,340
409	406	Insurance	409	406
18,169	15,752	Maintenance (See 4(b) below)	18,169	15,752
31,956	31,218	Medical and Surgical Supplies	31,956	31,218
427	434	Motor Vehicle Expenses	427	434
2,619	2,455	Postal and Telephone Costs	2,619	2,455
1,934	2,100	Printing and Stationery	1,934	2,100
801	760	Rates and Charges	801	760
2,471	2,284	Rental	2,471	2,284
1,626	1,626	Hosted Services Purchased from entities controlled by the immediate parent	1,626	1,626
20,741	21,674	Specialised Services (Dental, Radiology, Pathology, Allied Health)	20,741	21,674
4,740	4,673	Staff Related Costs	4,740	4,673
6,376	6,168	Travel Related Costs	6,376	6,168
13,173	11,839	Other (See 4(a) below)	13,173	11,839
<u>195,404</u>	<u>182,967</u>		<u>195,404</u>	<u>182,967</u>

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
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for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		4. Other Expenses		
		a) Other Includes:		
44	15	Contract for Patient Services	44	15
2,728	2,826	Corporate Support Services	2,728	2,826
505	595	Courier and Freight	505	595
----	(23)	Isolated Patient Travel and Accommodation Assistance Scheme	----	(23)
656	145	Legal Services	656	145
735	610	Membership/Professional Fees	735	610
205	235	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	205	235
18	62	Other Operating Lease Expense - Minimum Lease Payments	18	62
108	158	Quality Assurance/Accreditation	108	158
153	141	Security Services	153	141
1,306	1,203	Other Management Services	1,306	1,203
1,060	1,257	Intrahealth Other Expenses	1,060	1,257
2,373	1,580	Fundraising Expenses	2,373	1,580
3,282	3,035	Other Miscellaneous	3,282	3,035
<u>13,173</u>	<u>11,839</u>		<u>13,173</u>	<u>11,839</u>
		b) Reconciliation of Total Maintenance		
6,247	5,307	Maintenance Contracts	6,247	5,307
5,626	4,943	New/Replacement Equipment under \$10,000	5,626	4,943
4,994	4,288	Repairs Maintenance/Non Contract	4,994	4,288
1,302	1,214	Other	1,302	1,214
<u>18,169</u>	<u>15,752</u>	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	<u>18,169</u>	<u>15,752</u>
128	166	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	128	166
<u>18,297</u>	<u>15,918</u>		<u>18,297</u>	<u>15,918</u>

Auditor's Remuneration' was paid to The Audit Office of New South Wales, an entity controlled by the ultimate parent. (2017: The Auditor's Remuneration was paid to The Audit Office of New South Wales, an entity controlled by the ultimate parent.)

The majority of 'Patient Transport Costs' were paid to Health Administration Corporation, which is an entity controlled by the immediate parent. (2017: The majority of 'Hospital Ambulance Transport Costs' were paid to Health Administration Corporation, which is an entity controlled by the immediate parent.)

The majority of 'Information Management Expenses' were paid to Health Administration Corporation, an entity controlled by the immediate parent. (2017: The majority of 'Information Management Expenses' were paid to Health Administration Corporation, an entity controlled by the immediate parent.)

The majority of 'Domestic Supplies and Services', 'Food Supplies', 'Corporate Support Services', were paid to Health Administration Corporation, an entity controlled by the immediate parent. (2017: The majority of 'Domestic Supplies and Services', 'Food Supplies', 'Corporate Support Services' were paid to Health Administration Corporation, an entity controlled by the immediate parent.)

Some of 'Drug Supplies' and 'Medical and Surgical Supplies' were paid to entities controlled by the immediate parent. (2017: Some of 'Drug Supplies' and 'Medical and Surgical Supplies' were paid to entities controlled by the immediate parent)

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
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Some of 'Maintenance' expenses were paid to entities controlled by the immediate parent. (2017: Some of 'Maintenance' expenses were paid to entities controlled by the immediate parent.)

The majority of 'Rates and Charges' were paid to entities controlled by the ultimate parent. (2017: The majority of 'Rates and Charges' were paid to entities controlled by the ultimate parent.)

Some of 'Specialised Service' expenses were paid to the Health Administration Corporation and other Health entities controlled by the immediate parent. (2017: Some of 'Special Service Departments' expenses were paid to Health Administration Corporation, an entity controlled by the immediate parent.)

Some of 'Rental' expenses were paid to entities controlled by the immediate parent. (2017: Some of 'Rental' and 'Staff Related' expenses were paid to entities controlled by the immediate parent.)

The 'Intrahealth Other Expenses' were paid to entities controlled by the immediate parent. (2017: The 'Intrahealth Other Expenses' were paid to entities controlled by the immediate parent.)

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
5. Depreciation and Amortisation				
16,671	16,256	Depreciation - Buildings	16,671	16,256
10,462	7,526	Depreciation - Plant and Equipment	10,462	7,526
1,735	1,735	Depreciation - Infrastructure Systems	1,735	1,735
145	145	Amortisation - Leasehold Improvements	145	145
2,405	558	Amortisation - Intangible Assets	2,405	558
<hr/>	<hr/>		<hr/>	<hr/>
31,418	26,220		31,418	26,220
6. Grants and Subsidies				
632	762	Non-Government Organisations	632	762
1,876	2,249	Grants to Research Organisations	1,876	2,249
----	69	Grants paid to entities controlled by the ultimate parent	----	69
11,437	11,626	Grants paid to entities controlled by the immediate parent	11,437	11,626
520	614	Other Grants	520	614
<hr/>	<hr/>		<hr/>	<hr/>
14,465	15,320		14,465	15,320

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
7. Sale of Goods and Services				
a) Sale of Goods comprise the following:-				
1,767	1,724	Pharmacy Sales	1,767	1,724
2,627	2,695	Sale of Prosthesis	2,627	2,695
138	225	Other	138	225
b) Rendering of Services comprise the following:-				
		Patient Fees		
28,237	26,677	- Inpatient Fees	28,237	26,677
376	361	- Non Inpatient Fees	376	361
202	212	Staff-Meals and Accommodation	202	212
13,685	13,593	Infrastructure Fees - Monthly Facility Charge	13,685	13,593
2,050	3,144	Infrastructure Fees - Annual Charge	2,050	3,144
71	46	Cafeteria/Kiosk	71	46
3,133	2,360	Car Parking	3,133	2,360
855	900	Child Care Fees	855	900
408	245	Clinical Services (excluding Clinical Drug Trials)	408	245
3,192	3,415	Commercial Activities	3,192	3,415
1	----	Enteral Nutrition	1	----
37	42	Fees for Medical Records	37	42
1	4	Information Retrieval	1	4
15,021	10,472	Highly Specialised Drugs	15,021	10,472
4,733	2,783	Motor Accident Authority Third Party	4,733	2,783
6,869	6,657	Patient Transport Fees	6,869	6,657
76	74	Private Use of Motor Vehicles	76	74
216	210	Salary Packaging Fee	216	210
316	442	Services Provided to Non NSW Health Organisations	316	442
545	847	Other	545	847
84,556	77,128		84,556	77,128

The majority of 'Pharmacy Sales' revenue was earned from entities controlled by the ultimate parent.

The majority of 'Commercial Activities' revenue was earned from entities controlled by the immediate parent. (2017: The majority of 'Commercial Activities' revenue was earned from entities controlled by the immediate parent.)

The majority of 'Motor Accident Authority Third Party ' revenue was received from State Insurance Regulatory Authority (SIRA), an entity controlled by the ultimate parent. (2017: The majority of 'Motor Accident Authority Third Party ' revenue was received from State Insurance Regulatory Authority (SIRA), an entity controlled by the ultimate parent.)

The majority of 'Patient Transport Fees' revenue was earned from entities controlled by the immediate parent. (2017: The majority of 'Patient Transport Fees' revenue was earned from entities controlled by the immediate parent.)

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
8. Investment Revenue				
2,326	2,845	Interest	2,326	2,845
5,086	6,374	Investment Income excluding interest	5,086	6,374
----	8	Other	----	8
<u>7,412</u>	<u>9,227</u>		<u>7,412</u>	<u>9,227</u>

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
9. Grants and Other Contributions				
2,706	1,457	Clinical Drug Trials	2,706	1,457
11,776	9,047	Commonwealth Government Grants	11,776	9,047
32,023	32,482	Industry Contributions/Donations	32,023	32,482
271	367	Cancer Institute Grants	271	367
511	464	Grants & Contributions received from entities controlled by the ultimate parent	511	464
3,000	33,967	Grants & Contributions received from entities controlled by the immediate parent	3,000	33,967
3,488	2,729	Research Grants	3,488	2,729
20,019	16,697	Other Grants	20,019	16,697
<u>73,794</u>	<u>97,210</u>		<u>73,794</u>	<u>97,210</u>

The Cancer Institute grants were from an entity controlled by the immediate parent. (2017: The Cancer Institute grants were from an entity controlled by the immediate parent.)

The majority of grants that were received from entities controlled by the ultimate parent were received from -

- Department of Family & Community Services - Ageing Disability & Home Care	453	419
- Department of Education	8	40

The majority of grants that were received from entities controlled by the immediate parent were received from -

- Health Administration Corporation	2,278	3,892
- Agency for Clinical Innovation	256	219
- Health Education and Training Institute	169	180
- NSW Ministry of Health	150	29,543
- South Eastern Sydney Local Health District	77	98
- Western Sydney Local Health District	69	35

10. Acceptance by the Crown Entity of Employee Benefits

The following liabilities and expenses have been assumed by the Crown

----	----	Superannuation-defined benefit	3,637	4,148
----	----	Long Service Leave	18,684	7,491
<u>----</u>	<u>----</u>		<u>22,321</u>	<u>11,639</u>

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Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		11. Other Income		
		Other Income comprises the following:-		
120	164	Commissions	120	164
4,096	4,348	Conference and Training Fees	4,096	4,348
8	19	Discounts received	8	19
16	5	Insurance Refunds	16	5
614	678	Lease and Rental	614	678
----	28	Property not Previously Recognised	----	28
80	82	Sale of Merchandise, Old Wares and Books	80	82
30	76	Sponsorship	30	76
1,751	2,685	Treasury Managed Fund Hindsight Adjustment	1,751	2,685
3,984	3,208	Other	3,984	3,208
<u>10,699</u>	<u>11,293</u>		<u>10,699</u>	<u>11,293</u>
		Some 'Other' revenue was received from entities controlled by the immediate parent. (2017: Some 'Other' revenue was received from entities controlled by the immediate parent.)		
		12. Gain / (Loss) on Disposal		
6,663	3,735	Property, Plant and Equipment	6,663	3,735
(6,498)	(3,346)	Accumulated Depreciation	(6,498)	(3,346)
165	389	Written Down Value	165	389
92	107	Proceeds from Disposal	92	107
<u>(73)</u>	<u>(282)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(73)</u>	<u>(282)</u>
<u>(73)</u>	<u>(282)</u>	Total Gain/(Loss) on Disposal	<u>(73)</u>	<u>(282)</u>
		13. Other Gains / (Losses)		
(259)	(186)	Impairment of Receivables	(259)	(186)
<u>(259)</u>	<u>(186)</u>		<u>(259)</u>	<u>(186)</u>

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
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for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
14. Cash and Cash Equivalents				
8,874	7,952	Cash at Bank and On Hand	8,874	7,952
-----	95,781	Short Term Deposits	-----	95,781
<u>8,874</u>	<u>103,733</u>		<u>8,874</u>	<u>103,733</u>

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand, short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value, and net of outstanding bank overdraft.

Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:

<u>8,874</u>	<u>103,733</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>8,874</u>	<u>103,733</u>
<u>8,874</u>	<u>103,733</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>8,874</u>	<u>103,733</u>

Refer to Note 35 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
15. Receivables				
Current				
12,543	9,460	Sale of Goods and Services	12,543	9,460
5,750	6,468	Intra Health Receivables	5,750	6,468
2,400	2,090	Goods and Services Tax	2,400	2,090
3,156	3,713	Other Debtors	3,156	3,713
<u>23,849</u>	<u>21,731</u>	Sub Total	<u>23,849</u>	<u>21,731</u>
(352)	(309)	Less Allowance for Impairment	(352)	(309)
23,497	21,422	Sub Total	23,497	21,422
2,770	1,530	Prepayments	2,770	1,530
<u>26,267</u>	<u>22,952</u>		<u>26,267</u>	<u>22,952</u>

Intra Health Receivables' include amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from -

- South Eastern Sydney Local Health District	1,448	1,408
- Health Administration Corporation	1,076	505
- Western Sydney Local Health District	965	297
- Northern Sydney Local Health District	514	453
- South Western Sydney Local Health District	452	349
- Sydney Local Health District	316	----
- NSW Ministry of Health	316	2,335
- Western NSW Local Health District	193	----
- Nepean Blue Mountains Local Health District	144	----
- Mid North Coast Local Health District	140	----
- Central Coast Local Health District	131	----

a) Movement in the Allowance for Impairment

Sale of Goods and Services				
(285)	(427)	Balance at Commencement of Reporting Period	(285)	(427)
119	128	Amounts written off during the year	119	128
(67)	14	(Increase)/decrease in Allowance Recognised in the Net Result	(67)	14
<u>(233)</u>	<u>(285)</u>	Balance at 30 June 2018	<u>(233)</u>	<u>(285)</u>

b) Movement in the Allowance for Impairment

Other Debtors				
(24)	(42)	Balance at Commencement of Reporting Period	(24)	(42)
(95)	18	(Increase)/decrease in Allowance Recognised in the Net Result	(95)	18
<u>(119)</u>	<u>(24)</u>	Balance at 30 June 2018	<u>(119)</u>	<u>(24)</u>
<u>(352)</u>	<u>(309)</u>		<u>(352)</u>	<u>(309)</u>

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
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for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		15. Receivables		
		c) The current and non-current sale of goods and services balances above include the following patient fee receivables:		
		(Current and Non-Current) include:		
271	417	Patient Fees - Compensable	271	417
3,282	2,186	Patient Fees - Ineligible	3,282	2,186
3,809	3,221	Patient Fees - Inpatient & Other	3,809	3,221
<u>7,362</u>	<u>5,824</u>		<u>7,362</u>	<u>5,824</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 35.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
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for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		16. Inventories		
2,051	1,974	Drugs	2,051	1,974
3,818	4,077	Medical and Surgical Supplies	3,818	4,077
131	123	Engineering Supplies	131	123
736	955	Other Including Goods in Transit	736	955
<u>6,736</u>	<u>7,129</u>		<u>6,736</u>	<u>7,129</u>
		17. Financial Assets at Fair Value		
		Current		
22,576	310	TCorpIM Funds Investment Facilities	22,576	310
<u>22,576</u>	<u>310</u>		<u>22,576</u>	<u>310</u>
		Non Current		
37,044	54,345	TCorpIM Funds Investment Facilities	37,044	54,345
<u>37,044</u>	<u>54,345</u>		<u>37,044</u>	<u>54,345</u>
		Refer to Note 35 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.		
		18. Other Financial Assets		
		Current		
83,000	-----	Other Loans and Deposits	83,000	-----
<u>83,000</u>	<u>-----</u>		<u>83,000</u>	<u>-----</u>
		Refer to Note 35 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.		

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
19. Property, Plant and Equipment				
Land and Buildings - Fair Value				
816,607	706,740	Gross Carrying Amount	816,607	706,740
323,463	278,674	Less: Accumulated Depreciation and Impairment	323,463	278,674
<u>493,144</u>	<u>428,066</u>	Net Carrying Amount	<u>493,144</u>	<u>428,066</u>
Plant and Equipment - Fair Value*				
136,829	145,283	Gross Carrying Amount	136,829	145,283
83,612	79,648	Less: Accumulated Depreciation and Impairment	83,612	79,648
<u>53,217</u>	<u>65,635</u>	Net Carrying Amount	<u>53,217</u>	<u>65,635</u>
Infrastructure Systems - Fair Value				
76,190	69,405	Gross Carrying Amount	76,190	69,405
38,950	33,745	Less: Accumulated Depreciation and Impairment	38,950	33,745
<u>37,240</u>	<u>35,660</u>	Net Carrying Amount	<u>37,240</u>	<u>35,660</u>
Leasehold Improvements - Fair Value*				
3,773	3,774	Gross Carrying Amount	3,773	3,774
494	350	Less: Accumulated Depreciation and Impairment	494	350
<u>3,279</u>	<u>3,424</u>	Net Carrying Amount	<u>3,279</u>	<u>3,424</u>
<u>586,880</u>	<u>532,785</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>586,880</u>	<u>532,785</u>

* For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 14-01.

PARENT & CONSOLIDATION

19. Property, Plant and Equipment - Reconciliation

A reconciliation of the carrying amount for each class of property, plant and equipment is set out below:

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2018						
Net carrying amount at start of year	30,079	397,987	65,635	35,660	3,424	532,785
Additions	----	11,241	11,892	----	----	23,133
Reclassifications to Intangibles	----	----	(13,726)	----	----	(13,726)
Disposals	----	----	(165)	----	----	(165)
Administrative Restructures - Transfers In/(Out)	5,360	----	----	----	----	5,360
Net Revaluation Increment Less Revaluation Decrements						
Recognised in Reserves	29,594	35,657	(60)	3,315	----	68,506
Depreciation Expense	----	(16,671)	(10,462)	(1,735)	(145)	(29,013)
Reclassifications	----	(103)	103	----	----	----
Net carrying amount at end of year	65,033	428,111	53,217	37,240	3,279	586,880

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2017						
Net carrying amount at start of year	30,079	374,410	60,464	37,395	3,569	505,917
Additions	----	10,177	13,373	----	----	23,550
Reclassifications to Intangibles	----	----	(131)	----	----	(131)
Disposals	----	----	(389)	----	----	(389)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	29,500	----	----	----	29,500
Depreciation Expense	----	(16,256)	(7,526)	(1,735)	(145)	(25,662)
Reclassifications	----	156	(156)	----	----	----
Net carrying amount at end of year	30,079	397,987	65,635	35,660	3,424	532,785

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 21.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the Network [see note 1(l)].
- (ii) To ensure the buildings and infrastructure systems materially reflect the carrying value since the last revaluation, assets have had a factor applied in relation to the movement in the market and variation in the building and infrastructure systems costs. The adjustment has been performed on a gross basis in accordance with note 1(o).

The following table details the indices applied to Buildings and Infrastructure Systems as determined by Estate Property Consultants :

Year	Buildings	Infrastructure Systems
2017/18	10%	10%
2016/17	NIL	NIL

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
20. Intangible Assets				
		Software		
28,628	13,289	Cost (Gross Carrying Amount)	28,628	13,289
12,074	9,669	Less Accumulated Amortisation and Impairment	12,074	9,669
<u>16,554</u>	<u>3,620</u>	Net Carrying Amount	<u>16,554</u>	<u>3,620</u>
<u>16,554</u>	<u>3,620</u>	Total Intangible Assets at Net Carrying Amount	<u>16,554</u>	<u>3,620</u>

PARENT & CONSOLIDATION

20. Intangible Assets - Reconciliation

	Total \$000
2018	
Net carrying amount at start of year	3,620
Additions (From Internal Development or Acquired Separately)	1,613
Reclassifications from Plant & Equipment	13,726
Amortisation (Recognised in Depreciation and Amortisation)	(2,405)
Net carrying amount at end of year	16,554

	Total \$000
2017	
Net carrying amount at start of year	3,801
Additions (From Internal Development or Acquired Separately)	246
Reclassifications from Plant & Equipment	131
Amortisation (Recognised in Depreciation and Amortisation)	(558)
Net carrying amount at end of year	3,620

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21. Fair Value Measurement of Non-Financial Assets

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels.

a) Fair Value Hierarchy

2018	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 19)				
- Land and Buildings	----	----	473,557	473,557
- Infrastructure Systems	----	----	37,240	37,240
- Artwork	----	2,333	----	2,333
	-----	-----	-----	-----
	-----	2,333	510,797	513,130

There were no transfers between level 1 and 2 during the year ended 30 June 2018.

Work in Progress and Newly Completed Projects are carried at cost, therefore excluded from figures above and as a result will not agree to Note 19.

2017	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 19)				
- Land and Buildings	----	----	381,036	381,036
- Infrastructure Systems	----	----	35,660	35,660
- Artwork	----	2,350	----	2,350
	-----	-----	-----	-----
	-----	2,350	416,696	419,046

There were no transfers between level 1 and 2 during the year ended 30 June 2017.

Work in Progress and Newly Completed Projects are carried at cost, therefore excluded from figures above and as a result will not agree to Note 19.

b) Valuation Techniques, Inputs and Processes

The Network obtains external valuations by independent valuers at least every three years for land and at least every five years for buildings and infrastructure.

The last land revaluation was performed by Mr Mark Skeed, Registered Valuer No.6028, working on behalf of CBRE Valuations Pty Limited for the 2017/18 financial year. CBRE Valuations Pty Limited is an independent entity and is not an associated entity of the Network. Mr. Mark Skeed is not an employee of the Network.

The last buildings and infrastructure revaluation was performed in the 2014/15 financial year by an independent valuer, Mr. Andor Kabok, Registered Valuer No.16545 working on behalf of Land and Property Information, a division of NSW Department of Finance and Services, not an employee of the Network.

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21. Fair Value Measurement of Non-Financial Assets

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices, refer Note 19 reconciliation.

For Artworks, the Network obtains independent external valuations every three years. The revaluation was performed in the 2017/18 financial year by an independent valuer, Ms. Adrienne Carlson, as approved valuer under the Commonwealth Government Cultural Gifts Program. She is not an employee of the Network.

The non-current assets categorised in a) above have been measured as either level 2 or level 3 based on the following valuation techniques and inputs:

For land, the valuation by the valuers is made on a market approach, comparing similar assets (not identical) and observable inputs. The most significant input is price per square metre.

All commercial and non-restricted land is included in Level 2 as these land valuations have a high level of observable inputs although these lands are not identical.

All of the restricted land has been classified as level 3 as, although observable inputs have been used, a significant level of professional judgement is required to adjust inputs in determining the land valuations. Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly.

For buildings and infrastructure, many assets are of a specialised nature or use, and thus the most appropriate valuation method is depreciated replacement cost. These assets are included as level 3 as these assets have a high level of unobservable inputs. However, properties utilised for office, retail, residential or similar accommodation; or for which potential existed for the asset to be readily adapted to such uses, were valued on a market approach and included in level 2.

For Artworks, the valuation is made on a market approach, comparing the current pricings of comparable works, auction sales records particularly in relation to works by senior artists or those who have an established secondary market presence and information gathered from primary art dealers, dependent on particular circumstances. These valuations have been included in Level 2.

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21. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2018	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2017	381,036	35,660	416,696
Additions	38,581	-----	38,581
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment'	65,251	3,315	68,566
Depreciation	(16,671)	(1,735)	(18,406)
Administrative Restructures - Transfers In/(Out)	5,360	-----	5,360
Fair value as at 30 June 2018	<u>473,557</u>	<u>37,240</u>	<u>510,797</u>

There were no transfers between Level 1 or 2 during the periods

2017	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2016	396,728	37,395	434,123
Depreciation	(15,692)	(1,735)	(17,427)
Fair value as at 30 June 2017	<u>381,036</u>	<u>35,660</u>	<u>416,696</u>

There were no transfers between Level 1 or 2 during the periods

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22. Restricted Assets

The Network's financial statements include the following assets which are restricted for stipulated purposes and/or by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.

Category	Opening Equity 1 July 2017 \$000	Expense 2018 \$000	Revenue 2018 \$000	Closing Equity 30 June 2018 \$000
Community Welfare	2,376	2,647	2,957	2,686
Facility Improvements	6,367	4,694	3,875	5,548
Holds Funds in Perpetuity	10,973	----	23	10,996
Patient Welfare	41,314	23,247	23,856	41,923
Private Practice Disbursements (No.2 Accounts)	14,832	2,971	2,481	14,342
Public Contributions	3,035	15,091	14,617	2,561
Research	57,684	28,422	26,080	55,342
Staff Welfare	21	----	1	22
Training and Education incl. Conferences	11,052	2,252	2,096	10,896
Other	68	----	(68)	----
	<u>147,722</u>	<u>79,324</u>	<u>75,918</u>	<u>144,316</u>

Restricted Financial Asset categories have been expanded in the 2017/18 financial year to provide more clarity to the users of the financial statements. As a result, comparative figures have been adjusted to conform to the current year's presentation.

Restricted assets are held for the following purpose and cannot be used for any other purpose.

Category	Purpose
Community Welfare	Improvements to service access, health literacy, public and preventative health care.
Facility Improvements	Repairs, maintenance, renovations and/or new equipment or building related expenditure.
Holds Funds in Perpetuity	Donor has explicitly requested be invested permanently and not otherwise expended.
Patient Welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Private Practice Disbursements (No.2 Accounts)	Staff specialists' private practice arrangements to improve the level of clinical services provided.
Public Contributions	Donations or legacies received without any donor-specified conditions as to
Research	Research to gain knowledge, understanding and insight.
Staff Welfare	Staff benefits such as staff recognition awards, functions and staff amenities improvements.
Training and Education incl. Conferences	Professional training, education and conferences.
Other	Doesn't meet the definition of any of the above categories.

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		23. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	15,478	13,566
----	----	Taxation and Payroll Deductions	2,049	1,700
17,527	15,266	Accrued Liability - Purchase of Personnel Services	----	----
17,825	17,580	Creditors	17,825	17,580
		Other Creditors		
16,868	16,033	- Payables to entities controlled by the immediate parent	16,868	16,033
3,058	2,788	- Other	3,058	2,788
<u>55,278</u>	<u>51,667</u>		<u>55,278</u>	<u>51,667</u>

The majority of 'Payables to entities controlled by the immediate parent' relate to balances payable to -

- South Eastern Sydney Local Health District	10,917	10,680
- Health Administration Corporation	3,292	1,449
- Western Sydney Local Health District	1,297	1,367
- Northern Sydney Local Health District	180	250
- NSW Ministry of Health	176	1,778
- Sydney Local Health District	140	414
- Hunter New England Local Health District	102	----

Some of 'Other Creditors - Other' balances payable to entities controlled by ultimate parent relates to -

- Audit Office of New South Wales	127	135
- Sydney Water Corporation	48	54
- Department of Justice	15	15

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 35.

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
24. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	51,221	48,274
----	----	Annual Leave - Long Term Benefit	22,885	23,258
----	----	Long Service Leave Consequential On-Costs	13,285	11,257
----	----	Provision for Other Employee Benefits*	1,242	778
88,633	83,567	Provision for Personnel Services Liability	----	----
<u>88,633</u>	<u>83,567</u>		<u>88,633</u>	<u>83,567</u>
*ADO liabilities have been reclassified from 'Other' to 'Provision for Other Employee Benefits'. Prior year comparatives have been restated as a result.				
Non-Current				
----	----	Long Service Leave Consequential On-Costs	1,155	979
1,155	979	Provision for Personnel Services Liability	----	----
<u>1,155</u>	<u>979</u>		<u>1,155</u>	<u>979</u>
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	88,633	83,567
----	----	Provisions - Non-Current	1,155	979
----	----	Accrued Salaries, Wages and On-Costs (Note 23)	17,527	15,266
107,315	99,812	Liability - Purchase of Personnel Services	----	----
<u>107,315</u>	<u>99,812</u>		<u>107,315</u>	<u>99,812</u>
25. Other Liabilities				
Current				
2,082	2,589	Income in Advance	2,082	2,589
<u>2,082</u>	<u>2,589</u>		<u>2,082</u>	<u>2,589</u>
Income in Advance represents fees received in advance from customers and students for which services are rendered after 30 June 2018.				

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PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
26. Commitments for Expenditure				
a) Capital Commitments				
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:				
7,926	21,441	Within one year	7,926	21,441
-----	7	Later than one year and not later than five years	-----	7
<u>7,926</u>	<u>21,448</u>	Total Capital Expenditure Commitments (Including GST)	<u>7,926</u>	<u>21,448</u>
The majority of 'capital commitments' contracted but not provided for related to capital works overseen by the Health Administration Corporation, an entity controlled by the immediate parent.				
b) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
1,743	1,416	Within one year	1,743	1,416
3,351	2,228	Later than one year and not later than five years	3,351	2,228
262	388	Later than five years	262	388
<u>5,356</u>	<u>4,032</u>	Total Operating Lease Commitments (Including GST)	<u>5,356</u>	<u>4,032</u>
The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.				
Some 'operating lease commitments' contracted but not provided for related to lease with the Northern Sydney Local Health District, an entity controlled by the immediated parent.				
c) Contingent Asset Related to Commitments for Expenditure				
The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments' of \$13.3 million as at 30 June 2018 includes input tax credits of \$1.2 million that are expected to be recoverable from the Australian Taxation Office (2017 \$2.32 million).				

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27. Trust Funds

The Network holds trust funds of \$103 thousand which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

These funds are excluded from the financial statements as the Network cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Private Practice Trust Funds		Third Party Funds		Unclassified		Total	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Balance at the beginning of the financial year	----	----	85	78	439	1,299	524	1,377
Revenue	23,365	23,448	47	87	(439)	----	22,973	23,535
Expenses	(23,365)	(23,448)	(29)	(80)	----	(860)	(23,394)	(24,388)
Balance at the end of the financial year	----	----	103	85	----	439	103	524

Trust Fund categories have been expanded in the 2017/18 financial year to provide more clarity to the users of the financial statements. As a result, comparative figures have been adjusted to conform to the current year's presentation.

The following list provides a brief description of the purpose of the trust fund categories.

Category

Private Practice Trusts The revenue derived from private patient and other billable services provided by Staff Specialists.

Third Party Funds A sum of money held in trust on behalf of external parties, e.g. external foundations, volunteer groups and auxiliaries.

Unclassified Further information required before the funds can be categorised into an appropriate trust.

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28. Contingent Assets

The Network estimates the value of contingent assets it may come to possess in the period after 30 June 2018 to be approximately \$6.6 million. These relate to notified bequests awaiting grant of probate and in some cases, the bequests that are currently contested.

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2018	2017		2018	2017
\$000	\$000		\$000	\$000
29. Reconciliation of Cash Flows from Operating Activities to Net Result				
17,477	17,724	Net Cash Flows from Operating Activities	17,477	17,724
(31,418)	(26,220)	Depreciation and Amortisation	(31,418)	(26,220)
(259)	(186)	Impairment of Receivables	(259)	(186)
508	208	(Increase)/ Decrease Income in Advance	508	208
(5,242)	(2,967)	(Increase)/ Decrease in Provisions	(5,242)	(2,967)
3,306	(360)	Increase / (Decrease) in Prepayments and Other Assets	3,306	(360)
(3,736)	(6,518)	(Increase)/ Decrease in Payables from Operating Activities	(3,736)	(6,518)
(73)	(282)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(73)	(282)
282	29,720	Assets donated or brought to account for the first time	282	29,720
<u>(19,155)</u>	<u>11,119</u>	Net Result	<u>(19,155)</u>	<u>11,119</u>
30. Non-Cash Financing and Investing Activities				
<u>282</u>	<u>29,720</u>	Assets Received by Donation	<u>282</u>	<u>29,720</u>
<u><u>282</u></u>	<u><u>29,720</u></u>		<u><u>282</u></u>	<u><u>29,720</u></u>

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31. 2017/18 Voluntary Services

It is considered impracticable and immaterial to quantify the monetary value of voluntary services provided to the Network. Services provided include:

- | | |
|---|---|
| <ul style="list-style-type: none"> - Chaplaincies and Pastoral Care - Pink Ladies/Hospital Auxiliaries - Patient Support Groups - Community Organisations | <ul style="list-style-type: none"> - Patient & Family Support - Patient Services, Fund Raising - Practical Support to Patients and Relatives - Counselling, Health Education, Transport, Home Help & Patient Activities |
|---|---|

32. Unclaimed Monies

All money and personal effects of patients which are left in the custody of the Network by any patient who is discharged or dies in the hospital and which are not claimed by the person lawfully entitled thereto within a period of twelve months are recognised as the property of the Network.

All such money and the proceeds of the realisation of any personal effects are lodged to the credit of the Samaritan Fund which is used specifically for the benefit of necessitous patients or necessitous outgoing patients.

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33. Adjusted Budget Review - Parent and Consolidated

Net Result

The actual Net Result was higher than adjusted budget by \$14 million, primarily due to:

This was mainly due to revenue being higher than adjusted budget by \$14 million. The variance in revenue was contributed mainly by higher than adjusted budget Grants and Other Contributions of \$18 million partially offset by lower than adjusted budget Other Income of \$3 million.

The variance in expenditure was under \$1 million and it was contributed mainly by higher than adjusted budget Other Expenses and Grants and Subsidies of \$5 million and \$2 million respectively offset by lower than adjusted budget Employee Related Expenses of \$4 million and lower than adjusted budget Depreciation and Amortisation expenses of \$2 million.

Assets and Liabilities

The Net Assets were higher than adjusted budget by \$88 million comprising of \$92 million higher than adjusted budget total assets partially offset by \$4 million higher than adjusted budget liabilities. The variance in assets was primarily due to revaluation increment in the value of land, buildings and infrastructure assets of \$69 million and \$5 million relating to recognition by the Network of additional land at Randwick site which came through as an equity transfer from South Eastern Sydney Local Health District. The other main factors contributing to the variance are - increase of \$9 million in the Financial Assets at Fair Value and increase of \$6 million in the value of Plant and Equipment and Intangible assets compared to budget and \$3 million relating to higher than adjusted budget receivables. The variance in liabilities of \$4 million was mainly due to higher than adjusted budget payables and provisions for employee benefits of \$3 million and \$2 million respectively.

Cash Flows

The net decrease in cash and cash equivalents was higher than adjusted budget by \$74 million. This was mainly due to the reporting of term deposits with banks of \$83 million as Financial Assets rather than as cash and cash equivalents which meant this entire amount is shown as an outflow under investing activities. The other main contributors to this variance were higher than adjusted budget outflow on account of purchases of Property, Plant and Equipment and Intangibles of \$5 million. These increases in outflow were partially offset by \$13 million increase in Net Cash Flows from Operating Activities compared to adjusted budget. The increase in Net Cash Flows from Operating Activities was contributed mainly by Grants and Contributions receipts of \$18 million, partially offset by lower than adjusted budget receipts of \$5 million on account of Sale of Goods and Services.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 20/06/2017 are as follows:

	\$000
Initial Allocation	533,485
Award Increases	10,783
Special Projects :	
Keep Them Safe	1,625
NSW Palliative Care Program	1,435
Integrated Care Initiative	1,250
Paediatric Epilepsy Medicinal Cannabis Program	1,248
Nurse Midwife Strategy Reserves	646
National Centre for Immunisation Research and Surveillance (NCIRS)	425
Mental Health	172
Youth Alcohol and Other Drugs Services	184
Other Special Projects	131
Other:	
Nationally Funded Centres Program	10,469
Growth Funding	10,000
Close Observation Unit	4,950
High Cost Blood Products	1,919
Child Abuse and Sexual Assault Clinical Advice Line	360
Whole of Health 2017/18 and 2018/19	120
Others	911
Balance as per Statement of Comprehensive Income	580,113

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34. Increase/(Decrease) in Net Assets from Equity Transfers

Equity transfers effected in the 2017/18 year were:

An increase in net assets of \$5.4 million relating to a parcel of land controlled by the Sydney Children's Hospital, Randwick transferred from South Eastern Sydney Local Health District.

Equity transfers effected in the 2016/17 year were:

Nil equity transfers were effected in 2016/17.

	2018	2017
	\$000	\$000
Equity transfers effected comprised:		
South Eastern Sydney Local Health District	5,360	-----
	5,360	-----
Assets and Liabilities transferred are as follows:		
	2018	2017
	\$000	\$000
Assets		
Land	5,360	-----
	5,360	-----
Increase/(Decrease) in Net Assets From Equity Transfers	5,360	-----

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35. Financial Instruments

The Network's principal financial instruments are outlined below. These financial instruments arise directly from the Network's operations or are required to finance its operations. The Network does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Network's main risks arising from financial instruments are outlined below, together with the Network's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Network, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

(a) Financial Instrument Categories

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Financial Assets Class:	Category	Carrying Amount 2018 \$000	Carrying Amount 2017 \$000
Cash and Cash Equivalents (note 14)	N/A	8,874	103,733
Receivables (note 15)*	Loans and receivables (at amortised cost)	21,097	19,332
Financial Assets at Fair Value (note 17)	At fair value through profit or loss (designated as such upon initial recognition)	59,620	54,655
Other Financial Assets (note 18)	Loans and receivables (at amortised cost)	83,000	----
		<u>172,591</u>	<u>177,720</u>
Financial Liabilities			
Payables (note 23)**	Financial liabilities measured at amortised cost	53,229	49,967
		<u>53,229</u>	<u>49,967</u>

Notes

* Excludes statutory receivables and prepayments (i.e. not within scope of AASB7 Financial Instruments Disclosures).

**Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures).

Prior year comparatives have been restated to include Accrued Salaries, Wages and On-Costs.

(b) Credit Risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the Network. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from financial assets of the Network, including cash, receivables and authority deposits. No collateral is held by the Network. The Network has not granted any financial guarantees.

Credit risk associated with the Network's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the State.

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35. Financial Instruments

Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 2.35% in 2017/18 compared to 2.75% in the previous year.

The TCorpIM Funds Investment facility is discussed in paragraph (d) below.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW Ministry of Health Accounting Manual for Public Health Organisations and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the Network will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The Network is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due are not considered impaired.

In addition Patient Fees Compensables are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the Network's debtors are health insurance companies or compensation insurers settling claims in respect of inpatient treatments.

Financial assets that are past due or impaired could be either 'Sales of Goods and Services' or 'Other Debtors' in the 'Receivables' category of the Statement of Financial Position. Patient Fees Ineligibles represent the majority of financial assets that are past due or impaired.

	2018	2017
	\$000	\$000
Neither past due nor impaired	18,478	16,674
Past due but not impaired ^{1,4}		
< 3 months overdue	1,481	1,640
3 - 6 months overdue	603	512
> 6 months overdue	535	506
Impaired ^{1,2}		
< 3 months overdue	45	43
3 - 6 months overdue	184	125
> 6 months overdue	123	141
Total^{1,2}	21,449	19,641

Notes

1 Each column in the table reports "gross receivables".

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 Financial Instruments Disclosures. Therefore, the "total" will not reconcile to the receivables total recognised in the statement of financial position.

Authority Deposits

The Network has placed funds on deposit with TCorpIM Funds Investment facilities, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. For fixed term deposits, the interest rate payable by TCorpIM is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 1.69% (2017: 2.30%), while over the year the weighted average interest rate was 1.99% (2017: 2.38%) on a weighted average balance during the year of \$11,629,185 (2017: \$959,074). None of these assets are past due or impaired.

The Network has also placed funds on deposit with various banks for fixed terms. For these fixed term deposits, the interest rate payable by the banks is negotiated initially and is fixed for the term of the deposit. The deposits at balance date were earning an average interest rate of 2.59%, while over the year the weighted average interest rate was 2.58% on a weighted average balance during the year of \$83,311,300. None of these assets are past due or impaired.

35. Financial Instruments

(c) Liquidity Risk

Liquidity risk is the risk that the Network will be unable to meet its payment obligations when they fall due. The Network continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through effective management of cash, investments and liquid assets and liabilities.

The Network has negotiated no loan outside of arrangements with the NSW Ministry of Health or NSW Treasury.

During the current and prior years, there were no defaults of loans payable. No assets have been pledged as collateral.

The Network has exposure to liquidity risk. However, the risk is minimised by the service agreement with the NSW Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the Network fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 1).

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the NSW Ministry of Health in accordance with NSW Treasury Circular 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise.

For other suppliers, where settlement cannot be effected in accordance with the above, e.g. due to short term liquidity constraints, contact is made with creditors and terms of payment are negotiated to the satisfaction of both parties.

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35. Financial Instruments

The table below summarises the maturity profile of the Network's financial liabilities together with the interest rate exposure.

Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure		Maturity Dates
	Nominal Amount ¹	Non - Interest Bearing	< 1 Yr
2018	\$000	\$000	\$000
Payables:			
- Creditors ²	53,229	53,229	53,229
	<u>53,229</u>	<u>53,229</u>	<u>53,229</u>
2017			
Payables:			
- Creditors ²	49,967	49,967	49,967
	<u>49,967</u>	<u>49,967</u>	<u>49,967</u>

Notes:

1 The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Network can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement of Financial Position.

2 Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures). Prior year comparatives have been restated to include Accrued Salaries Wages, On-Costs and Payroll Deductions.

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(d) 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. The Network's exposures to market risk are primarily through interest rate risk on the Network's borrowings and other price risks associated with the movement in the unit price of the TCorpIM Funds investment facilities. The Network has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Network operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2017. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through the Network's interest bearing liabilities.

However, the Network is not permitted to borrow external to the NSW Ministry of Health (except energy loans which are negotiated through NSW Treasury).

Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. The Network does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change of interest rates would not affect net result or equity.

A reasonably possible change of +/-1% is used consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

The Network's exposure to interest rate risk is set out below.

	Carrying Amount	-1% Net Result	Equity	+1% Net Result	Equity
2018	\$000	\$000	\$000	\$000	\$000
Financial Assets					
Cash and Cash Equivalents	8,874	(89)	(89)	89	89
Receivables	21,097	----	----	----	----
Financial Assets at Fair Value	59,620	(596)	(596)	596	596
Other Financial Assets	83,000	(830)	(830)	830	830
Financial Liabilities					
Payables*	53,229	----	----	----	----
2017					
Financial Assets					
Cash and Cash Equivalents	103,733	(1,037)	(1,037)	1,037	1,037
Receivables	19,332	----	----	----	----
Financial Assets at Fair Value	54,655	(547)	(547)	547	547
Financial Liabilities					
Payables*	49,967	----	----	----	----

*Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures). Prior year comparatives have been restated to include Accrued Salaries Wages, On-Costs and Payroll Deductions.

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Other price risk - TCorpIM Funds investment facilities

Exposure to 'other price risk' primarily arises through the investment in the TCorpIM Funds investment facilities, which are held for strategic rather than trading purposes. The Network has no direct equity investments. The Network holds units in the following TCorpIM Funds:

Facility	Investment Sectors	Investment Horizon	2018 \$000	2017 \$000
Cash fund	Cash and money market instruments	Up to 1.5 years	1,016	310
Strategic cash fund	Cash and money market instruments	1.5 years to 3 years	21,560	----
Long-term growth fund	Cash, money market instruments, Australian and International bonds, listed property and Australian shares	7 years and over	37,044	54,345

The unit price of each facility is equal to the total fair value of net assets held by the facility divided by the total number of units on issue for that facility. Unit prices are calculated and published daily.

TCorpIM, as trustee for each of the above facilities is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorpIM has appointed external managers to manage the performance and risk of each facility in accordance with a mandate agreed by the parties. TCorpIM has also leveraged off internal expertise to manage certain fixed income assets for the TCorpIM Funds Investment facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the TCorpIM Funds investment facilities limits the Network's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

TCorpIM Funds investment provides sensitivity analysis information for each of the investment facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (ie 95% probability). TCorpIM Funds investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity).

A reasonably possible change is based on the percentage change in unit price (as advised by TCorpIM Funds) multiplied by the redemption value as at 30 June each year for each facility (balance from TCorpIM Funds Investment Statement).

Impact on net result	Change in unit price	2018 \$000	2017 \$000
TCorpIM - Cash fund	+/- 1%	10	3
TCorpIM - Strategic cash fund	+/- 1%	216	----
TCorpIM - Long-term growth fund	+/- 15%	5,557	8,695

(e) Fair Value Measurement

(i) Fair value compared to carrying amount

Financial instruments are generally recognised at cost, with the exception of the TCorpIM Funds investment facilities, which are measured at fair value.

The amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short term nature of many of the financial instruments.

Therefore the fair value of the financial instruments do not differ from the carrying amount.

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(ii) Fair Value recognised in the Statement of Financial Position

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2018 Total \$'000
TCorpIM Funds	-----	59,620	-----	59,620
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2017 Total \$'000
TCorpIM Funds	-----	54,655	-----	54,655

(The table above only includes financial assets as no financial liabilities were measured at fair value in the Statement of Financial Position.)

There were no transfers between level 1 and 2 during the period ended 30 June 2018.

As discussed, the value of the TCorpIM Funds investment is based on the Network's share of the value of the underlying assets of the facility, based on the market value. All of the TCorpIM Funds investment facilities are valued using 'redemption' pricing.

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36. Related Party Transactions

PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

	2018	2017
	\$000	\$000
Short-term employee benefits	320	486
Post-employment benefits	31	55
Other long-term benefits	----	----
Termination benefits	----	----
	<u>351</u>	<u>541</u>

During the financial year, The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) obtained key management personnel services from the immediate parent and incurred \$0.48 million (2017: \$0.49 million) for these services.

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the Ministry of Health and its controlled entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

Remuneration for the Secretary and Deputy Secretaries are paid by the Ministry of Health and is not reimbursed by the health entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

Transactions with key management personnel and their close family members

There were no transactions with key management personnel and their close family members (2017: \$Nil).

Transactions with ultimate parent

There were no transactions with the ultimate parent during the financial year (2017: \$Nil).

37. Events After the Reporting Period

No matters have arisen subsequent to reporting date that would require these financial statements to be amended.

END OF AUDITED FINANCIAL STATEMENTS

