



INDEPENDENT AUDITOR'S REPORT

The 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 2020, the Statement of Financial Position as at 30 June 2020, 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 2020, 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 (including Independence Standards)' (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 38. 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.

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.

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.

The scope of my audit does not include, nor provide assurance:

- that the Network or the consolidated entity carried out their activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- 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.

S Bond .

Sally Bond
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

22 September 2020
SYDNEY



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

Certification of the Financial Statements
for the year ended 30 June 2020

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 2020 have been prepared in accordance with:
 - a. Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
 - b. the requirements of the Public Finance and Audit Act 1983 (the Act), the Public Finance and Audit Regulation 2015; and
 - c. NSW Treasurer's Directions issued under the Act.
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.

Yours sincerely

Cathryn Cox PSM
Chief Executive

Colin Murray
A/Director Finance & Corporate Services

Date: 22 September 2020

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

Statement of Comprehensive Income for the year ended 30 June 2020

	Notes	Consolidated Actual 2020 \$000	Consolidated Budget ¹ 2020 \$000	Consolidated Actual 2019 \$000	Parent Actual 2020 \$000	Parent Actual 2019 \$000
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	629,888	601,741	593,447	-	-
Personnel services	3	-	-	-	601,767	556,699
Visiting medical officers	4	18,754	16,587	17,960	18,754	17,960
Other expenses	5	236,625	241,016	226,769	236,625	226,769
Depreciation and amortisation	6	36,352	35,929	33,262	36,352	33,262
Grants and subsidies	7	5,575	4,035	4,554	5,575	4,554
Finance costs	8	44	31	-	44	-
Total expenses excluding losses		927,238	899,339	875,992	899,117	839,244
Revenue						
NSW Ministry of Health recurrent allocations	10	677,055	656,758	629,911	677,055	629,911
NSW Ministry of Health capital allocations	10	80,799	81,565	19,218	80,799	19,218
Acceptance by the Crown Entity of employee benefits	14	28,121	28,128	36,748	-	-
Sale of goods and services	11	-	-	111,584	-	111,584
Sale of goods and services from contracts with customers	11	121,264	115,765	-	121,264	-
Investment revenue	12	1,630	5,317	5,848	1,630	5,848
Grants and other contributions	13	53,731	56,732	59,729	53,731	59,729
Other income	15	4,523	9,717	4,410	4,523	4,410
Total revenue		967,123	953,982	867,448	939,002	830,700
Operating result		39,885	54,643	(8,544)	39,885	(8,544)
Gains / (losses) on disposal	16	(245)	-	(293)	(245)	(293)
Impairment losses on financial assets	19	(504)	(555)	(138)	(504)	(138)
Net result from continuing operations	36	39,136	54,088	(8,975)	39,136	(8,975)
Net result		39,136	54,088	(8,975)	39,136	(8,975)
Other comprehensive income						
<i>Items that will not be reclassified to net result in subsequent periods</i>						
Changes in revaluation surplus of property, plant and equipment	23	-	-	15,941	-	15,941
Total other comprehensive income		-	-	15,941	-	15,941
TOTAL COMPREHENSIVE INCOME		39,136	54,088	6,966	39,136	6,966

¹ Unaudited adjusted budget, see Note 38.

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 Financial Position as at 30 June 2020

	Notes	Consolidated Actual 2020 \$000	Consolidated Budget ¹ 2020 \$000	Consolidated Actual 2019 \$000	Parent Actual 2020 \$000	Parent Actual 2019 \$000
ASSETS						
Current assets						
Cash and cash equivalents	18	19,344	20,319	35,203	19,344	35,203
Receivables	19	21,945	21,542	21,542	21,945	21,542
Contract assets	20	170	-	-	170	-
Inventories	21	9,069	7,638	7,638	9,069	7,638
Financial assets at fair value	22	86,268	84,928	84,928	86,268	84,928
Total current assets		136,796	134,427	149,311	136,796	149,311
Non-current assets						
Financial assets at fair value	22	32,005	37,088	32,088	32,005	32,088
Property, plant & equipment	23					
- Land and buildings		556,734	560,780	511,544	556,734	511,544
- Plant and equipment		64,472	66,698	55,530	64,472	55,530
- Infrastructure systems		34,412	35,040	36,990	34,412	36,990
Total property, plant & equipment		655,618	662,518	604,064	655,618	604,064
Right-of-use assets	24	5,995	2,227	-	5,995	-
Intangible assets	25	21,370	20,194	21,403	21,370	21,403
Total non-current assets		714,988	722,027	657,555	714,988	657,555
Total assets		851,784	856,454	806,866	851,784	806,866
LIABILITIES						
Current liabilities						
Payables	28	49,618	50,324	59,490	49,618	59,490
Contract liabilities	29	3,340	-	-	3,340	-
Borrowings	30	605	294	-	605	-
Provisions	31	106,444	97,290	95,008	106,444	95,008
Other current liabilities	32	-	1,885	1,885	-	1,885
Total current liabilities		160,007	149,793	156,383	160,007	156,383
Non-current liabilities						
Borrowings	30	1,942	1,947	-	1,942	-
Provisions	31	1,554	1,481	1,338	1,554	1,338
Total non-current liabilities		3,496	3,428	1,338	3,496	1,338
Total liabilities		163,503	153,221	157,721	163,503	157,721
Net assets		688,281	703,233	649,145	688,281	649,145
EQUITY						
Reserves		344,990	349,531	349,531	344,990	349,531
Accumulated funds		343,291	353,702	299,614	343,291	299,614
Total Equity		688,281	703,233	649,145	688,281	649,145

¹ Unaudited adjusted budget, see Note 38.

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 2020

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation \$000	Total \$000
Balance at 1 July 2019		299,614	349,531	649,145
Changes in accounting policy	1(f)	4,541	(4,541)	-
Restated balance at 1 July 2019		304,155	344,990	649,145
Net result for the year		39,136	-	39,136
Total comprehensive income for the year		39,136	-	39,136
Balance at 30 June 2020		343,291	344,990	688,281

	Notes	Accumulated Funds \$000	Asset Revaluation \$000	Total \$000
Balance at 1 July 2018		307,156	333,627	640,783
Changes in accounting policy (AASB 9)		113	-	113
Balance at 1 July 2018		307,269	333,627	640,896
Net result for the year		(8,975)	-	(8,975)
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	23	-	15,941	15,941
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		37	(37)	-
Total other comprehensive income		37	15,904	15,941
Total Comprehensive Income for the Year		(8,938)	15,904	6,966
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	39	1,283	-	1,283
Balance at 30 June 2019		299,614	349,531	649,145

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 2020

	Notes	Consolidated Actual 2020 \$000	Consolidated Budget ¹ 2020 \$000	Consolidated Actual 2019 \$000	Parent Actual 2020 \$000	Parent Actual 2019 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(593,212)	(577,193)	(555,486)	-	-
Suppliers for goods and services		(301,333)	(297,220)	(270,532)	(301,333)	(270,532)
Grants and subsidies		(6,258)	(4,718)	(5,142)	(6,258)	(5,142)
Finance costs		(43)	(31)	-	(43)	-
Personnel services		-	-	-	(593,212)	(555,486)
Total payments		(900,846)	(879,162)	(831,160)	(900,846)	(831,160)
Receipts						
NSW Ministry of Health recurrent allocations		677,055	656,758	629,911	677,055	629,911
NSW Ministry of Health capital allocations		80,799	81,565	19,218	80,799	19,218
Reimbursements from the Crown Entity		7,708	7,708	9,277	7,708	9,277
Sale of goods and services		126,656	122,374	111,535	126,656	111,535
Interest received		1,584	310	606	1,584	606
Grants and other contributions		57,935	61,849	64,908	57,935	64,908
Other		25,214	31,798	35,889	25,214	35,889
Total receipts		976,951	962,362	871,344	976,951	871,344
NET CASH FLOWS FROM OPERATING ACTIVITIES	36	76,105	83,200	40,184	76,105	40,184
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		181	-	66	181	66
Proceeds from sale of financial assets		-	-	30,833	-	30,833
Purchases of property, plant and equipment and intangibles		(90,565)	(92,744)	(39,525)	(90,565)	(39,525)
Purchases of financial assets		(1,216)	-	(5,229)	(1,216)	(5,229)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(91,600)	(92,744)	(13,855)	(91,600)	(13,855)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from borrowings and advances		-	(5,000)	-	-	-
Payment of principal portion of lease liabilities		(364)	(340)	-	(364)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		(364)	(5,340)	-	(364)	-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(15,859)	(14,884)	26,329	(15,859)	26,329
Opening cash and cash equivalents	18	35,203	35,203	8,874	35,203	8,874
CLOSING CASH AND CASH EQUIVALENTS	18	19,344	20,319	35,203	19,344	35,203

¹ Unaudited adjusted budget, see Note 38.

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 2020

1. Statement of Significant Accounting Policies

a) 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 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 27), 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 2020 have been authorised for issue by the Chief Executive on 17-Sep-2020.

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 (AAS) (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 (the Act) and the Public Finance and Audit Regulation 2015, and the NSW Treasurer's Directions issued under the Act. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities.

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

In alignment with the approach of other States and Territories, and following a recommendation by the National Cabinet of Commonwealth, the 2020-21 NSW Budget has been deferred until 17 November 2020. On this basis, the Secretary of NSW Health, the Chair of the Network Board and the Chief Executive, through an interim Service Agreement, have agreed to service and funding levels for the forward financial year. The interim Service Agreement provides for 48 per cent of the LHD's annual funding.

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 2020

1. Statement of Significant Accounting Policies

When the NSW Budget is handed down in November 2020-21, the interim Service Agreement and funding arrangements will be replaced with a full-year 2020-21 Service Agreement and budget. The Service 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 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 NSW Ministry of Health as the state manager will take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the NSW Ministry of Health.

Following the Novel Coronavirus (COVID-19) pandemic in late February 2020, the Network has seen a decline in normal hospital activities. Restrictions were imposed by the Australian Government resulting in the suspension of non-urgent elective surgeries to ensure increased capacity across the health system. Critical resources were reassigned to plan and prepare for possible surges as a result of the outbreak. The unprecedented measures undertaken by both the Australian and State governments to contain the spread of COVID-19, have resulted in significant impacts to the economy and within the health sector.

Despite the impact of COVID-19, the going concern assumption remains appropriate. Reasons for this include:

- * Allocated funds, combined with other revenues earned, are adequate to pay debts as and when they become due and payable.
- * The Network has the capacity to review the timing of NSW Ministry of Health allocation cash flows 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.
- * The Commonwealth has entered a National Partnership Agreement, in response to the COVID-19 pandemic, with States and Territories, including NSW. The Agreement will deliver funding to public hospitals and provide stability and certainty of funding while ensuring access to new life saving therapies in public hospitals. The Network is subject to additional NSW Ministry of Health recurrent and capital allocations to provide for costs incurred related to COVID-19 activities and to ensure debts can be paid as and when they become due and payable.

Property, plant and equipment and certain financial assets and liabilities 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, which is the Network's presentation and functional currency.

c) Statement of Compliance

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

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 2020

1. Statement of Significant Accounting Policies

d) 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.

e) 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.

f) Changes in accounting policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2019-20

The accounting policies applied in 2019-20 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:

The Network applied AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities, and AASB 16 Leases for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019-20, but do not have an impact on the financial statements of the Network.

AASB 15 Revenue from Contracts with Customers (AASB 15)

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which the Network expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires the Network to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

In accordance with the transition provisions in AASB 15, the Network has adopted AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, i.e. 1 July 2019. The Network has used the transitional practical expedient permitted by the standard to reflect the aggregate effect of all of the modifications that occur before 1 July 2018 when:

- * identifying the satisfied and unsatisfied performance obligations;
- * determining the transaction price; and
- * allocating the transaction price to the satisfied and unsatisfied performance obligations.

The impact of applying the above practical expedients is not expected to significantly affect 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 2020

1. Statement of Significant Accounting Policies

The effect of adopting AASB 15 is as follows:

PARENT AND CONSOLIDATED

Impact on the Statement of Comprehensive Income (increase / (decrease)):

	Notes	30 June 2020 AASB 15 \$'000	30 June 2020 Without adoption of AASB 15 \$'000	30 June 2020 Impact of AASB 15 \$'000
Revenue				
Sale of goods and services from contracts with customers		121,264	121,264	-
Grants and other contributions	(a)(b)	16,832	16,564	268
Net Result		138,096	137,828	268

Impact on the Statement of Financial Position (increase / (decrease)):

PARENT AND CONSOLIDATED

	Notes	30 June 2020 AASB 15 \$'000	30 June 2020 Without adoption of AASB 15 \$'000	30 June 2020 Impact of AASB 15 \$'000
Assets				
Contract assets	(a)	170	-	170
Receivables from contracts with customers.	(a)	565	-	565
Total assets		735	-	735
Liabilities				
Contract liabilities	(b)	3,340		3,340
Other liabilities			2,873	(2,873)
Total liabilities		3,340	2,873	467
Equity				
Accumulated funds		(2,605)	(2,873)	268
Total adjustments to equity		(2,605)	(2,873)	268

The nature of these adjustments is described below:

- Income from grants were previously recognised upon receipt of cash. Under the new revenue recognition requirements of AASB 15, income should be recognised when a performance obligation, by transferring a promised good or service, is satisfied. This may be at a point in time or over time. This has led to the accrual of grant income where the entity has satisfied its obligations promised in the contract with the customer.
- Income from grants were previously recognised upon receipt of cash. Under the new revenue recognition requirements of AASB 15, income should be recognised when a performance obligation, by transferring a promised good or service, is satisfied. This may be at a point in time or over time. This has led to a deferral of grant income where the entity has not yet satisfied its obligations promised in the contract with the customer.

The reason for the changes in grants and other contributions is due to the non-recurring nature of grants and contributions received and varying nature of performance obligations across grant contracts resulting in different timing of revenue received.

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 2020

1. Statement of Significant Accounting Policies

AASB 1058 Income of Not-for-Profit Entities (AASB 1058)

AASB 1058 replaces most of the existing requirements in AASB 1004 Contributions. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of a contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services. AASB 1058 adopts a residual approach, meaning that entities first apply other applicable Australian Accounting Standards (e.g. AASB 1004, AASB 15, AASB 16, AASB 9, AASB 137) to a transaction before recognising income.

Not-for-profit entities need to determine whether a transaction is/contains a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15).

AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other Australian Accounting Standards, as income:

- * when the obligations under the transfer is satisfied, for transfers to enable an entity to acquire or construct a recognisable non-financial asset that will be controlled by the Network.
- * immediately, for all other income within the scope of AASB 1058.

In accordance with the transition provisions in AASB 1058, the Network has adopted AASB 1058 retrospectively with the cumulative effect of initially applying the standard at the date of initial application, i.e. 1 July 2019. The Network has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable the Network to further its objectives, are not restated to their fair value.

The adoption of AASB 1058 did not have an impact on Other Comprehensive Income and the Statement of Cash Flows for the financial year.

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 2020

1. Statement of Significant Accounting Policies

AASB 16 Leases

AASB 16 supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Statement of Financial Position.

Lessor accounting

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have a significant impact for leases where the entity is the lessor.

Lessee accounting

AASB 16 requires the Network to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. As the lessee, the Network recognises a lease liability and right-of-use asset at the inception of the lease. The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding right-of-use asset is measured at the value of the lease liability adjusted for lease payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.

The Network has adopted the partial retrospective option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated.

In relation to leases that had previously been classified as 'operating leases' under AASB 117, a lease liability is recognised at 1 July 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 1.89%.

The corresponding right-of-use asset is initially recorded on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position as at 30 June 2019.

For leases previously classified as finance leases the Network recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

The Network elected to use the practical expedient to expense lease payments for lease contracts that, at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at \$10,000 or under when new (low-value assets).

In applying AASB 16 for the first time, the Network has used the following practical expedients permitted by the standard:

- * not reassess whether a contract is, or contains, a lease at 1 July 2019, for those contracts previously assessed under AASB 117 and Interpretation 4;
- * applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- * relying on its previous assessment on whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
- * not recognise a lease liability and right-of-use-asset for short-term leases that end within 12 months of the date of initial application;
- * excluding the initial direct costs from the measurement of the right-of- use asset at the date of initial application; and
- * using hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

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 2020

1. Statement of Significant Accounting Policies

The effect of adopting AASB 16 on the Statement of Financial Position as at 1 July 2019 (increase / (decrease)) is, as follows:

PARENT AND CONSOLIDATED

	1 July 2019 \$'000
Assets	
Property, plant and equipment	(3,763)
Right-of-use assets	5,829
Total assets	2,066
Liabilities	
Borrowings	1,968
Make good provision	98
Total liabilities	2,066
Equity	
Accumulated funds	4,541
Asset revaluation surplus	(4,541)
	-

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

PARENT AND CONSOLIDATED

	1 July 2019 \$'000
Operating lease commitments as at 30 June 2019 (GST included)	4,673
(Less): GST included in operating lease commitments	425
Operating lease commitments as at 30 June 2019 (GST excluded)	4,248
Weighted average incremental borrowing rate as at 1 July 2019	1.89%
Discounted operating lease commitments as at 1 July 2019	4,110
(Less): commitments relating to short-term leases	32
(Less): commitments relating to low-value assets	2,652
Add / (Less): contracts re-assessed as lease contracts	1
Add: Lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	567
Add / (Less): adjustments relating to differences in rental amounts, including changes in the index or rate affecting variable payments	(23)
Add / (Less): Other adjustments	(2)
Lease liabilities as at 1 July 2019	1,968

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 2020

1. Statement of Significant Accounting Policies

(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 1059 Service Concession Arrangements

AASB 1059 Service Concession Arrangements is applicable to public sector entities only and is effective for annual periods beginning on or after 1 January 2020. This standard 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

The Network has completed its impact assessment of AASB 1059 by reviewing all material arrangements where the private sector is performing any services on behalf of the Network. Any identified arrangements have been assessed whether it falls within the scope of AASB 1059. If it does meet the scoping guidelines of AASB 1059, financial impacts were calculated.

Upon review, the Network has not identified any arrangements in scope of AASB 1059.

Application Date

The Network plans to adopt the new accounting 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 2020

2. Employee related expenses

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Salaries and wages (including annual leave and ADO)	547,507	505,927	-	-
Superannuation - defined benefit plans	3,014	3,210	-	-
Superannuation - defined contribution plans	48,571	45,357	-	-
Long service leave	26,882	35,830	-	-
Redundancies	-	366	-	-
Workers' compensation insurance	3,907	2,755	-	-
Fringe benefits tax	7	2	-	-
	629,888	593,447	-	-

Employee related costs of \$1,112 thousand (2019: \$3,771 thousand) have been capitalised in property, plant and equipment and intangible assets and are therefore excluded from the above.

3. Personnel services

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Salaries and wages (including annual leave and ADO)	-	-	547,507	505,927
Superannuation - defined benefit plans	-	-	-	-
Superannuation - defined contribution plans	-	-	48,571	45,357
Long service leave	-	-	1,775	2,292
Redundancies	-	-	-	366
Workers' compensation insurance	-	-	3,907	2,755
Fringe benefits tax	-	-	7	2
	-	-	601,767	556,699

Personnel services of The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) were 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.

Personnel services of \$1,112 thousand (2019: \$3,771 thousand) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

4. Visiting medical officers

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing speciality input in a number of disciplines throughout the Network's hospitals. VMO expenses of \$18,754 thousand (2019: \$17,960 thousand) represent part of the day-to-day running costs incurred in the normal operations of the Network. These costs are expensed as incurred.

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 2020

5. Other expenses

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Advertising	62	111	62	111
Auditor's remuneration - audit of financial statements	196	216	196	216
Blood and blood products	10,782	11,095	10,782	11,095
Consultancies	420	458	420	458
Contractors	2,708	3,065	2,708	3,065
Domestic supplies and services	5,396	5,186	5,396	5,186
Drug supplies	74,708	67,236	74,708	67,236
Food supplies	8,068	7,692	8,068	7,692
Fuel, light and power	4,366	4,866	4,366	4,866
Patient transport costs	7,036	7,042	7,036	7,042
Information management expenses	13,645	12,279	13,645	12,279
Insurance	475	477	475	477
Maintenance (see Note 5(b))	21,042	17,865	21,042	17,865
Medical and surgical supplies	35,213	33,603	35,213	33,603
Motor vehicle expenses	449	457	449	457
Postal and telephone costs	2,251	2,110	2,251	2,110
Printing and stationery	1,850	1,659	1,850	1,659
Rates and charges	857	791	857	791
Rental	-	2,521	-	2,521
Hosted services purchased from entities controlled by the immediate parent	587	1,532	587	1,532
Specialised services (dental, radiology, pathology and allied health)	25,254	23,342	25,254	23,342
Staff related costs	5,615	5,727	5,615	5,727
Travel related costs	4,132	6,353	4,132	6,353
Other (see Note 5(a))	11,513	11,086	11,513	11,086
	236,625	226,769	236,625	226,769

The majority of the costs in relation to drug supplies and medical and surgical supplies expenses relate to the consumption of inventory held by the Network.

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 2020

5. Other expenses (continued)

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
(a) Other				
Contract for patient services	128	128	128	128
Corporate support services	2,673	2,683	2,673	2,683
Courier and freight	610	556	610	556
Legal services	378	153	378	153
Membership/professional fees	845	800	845	800
Quality assurance / accreditation	291	122	291	122
Security services	343	233	343	233
Motor vehicle operating lease expense - minimum lease payments	-	179	-	179
Other operating lease expense - minimum lease payments	-	12	-	12
Expenses relating to short-term leases	359	-	359	-
Expenses relating to leases of low-value assets	1,226	-	1,226	-
Other Management Services	1,596	2,007	1,596	2,007
Inrahealth Other expenses	954	1,123	954	1,123
Fundraising expenses	176	938	176	938
Other miscellaneous	1,934	2,152	1,934	2,152
	11,513	11,086	11,513	11,086
(b) Reconciliation of total maintenance				
Maintenance contracts	6,553	5,735	6,553	5,735
New / replacement equipment under \$10,000	6,827	4,984	6,827	4,984
Repairs maintenance / non contract	5,914	5,683	5,914	5,683
Other	1,748	1,463	1,748	1,463
Maintenance expense - contracted labour and other (non-employee related) in Note 5	21,042	17,865	21,042	17,865
Employee related/personnel services maintenance	147	102	147	102
	21,189	17,967	21,189	17,967

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 2020

5. Other expenses (continued)

Recognition and Measurement

Maintenance expense

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

Operating expenses

Operating expenses generally represent the day-to-day running costs incurred in the normal operations of the Network. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 28.

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 NSW Self Insurance Corporation (SiCorp), a controlled entity of the ultimate parent.

Lease expense

Lease expense (up to 30 June 2019)

Operating leases

Up to 30 June 2019, operating lease payments are recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. An operating lease is a lease other than a finance lease.

Lease expense (from 1 July 2019)

From 1 July 2019, the Network recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

- Leases that meet the definition of short-term. i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
- Leases of assets that are valued at \$10,000 or under when new.

Variable lease payments are not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

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 2020

6. Depreciation and amortisation

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Depreciation - buildings	20,114	19,453	20,114	19,453
Depreciation - plant and equipment	10,694	10,161	10,694	10,161
Depreciation - infrastructure systems	1,948	1,935	1,948	1,935
Depreciation - right-of-use land and buildings	536	-	536	-
Depreciation - right-of-use plant and equipment	241	-	241	-
Amortisation - intangible assets	2,819	1,713	2,819	1,713
	36,352	33,262	36,352	33,262

Refer to Note 23 Property, plant and equipment, Note 24 Leases, and Note 25 Intangible assets for recognition and measurement policies on depreciation and amortisation.

7. Grants and subsidies

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Non-government organisations	664	648	664	648
Grants to research organisations	2,324	1,876	2,324	1,876
Grants paid to entities controlled by the ultimate parent	251	-	251	-
Grants paid to entities controlled by the immediate parent	1,278	809	1,278	809
Other grants	1,058	1,221	1,058	1,221
	5,575	4,554	5,575	4,554

Recognition and Measurement

Grants 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 grants and subsidies are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

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 2020

8. Finance costs

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Interest expense from lease liabilities	44	-	44	-
	44	-	44	-

Recognition and Measurement

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing 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.

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 2020

9. Revenue

Recognition and Measurement

Until 30 June 2019, income is recognised in accordance with AASB 111 Construction Contracts, AASB 118 Revenue and AASB 1004 Contributions.

From 1 July 2019, income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers (AASB 15) or AASB 1058 Income of Not-for-Profit Entities (AASB 1058), dependent on whether there is a contract with a customer defined by AASB 15.

Under the GSF Act 2018, the Network's own source revenue (which includes but is not limited to receipts from NSW Ministry of Health recurrent and capital allocations, patient fees, non-patient fees, grants and other contributions, other ancillary services and proceeds from the sale of property, plant and equipment) meets the definition of deemed appropriation money under the GSF Act (Section 4.7).

Deemed appropriation money is money received directly by the Network which forms part of the consolidated fund and is not appropriated to the Network by an Act.

10. NSW Ministry of Health allocations

Payments are made by the immediate parent as per the Service Agreement to the Network and adjusted for approved supplementations, mostly for salary agreements and approved enhancement projects. The Service Agreement between the immediate parent and the Network does not contain sufficiently specific enforceable performance obligations as defined by AASB 15 and are therefore recognised upon the receipt of cash, in accordance with AASB 1058.

The Network recognised additional NSW Ministry of Health recurrent allocations of \$18,364 thousand and NSW Ministry of Health capital allocations of \$NIL to cover costs incurred with preparation, diagnosis and treatment of COVID-19 patients.

Interstate patient flows are funded through the NSW State Pool Account, based on activity and consistent with the price determined in cross border agreements. The funding is also recognised as part of the NSW Ministry of Health recurrent allocation from the immediate parent.

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 2020

11. Sale of goods and services / Sale of goods and services from contracts with customers

(a) Sale of goods comprise the following:

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Pharmacy sales	1,783	1,410	1,783	1,410
Sale of prosthesis	2,331	1,774	2,331	1,774
Other	93	180	93	180
	4,207	3,364	4,207	3,364

(b) Rendering of services comprise the following:

Patients

Patient Fees:

- Inpatient fees	27,256	26,340	27,256	26,340
- Non inpatient fees	420	444	420	444
Highly specialised drugs	46,342	38,716	46,342	38,716
Motor Accident Authority third party	4,123	3,510	4,123	3,510
Patient transport fees	7,378	7,531	7,378	7,531

Staff

Private use of motor vehicles	51	46	51	46
Salary packaging fee	236	227	236	227
Meals and accommodation	219	211	219	211
Child care fees	916	973	916	973

General community

Cafeteria / kiosk	13	45	13	45
Car parking	3,867	4,399	3,867	4,399
Clinical services (excluding clinical drug trials)	323	361	323	361
Commercial activities	4,358	3,684	4,358	3,684
Fees for conferences and training	3,496	3,990	3,496	3,990
Fees for medical records	42	51	42	51
Information retrieval	1	1	1	1

Non-NSW Health entities

Services to other organisations	514	329	514	329
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Entities controlled by the immediate parent

Shared corporate service revenues	1	-	1	-
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Other

Infrastructure fees - annual charge	1,578	1,958	1,578	1,958
Infrastructure fees - monthly facility charge	15,269	14,785	15,269	14,785
Other	654	619	654	619

	117,057	108,220	117,057	108,220
	121,264	111,584	121,264	111,584

Recognition and Measurement

Sale of goods (until 30 June 2019)

Revenue from the sale of goods is recognised when the Network transfers the significant risks and rewards of ownership of the goods, usually on delivery of the goods.

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 2020

11. Sale of goods and services / Sale of goods and services from contracts with customers (continued)

Recognition and Measurement (continued)

Sale of goods from contracts with customers (from 1 July 2019)

Revenue from the sale of goods is recognised when the Network satisfies a performance obligation by transferring the promised goods. Sale of goods comprises of pharmacy sales, sale of prosthesis and other items. The Network typically satisfies its performance obligations when the control of goods is transferred to the customer. The payments are typically due when invoiced.

Revenue from these sales is recognised based on the price specified in the contract, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.

Rendering of services (until 30 June 2019)

Revenue is recognised when the service is provided or by reference to the type and stage of services provided to date.

Rendering of services from contracts with customers (from 1 July 2019)

Revenue from rendering of services is recognised when the Network satisfies the performance obligation by transferring the promised services. Revenue is typically recognised as follows:

i. 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.

ii. 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 admitted day patients, non admitted patients or patients on discharge. Revenue is recognised when the drugs have been provided to the patient.

iii. 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 accrual basis from the time the patient is treated or admitted into hospital.

iv. 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.

Revenue is measured at the transaction price agreed under various contracts. No element of financing is deemed present as payments are due when the service is provided.

Refer to Note 29 for the disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and when the Network expects to recognise the unsatisfied portion as revenue.

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 2020

12. Investment revenue

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Interest income from financial assets at amortised cost	241	606	241	606
Net gain / (loss) from TCorp IM Funds measured at fair value through profit or loss	1,385	-	1,385	-
Royalties	4	4	4	4
Other	-	5,238	-	5,238
	1,630	5,848	1,630	5,848

Recognition and Measurement

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For financial assets that become credit impaired the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

Royalties

Until 30 June 2019, royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement.

From 1 July 2019, royalties are usually recognised when the underlying performance obligation is satisfied. It is recognised at the estimated amount if the consideration is variable.

Dividend income

Dividend revenue is recognised when the Network's right to receive the payment has been established.

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 2020

13. Grants and other contributions

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Clinical drug trials	-	2,549	-	2,549
Commonwealth government grants	-	9,028	-	9,028
Cancer Institute grants received from an entity controlled by the immediate parent	-	220	-	220
Grants & contributions received from entities controlled by the ultimate parent	-	281	-	281
Grants & contributions received from entities controlled by the immediate parent	-	619	-	619
Research grants	-	5,939	-	5,939
Other grants	-	38,309	-	38,309
Other grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	369	-	369	-
Clinical trials and research grants	5,709	-	5,709	-
Commonwealth government grants other	8,183	-	8,183	-
Grants from entities controlled by the ultimate parent	262	-	262	-
Other grants from entities controlled by the immediate parent	709	-	709	-
Other grants	1,365	-	1,365	-
Grants without specific performance obligations				
Clinical trial and research grants	8,622	-	8,622	-
Commonwealth government grants other	8	-	8	-
Other grants from entities controlled by the immediate parent	904	-	904	-
Other grants	26,031	-	26,031	-
Donations	1,569	2,784	1,569	2,784
	53,731	59,729	53,731	59,729

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 2020

13. Grants and other contributions

Recognition and Measurement

Grants and other contributions (until 30 June 2019)

Income from grants (other than contributions by owners) is recognised when the entity obtains control over the contribution. The Network is deemed to have assumed control when the grant is received or receivable.

Contributions are recognised at their fair value. Contributions of services are recognised when and only when a fair value of those services can be reliably determined and the services would be purchased if not donated.

Grants and other contributions (from 1 July 2019)

Income from grants to acquire / construct a recognisable non-financial asset to be controlled by the Network is recognised when the Network satisfies its obligations under the transfer. The Network satisfies the performance obligation under the transfer over time as the non-financial assets are being constructed. The percentage of cost incurred is used to recognise income, because this most closely reflects the progress to completion.

Revenue from grants with sufficiently specific performance obligations is recognised when the Network satisfies a performance obligation by transferring the promised goods or services. The Network typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. The Network uses various methods to recognise revenue over time, depending on the nature and terms and conditions of the grant contract. The payments are typically based on agreed timetable or on achievement of different milestones set up in the contract.

Revenue from these grants is recognised based on the grant amount specified in the funding agreement/funding approval, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

Refer to Note 29 for the transaction price allocated to the performance obligations that have not been satisfied at the end of the year and when it is expected to be recognised as revenue.

Income from grants without sufficiently specific performance obligations is recognised when the Network obtains control over the granted assets (e.g. cash).

Volunteer services

Receipt of volunteer services is recognised when and only when the fair value of those services can be reliably determined and the services would have been purchased if not donated. Volunteer services recognised are measured at fair value. The Network receives volunteer services for the below activities:

- Chaplaincies and Pastoral Care
- Pink Ladies / Hospital Auxiliaries
- Patient Support Groups
- Community Organisations
- Health Education
- Patient and Family Support
- Patient Services, Fund Raising
- Practical Support to Patients and Relatives
- Counselling, Transport, Home Help and Patient Activities

Receipt of these services, while important, is not recognised because typically such services would not have been purchased if not donated.

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 2020

14. Acceptance by the Crown Entity of employee benefits

The following liabilities and expenses have been assumed by the Crown Entity:

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Superannuation - defined benefit plans	3,014	3,210	-	-
Long service leave provision	25,107	33,537	-	-
	28,121	36,747	-	-

15. Other income

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Commissions	82	106	82	106
Discounts	8	29	8	29
Insurance refunds	86	12	86	12
Rental income				
- other rental income	603	569	603	569
Sale of merchandise, old wares and books	70	93	70	93
Sponsorship	76	29	76	29
Treasury Managed Fund hindsight adjustment	-	229	-	229
Other	3,598	3,343	3,598	3,343
	4,523	4,410	4,523	4,410

Recognition and Measurement

Other Income

Other income includes rental income arising from operating leases which is accounted for on a straight-line basis over the lease term under AASB 16 Leases. The rental income is incidental to the purpose for holding the property.

Forgiveness of liabilities

The gross amount of a liability forgiven by a credit provider is recognised by the borrower as other income.

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 2020

16. Gains / (losses) on disposal

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Property, plant and equipment	10,509	8,168	10,509	8,168
<i>Less: accumulated depreciation</i>	10,083	7,809	10,083	7,809
Written down value	426	359	426	359
<i>Less: proceeds from disposal</i>	181	66	181	66
Gain / (Loss) on disposal of property, plant and equipment	(245)	(293)	(245)	(293)
Financial assets	-	30,833	-	30,833
<i>Less: proceeds from disposal</i>	-	30,833	-	30,833
Gain / (loss) on disposal of financial assets	-	-	-	-
Total gains / (losses) on disposal	(245)	(293)	(245)	(293)

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 2020

17. Conditions and restrictions on income of not-for-profit entities

The Network receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. The Network determines the grantor / donor expectations in determining the externally imposed restrictions and discloses them in accordance with different types of restrictions. The types of restrictions and income earned with restrictions are detailed in Note 27 Restricted assets.

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 2020

18. Cash and cash equivalents

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Cash at bank and on hand	7,845	23,832	7,845	23,832
Short term deposits	11,499	11,371	11,499	11,371
	19,344	35,203	19,344	35,203

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank, cash on hand, short-term deposits with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

Cash and 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:

Cash and cash equivalents (per Statement of Financial Position)	19,344	35,203	19,344	35,203
Closing cash and cash equivalents (per Statement of Cash Flows)	19,344	35,203	19,344	35,203

Refer to Note 40 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Most cash and cash equivalents held by the Network are restricted assets and are not held for operating and capital expenditure.

HealthShare NSW, a controlled entity of the immediate parent makes all payments to employees and most payments to suppliers of goods and services and grants and subsidies on behalf of the Network. These payments are reported as expenses and operating cash outflows in the financial statements of the Network.

HealthShare NSW receives payments directly from the NSW Ministry of Health on behalf of the Network to fund these payments. These payments are reported as revenue (NSW Ministry of Health recurrent allocations) and operating cash inflows in the financial statements of the Network when HealthShare NSW makes these payments on behalf of the Network.

Health Infrastructure, a controlled entity of the immediate parent makes most payments to purchase property, plant and equipment on behalf of the Network. These payments are reported as additions to property, plant and equipment and investing cash outflows in the financial statements of the Network.

Health Infrastructure receives payments directly from the NSW Ministry of Health on behalf of the Network to fund these payments. These payments are reported as revenue (NSW Ministry of Health capital allocations) and operating cash inflows in the financial statements of the Network.

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 2020

19. Receivables

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Trade receivables from contracts with customers	11,989	-	11,989	-
Sale of goods and services	-	11,026	-	11,026
Intra health receivables	4,078	6,026	4,078	6,026
Goods and Services Tax	3,146	2,407	3,146	2,407
Other receivables	1,210	866	1,210	866
Sub total	20,423	20,325	20,423	20,325
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(208)	-	(208)	-
- Sale of goods and services	-	(151)	-	(151)
Sub total	20,215	20,174	20,215	20,174
Prepayments	1,730	1,368	1,730	1,368
	21,945	21,542	21,945	21,542

(a) * Movement in the allowance for expected credit losses

Trade receivables from contracts with customers				
Balance at the beginning of the year	(151)	-	(151)	-
Amounts written off during the year	388	-	388	-
(Increase) / decrease in allowance recognised in the net result ¹	(445)	-	(445)	-
Balance at the end of the year	(208)	-	(208)	-
Sale of goods and services				
Balance at the beginning of the year	-	(236)	-	(236)
Amounts written off during the year	-	(3)	-	(3)
(Increase) / decrease in allowance recognised in the net result ¹	-	88	-	88
Balance at the end of the year	-	(151)	-	(151)
Other receivables				
Balance at the beginning of the year	-	(3)	-	(3)
Amounts written off during the year	59	23	59	23
(Increase) / decrease in allowance recognised in the net result	(59)	(20)	(59)	(20)
Balance at the end of the year	-	-	-	-
	(208)	(151)	(208)	(151)

¹ Includes impairment loss of \$445 thousand (2019: \$119 thousand) recognised on receivables from contracts with customers.

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 2020

19. Receivables (continued)

(b) The current and non-current trade receivables from contracts with customers balances above include the following patient fee receivables:

Current and non-current include:

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Patient fees - compensable	75	95	75	95
Patient fees - ineligible	3,229	3,663	3,229	3,663
Patient fees - inpatient & other	2,308	2,977	2,308	2,977
	5,612	6,735	5,612	6,735

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 40.

Recognition and Measurement

All 'regular way' purchases or sales of receivables are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of receivables that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Subsequent measurement

Financial assets at amortised cost

The Network holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Impairment

The Network recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the Network expects to receive, discounted at the original effective interest rate.

In response to the COVID-19 pandemic, the Network has changed the terms and conditions with its counterparties to offer deferred payment terms to receive rental income from tenants, for a period of 6 months from 27 March 2020. The Network has a rental receivables balance amount of \$95 thousand as at 30 June 2020. The expected impacts on the recoverability of these receivables is not considered significant.

For trade receivables, the Network applies a simplified approach in calculating ECLs. The Network recognises a loss allowance based on lifetime ECLs at each reporting date. The Network has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward looking factors specific to the receivable.

For lease receivables, the Network applies the simplified approach permitted by AASB 9 Financial Instruments, where the loss allowance is based on lifetime ECLs.

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 2020

20. Contract assets

	Consolidated 2020 \$000	Consolidated 1 July 2019 adjusted for AASB 15 \$000	Parent 2020 \$000	Parent 1 July 2019 adjusted for AASB 15 \$000
Current				
Contract assets	170	-	170	-
	170	-	170	-

Recognition and Measurement

Contract assets relate to the Network's right to consideration in exchange for goods and services transferred to customers / works completed, but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Network issues an invoice to the customer. The balance of the contract assets relates to grants and other contributions for work completed but not yet invoiced as future work is required to be completed before the Network has the rights to invoice. Once all performance obligations are met and the Network has rights to invoice for the payment to be made, the contract asset is transferred to receivables.

	Consolidated 2020 \$000	Parent 2020 \$000
Contract receivables (included in Note 19)	16,632	16,632
	16,632	16,632

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 2020

21. Inventories

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Drug supplies	2,544	2,327	2,544	2,327
Medical and surgical supplies	5,312	4,347	5,312	4,347
Engineering supplies	237	137	237	137
Other including goods in transit	976	827	976	827
	9,069	7,638	9,069	7,638

The increase in medical and surgical supplies is a result of the Network preparing for an increase in COVID-19 patients. Inventories held for distribution for COVID-19 are also consumed in the normal services provided by the Network.

Recognition and Measurement

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount. 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.

Market demand has increased the weighted average cost of inventories in medical and surgical supplies due to the outbreak of COVID-19. Market demand for these items is expected to continue and as a result the carrying amount and current replacement cost are aligned. At the 30 June 2020, the Network has determined that it plans to use the remaining medical and surgical supplies inventory in a relatively short time period, well before expiry, and there is no available alternative that is more efficient or effective nor a likelihood of an alternative being on the market in the foreseeable future.

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement cost is the cost the Network would incur to acquire the asset. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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 2020

22. Financial assets at fair value

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
TCorpIM Funds Investment Facilities	86,268	84,928	86,268	84,928
	86,268	84,928	86,268	84,928
Non-current				
TCorpIM Funds Investment Facilities	32,005	32,088	32,005	32,088
	32,005	32,088	32,005	32,088

Refer to Note 40 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Recognition and Measurement

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Classification and measurement

The Network's financial assets at fair value are classified, at fair value through profit or loss. The classification was based on the purpose of acquiring such assets.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in net results.

Financial assets at fair value through profit or loss

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. TCorpIM Funds are managed and their performance is evaluated on a fair value basis and therefore the business model is neither to hold to collect contractual cash flows or sell the financial asset. Hence these investments are mandatorily required to be measured at fair value through profit or loss.

Notwithstanding the criteria to be classified at amortised cost or at fair value through other comprehensive income, financial assets may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognised in net results and presented net within other gains / (losses), except for TCorpIM Funds that are presented in 'investment revenue' in the period in which it arises.

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 2020

23. Property, plant and equipment

(a) Total property, plant and equipment

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2020				
Gross carrying amount	959,927	151,223	77,432	1,188,582
<i>Less: accumulated depreciation and impairment</i>	403,193	86,751	43,020	532,964
Net carrying amount	556,734	64,472	34,412	655,618
As at 30 June 2019				
Gross carrying amount	894,145	141,670	78,628	1,114,443
<i>Less: accumulated depreciation and impairment</i>	382,601	86,140	41,638	510,379
Net carrying amount	511,544	55,530	36,990	604,064

¹ 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.

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 2020

23. Property, plant and equipment (continued)

(a) Total property, plant and equipment - reconciliation

PARENT AND CONSOLIDATION

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

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2020				
Net carrying amount at beginning of year	511,544	55,530	36,990	604,064
Derecognition of finance lease assets on initial application of AASB 16*	(3,763)	-	-	(3,763)
Adjusted net carrying amount at beginning of year	507,781	55,530	36,990	600,301
Additions	68,449	20,050	-	88,499
Reclassification to intangibles	-	(709)	-	(709)
Disposals	-	(426)	-	(426)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	709	-	709
Depreciation expense	(20,114)	(10,694)	(1,948)	(32,756)
Reclassifications	618	12	(630)	-
Net carrying amount at end of year	556,734	64,472	34,412	655,618

* This does not include finance lease assets that relate to privately financed projects according to TPP06-08. AASB 16 does not apply to these assets in 2019-20

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 26.

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2019				
Net carrying amount at beginning of year	496,423	53,217	37,240	586,880
Additions	20,078	13,627	-	33,705
Reclassification to intangibles	-	(554)	-	(554)
Disposals	-	(359)	-	(359)
Net revaluation increments less revaluation decrements	14,256	-	1,685	15,941
Depreciation expense	(19,453)	(10,161)	(1,935)	(31,549)
Reclassifications	240	(240)	-	-
Net carrying amount at end of year	511,544	55,530	36,990	604,064

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 26.

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 2020

23. Property, plant and equipment (continued)

(b) Property, plant and equipment held and used by the Network

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2020				
Gross carrying amount	954,766	151,223	77,432	1,183,421
<i>Less: accumulated depreciation and impairment</i>	400,419	86,751	43,020	530,190
Net carrying amount	554,347	64,472	34,412	653,231
	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2019				
Gross carrying amount	888,984	141,670	78,628	1,109,282
<i>Less: accumulated depreciation and impairment</i>	379,956	86,140	41,638	507,734
Net carrying amount	509,028	55,530	36,990	601,548

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 2020

23. Property, plant and equipment (continued)

(b) Property, plant and equipment held and used by the Network - reconciliation

PARENT AND CONSOLIDATION

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

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2020				
Net carrying amount at beginning of year	509,028	55,530	36,990	601,548
Derecognition of finance lease assets on initial application of AASB 16*	(3,763)	-	-	(3,763)
Adjusted net carrying amount at beginning of year	505,265	55,530	36,990	597,785
Additions	68,449	20,050	-	88,499
Reclassification to intangibles	-	(709)	-	(709)
Disposals	-	(426)	-	(426)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	709	-	709
Depreciation expense	(19,985)	(10,694)	(1,948)	(32,627)
Reclassifications	618	12	(630)	-
Net carrying amount at end of year	554,347	64,472	34,412	653,231

* This does not include finance lease assets that relate to privately financed projects according to TPP06-08. AASB 16 does not apply to these assets in 2019-20

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 26.

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2019				
Net carrying amount at beginning of year	496,423	53,217	37,240	586,880
Additions	20,077	13,627	-	33,704
Reclassification to intangibles	-	(6,009)	-	(6,009)
Disposals	-	(359)	-	(359)
Net revaluation increment less revaluation decrements	14,257	-	1,685	15,942
Depreciation expense	(19,452)	(10,161)	(1,935)	(31,548)
Reclassifications	240	5,214	-	5,454
Net carrying amount at end of year	511,545	55,529	36,990	604,064

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 2020

23. Property, plant and equipment (continued)

(c) Property, plant and equipment where the Network is the lessor under operating leases

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2020				
Gross carrying amount	5,161	-	-	5,161
<i>Less: accumulated depreciation and impairment</i>	<i>2,774</i>	<i>-</i>	<i>-</i>	<i>2,774</i>
Net carrying amount	2,387	-	-	2,387
As at 30 June 2019				
Gross carrying amount	5,161	-	-	5,161
<i>Less: accumulated depreciation and impairment</i>	<i>2,645</i>	<i>-</i>	<i>-</i>	<i>2,645</i>
Net carrying amount	2,516	-	-	2,516

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 2020

23. Property, plant and equipment (continued)

(c) Property, plant and equipment where the Network is the lessor under operating leases - reconciliation

PARENT AND CONSOLIDATION

A reconciliation of the carrying amount for each class of property, plant and equipment subject to an operating lease is set out below:

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2020				
Net carrying amount at beginning of year	2,516	-	-	2,516
Adjusted net carrying amount at beginning of year	2,516	-	-	2,516
Depreciation expense	(129)	-	-	(129)
Net carrying amount at end of year	2,387	-	-	2,387

* This does not include finance lease assets that relate to privately financed projects according to TPP06-08. AASB 16 does not apply to these assets in 2019-20

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 26.

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 2020

23. Property, plant and equipment (continued)

Recognition and Measurement

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.

Health Administration Corporation, a controlled entity of the immediate parent, manages the approved major capital works program for the NSW Ministry of Health and its controlled entities. Health Administration Corporation receives NSW Ministry of Health Capital Allocations and grants on behalf of the Network and makes payments to contractors and suppliers. Health Administration Corporation initially records all costs incurred as work in progress or expenses and subsequently transfers to the Network. The costs are then accordingly reflected in the Network financial statements. The Network acquires most assets in this manner.

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.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer - Note 39).

Land and buildings are owned by the Health Administration Corporation. 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.

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.

Major inspection costs

When a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

Restoration costs

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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 2020

23. Property, plant and equipment (continued)

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:

	Useful lives
Buildings	40 years
Plant and equipment	4-20 years
Infrastructure Systems	40 years

'Plant and equipment' comprises, among others, medical, computer and office equipment, motor vehicles, furniture and fittings and PODS (a detachable or self-contained unit on ambulances used for patient treatment).

'Infrastructure Systems' comprises public facilities 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.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period and adjusted if appropriate.

Finance leases acquired by lessees (Under AASB 117 until 30 June 2019)

Until 30 June 2019, AASB 117 Leases (AASB 117) distinguished between finance leases that 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 does not transfer substantially all the risks and rewards.

Property, plant and equipment at 30 June 2019 includes non-current assets acquired under finance leases only. The assets are recognised at fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. Property, plant and equipment does not include amounts in respect of operating leases.

Property, plant and equipment acquired under finance leases are depreciated over the asset's useful life. However, if there is no reasonable certainty that the lessee entity will obtain ownership at the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Right-of-use assets acquired by lessees (under AASB 16 from 1 July 2019)

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The Network has elected to present right-of-use assets separately in the Statement of Financial Position.

Therefore, at that date property, plant and equipment recognised under leases previously treated as finance leases under AASB 117 are derecognised. The right-of-use assets arising from these leases are recognised and included in the separate line item together with those arising from leases previously treated as operating leases under AASB 117.

Further information on leases is contained in Note 24.

Subsequent to the adoption of AASB 16, the Network, as a lessee, recognises a right-of-use asset at cost and a corresponding lease liability at the lease commencement date. Right-of-use assets that do not meet the definition of investment properties are included in Property, Plant and Equipment under the corresponding asset categories. Further information on right-of-use assets is contained in Note 24.

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 2020

23. Property, plant and equipment (continued)

Revaluation of property, plant and equipment

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 participant's 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 to Note 26 for further information regarding fair value.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The Network conducts a comprehensive revaluation at least every three years for its land and buildings and infrastructure. Interim desktop revaluations are conducted between comprehensive revaluations for those assets, where cumulative changes to indicators suggest fair value may differ materially from carrying value. The Network uses an independent professionally qualified valuer for such revaluations.

The last comprehensive revaluation was completed on 31 December 2018 and was based on an independent assessment.

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value.

An interim management revaluation was completed on 31 December 2019 as a result of a cumulative increase in indicators of 3% for land and buildings and 3% for infrastructure. The Network used an external professionally qualified valuer to conduct the interim revaluation. Indicators provided by CBRE Valuations Pty Limited were not applied as they were deemed immaterial.

Due to the COVID-19 pandemic in early 2020, the Network management performed an additional assessment to determine if the fair value of its property plant and equipment as at 30 June 2020 materially differed from the carrying value. Management concluded that there is no definitive or conclusive market evidence to support any material adjustments. No adjustments were applied as a result.

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

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.

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 2020

23. Property, plant and equipment (continued)

Revaluation of property, plant and equipment (continued)

Revaluation increments are recognised in other comprehensive income and credited to revaluation surplus in equity. However, to the extent that an increment reverses a revaluation decrement in respect of the same class of asset previously recognised as a loss in the net result, the increment is recognised immediately as a gain in the net result.

Revaluation decrements are recognised immediately as a loss in the net result, except to the extent that it offsets an existing revaluation surplus on the same class of assets, in which case, the decrement is 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.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated. Where the income approach or market approach is used, accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted if appropriate.

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.

The Network assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Network estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Specialised assets held for continuing use of their service capacity are rarely sold and their cost of disposal is typically negligible. Their recoverable amount is expected to be materially the same as fair value, where they are regularly revalued under AASB 13.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in net result and is treated as a revaluation increase. However, to the extent that an impairment loss on the same class of asset was previously recognised in net result, a reversal of that impairment loss is also recognised in net result.

Derecognition of property, plant and equipment

Property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated Statement of Comprehensive Income.

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for the year ended 30 June 2020

24. Leases

(a) Entity as a lessee

The Network leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 10 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes. The Network does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Network and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Potential future cash outflows of \$Nil have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extensions and termination options was an increase in recognised lease liabilities and right-of-use assets of \$108 thousand.

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset and a corresponding lease liability for most leases.

The Network has elected to recognise payments for short-term leases and low value leases as expenses on a straight line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of \$10,000 or less when new and comprise mainly of small office and medical equipment items.

Right-of-use assets under leases

The following table presents right-of-use assets. There are no right-of-use assets that meet the definition of investment property.

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	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
2020			
Balance at 1 July 2019	5,509	320	5,829
Additions	-	835	835
Reassessments	108	-	108
Depreciation expense	(536)	(241)	(777)
Balance at 30 June 2020	5,081	914	5,995

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 2020

24. Leases (continued)

(a) Entity as a lessee (continued)

Lease liabilities

The following table presents liabilities under leases.

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	Total \$'000
2020	
Balance at 1 July 2019	1,968
Additions	835
Interest expenses	44
Payments	(408)
Other adjustments	108
Balance at 30 June 2020	2,547

The following amounts were recognised in the Statement of Comprehensive Income for the year ended 30 June 2020 in respect of leases where the Network is the lessee:

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	Total \$'000
2020	
Depreciation expense of right-of-use assets	777
Interest expense on lease liabilities	44
Expenses relating to short-term leases	359
Expenses relating to leases of low-value assets	1,226
Total amount recognised in the statement of comprehensive income	2,406

The Network had total cash outflows for leases of \$408 thousand for the year ended 30 June 2020.

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 2020

24. Leases (continued)

(a) Entity as a lessee (continued)

Future minimum lease payments under non-cancellable leases as at 30 June 2019 are, as follows:

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	Operating leases 2019 \$'000	Finance leases 2019 \$'000
Within one year	1,820	-
Later than one year and not later than five years	2,539	-
Later than five years	314	-
Total (including GST)	4,673	-
Less: GST recoverable from the Australian Taxation Office	425	-
Total (excluding GST)	4,248	-

Leases at significantly below market terms and conditions principally to enable the entity to further its objectives

The Network entered into a number of leases, with lease terms ranging from 1 to 20 years, with various organisations for the use of land and parts of their buildings. The contracts specify lease payments ranging from \$1 to under \$5 thousand per annum. The leased land and premises are used by the Network to provide different community health services. These leased land and buildings account for a small portion of similar assets the Network is using for the purpose of providing its services. Therefore it does not have a significant impact on the Network's operations.

Recognition and Measurement (under AASB 16 from 1 July 2019)

The Network assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Network recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

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 2020

24. Leases (continued)

(a) Entity as a lessee (continued)

i. Right-of-use assets

The Network recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer (ii) below), adjusted by any lease payments made at or before the commencement date, lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Useful lives
Land	40 years
Buildings	1 to 10 years
Plant and equipment	1 to 5 years
Motor vehicles and other equipment	1 to 5 years

If ownership of the leased asset transfers to the Network at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The Network assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Network estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

ii. Lease liabilities

At the commencement date of the lease, the Network recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase option reasonably certain to be exercised by the Network; and
- payments of penalties for terminating the lease, if the lease term reflects the Network exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for real estate leases, the incremental borrowing rate is used. The Network does not borrow funds in the market. Instead they receive an allocation of the appropriations from the Crown Entity and where the Crown Entity needs additional funding, Treasury Corporation (TCorp) goes to the market to obtain these funds. As a result, the Network is using TCorp rates as their incremental borrowing rates. These rates are published by NSW Treasury on a regular basis.

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 2020

24. Leases (continued)

(a) Entity as a lessee (continued)

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Network's lease liabilities are included in borrowings in Note 30.

iii. Short-term leases and leases of low-value assets

The Network applies the short-term lease recognition exemption to its short-term leases of buildings, machinery, motor vehicles and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

iv. Leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives

The initial and subsequent measurement of right-of-use assets under leases at significantly below-market terms and conditions that are entered into principally to enable the Network to further its objectives is the same as normal right-of-use assets. They are measured at cost, subject to impairment.

Recognition and measurement (under AASB 117 until 30 June 2019)

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Until 30 June 2019, a lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the Network was classified as a finance lease.

Where a non-current asset was acquired by means of a finance lease, at the commencement of the lease, the asset was recognised at its fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability was established at the same amount. Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognised in finance costs in the Statement of Comprehensive Income.

Property, plant and equipment acquired under finance leases was depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Network will obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments were recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

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 2020

24. Leases (continued)

(b) Entity as a lessor

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) leases few retail spaces and doctors' rooms located within the hospital precincts under operating leases with rental payable monthly. Lease payments generally contain uplift clauses to align to the market conditions.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)'s overall exposure to changes in the residual value at the end of the current lease is not material as these leases form a very small part of the asset portfolio. Any expectations about the future residual values are reflected in the fair value of these properties.

Lessor for operating leases

Future minimum rentals receivable (undiscounted) under non-cancellable operating lease as at 30 June 2020 are, as follows:

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	2020	2019
	\$'000	\$'000
Within one year	21	-
Total (excluding GST)	21	-

Recognition and Measurement

Lessor for operating leases

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Statement of Comprehensive Income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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for the year ended 30 June 2020

25. Intangible assets

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Cost (gross carrying amount)	37,905	35,190	37,905	35,190
Less: accumulated amortisation and impairment	16,535	13,787	16,535	13,787
Net carrying amount	21,370	21,403	21,370	21,403

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A reconciliation of the carrying amount of intangibles at the beginning and end of the current reporting year is set out below:

	2020 \$000	2019 \$000
Year ended 30 June 2020		
Net carrying amount at beginning of year	21,403	16,554
Additions - acquired separately	153	6,008
Additions - internally developed	1,924	-
Reclassifications from plant and equipment	709	554
Amortisation (recognised in depreciation and amortisation)	(2,819)	(1,713)
Net carrying amount at end of year	21,370	21,403

Recognition and Measurement

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. Following initial recognition, 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.

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 Network's intangible assets are amortised using the straight-line method over a period of ten years.

Computer software developed or acquired by the Network are recognised as intangible assets. Some computer software is acquired from the Health Administration Corporation, a controlled entity of the immediate parent. 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 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.

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 2020

26. Fair value measurement of non-financial assets

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Fair value measurement and hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

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 (unadjusted) 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.

(a) Fair value hierarchy

	Level 1	Level 2	Level 3	Total Fair Value
2020	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 23)				
- Land and buildings	-	-	462,374	462,374
- Infrastructure systems	-	-	34,412	34,412
Artworks	-	2,340	-	2,340
	-	2,340	496,786	499,126

There were no transfers between level 1 and 2 during the year ended 30 June 2020.

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 23.

	Level 1	Level 2	Level 3	Total Fair Value
2019	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 23)				
- Land and buildings	-	183	482,109	482,292
- Infrastructure systems	-	-	36,990	36,990
Artworks	-	2,340	-	2,340
	-	2,523	519,099	521,622

There were no transfers between level 1 and 2 during the year ended 30 June 2019.

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 23.

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 2020

26. Fair value measurement of non-financial assets (continued)

(b) Valuation techniques, inputs and processes

For land, buildings and infrastructure systems the Network obtains external valuations by independent valuers at least every three years. The last revaluation was performed by CBRE Valuations Pty Limited for the 2018-19 financial year. CBRE Valuations Pty Limited is an independent entity and is not an associated entity of the Network.

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 23 reconciliation).

For Artworks, the Network obtains independent external valuations every three years. The last revaluation was performed in the 2017/18 financial year by an independent valuer, Ms. Adrienne Carlson, an approved valuer under the Commonwealth Government Cultural Gifts Program, 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 valuer 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 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.

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, residential properties are valued on a market approach and included in level 2.

Non-current assets held for sale is a non-recurring item that is measured at the lower of its fair value less cost to sell or its carrying amount. These assets are categorised as level 2.

The property market is being impacted by the significant uncertainty that the COVID-19 outbreak has caused. Sales evidence have been utilised across the Network to assess the land and non-specialised properties, in line with the valuation by the valuers made on a market approach.

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

26. Fair value measurement of non-financial assets (continued)

(c) Reconciliation of recurring Level 3 fair value measurements

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2020	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2019	482,109	36,990	-	519,099
Additions	4,971	-	-	4,971
Transfers from Level 2	183	-	-	183
Depreciation expense	(19,972)	(1,948)	-	(21,920)
Reclassifications	(4,917)	(630)	-	(5,547)
Fair value as at 30 June 2020	462,374	34,412	-	496,786

There were no transfers between level 1 or 2 during the year ended 30 June 2020.

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2019	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2018	473,557	37,240	-	510,797
Additions	14,415	-	-	14,415
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 23)	13,639	1,685	-	15,324
Transfers to Level 2	(183)	-	-	(183)
Depreciation expense	(19,319)	(1,935)	-	(21,254)
Fair value as at 30 June 2019	482,109	36,990	-	519,099

There were no transfers between level 1 or 2 during the year ended 30 June 2019.

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 2020

27. Restricted assets

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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. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2020.

Category	1 July 2019	Revenue	Expense	2020
	Opening			Closing
	\$000	\$000	\$000	\$000
Community welfare	3,288	6,158	6,251	3,195
Facility improvements	5,670	7,680	7,550	5,800
Holds funds in perpetuity	11,031	3	-	11,034
Patient welfare	48,321	6,099	15,226	39,194
Private practice disbursements (No.2 Accounts)	12,776	1,872	2,171	12,477
Public contributions	1,055	472	1,327	200
Research	44,941	20,432	23,242	42,131
Staff welfare	25	4	-	29
Training and education including conferences	10,365	3,275	3,397	10,243
	137,472	45,995	59,164	124,303

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 funds 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 its use.
Research	Research to gain knowledge, understanding and insight.
Staff welfare	Staff benefits such as staff recognition awards, functions and staff amenity improvements.
Training and education including conferences	Professional training, education and conferences.
Other	Does not meet the definition of any of the above categories.

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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Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

28. Payables

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Accrued salaries, wages and on-costs	22,745	17,948	-	-
Taxation and payroll deductions	2,433	2,232	-	-
Accrued liability - purchase of personnel services	-	-	25,178	20,180
Creditors	10,646	20,106	10,646	20,106
Other creditors				
- Payables to entities controlled by the immediate parent	9,925	15,140	9,925	15,140
- Other	3,869	4,064	3,869	4,064
	49,618	59,490	49,618	59,490

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 40.

Recognition and Measurement

These amounts represent liabilities for goods and services provided to the Network and other amounts. Payables are recognised initially at fair value, net of directly attributable transaction costs.

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. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

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 2020

29. Contract liabilities

	Consolidated 2020 \$000	Consolidated 1 July 2019 adjusted for AASB 15 \$000	Parent 2020 \$000	Parent 1 July 2019 adjusted for AASB 15 \$000
Current				
Contract liabilities	3,340	1,885	3,340	1,885
	3,340	1,885	3,340	1,885

Recognition and Measurement

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities at the 30 June 2020 was impacted by the timing of payments received for grants and other contributions. The satisfaction of the specific performance obligations within the contract hadn't been met at the 30 June 2020. Revenue from the contract liabilities will be recognised when the specific performance obligations have been met.

The contract liability balance has significantly increased during the year because of the timing of payments received.

	Consolidated 2020 \$000	Parent 2020 \$000
Revenue recognised that was included in the contract liability balance (adjusted for AASB 15) at the beginning of the year	1,885	1,885
Revenue recognised from performance obligations satisfied in previous periods	36	36
Transaction price allocated to the remaining performance obligations from contracts with customers	22,925	22,925

The transaction price allocated to the remaining performance obligations relates to the following revenue classes and is expected to be recognised as follows:

	2021 \$'000	2022 \$'000	2023 \$'000	≥ 2024 \$'000
Specific revenue class				
Grants and other contributions	11,797	8,391	1,734	1,003
	11,797	8,391	1,734	1,003

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 2020

30. Borrowings

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Lease liability (see Note 24)	605	-	605	-
	605	-	605	-
Non-current				
Lease liability (see Note 24)	1,942	-	1,942	-
	1,942	-	1,942	-

No assets have been pledged as security / collateral for liabilities and there are no restrictions on any title to property.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 40.

Recognition and Measurement

Financial liabilities at amortised cost

Borrowings classified as financial liabilities at amortised cost are initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

Finance lease liabilities are determined in accordance with AASB 117 Leases until 30 June 2019. From 1 July 2019, lease liabilities are determined in accordance with AASB 16.

Borrowings are classified as current liabilities unless the Network has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 40 (b) for derecognition policy.

Changes in liabilities arising from financing activities

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	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
Recognised on adoption of AASB 16	-	1,968	1,968
1 July 2019	-	1,968	1,968
Cash flows	-	(364)	(364)
New leases	-	943	943
30 June 2020	-	2,547	2,547

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 40.

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 2020

31. Provisions

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Employee benefits and related on-costs				
Annual leave - short term benefit	55,633	54,174	-	-
Annual leave - long term benefit	31,097	23,850	-	-
Long service leave consequential on-costs	17,027	15,394	-	-
Provision for other employee benefits	2,662	1,590	-	-
Provision for personnel services liability	-	-	106,419	95,008
	106,419	95,008	106,419	95,008
Other Provisions				
Make good provision	25	-	25	-
	25	-	25	-
Total current provisions	106,444	95,008	106,444	95,008
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	1,481	1,338	-	-
Provision for personnel services liability	-	-	1,481	1,338
	1,481	1,338	1,481	1,338
Other Provisions				
Make good provision	73	-	73	-
	73	-	73	-
Total non-current provisions	1,554	1,338	1,554	1,338
Aggregate employee benefits and related on-costs				
Provisions - current	106,419	95,008	-	-
Provisions - non-current	1,481	1,338	-	-
Accrued salaries, wages and on-costs, taxation and payroll deductions (Note 28)	25,178	20,180	-	-
Liability - purchase of personnel services	-	-	133,078	116,526
	133,078	116,526	133,078	116,526

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 2020

31. Provisions (continued)

Movements in provisions (other than employee benefits)

Movements in other provisions during the financial year, other than employee benefits, are set out below:

Make good provisions

- Additional provisions recognised	98	-	98	-
Carrying amount at end of period	98	-	98	-

Recognition and Measurement

Employee benefits and other provisions

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, they are 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 17.8% are applied to the value of leave payable at 30 June 2020 (comparable on-costs for 30 June 2019 were 17.7%). 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 Network does not expect to settle the liability within 12 months as the Network 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.

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.

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 2020

31. Provisions (continued)

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 the long-term 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.

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.

Other provisions

Other provisions are recognised 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. When the Network expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

Any provisions for restructuring are recognised only when the Network has a detailed formal plan, and the Network has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost.

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 2020

32. Other liabilities

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Unearned revenue	-	1,885	-	1,885
	-	1,885	-	1,885

Unearned revenue was derived from the following:

In FY2018-19, \$1.89 million was received in advance from customer and students for services to be rendered after 30 June 2019.

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 2020

33. Commitments

(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:

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Within one year	13,956	2,891	13,956	2,891
Later than one year and not later than five years	32	15	32	15
Total (including GST)	13,988	2,906	13,988	2,906

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$13.99 million as at 30 June 2020 includes input tax credits of \$1.27 million that are expected to be recoverable from the Australian Taxation Office (2019 \$0.69 million).

Output tax payable related to commitments for revenue

The 'Operating Lease Commitments (Entity as Lessor)' of \$0.02 million as at 30 June 2020 includes taxable sales of \$0.02 million with taxes of \$2 thousand that are expected to be payable to the Australian Taxation Office (2019: Nil).

34. Contingent liabilities and assets

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The Network is not aware of any contingent liabilities or assets which would have a material effect on the disclosures in these financial statements.

- Contingent liabilities

Liability may arise for the Network at the expiry of the lease term of forty years for restoration or make good expenses relating to the piece of land that the Network holds as a lessee under a concessionary lease. However, the amounts cannot be reliably estimated as the event is too far in the future and there is a high possibility that the building erected on the land will vest to the lessor at the end of the lease term. It is estimated that the building itself would be fully depreciated by such time.

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 2020

35. Trust funds

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The Network holds trust funds of \$165 thousand (2019: \$123 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.

Category	1 July 2019	Revenue	Expense	30 June 2020
	Opening equity			Closing equity
	\$'000	\$'000	\$'000	\$'000
Private Patient Trust Funds	-	25,185	(25,185)	-
Third Party Funds	123	34	8	165
Total trust funds	123	25,219	(25,177)	165

Category	1 July 2018	Revenue	Expense	30 June 2019
	Opening equity			Closing equity
	\$'000	\$'000	\$'000	\$'000
Private Patient Trust Funds	-	23,992	(23,992)	-
Third Party Funds	103	49	(29)	123
Total trust funds	103	24,041	(24,021)	123

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

Category	Purpose
Patient Trust	The safe custody of patients' valuables including monies.
Refundable Deposits	A sum of money held in trust as a security deposit.
Private Patient Trust Funds	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.

Any amounts drawn down from trust funds under the private practice arrangements are not included in the key management personnel compensation amounts or disclosed as a related party transaction in Note 41.

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 2020

36. Reconciliation of cash flows from operating activities to net result

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Net cash used on operating activities	76,105	40,184	76,105	40,184
Depreciation and amortisation expense	(36,352)	(33,262)	(36,352)	(33,262)
Allowance for impairment	(504)	(138)	(504)	(138)
(Increase) / decrease in unearned revenue	-	197	-	197
Decrease / (increase) in provisions	(11,653)	(7,842)	(11,653)	(7,842)
Increase / (decrease) in prepayments and other assets	2,395	(4,026)	2,395	(4,026)
Increase / (decrease) in contract assets	170	-	170	-
Decrease / (increase) in payables	9,817	(3,983)	9,817	(3,983)
Decrease / (increase) in contract liabilities	(1,455)	-	(1,455)	-
Net gain / (loss) on sale of property, plant and equipment	(245)	(293)	(245)	(293)
Non-cash revenue items	41	-	41	-
Assets donated or brought to account (Note 37)	720	188	720	188
Other	97	-	97	-
Net result	39,136	(8,975)	39,136	(8,975)

37. Non-cash financing and investing activities

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Assets donated or brought to account	720	188	720	188
Property, plant and equipment acquired by a lease	835	-	835	-
	1,555	188	1,555	188

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 2020

38. Adjusted budget review

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 Service 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 budget entries in the financial statements are unaudited.

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Net result

The actual Net Result was lower than adjusted budget by \$15 million, primarily due to:

Higher than adjusted budget expenditure of \$28 million, offset by higher than adjusted budget revenue of \$13 million.

The variance in expenditure of \$28 million was contributed mainly by Employee related expenses of \$28 million, \$2 million in Visiting Medical Officers expenses and \$2 million relating to Grants and subsidies and Depreciation and amortisation expenses; partially offset by \$4 million lower than budget Other expenses.

The revenue variance of \$13 million was contributed mainly by \$20 million in NSW Ministry of Health allocations and \$5 million in Sale of goods and services from contracts with customers; this was partially offset by lower than budget Other revenue \$5 million, Investment revenue \$4 million and Grants and other contributions \$3 million.

Assets and liabilities

The Net Assets were lower than adjusted budget by \$15 million comprising of lower than budget assets of \$5 million and higher than budget liabilities of \$10 million.

The variance of \$5 million in assets compared to adjusted budget was on account of lower than budget Non-current assets of \$7 million comprising of \$5 million relating to Financial assets and \$2 million for Property, plant and equipment, Right-of-use assets and Intangible assets. This was partially offset by higher than budget current assets of \$2 million, comprising of \$1 million for inventory and the balance \$1 million relating to all other current assets.

The variance of \$10 million in liabilities comprised of higher than budget provisions of \$9 million and \$4 million relating to higher than budget contract liabilities and borrowings, offset by lower than budget payables and other current liabilities of \$1 million and \$2 million respectively.

Cash flows

The balance of cash and cash equivalents was \$1 million lower than adjusted budget. This variance was mainly due to lower than budget net cashflows from operating activities of \$7 million which was partially offset by higher budget net cash flows from financing and investing activities of \$6 million.

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 2020

38. Adjusted budget review

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 01 July 2019 are as follows:

	\$000
Initial allocation	597,105
Award increases	12,158
Special projects - COVID-19	18,364
Kymriah Therapy	2,528
Their Future Matter Program	929
Joint Child Protection Response Program	617
Nursing and Midwifery Strategy	591
Translational Research Grants Scheme	380
Palliative Care Programs	263
National Centre for Immunisation Research & Surveillance	261
Others	256
Others -	
Creditor Payments Brought Forward-NSW Government Stimulus Program	11,206
Nationally Funded Centres Program	6,739
High Cost Patient Pool	1,796
Newborn and paediatric Emergency Transport Service (NETS)	1,715
Staff Defined Benefit Superannuation Funds	969
Transfer Intellectual Disability Health to SWSLHD	(478)
Dysphagia Clinic Westmead	430
Ocular and Neurology Gene Therapies	260
Others	669
Balance as per Statement of Comprehensive Income	656,758

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 2020

39. Equity

Accumulated Funds

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

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 23.

Separate Reserves

Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards.

Equity transfers effected in the 2018/19 year were:

An equity transfer was made between NSW Health entities to realign the annual leave liability to the current legal employer as held in the payroll system (StaffLink) for various employment arrangements, including staff on rotation and secondment. This has resulted in an increase in net assets of \$1.3 million relating to the transfer of Annual Leave provision balances to other NSW Health entities.

Equity transfers effected comprised:

	2020 \$000	2019 \$000
Annual Leave Provision - Transfer of Annual Leave Provisions between NSW Health entities		1,283
	-	1,283

Assets and Liabilities transferred are as follows:

	2020 \$000	2019 \$000
Liabilities		
Annual Leave Provision		1,283
Increase / (Decrease) in Net Assets From Equity Transfers	-	1,283

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 2020

39. Equity (continued)

Recognition and Measurement

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.

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 2020

40. 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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Class	Category	Carrying	Carrying
		Amount 2020 \$000	Amount 2019 \$000
Financial Assets			
Cash and cash equivalents (Note 18)	Amortised cost	19,344	35,203
Receivables (Note 19) ¹	Amortised cost	17,069	17,767
Contract assets (Note 20) ³	Amortised cost	170	-
Financial Assets at Fair Value (Note 22)	Fair value through profit or loss - mandatory classification	118,273	117,016
Total Financial Assets		154,856	169,986
Financial Liabilities			
Borrowings (Note 30)	Financial liabilities measured at amortised cost	2,547	-
Payables (Note 28) ²	Financial liabilities measured at amortised cost	47,185	57,258
Total Financial Liabilities		49,732	57,258

Notes

¹ Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

² Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

³ While contract assets are also not financial assets, they are explicitly included (i.e. in the scope of AASB 7 Financial Instruments: Disclosures) for the purpose of the credit risk disclosures.

The Network determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

(b) Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the entity transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through arrangement and either:

- The Network has transferred substantially all the risks and rewards of the asset; or
- The Network has neither transferred nor retained substantially all the risks and rewards for the asset, but has transferred control.

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 2020

40. Financial instruments (continued)

(b) Derecognition of financial assets and financial liabilities (continued)

When the Network has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where the Network has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the Network's continuing involvement in the asset. In that case, the Network also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

(c) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(d) Financial risk

i. 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 credit losses).

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.

The Network considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Network may also consider a financial asset to be in default when internal or external information indicates that the Network is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Network.

Cash and cash equivalents

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 0.00% (Restricted Funds Bank balance: 1.67%) in 2019-20 compared to 0.00% (Restricted Funds Bank balance: 2.33%) in the previous year. The TCorpIM Funds cash facility is discussed in market risk below.

Accounting policy for impairment of trade receivables and other financial assets

Receivables - trade receivables, other receivables and contract assets

Collectability of trade receivables, other receivables and contract assets is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

The Network applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, other receivables and contract assets.

To measure the expected credit losses, trade receivables, other receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

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 2020

40. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

Accounting policy for impairment of trade receivables and other financial assets (continued)

Receivables - trade receivables, other receivables and contract assets (continued)

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Network has identified relevant factors, and accordingly has adjusted the historical loss rates based on expected changes in these factors.

Trade receivables, other receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 90 days past due.

The loss allowance for trade receivables, other receivables and contract assets as at 30 June 2020 and 30 June 2019 was determined as follows:

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2020						
Expected credit loss rate	0.48%	2.14%	3.93%	2.11%	6.88%	1.56%
Estimated total gross carrying amount ¹	10,057	795	407	380	1,730	13,369
Expected credit loss	48	17	16	8	119	208
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2019 ²						
Expected credit loss rate	0.46%	0.46%	2.02%	4.13%	4.99%	1.27%
Estimated total gross carrying amount ¹	6,992	1,966	1,042	629	1,263	11,892
Expected credit loss	32	9	21	26	63	151

Notes

¹ The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 19 and the contract assets total in Note 20.

² Prior year balances have been restated to include other receivables and contract assets

The Network is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2020.

Other Financial Assets - Authority Deposits

The Network has placed funds on deposit with TCorp, 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. These deposits are considered to be low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. The Network didn't recognise a provision for expected credit losses on its other financial assets as at 30 June 2020 (2019: \$Nil).

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 2020

40. Financial instruments (continued)

(d) Financial risk (continued)

ii. 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 the use of overdrafts, loans and other advances.

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

During the current and prior year, 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).

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Until the 30 June 2019, 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 5 days from the date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than 30 days from the date of receipt of a correctly rendered invoice or a statement is received. From 1 July 2019, 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. For all suppliers, that has a correctly rendered invoice, that has a matched purchase order and where goods have been received, an immediate payment is made irrespective of current contract payment terms.

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 affected 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.

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 2020

40. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

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

	EIR ³ %	Nominal Amount ¹ \$000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
2020								
Payables:								
- Creditors ²		47,185	-	-	47,185	47,185	-	-
Borrowings:								
- Lease liabilities	1.87%	2,565	2,565	-	-	547	1,838	180
		49,750	2,565	-	47,185	47,732	1,838	180
2019								
Payables:								
- Creditors ²		57,258	-	-	57,258	57,258	-	-
		57,258	-	-	57,258	57,258	-	-

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).

³ Weighted Average Effective Interest Rate (EIR).

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 2020

40. Financial instruments (continued)

iii. 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 TCorpIM Funds. 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 as for 2019. The analysis assumes that all other variables remain constant.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the Network's interest bearing liabilities. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official Reserve Bank of Australia 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.

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 following table demonstrates the sensitivity to a reasonably possible change in interest rates:

	2020		2019	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	(1,351)	1,351	(1,522)	1,522
Equity	(1,351)	1,351	(1,522)	1,522

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 2020

40. Financial instruments (continued)

iii. Market risk (continued)

Other price risk - TCorpIM Funds

Exposure to 'other price risk' primarily arises through the investment in the TCorpIM Funds, 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 trusts:

Facility	Investment Sectors	Investment Horizon	2020 \$000	2019 \$000
TCorpIM Cash Fund	Cash and fixed income	Up to 1.5 years	11,499	11,371
TCorpIM Short Term Income Fund	Cash and fixed income	1.5 years to 3 years	86,267	84,928
TCorpIM Long-Term Growth Fund	Cash and fixed income, credit, equities, alternative assets and real assets	7 years and over	32,005	32,088

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.

TCorp, 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, TCorp has appointed external managers to manage the performance and risk of each facility in accordance with a mandate agreed by the parties. TCorp has also leveraged off internal expertise to manage certain fixed income assets for the TCorpIM Funds facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the TCorpIM Funds 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.

TCorp provides sensitivity analysis information for each of the investment facilities. For 30 June 2020, TCorp has adopted a new approach of applying a flat 10% sensitivity across all funds which is consistent with best market practice for investment funds. Previous years were based on historical volatility information collected over a ten year period, quoted at two standard deviations (ie 95% probability). TCorpIM Funds are measured at fair value through profit or loss and therefore any change in unit price impacts directly on net results.

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

	2020 Change in unit price	2019 Change in unit price	Impact on net result	
			2020 \$000	2019 \$000
TCorpIM Funds - Cash facility	10%	1%	1,150	114
TCorpIM Funds - Short Term Income	10%	1%	8,627	849
TCorpIM Funds - Long-Term Growth	10%	13%	3,201	4,171

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 2020

40. Financial instruments (continued)

(e) Fair value measurement

i. Fair value compared to carrying amount

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

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 does not differ from the carrying amount.

ii. Fair value recognised in the Statement of Financial Position

Financial instruments are generally recognised at cost, with the exception of the TCorpIM Funds investment facilities, which are measured at fair value. Management assessed that cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their fair values, largely due to the short-term maturities of these instruments.

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, the consolidated entity categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted (unadjusted) 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.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2020 Total \$'000
TCorpIM Funds	-	129,771	-	129,771
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2019 Total \$'000
TCorpIM Funds	-	128,387	-	128,387

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 2020.

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.

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 2020

41. Related party transactions

PARENT AND CONSOLIDATION

(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2020	2019
	\$000	\$000
Short-term employee benefits	284	395
Post-employment benefits	27	37
	311	432

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 \$375 thousand (2019: \$610 thousand) for these services. This amount does not form part of the key management personnel compensation disclosed above.

The Network's key management personnel comprise its board members and chief executive (or acting chief executive) from time to time during the year.

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the NSW 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 NSW 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.

(b) Transactions with key management personnel and their close family members

There were no transactions with key management personnel and their close family members (2019: \$Nil).

(c) Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2019: \$Nil).

(d) Transactions the Network had with government related entities during the financial year

During the financial year and comparative year, the Network entered into the various transactions with other entities consolidated as part of the NSW Ministry of Health (the immediate parent) and the NSW Total State Sector (the ultimate parent) within the normal course of business.

The following operating expenses were incurred with entities controlled by the immediate parent:

- Health Administration Corporation provides shared services for the majority of patient transport services, information management services, domestic supplies and services, food supplies and corporate support services.
- Health Administration Corporation provides some specialised services which includes pathology related costs.
- Rental for office premises for the Children's Court Clinic
- Various grants and subsidies towards research and other projects
- Some of drug supplies, medical and surgical supplies and maintenance expenses

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 2020

41. Related party transactions

(d) Transactions the Network had with government related entities during the financial year (continued)

The following operating expenses were incurred with entities controlled by the ultimate parent:

- Audit of the statutory financial statements
- Utilities, including electricity, gas and water expenses
- Insurance costs

The following revenues were earned from entities controlled by the immediate parent:

- Revenue from recurrent and capital allocations
- Various grants and contributions towards research and other projects
- Commercial activities revenue in respect of pathology services
- Patient transport services

The following revenues were earned from entities controlled by the ultimate parent:

- Motor Accident Authority third party revenue received from the State Insurance Regulatory Authority (SIRA)
- Various grants and other contributions towards research and other projects
- Interest income on TCorpIM Funds Investment facilities
- Insurance refunds
- Revenue from acceptance of long service leave liabilities and defined benefit

Assets and liabilities as follows:

- Receivables and payables in respect of the above noted related party revenue and expense transactions
- Some term deposits are invested with TCorpIM Funds Investment facilities
- The majority of the construction of property, plant and equipment is managed and overseen by Health Administration Corporation
- The majority of capital commitments contracted but not provided for related to capital works overseen by the Health Administration Corporation.

42. Events after the reporting period

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

END OF AUDITED FINANCIAL STATEMENTS