



## 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 by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, 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:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- present fairly the financial position, financial performance and cash flows of the Network and the consolidated entity.

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 37. 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 GSF Act, GSF Regulations and Treasurer's Directions. The Chief Executive's responsibility also includes 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](http://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.



Cathy Wu  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

6 October 2021  
SYDNEY

**The Sydney Children's Hospitals Network (Randwick and Westmead)  
(incorporating The Royal Alexandra Hospital for Children)  
Statement by the Accountable Authority**



for the year ended 30 June 2021

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We state, pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* ('the Act'):

1. The financial statements of the The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) for the year ended 30 June 2021 have been prepared in accordance with:
  - a. Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
  - b. applicable requirements of the Act, the *Government Sector Finance Regulation 2018*; and
  - c. Treasurer's Directions issued under the Act.
2. The financial statements present fairly the The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)'s financial position as at 30 June 2021 and the financial performance and cash flows for the year ended; and
3. We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

A handwritten signature in black ink, appearing to read "Cox".

Cathryn Cox PSM  
**Chief Executive**

30 September 2021

A handwritten signature in black ink, appearing to read "Sayeed Zia".

Sayeed Zia  
**Director Finance & Corporate Services**

30 September 2021

# 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 2021

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget <sup>1</sup> 2021 \$000	Consolidated Actual 2020 \$000	Parent Actual 2021 \$000	Parent Actual 2020 \$000
<b>Continuing operations</b>						
<b>Expenses excluding losses</b>						
Employee related expenses	2	633,353	598,384	629,888	-	-
Personnel services	3	-	-	-	632,410	601,767
Visiting medical officers	4	21,602	20,267	18,754	21,602	18,754
Other expenses	5	250,840	261,965	236,625	250,840	236,625
Depreciation and amortisation	6	38,719	38,275	36,352	38,719	36,352
Grants and subsidies	7	4,128	3,517	5,575	4,128	5,575
Finance costs	8	43	26	44	43	44
<b>Total expenses excluding losses</b>		<b>948,685</b>	<b>922,434</b>	<b>927,238</b>	<b>947,742</b>	<b>899,117</b>
<b>Revenue</b>						
NSW Ministry of Health recurrent allocations	10	758,744	714,836	677,055	758,744	677,055
NSW Ministry of Health capital allocations	10	115,236	118,685	80,799	115,236	80,799
Acceptance by the Crown <sup>2</sup> of employee benefits	14	943	979	28,121	-	-
Sale of goods and services from contracts with customers	11	116,319	118,334	121,372	116,319	121,372
Investment revenue	12	6,257	5,317	1,630	6,257	1,630
Grants and other contributions	13	66,368	54,710	53,731	66,368	53,731
Other income	15	5,527	6,407	4,415	5,527	4,415
<b>Total revenue</b>		<b>1,069,394</b>	<b>1,019,268</b>	<b>967,123</b>	<b>1,068,451</b>	<b>939,002</b>
<b>Operating result</b>		<b>120,709</b>	<b>96,834</b>	<b>39,885</b>	<b>120,709</b>	<b>39,885</b>
Gains / (losses) on disposal	16	(3,094)	(3,161)	(245)	(3,094)	(245)
Impairment losses on financial assets	19	(355)	(555)	(504)	(355)	(504)
<b>Net result</b>		<b>117,260</b>	<b>93,118</b>	<b>39,136</b>	<b>117,260</b>	<b>39,136</b>
<b>Other comprehensive income</b>						
<i>Items that will not be reclassified to net result in subsequent periods</i>						
Changes in revaluation surplus of property, plant and equipment	23	17,127	-	-	17,127	-
<b>Total other comprehensive income</b>		<b>17,127</b>	<b>-</b>	<b>-</b>	<b>17,127</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>134,387</b>	<b>93,118</b>	<b>39,136</b>	<b>134,387</b>	<b>39,136</b>

<sup>1</sup> Unaudited adjusted budget, see Note 37.

<sup>2</sup> Crown represents "The Crown in right of the State of New South Wales"

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 2021

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget <sup>1</sup> 2021 \$000	Consolidated Actual 2020 \$000	Parent Actual 2021 \$000	Parent Actual 2020 \$000
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	18	42,916	5,759	19,344	42,916	19,344
Receivables	19	24,523	21,947	21,945	24,523	21,945
Contract assets	20	-	170	170	-	170
Inventories	21	8,287	9,069	9,069	8,287	9,069
Financial assets at fair value	22	86,259	86,268	86,268	86,259	86,268
<b>Total current assets</b>		<b>161,985</b>	<b>123,213</b>	<b>136,796</b>	<b>161,985</b>	<b>136,796</b>
<b>Non-current assets</b>						
Receivables	19	2	-	-	2	-
Financial assets at fair value	22	32,122	37,005	32,005	32,122	32,005
Property, plant & equipment	23					
- Land and buildings		541,771	643,526	556,734	541,771	556,734
- Plant and equipment		67,353	74,708	64,472	67,353	64,472
- Infrastructure systems		34,419	32,417	34,412	34,419	34,412
Total property, plant & equipment		643,543	750,651	655,618	643,543	655,618
Right-of-use assets	24	126,353	5,140	5,995	126,353	5,995
Intangible assets	25	18,742	18,366	21,370	18,742	21,370
<b>Total non-current assets</b>		<b>820,762</b>	<b>811,162</b>	<b>714,988</b>	<b>820,762</b>	<b>714,988</b>
<b>Total assets</b>		<b>982,747</b>	<b>934,375</b>	<b>851,784</b>	<b>982,747</b>	<b>851,784</b>

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

Statement of Financial Position as at 30 June 2021 (continued)

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget <sup>1</sup> 2021 \$000	Consolidated Actual 2020 \$000	Parent Actual 2021 \$000	Parent Actual 2020 \$000
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Payables	28	32,516	32,693	49,618	32,516	49,618
Contract liabilities	29	4,952	3,340	3,340	4,952	3,340
Borrowings	30	539	586	605	539	605
Provisions	31	118,341	112,314	106,444	118,341	106,444
<b>Total current liabilities</b>		<b>156,348</b>	<b>148,933</b>	<b>160,007</b>	<b>156,348</b>	<b>160,007</b>
<b>Non-current liabilities</b>						
Borrowings	30	1,536	1,875	1,942	1,536	1,942
Provisions	31	2,192	2,167	1,554	2,192	1,554
<b>Total non-current liabilities</b>		<b>3,728</b>	<b>4,042</b>	<b>3,496</b>	<b>3,728</b>	<b>3,496</b>
<b>Total liabilities</b>		<b>160,076</b>	<b>152,975</b>	<b>163,503</b>	<b>160,076</b>	<b>163,503</b>
<b>Net assets</b>		<b>822,671</b>	<b>781,400</b>	<b>688,281</b>	<b>822,671</b>	<b>688,281</b>
<b>EQUITY</b>						
Reserves		358,257	344,991	344,990	358,257	344,990
Accumulated funds		464,414	436,409	343,291	464,414	343,291
<b>Total Equity</b>		<b>822,671</b>	<b>781,400</b>	<b>688,281</b>	<b>822,671</b>	<b>688,281</b>

<sup>1</sup> Unaudited adjusted budget, see Note 37.

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 2021

## PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
<b>Balance at 1 July 2020</b>		<b>343,291</b>	<b>344,990</b>	<b>688,281</b>
<b>Net result for the year</b>		<b>117,260</b>	<b>-</b>	<b>117,260</b>
<b>Other comprehensive income:</b>				
Net change in revaluation surplus of property, plant and equipment	23	-	17,127	17,127
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		3,860	(3,860)	-
<b>Total other comprehensive income</b>		<b>3,860</b>	<b>13,267</b>	<b>17,127</b>
<b>Total comprehensive income for the year</b>		<b>121,120</b>	<b>13,267</b>	<b>134,387</b>
<b>Transactions with owners in their capacity as owners</b>				
Increase / (decrease) in net assets from equity transfers	38	3	-	3
<b>Balance at 30 June 2021</b>		<b>464,414</b>	<b>358,257</b>	<b>822,671</b>

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
<b>Balance at 1 July 2019</b>		<b>299,614</b>	<b>349,531</b>	<b>649,145</b>
Changes in accounting policy - initial application of AASB 16		4,541	(4,541)	-
<b>Balance at 1 July 2019</b>		<b>304,155</b>	<b>344,990</b>	<b>649,145</b>
<b>Net result for the year</b>		<b>39,136</b>	<b>-</b>	<b>39,136</b>
<b>Total Comprehensive Income for the Year</b>		<b>39,136</b>	<b>-</b>	<b>39,136</b>
<b>Balance at 30 June 2020</b>		<b>343,291</b>	<b>344,990</b>	<b>688,281</b>

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 2021

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget <sup>1</sup> 2021 \$000	Consolidated Actual 2020 \$000	Parent Actual 2021 \$000	Parent Actual 2020 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee related		(643,944)	(614,563)	(593,212)	-	-
Suppliers for goods and services		(302,946)	(313,118)	(301,333)	(302,946)	(301,333)
Grants and subsidies		(4,639)	(4,030)	(6,258)	(4,639)	(6,258)
Finance costs		(43)	(26)	(43)	(43)	(43)
Personnel services		-	-	-	(643,944)	(593,212)
<b>Total payments</b>		<b>(951,572)</b>	<b>(931,737)</b>	<b>(900,846)</b>	<b>(951,572)</b>	<b>(900,846)</b>
<b>Receipts</b>						
NSW Ministry of Health recurrent allocations		758,744	714,836	677,055	758,744	677,055
NSW Ministry of Health capital allocations		115,236	118,685	80,799	115,236	80,799
Reimbursements from the Crown <sup>2</sup>		6,755	6,755	7,708	6,755	7,708
Sale of goods and services		117,825	120,508	126,656	117,825	126,656
Interest received		787	310	1,584	787	1,584
Grants and other contributions		74,042	59,912	57,935	74,042	57,935
Other		26,597	34,744	25,214	26,597	25,214
<b>Total receipts</b>		<b>1,099,986</b>	<b>1,055,750</b>	<b>976,951</b>	<b>1,099,986</b>	<b>976,951</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	35	<b>148,414</b>	<b>124,013</b>	<b>76,105</b>	<b>148,414</b>	<b>76,105</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from sale of property, plant and equipment		141	-	181	141	181
Proceeds from sale of financial assets		17,000	-	-	17,000	-
Purchases of property, plant and equipment and intangibles		(84,027)	(132,304)	(90,565)	(84,027)	(90,565)
Purchases of financial assets		(11,642)	-	(1,216)	(11,642)	(1,216)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(78,528)</b>	<b>(132,304)</b>	<b>(91,600)</b>	<b>(78,528)</b>	<b>(91,600)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Proceeds from borrowings and advances		-	(5,000)	-	-	-
Payment of principal portion of lease liabilities		(605)	(294)	(364)	(605)	(364)
Payment for leases made at or before commencement date		(45,709)	-	-	(45,709)	-
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(46,314)</b>	<b>(5,294)</b>	<b>(364)</b>	<b>(46,314)</b>	<b>(364)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
		23,572	(13,585)	(15,859)	23,572	(15,859)
Opening cash and cash equivalents	18	19,344	19,344	35,203	19,344	35,203
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	18	<b>42,916</b>	<b>5,759</b>	<b>19,344</b>	<b>42,916</b>	<b>19,344</b>

<sup>1</sup> Unaudited adjusted budget, see Note 37.

<sup>2</sup> Crown represents "The Crown in right of the State of New South Wales"

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 2021

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### 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) and it has no cash generating units.

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) 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 2021 have been authorised for issue by the Chief Executive on 30 September 2021.

# 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 2021

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### 1. Statement of Significant Accounting Policies

#### 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);
- \* applicable requirements of the *Government Sector Finance Act 2018* ('the Act'); and
- \* Treasurer's Directions issued under the Act.

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

The Secretary of NSW Health, the Chair of the Network Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. 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 can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the NSW Ministry of Health.

Following Novel Coronavirus (COVID-19) pandemic in late February 2020 the Network has received an additional \$40.74 million (2020 \$18.36 million) through NSW Ministry of Health allocations as financial support for COVID-19 activity, see Note 10

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 developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the Network.

Property, plant and equipment and certain financial assets and liabilities are measured using the fair value basis. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

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

All amounts are rounded to the nearest one thousand dollars (unless otherwise stated) 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.

#### 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.

# 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 2021

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### 1. Statement of Significant Accounting Policies

#### 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 2020-21

The accounting policies applied in 2020-21 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:

- \* Network applied AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.
- \* Several other amendments and interpretations apply for the first time in 2020-21, but do not have an impact on the financial statements of Network.

##### **AASB 1059 Service Concession Arrangements: Grantors (AASB 1059)**

AASB 1059 is effective for the Network from 1 July 2020. At the same time NSW Treasury Policy and Guideline Paper TPP 06-8: Accounting for Privately Financed Projects (TPP 06-8) was withdrawn effective from 1 July 2020.

Service Concession Arrangements are contracts between an operator and a grantor, where the operator provides public services related to a service concession asset on behalf of the grantor for a specified period of time and manages at least some of those services.

Where AASB 1059 applies, the grantor recognises the service concession asset when the grantor obtains control of the asset and measures the service concession asset at current replacement cost. At the same time the grantor recognises a corresponding financial liability or unearned revenue liability or a combination of both.

The Network has adopted the modified retrospective approach permitted under AASB 1059 by recognising and measuring service concession assets and related liabilities at the date of initial application of 1 July 2019, with any net adjustments to the amounts of assets and liabilities recognised in accumulated funds at that date.

The adoption of AASB 1059 and the withdrawal of TPP 06-8 did not have an impact on the financial statements of Network.

##### (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 Network, has assessed the potential impact of the new standards and interpretations issued but not yet effective and have determined they are unlikely to have a material impact on the financial statements of the Network.

#### g) Impact of COVID-19 on Financial Reporting for 2020-21

The COVID-19 pandemic has resulted in significant changes in the Network activity and in the way the services are being delivered. The pandemic has also impacted financial reporting in 2020-21 and increased disclosures are presented in the following notes:

- \* Note 1b) Basis of preparation
- \* Note 10 NSW Ministry of Health allocations
- \* Note 19 Receivables
- \* Note 21 Inventories
- \* Note 26 Fair value measurement of non-financial 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 2021

### 2. Employee related expenses

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Salaries and wages (including annual leave and allocated days off)	572,356	547,507	-	-
Superannuation - defined benefit plans	2,289	3,014	-	-
Superannuation - defined contribution plans	51,171	48,571	-	-
Long service leave	3,420	26,882	-	-
Redundancies	978	-	-	-
Workers' compensation insurance	3,137	3,907	-	-
Fringe benefits tax	2	7	-	-
	<b>633,353</b>	<b>629,888</b>	<b>-</b>	<b>-</b>

Employee related costs of \$1.21 million (2020: \$1.11 million) have been capitalised in property, plant and equipment and intangible assets and are therefore excluded from the above.

### 3. Personnel services

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Salaries and wages (including annual leave and allocated days off)	-	-	572,356	547,507
Superannuation - defined contribution plans	-	-	51,171	48,571
Long service leave	-	-	4,766	1,775
Redundancies	-	-	978	-
Workers' compensation insurance	-	-	3,137	3,907
Fringe benefits tax	-	-	2	7
	<b>-</b>	<b>-</b>	<b>632,410</b>	<b>601,767</b>

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 \$1.21 million (2020: \$1.11 million) 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 \$21.6 million (2020: \$18.75 million) 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 2021

### 5. Other expenses

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Advertising	102	62	102	62
Auditor's remuneration - audit of financial statements	225	196	225	196
Blood and blood products	9,007	10,782	9,007	10,782
Consultancies	360	420	360	420
Contractors	6,696	2,708	6,696	2,708
Domestic supplies and services	5,394	5,285	5,394	5,285
Drug supplies	75,992	74,708	75,992	74,708
Food supplies	7,771	8,068	7,771	8,068
Fuel, light and power	4,152	4,350	4,152	4,350
Patient transport costs	7,636	7,036	7,636	7,036
Information management expenses	15,058	13,645	15,058	13,645
Insurance	832	475	832	475
Maintenance (see Note 5 (b))	22,346	21,042	22,346	21,042
Medical and surgical supplies	41,547	35,213	41,547	35,213
Motor vehicle expenses	411	449	411	449
Postal and telephone costs	2,508	2,251	2,508	2,251
Printing and stationery	1,560	1,850	1,560	1,850
Rates and charges	776	857	776	857
Hosted services purchased from entities controlled by the immediate parent	22	587	22	587
Specialised services (dental, radiology, pathology and allied health)	30,563	25,254	30,563	25,254
Staff related costs	4,355	5,615	4,355	5,615
Travel related costs	280	4,132	280	4,132
Other (see Note 5 (a))	13,247	11,640	13,247	11,640
	<b>250,840</b>	<b>236,625</b>	<b>250,840</b>	<b>236,625</b>

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 2021

### 5. Other expenses (continued)

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>(a) Other</b>				
Contract for patient services	104	128	104	128
Corporate support services	2,884	2,673	2,884	2,673
Courier and freight	569	610	569	610
Legal services	357	378	357	378
Membership/professional fees	1,065	845	1,065	845
Quality assurance / accreditation	162	291	162	291
Security services	386	343	386	343
Expenses relating to short-term leases	352	359	352	359
Expenses relating to leases of low-value assets	1,253	1,353	1,253	1,353
Other management services	1,760	1,596	1,760	1,596
Intrahealth other expenses	1,032	954	1,032	954
Fundraising expenses	53	176	53	176
G&S Other	716	253	716	253
Translator Services	351	299	351	299
Human Resource Services	347	86	347	86
Data Records & Storage	385	538	385	538
Other miscellaneous	1,471	758	1,471	758
	<b>13,247</b>	<b>11,640</b>	<b>13,247</b>	<b>11,640</b>
<b>(b) Reconciliation of total maintenance</b>				
Maintenance contracts	6,340	6,553	6,340	6,553
New / replacement equipment under \$10,000	9,480	6,827	9,480	6,827
Repairs maintenance / non contract	4,501	5,914	4,501	5,914
Other	2,025	1,748	2,025	1,748
Maintenance expense - contracted labour and other (non-employee related) in Note 5	<b>22,346</b>	<b>21,042</b>	<b>22,346</b>	<b>21,042</b>
Employee related/personnel services maintenance expense included in Notes 2 and 3.	594	147	594	147
	<b>22,940</b>	<b>21,189</b>	<b>22,940</b>	<b>21,189</b>

# 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 2021

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### 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 Insurance for NSW, a controlled entity of the ultimate parent.

##### **Lease expense**

The Network recognises the lease payments associated with the following types of leases as an expense on a straight-line

- 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 2021

### 6. Depreciation and amortisation

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Depreciation - buildings	20,463	20,114	20,463	20,114
Depreciation - plant and equipment	11,752	10,694	11,752	10,694
Depreciation - infrastructure systems	1,994	1,948	1,994	1,948
Depreciation - right-of-use land and buildings	1,223	536	1,223	536
Depreciation - right-of-use plant and equipment	283	241	283	241
Amortisation - intangible assets	3,004	2,819	3,004	2,819
	<b>38,719</b>	<b>36,352</b>	<b>38,719</b>	<b>36,352</b>

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 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Non-government organisations	672	664	672	664
Grants to research organisations	1,973	2,324	1,973	2,324
Grants paid to entities controlled by the ultimate parent	-	251	-	251
Grants paid to entities controlled by the immediate parent	1,242	1,278	1,242	1,278
Other grants	241	1,058	241	1,058
	<b>4,128</b>	<b>5,575</b>	<b>4,128</b>	<b>5,575</b>

#### 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 2021

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### 8. Finance costs

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Interest expense from lease liabilities	43	44	43	44
	<b>43</b>	<b>44</b>	<b>43</b>	<b>44</b>

#### 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 2021

### 9. Revenue

#### Recognition and Measurement

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. Comments regarding the accounting policies for the recognition of income are discussed below.

Under the GSF Act 2018, the Network's own source revenue (which includes but is not limited to receipts from operating activities and proceeds from the sale of property, plant and equipment) meets the definition of deemed appropriation money under the GSF Act.

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.

#### Movement of Section 4.7 GSF Act - Deemed Appropriations

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Opening balance	19,344	-	19,344	-
Add: Appropriations deemed on 1 July 2019	-	35,203	-	35,203
Add: additions of deemed appropriations	243,148	219,279	243,148	219,279
Less: expenditure charged against deemed appropriations	219,576	235,138	219,576	235,138
	<b>42,916</b>	<b>19,344</b>	<b>42,916</b>	<b>19,344</b>

#### Notes

<sup>1</sup> 'Expenditure' refers to cash payments. The term 'expenditure' has been used for payments for consistency with AASB 1058 Income of Not-for-Profit Entities.

<sup>2</sup> Deemed appropriations is a legal concept under the GSF Act, that does not have a corresponding financial statement line item. Instead, deemed appropriations may come from various sources, such as sale of goods and services, and the corresponding revenue is disclosed in the relevant sections of these items in the financial statements.

### 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 \$39.81 million (2020: \$18.36 million) and NSW Ministry of Health capital allocations of \$0.93 million (2020: \$NIL) to cover costs incurred for the 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 2021

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

#### (a) Sale of goods comprise the following:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Sale and recovery of pharmaceutical supplies	47,076	48,125	47,076	48,125
Sale of prostheses	1,947	2,331	1,947	2,331
Other	380	227	380	227
	<b>49,403</b>	<b>50,683</b>	<b>49,403</b>	<b>50,683</b>

#### (b) Rendering of services comprise the following:

##### **Patients**

##### Patient Fees:

- Inpatient fees	23,341	27,256	23,341	27,256
- Non inpatient fees	430	420	430	420
Motor Accident Authority third party	3,907	4,123	3,907	4,123
Patient transport fees	9,509	7,378	9,509	7,378

##### **Staff**

Private use of motor vehicles	42	51	42	51
Salary packaging fee	243	236	243	236
Meals and accommodation	131	219	131	219
Child care fees	986	916	986	916

##### **General community**

Cafeteria / kiosk	-	13	-	13
Car parking	2,336	3,867	2,336	3,867
Clinical services (excluding clinical drug trials)	5	323	5	323
Commercial activities	4,487	4,294	4,487	4,294
Fees for conferences and training	3,764	3,496	3,764	3,496
Fees for medical records	42	42	42	42
Information retrieval	-	1	-	1

##### **Non-NSW Health entities**

Services to other organisations	582	514	582	514
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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	2,851	1,578	2,851	1,578
Infrastructure fees - monthly facility charge	13,692	15,269	13,692	15,269
Other	568	692	568	692

	<b>66,916</b>	<b>70,689</b>	<b>66,916</b>	<b>70,689</b>
	<b>116,319</b>	<b>121,372</b>	<b>116,319</b>	<b>121,372</b>

# 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 2021

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

#### Recognition and Measurement (continued)

##### Sale of goods

Revenue from the sale of goods is recognised when the Network satisfies a performance obligation by transferring the promised goods.

<b>Type of good</b>	<b>Nature of timing of satisfaction of performance obligations, including significant payment terms</b>	<b>Revenue recognition policies</b>
Sale and recovery of pharmaceutical supplies	The performance obligation of transferring pharmaceutical products is typically satisfied at the point in time when the products are dispensed to customers, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, 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.
Sale of prostheses	Relates to revenue generated for surgically implanted prostheses and medical devices. The performance obligation of transferring these products is typically satisfied at the point in time when the products are implanted in the body of the patient, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, 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.
Other	Relates to sale of various products including the sale of low value medical equipment, schedule 3 medical equipment, sale of publications, old wares and refuse and other general goods. The performance obligation of transferring these products is typically satisfied at the point in time when the products are purchased by the customer and takes delivery, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, 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.

# 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 2021

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

#### Recognition and Measurement (continued)

##### Rendering of services

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

Type of service	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Patient services - Inpatient fees, Nursing home fees, Non inpatient fees, Department of Veterans' Affairs, Motor Accident Authority third party	The performance obligations in relation to patient services are typically satisfied as the health services are delivered to the chargeable inpatients and non-inpatients. Public patients are not charged for health services provided at public hospitals. Chargeable patients, including Medicare ineligible patients, privately insured patients, eligible veterans, compensable patients are billed for health services provided under various contractual arrangements. Billings are typically done upon patient discharge and is based on the rates specified by the NSW Ministry of Health. The payments are typically due within 30 days after the invoice date.	Revenue is recognised on an accrual basis when the service has been provided to the patient. In limited circumstances the price is not fully recovered, e.g. due to inadequate insurance policies, overseas patients returning to their home country before paying, etc. The likelihood of their occurrences is considered on a case by case basis. In most instances revenue is initially recognised at full amounts and subsequently adjusted when more information is provided. No element of financing is deemed present as majority of the services are made with a short credit term.
Non-Patient services provided to staff, General community, Non-NSW Health entities and Entities controlled by the immediate parent	Various non-patient related services are provided to the members of staff, general community, non-NSW health entities and entities controlled by the immediate parent. The performance obligations for these services are typically satisfied by transferring the promised services to its respective customers. The payments are typically due within 30 days after the invoice date.	Revenue is recognised when promised services are delivered. No element of financing is deemed present as the services are made with a short credit 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 2021

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

#### Recognition and Measurement (continued)

#### Rendering of services (continued)

<b>Type of service</b>	<b>Nature of timing of satisfaction of performance obligations, including significant payment terms</b>	<b>Revenue recognition policies</b>
Infrastructure fees	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. The performance obligations for these services are typically satisfied when the hospital facilities are made available and used by the doctors and staff specialists. The payments are typically due when monies are collected from patient billings for services provided under the arrangement.	Revenue is recognised when promised services are delivered. No element of financing is deemed present as the services are made with a short credit term.

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 2021

### 12. Investment revenue

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Interest income from financial assets at amortised cost	99	241	99	241
Net gain / (loss) from TCorpIM Funds measured at fair value through profit or loss	6,155	1,385	6,155	1,385
Royalties	3	4	3	4
	<b>6,257</b>	<b>1,630</b>	<b>6,257</b>	<b>1,630</b>

#### 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*

Royalties are usually recognised when the underlying performance obligation is satisfied. It is recognised at the estimated amount if the consideration is variable.

# 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 2021

### 13. Grants and other contributions

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Other grants with sufficiently specific performance obligations</b>				
Cancer Institute grants received from an entity controlled by the immediate parent	413	369	413	369
Clinical trials and research grants	8,039	5,709	8,039	5,709
Commonwealth government grants other	9,417	8,183	9,417	8,183
Grants from entities controlled by the ultimate parent	225	262	225	262
Other grants from entities controlled by the immediate parent	27	709	27	709
Other grants	1,027	1,365	1,027	1,365
<b>Grants without specific performance obligations</b>				
Clinicals trial and research grants	6,407	8,622	6,407	8,622
Commonwealth government grants other	(25)	8	(25)	8
Grants from entities controlled by the ultimate parent	5	-	5	-
Other grants from entities controlled by the immediate parent	939	904	939	904
Other grants *	38,486	26,031	38,486	26,031
Donations	1,408	1,569	1,408	1,569
	<b>66,368</b>	<b>53,731</b>	<b>66,368</b>	<b>53,731</b>

\* Other grants include grants from the Sydney Children's Hospitals Foundation of \$37.1 million (2020: \$24.5 million)

### Recognition and Measurement

#### Grants and other contributions

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 are 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).

# 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 2021

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### 13. Grants and other contributions

#### *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 2021

### 14. Acceptance by The Crown in right of the State of New South Wales (Crown) of employee benefits

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Superannuation - defined benefit plans	2,289	3,014	-	-
Long service leave provision	(1,346)	25,107	-	-
	<b>943</b>	<b>28,121</b>	<b>-</b>	<b>-</b>

### 15. Other income

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Other income comprises the following:				
Commissions	118	82	118	82
Discounts	6	8	6	8
Insurance refunds	-	86	-	86
Rental income				
- other rental income	556	657	556	657
Sponsorship	7	76	7	76
Other	4,840	3,506	4,840	3,506
	<b>5,527</b>	<b>4,415</b>	<b>5,527</b>	<b>4,415</b>

### 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.

# 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 2021

### 16. Gains / (losses) on disposal

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Gains / (losses) on disposals of:</b>				
<b>Property, plant and equipment</b>				
Written down value of assets disposed	3,235	426	3,235	426
Less: proceeds from disposal	141	181	141	181
<b>Net gains / (losses) on disposal</b>	<b>(3,094)</b>	<b>(245)</b>	<b>(3,094)</b>	<b>(245)</b>
<b>Right-of-use assets</b>				
Written down value of assets disposed	2	-	2	-
Less: lease liabilities extinguished	2	-	2	-
<b>Net gains / (losses) on disposal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial assets</b>	17,000	-	17,000	-
Less: proceeds from disposal	17,000	-	17,000	-
<b>Net gains / (losses) on disposal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total gains / (losses) on disposal</b>	<b>(3,094)</b>	<b>(245)</b>	<b>(3,094)</b>	<b>(245)</b>

### Recognition and Measurement

#### *Impairment losses on non-financial assets*

Impairment losses may arise on non-financial assets held by the entity from time to time. Accounting for impairment losses is dependent upon the individual asset (or group of assets) subject to impairment. Accounting Policies and events giving rise to impairment losses are disclosed in the following notes:

- Note 19 Receivables
- Note 20 Contract assets
- Note 23 Property, plant and equipment
- Note 24 Leases
- Note 25 Intangible assets

### 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 2021

### 18. Cash and cash equivalents

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Cash at bank and on hand	25,370	7,845	25,370	7,845
Short-term deposits	17,546	11,499	17,546	11,499
	<b>42,916</b>	<b>19,344</b>	<b>42,916</b>	<b>19,344</b>

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)	42,916	19,344	42,916	19,344
	<b>42,916</b>	<b>19,344</b>	<b>42,916</b>	<b>19,344</b>

Refer to Note 40 for details regarding credit 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 2021

### 19. Receivables

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Trade receivables from contracts with customers	14,415	12,554	14,415	12,554
Intra health receivables	4,330	4,078	4,330	4,078
Goods and Services Tax	2,888	3,146	2,888	3,146
Other receivables	1,127	645	1,127	645
<b>Sub total</b>	<b>22,760</b>	<b>20,423</b>	<b>22,760</b>	<b>20,423</b>
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(208)	(208)	(208)	(208)
<b>Sub total</b>	<b>22,552</b>	<b>20,215</b>	<b>22,552</b>	<b>20,215</b>
Prepayments	1,971	1,730	1,971	1,730
	<b>24,523</b>	<b>21,945</b>	<b>24,523</b>	<b>21,945</b>

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Trade receivables from contracts with customers</b>				
Balance at the beginning of the year	(208)	(151)	(208)	(151)
Amounts written off during the year	386	388	386	388
(Increase) / decrease in allowance recognised in the net result <sup>1</sup>	(386)	(445)	(386)	(445)
<b>Balance at the end of the year</b>	<b>(208)</b>	<b>(208)</b>	<b>(208)</b>	<b>(208)</b>
<b>Other receivables</b>				
Balance at the beginning of the year	-	-	-	-
Amounts written off during the year	(30)	59	(30)	59
(Increase) / decrease in allowance recognised in the net result	30	(59)	30	(59)
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>(208)</b>	<b>(208)</b>	<b>(208)</b>	<b>(208)</b>

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Non-current</b>				
Prepayments	2	-	2	-
	<b>2</b>	<b>-</b>	<b>2</b>	<b>-</b>
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Includes total impairment loss of \$0.39 million (2020: \$0.45 million) 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 2021

### 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 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Patient fees - compensable	29	75	29	75
Patient fees - ineligible	3,116	3,229	3,116	3,229
Patient fees - inpatient & other	2,847	2,308	2,847	2,308
	<b>5,992</b>	<b>5,612</b>	<b>5,992</b>	<b>5,612</b>

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 40.

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Contract receivables (included in Note 19)	18,745	16,632	18,745	16,632
<b>Total contract receivables</b>	<b>18,745</b>	<b>16,632</b>	<b>18,745</b>	<b>16,632</b>

### 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

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.

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.

# 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 2021

### 20. Contract assets

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Contract assets	-	170	-	170
	<b>-</b>	<b>170</b>	<b>-</b>	<b>170</b>

#### 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.

The contract asset balance has significantly increased during the year due to the timing of the rights to invoice and the obligations met.

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Contract receivables (included in Note 19)	18,745	16,632	18,745	16,632
	<b>18,745</b>	<b>16,632</b>	<b>18,745</b>	<b>16,632</b>

# 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 2021

### 21. Inventories

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Drug supplies	2,216	2,544	2,216	2,544
Medical and surgical supplies	4,853	5,312	4,853	5,312
Engineering supplies	222	237	222	237
Other including goods in transit	996	976	996	976
	<b>8,287</b>	<b>9,069</b>	<b>8,287</b>	<b>9,069</b>

#### 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 or any loss of operating capacity due to obsolescence. 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.

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 2021

### 22. Financial assets at fair value

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
TCorpIM Funds Investment Facilities	86,259	86,268	86,259	86,268
	<b>86,259</b>	<b>86,268</b>	<b>86,259</b>	<b>86,268</b>
<b>Non-current</b>				
TCorpIM Funds Investment Facilities	32,122	32,005	32,122	32,005
	<b>32,122</b>	<b>32,005</b>	<b>32,122</b>	<b>32,005</b>

Refer to Note 40 for further information regarding fair value measurement, credit 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 at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value under AASB 9.

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 2021

## 23. Property, plant and equipment

### (a) Total property, plant and equipment

#### PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2019 - fair value</b>				
Gross carrying amount	890,295	141,670	78,628	1,110,593
Less: accumulated depreciation and impairment	382,514	86,140	41,638	510,292
<b>Net carrying amount</b>	<b>507,781</b>	<b>55,530</b>	<b>36,990</b>	<b>600,301</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2020</b>				
Net carrying amount at beginning of year	511,544	55,530	36,990	604,064
De-recognition of finance lease assets on initial application of AASB 16	(3,763)	-	-	(3,763)
<b>Adjusted net carrying amount at beginning of year</b>	<b>507,781</b>	<b>55,530</b>	<b>36,990</b>	<b>600,301</b>
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)	-
<b>Net carrying amount at end of year</b>	<b>556,734</b>	<b>64,472</b>	<b>34,412</b>	<b>655,618</b>

<sup>1</sup> 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.

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 2021

### 23. Property, plant and equipment (continued)

#### (a) Total property, plant and equipment (continued)

##### PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2020 - fair value</b>				
Gross carrying amount	959,927	151,223	77,432	1,188,582
Less: accumulated depreciation and impairment	403,193	86,751	43,020	532,964
<b>Net carrying amount</b>	<b>556,734</b>	<b>64,472</b>	<b>34,412</b>	<b>655,618</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2021</b>				
Net carrying amount at beginning of year	556,734	64,472	34,412	655,618
Additions	65,214	19,060	-	84,274
Reclassification to intangibles	-	(39)	-	(39)
Reclassification to right-of-use assets <sup>2</sup>	(76,019)	-	-	(76,019)
Disposals	(3,161)	(74)	-	(3,235)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	26	-	26
Net revaluation increments less revaluation decrements	15,123	3	2,001	17,127
Depreciation expense	(20,463)	(11,752)	(1,994)	(34,209)
Reclassifications	4,343	(4,343)	-	-
<b>Net carrying amount at end of year</b>	<b>541,771</b>	<b>67,353</b>	<b>34,419</b>	<b>643,543</b>

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 30 June 2021 - fair value</b>				
Gross carrying amount	986,232	162,284	82,067	1,230,583
Less: accumulated depreciation and impairment	444,461	94,931	47,648	587,040
<b>Net carrying amount</b>	<b>541,771</b>	<b>67,353</b>	<b>34,419</b>	<b>643,543</b>

<sup>1</sup> 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.

<sup>2</sup> Refer to Note 24 for further details.

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 2021

### 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
<b>At 1 July 2019 - fair value</b>				
Gross carrying amount	885,134	141,670	78,628	1,105,432
Less: accumulated depreciation and impairment	379,869	86,140	41,638	507,647
<b>Net carrying amount</b>	<b>505,265</b>	<b>55,530</b>	<b>36,990</b>	<b>597,785</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2020</b>				
Net carrying amount at beginning of year	509,028	55,530	36,990	601,548
De-recognition of finance lease assets on initial application of AASB 16	(3,763)	-	-	(3,763)
<b>Adjusted net carrying amount at beginning of year</b>	<b>505,265</b>	<b>55,530</b>	<b>36,990</b>	<b>597,785</b>
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)	-
<b>Net carrying amount at end of year</b>	<b>554,347</b>	<b>64,472</b>	<b>34,412</b>	<b>653,231</b>

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 2021

### 23. Property, plant and equipment (continued)

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

##### PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2020 - fair value</b>				
Gross carrying amount	954,766	151,223	77,432	1,183,421
Less: accumulated depreciation and impairment	400,419	86,751	43,020	530,190
<b>Net carrying amount</b>	<b>554,347</b>	<b>64,472</b>	<b>34,412</b>	<b>653,231</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2021</b>				
Net carrying amount at beginning of year	554,347	64,472	34,412	653,231
Additions	65,214	19,060	-	84,274
Reclassification to intangibles	-	(39)	-	(39)
Reclassification to right-of-use assets	(76,019)	-	-	(76,019)
Disposals	(3,161)	(74)	-	(3,235)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	26	-	26
Net revaluation increments less revaluation decrements	14,984	3	2,001	16,988
Depreciation expense	(20,330)	(11,752)	(1,994)	(34,076)
Reclassifications	4,343	(4,343)	-	-
<b>Net carrying amount at end of year</b>	<b>539,378</b>	<b>67,353</b>	<b>34,419</b>	<b>641,150</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>At 30 June 2021 - fair value</b>				
Gross carrying amount	980,762	162,284	82,067	1,225,113
Less: accumulated depreciation and impairment	441,384	94,931	47,648	583,963
<b>Net carrying amount</b>	<b>539,378</b>	<b>67,353</b>	<b>34,419</b>	<b>641,150</b>

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 2021

## 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 <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2019 - fair value</b>				
Gross carrying amount	5,161	-	-	5,161
Less: accumulated depreciation and impairment	2,645	-	-	2,645
<b>Net carrying amount</b>	<b>2,516</b>	<b>-</b>	<b>-</b>	<b>2,516</b>
	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2020</b>				
Net carrying amount at beginning of year	2,516	-	-	2,516
Depreciation expense	(129)	-	-	(129)
<b>Net carrying amount at end of year</b>	<b>2,387</b>	<b>-</b>	<b>-</b>	<b>2,387</b>

# 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 2021

## 23. Property, plant and equipment (continued)

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

#### PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment' \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2020 - fair value</b>				
Gross carrying amount	5,161	-	-	5,161
Less: accumulated depreciation and impairment	2,774	-	-	2,774
<b>Net carrying amount</b>	<b>2,387</b>	<b>-</b>	<b>-</b>	<b>2,387</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2021</b>				
Net carrying amount at beginning of year	2,387	-	-	2,387
Net revaluation increments less revaluation decrements	139	-	-	139
Depreciation expense	(133)	-	-	(133)
<b>Net carrying amount at end of year</b>	<b>2,393</b>	<b>-</b>	<b>-</b>	<b>2,393</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>At 30 June 2021 - fair value</b>				
Gross carrying amount	5,470	-	-	5,470
Less: accumulated depreciation and impairment	3,077	-	-	3,077
<b>Net carrying amount</b>	<b>2,393</b>	<b>-</b>	<b>-</b>	<b>2,393</b>

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 2021

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### 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 Infrastructure, 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 Infrastructure receives NSW Ministry of Health Capital Allocations and grants on behalf of the Network and makes payments to contractors and suppliers. Health Infrastructure 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 38).

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 2021

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### 23. Property, plant and equipment (continued)

#### ***Depreciation of property, plant and equipment***

Except for certain non-depreciable assets, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Network.

All material identifiable components of assets are depreciated separately over their useful life.

Land is not a depreciable asset. Certain heritage assets including original artworks and collections and heritage buildings may not have a limited useful life because appropriate curatorial and preservation policies are adopted. Such assets are not subject to depreciation. The decision not to recognise depreciation for these assets is reviewed annually.

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

	<b>Useful lives</b>
Buildings	40 years
Buildings - leasehold improvements	3-40 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.

#### ***Right-of-use assets acquired by lessees***

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.

Further information on leases 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 2021

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

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

The last comprehensive revaluation was completed on 31 December 2020 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. The Network uses an independent professionally qualified valuer for such interim revaluations.

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 2021 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)

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 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.

# 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 2021

### 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 40 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.

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.

#### PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2020	5,081	914	5,995
Additions	45,747	157	45,904
Reassessments	(3)	16	13
Disposals	-	(2)	(2)
Depreciation expense	(1,223)	(283)	(1,506)
Equity transfers - transfers In / (out)	(12)	(58)	(70)
Other reclassifications from property, plant and equipment	76,019	-	76,019
<b>Balance at 30 June 2021</b>	<b>125,609</b>	<b>744</b>	<b>126,353</b>

During the year the Network entered into a 40 year license agreement to lease some floor spaces in the Central Acute Services Building (CASB) from Western Sydney Local Health District (WSLHD), an entity controlled by the immediate parent. The license agreement established that SCHN has exclusive right to use, but not own, those floor spaces. As a result, any construction costs capitalised for the CASB building by SCHN in previous years under property, plant and equipment have been reclassified to Right of Use asset and deemed as upfront lease payments to WSLHD.

# 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 2021

### PARENT AND CONSOLIDATION

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

### Lease liabilities

The following table presents liabilities under leases.

### PARENT AND CONSOLIDATION

	2021 \$000	2020 \$000
Balance at 1 July	2,547	1,968
Additions	195	835
Interest expenses	44	44
Payments	(649)	(408)
Terminations	(2)	-
Equity transfers - transfers In / (out)	(73)	-
Other adjustments	13	108
<b>Balance at 30 June</b>	<b>2,075</b>	<b>2,547</b>

The following amounts were recognised in the Statement of Comprehensive Income during the period in respect of leases where the Network is the lessee:

### PARENT AND CONSOLIDATION

	2021 \$000	2020 \$000
Depreciation expense of right-of-use assets	1,506	777
Interest expense on lease liabilities	43	44
Expenses relating to short-term leases	352	359
Expenses relating to leases of low-value assets	1,253	1,353
<b>Total amount recognised in the statement of comprehensive income</b>	<b>3,154</b>	<b>2,533</b>

The Network had total cash outflows for leases of \$2.25 million for the year ended 30 June 2021 (2020: \$2.12 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 2021

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### 24. Leases (continued)

#### (a) Entity as a lessee (continued)

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

The Network entered into a 20 years lease, with an option to extend for another 20 years, with a not-for-profit organisation for the use of a piece of their land. The contract specifies lease payments of \$1 per annum. The leased land on which a service facility is erected by the Network is used by the Network to provide palliative care services to very sick kids. The leased asset accounts for a small portion of assets the Network uses for providing its services. Therefore it does not have a significant impact on the Network's operations.

##### Recognition and Measurement

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.

##### *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:

	<b>Useful lives</b>
Buildings	1 to 40 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.

# 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 2021

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### *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 and where the Crown 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.

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.

# 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 2021

### 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 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 2021 are, as follows:

#### PARENT AND CONSOLIDATION

	2021 \$'000	2020 \$'000
Within one year	-	21
<b>Total (excluding GST)</b>	<b>-</b>	<b>21</b>

#### 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.

# 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 2021

### 25. Intangible assets

#### PARENT AND CONSOLIDATION

	Total \$000
<b>At 1 July 2019</b>	
Cost (gross carrying amount)	35,190
Less: accumulated amortisation and impairment	13,787
<b>Net carrying amount</b>	<b>21,403</b>

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

	Total \$000
<b>At 1 July 2020</b>	
Cost (gross carrying amount)	37,905
Less: accumulated amortisation and impairment	16,535
<b>Net carrying amount</b>	<b>21,370</b>

	Total \$000
<b>Year ended 30 June 2021</b>	
Net carrying amount at beginning of year	21,370
Additions - acquired separately	337
Reclassifications from plant and equipment	39
Amortisation (recognised in depreciation and amortisation)	(3,004)
<b>Net carrying amount at end of year</b>	<b>18,742</b>

# 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 2021

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### 25. Intangible assets (continued)

#### PARENT AND CONSOLIDATION

	Total \$000
<b>At 30 June 2021</b>	
Cost (gross carrying amount)	38,281
Less: accumulated amortisation and impairment	19,539
<b>Net carrying amount</b>	<b>18,742</b>

#### 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. Most computer software is acquired from eHealth NSW, 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 2021

### 26. Fair value measurement of non-financial assets

#### PARENT AND CONSOLIDATION

##### 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.

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
2021	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 23)				
- Land and buildings	-	193	456,348	456,541
- Infrastructure systems	-	-	34,419	34,419
Artworks	-	2,403	-	2,403
	-	2,596	490,767	493,363

There were no transfers between level 1 and 2 during the year ended 30 June 2021.

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
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.

# 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 2021

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### 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 2020-21 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 2020/21 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 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.
- 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.

The property market is being impacted by the 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.

# 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 2021

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

#### (c) Reconciliation of recurring Level 3 fair value measurements

##### PARENT AND CONSOLIDATION

2021	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
<b>Fair value as at 1 July 2020</b>	462,374	34,412	-	496,786
Additions	2,421	-	-	2,421
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 23)	15,123	2,001	-	17,124
Transfers to Level 2	(193)	-	-	(193)
Disposals	(3,161)	-	-	(3,161)
Depreciation expense	(20,216)	(1,994)	-	(22,210)
<b>Fair value as at 30 June 2021</b>	<b>456,348</b>	<b>34,419</b>	<b>-</b>	<b>490,767</b>

There were no transfers between level 1 or 2 during the year ended 30 June 2021.

##### PARENT AND CONSOLIDATION

2020	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
<b>Fair value as at 1 July 2019</b>	485,872	36,990	-	522,862
De-recognition of finance lease assets on initial application of AASB 16	(3,763)	-	-	(3,763)
<b>Adjusted fair value as at 1 July 2019</b>	<b>482,109</b>	<b>36,990</b>	<b>-</b>	<b>519,099</b>
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)
<b>Fair value as at 30 June 2020</b>	<b>462,374</b>	<b>34,412</b>	<b>-</b>	<b>496,786</b>

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

# 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 2021

### 27. Restricted assets

#### PARENT AND CONSOLIDATION

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 2021.

Category	1 July 2020	Revenue	Expense	2021
	Opening			Closing
	\$000	\$000	\$000	\$000
Community welfare	3,195	8,345	8,553	2,987
Facility improvements	5,800	15,193	7,045	13,948
Holds funds in perpetuity	11,034	5	-	11,039
Patient welfare	39,194	12,182	12,970	38,406
Private practice disbursements (No.2 Accounts)	12,477	3,268	1,481	14,264
Public contributions	200	342	169	373
Research	42,131	25,078	19,637	47,572
Staff welfare	29	6	-	35
Training and education including conferences	10,243	2,699	2,768	10,174
	<b>124,303</b>	<b>67,118</b>	<b>52,623</b>	<b>138,798</b>

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.

#### 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.

# 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 2021

### 28. Payables

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Accrued salaries, wages and on-costs	8,113	24,991	-	-
Salaries and wages deductions	256	186	-	-
Payroll and fringe benefits tax	-	1	-	-
Accrued liability - purchase of personnel services	-	-	8,369	25,178
Creditors	9,192	10,646	9,192	10,646
Other creditors				
- Payables to entities controlled by the immediate parent	12,011	9,925	12,011	9,925
- Other	2,944	3,869	2,944	3,869
	<b>32,516</b>	<b>49,618</b>	<b>32,516</b>	<b>49,618</b>

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

#### Recognition and Measurement

Payables represent liabilities for goods and services provided to the Network and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, 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.

# 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 2021

### 29. Contract liabilities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Contract liabilities	4,952	3,340	4,952	3,340
	<b>4,952</b>	<b>3,340</b>	<b>4,952</b>	<b>3,340</b>

#### Recognition and Measurement

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities at the 30 June 2021 was impacted by the timing of payments received for grants and other contributions. The satisfaction of the specific performance obligations within the contract had not been met at the 30 June 2021. 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 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Revenue recognised that was included in the contract liability balance at the beginning of the year	3,340	1,885	3,340	1,885
Revenue recognised from performance obligations satisfied in previous periods	714	36	714	36
Transaction price allocated to the remaining performance obligations from contracts with customers	26,108	22,925	26,108	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:

Specific revenue class	2022 \$'000	2023 \$'000	2024 \$'000	≥ 2025 \$'000
Grants and other contributions	17,080	7,364	1,544	120
	<b>17,080</b>	<b>7,364</b>	<b>1,544</b>	<b>120</b>

# 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 2021

### 30. Borrowings

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Lease liabilities (see Note 24)	539	605	539	605
	<b>539</b>	<b>605</b>	<b>539</b>	<b>605</b>
<b>Non-current</b>				
Lease liabilities (see Note 24)	1,536	1,942	1,536	1,942
	<b>1,536</b>	<b>1,942</b>	<b>1,536</b>	<b>1,942</b>

\* This relates to contractual payments made to the operator, refer to Note 23 for further details on the Network's service concession arrangements.

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

Details regarding liquidity 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 2021

### 30. Borrowings (continued)

#### Recognition and Measurement

Borrowings represents interest bearing liabilities for lease liabilities.

#### *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.

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.

#### *Financial liabilities at fair value through profit or loss*

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) has not designated any financial liability as at fair value through profit or loss.

#### Changes in liabilities arising from financing activities

#### PARENT AND CONSOLIDATION

	Leases \$000	Total liabilities from financing activities \$000
<b>1 July 2019</b>	-	-
Recognised on adoption of AASB 16	1,968	1,968
Cash flows	(364)	(364)
New leases	835	835
Lease reassessments	108	108
<b>30 June 2020</b>	<b>2,547</b>	<b>2,547</b>
<b>1 July 2020</b>	<b>2,547</b>	<b>2,547</b>
Cash flows	(605)	(605)
New leases	195	195
Lease terminations	(2)	(2)
Lease reassessments	13	13
Non-cash changes other	(73)	(73)
<b>30 June 2021</b>	<b>2,075</b>	<b>2,075</b>

# 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 2021

### 31. Provisions

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
<b>Employee benefits and related on-costs</b>				
Annual leave - obligations expected to be settled within 12 months	58,987	55,633	-	-
Annual leave - obligations expected to be settled after 12 months	35,289	31,097	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	1,245	1,205	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	19,933	15,822	-	-
Provision for other employee benefits	2,450	2,662	-	-
Provision for personnel services liability	-	-	117,904	106,419
	<b>117,904</b>	<b>106,419</b>	<b>117,904</b>	<b>106,419</b>
<b>Other Provisions</b>				
Restoration costs	-	25	-	25
Other	437	-	437	-
	<b>437</b>	<b>25</b>	<b>437</b>	<b>25</b>
<b>Total current provisions</b>	<b>118,341</b>	<b>106,444</b>	<b>118,341</b>	<b>106,444</b>
<b>Non-current</b>				
<b>Employee benefits and related on-costs</b>				
Long service leave consequential on-costs	2,095	1,481	-	-
Provision for personnel services liability	-	-	2,095	1,481
	<b>2,095</b>	<b>1,481</b>	<b>2,095</b>	<b>1,481</b>
<b>Other Provisions</b>				
Restoration costs	97	73	97	73
	<b>97</b>	<b>73</b>	<b>97</b>	<b>73</b>
<b>Total non-current provisions</b>	<b>2,192</b>	<b>1,554</b>	<b>2,192</b>	<b>1,554</b>
<b>Aggregate employee benefits and related on-costs</b>				
Provisions - current	117,904	106,419	-	-
Provisions - non-current	2,095	1,481	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 28)	8,369	25,177	-	-
Liability - purchase of personnel services	-	-	128,368	133,077
	<b>128,368</b>	<b>133,077</b>	<b>128,368</b>	<b>133,077</b>

# 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 2021

### 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:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Restoration costs</b>				
Carrying amount at beginning of period	98	-	98	-
- Additional provisions recognised	-	98	-	98
- Amounts used	(1)	-	(1)	-
<b>Carrying amount at end of period</b>	<b>97</b>	<b>98</b>	<b>97</b>	<b>98</b>
<b>Other</b>				
- Additional provisions recognised	437	-	437	-
<b>Carrying amount at end of period</b>	<b>437</b>	<b>-</b>	<b>437</b>	<b>-</b>

#### 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 19.4% are applied to the value of leave payable at 30 June 2021 (comparable on-costs for 30 June 2020 were 17.8%). 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.

# 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 2021

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### 31. Provisions (continued)

#### Recognition and Measurement (continued)

##### *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 in right of the State of New South Wales. 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 of employee benefits'.

Specific on-costs relating to long service leave assumed by The Crown in right of the State of New South Wales are borne by the Network.

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 Aware 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

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 2021

### 32. 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 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Within one year	25,581	13,956	25,581	13,956
Later than one year and not later than five years	11,430	32	11,430	32
Later than five years	-	-	-	-
<b>Total (including GST)</b>	<b>37,011</b>	<b>13,988</b>	<b>37,011</b>	<b>13,988</b>

#### (b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$37.01 million as at 30 June 2021 includes input tax credits of \$3.36 million that are expected to be recoverable from the Australian Taxation Office (2020 \$1.27 million).

#### Output tax payable related to commitments for revenue

The 'Operating Lease Commitments (Entity as Lessor)' of \$0.00 million as at 30 June 2021 includes taxable sales of \$NIL that are expected to be payable to the Australian Taxation Office (2020: \$0.02M).

### 33. Contingent liabilities and contingent assets

#### PARENT AND CONSOLIDATION

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

#### (a) Contingent liabilities

Liability may arise for the Network at the expiry of the remaining lease term of twenty years, out of the aggregate lease term of forty years including extension, for restoration or make good expenses relating to the piece of land that the Network holds as a lessee under a lease at significantly below market terms. 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.

#### (b) Contingent assets

The Network is not aware of any contingent assets which would have a material effect on the disclosures in 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 2021

### 34. Trust funds

#### PARENT AND CONSOLIDATION

The Network holds trust funds of \$218,000 (2020: \$165,000) 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 2020	Revenue	Expense	30 June 2021
	Opening equity			Closing equity
	\$'000	\$'000	\$'000	\$'000
Private Patient Trust Funds	-	24,284	(24,284)	-
Third Party Funds	165	53	-	218
<b>Total trust funds</b>	<b>165</b>	<b>24,337</b>	<b>(24,284)</b>	<b>218</b>

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
<b>Total trust funds</b>	<b>123</b>	<b>25,219</b>	<b>(25,177)</b>	<b>165</b>

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 2021

### 35. Reconciliation of cash flows from operating activities to net result

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of Comprehensive Income as follows:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Net cash used on operating activities	148,414	76,105	148,414	76,105
Depreciation and amortisation expense	(38,719)	(36,352)	(38,719)	(36,352)
Allowance for impairment	(355)	(504)	(355)	(504)
Decrease / (increase) in provisions	(12,098)	(11,653)	(12,098)	(11,653)
Increase / (decrease) in prepayments and other assets	7,818	2,395	7,818	2,395
Increase / (decrease) in contract assets	(170)	170	(170)	170
Decrease / (increase) in payables	16,903	9,817	16,903	9,817
Decrease / (increase) in contract liabilities	(1,612)	(1,455)	(1,612)	(1,455)
Net gain / (loss) on sale of property, plant and equipment	(3,094)	(245)	(3,094)	(245)
Non-cash revenue items	-	41	-	41
Assets donated or brought to account (Note 36)	173	720	173	720
Other	-	97	-	97
<b>Net result</b>	<b>117,260</b>	<b>39,136</b>	<b>117,260</b>	<b>39,136</b>

### 36. Non-cash financing and investing activities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Assets donated or brought to account	173	720	173	720
Property, plant and equipment acquired by a lease	195	835	195	835
	<b>368</b>	<b>1,555</b>	<b>368</b>	<b>1,555</b>

# 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 2021

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### 37. Adjusted budget review

NSW Health's budget is shown at a consolidated level when presented in the 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.

#### PARENT AND CONSOLIDATION

##### Net result

The actual Net Result was higher than adjusted budget by \$24 million, primarily due to:

Higher than adjusted budget expenditure of \$26 million, offset by higher than adjusted budget revenue of \$50 million.

The variance in expenditure of \$26 million was contributed mainly by Employee related expenses of \$35 million, \$1 million in Visiting Medical Officers expenses and \$1 million relating to Grants and subsidies and Depreciation and amortisation expenses; partially offset by \$11 million lower than budget Other expenses.

The revenue variance of \$50 million was contributed mainly by \$40 million in NSW Ministry of Health allocations and \$12 million in Grants and contributions revenue and investment revenue of \$1m; this was partially offset by lower than budget Sale of goods and services revenue of \$2 million and Other revenue \$1 million.

##### Assets and liabilities

The Net Assets were higher than adjusted budget by \$41 million comprising of higher than budget total assets of \$48 million and higher than budget liabilities of \$7 million.

The variance of \$48 million in assets compared to adjusted budget was primarily on account of higher than budget Current assets of \$39 million comprising of \$37 million relating to Cash and cash equivalents and \$2 million for Receivables, and higher than budget Non-current assets of \$9 million comprising of \$14 million relating to Property, plant and equipment, Right-of-use assets and Intangible assets offset by lower than budget balance of \$5 million relating to Financial assets.

The variance of \$7 million in liabilities comprised of higher than budget provisions of \$6 million and \$1.5 million relating to higher than budget contract liabilities, offset by lower than budget payables, borrowings and other liabilities of \$0.5 million.

##### Cash flows

The balance of cash and cash equivalents was \$37 million higher than adjusted budget. This variance was contributed mainly by higher than budget net cashflows from operating activities of \$24 million and higher than budget net cash flows of \$13 million relating to investing and financing activities. The cashflows from operating activities were contributed mainly by higher cash allocations from the Ministry of \$40 million and \$14 million relating to Grants and contributions revenue compared to budget and \$10 million relating to lower than budget payments for goods and services; partially offset by \$29 million higher than budget employee related payments, \$11 million lower than budget other receipts and sale of goods and services. While the \$13 million net increase in cashflows relating to investing and financial activities was primarily because of net withdrawals from financial assets of \$5 million and \$5 million relating to repayments of borrowings against budgeted repayments and \$3 million lower than budget payments relating for purchase of property, plant and equipment and for leases.

### 37. Adjusted budget review (continued)

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 2020 are as follows:

	<b>\$000</b>
<b>Initial allocation</b>	631,430
Award increases	-
<b>Special projects:</b>	
COVID-19	38,716
Kymriah for acute lymphoblastic leukaemia	2,929
Child Wellbeing Coordinator	1,239
Nursing and Midwifery Strategy	477
Programs for Children & young people with problematic	430
Organ and Tissue Donation Funding	296
Others	182
<b>Others:</b>	
Year End Adjustment - Salaries Accrual	18,791
Critical Maintenance Program	9,998
Nationally Funded Centres Program	8,704
Newborn Bloodspot Screening	1,335
High Cost Patient Pool	1,182
Voluntary Redundancy	1,063
Anaesthetic and Radiology Positions	976
Achieving Better Health Outcomes Nurse-Driven Pilot	750
Trans and Gender Diverse	375
Workplace Culture & Safety	200
Refugee and asylum seeker	189
PSN (Service no longer hosted by SCHN)	(2,943)
Child and Family Nursing (Service transferred to SESLHD)	(1,908)
Others	425
<b>Balance as per Statement of Comprehensive Income</b>	<b>714,836</b>

# 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 2021

### 38. Equity

#### **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.

#### **Accumulated funds**

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

#### **Reserves**

Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards (e.g. revaluation surplus and foreign currency translation reserve).

#### **Equity transfers effected in the 2020/21 year were:**

- (a) As at the 30 June 2021, a number of fleet leases and property leases were transferred at \$Nil consideration to/from the Network and South Eastern Sydney Local Health District, an entity controlled by the immediate parent. All corresponding asset and liability balances were transferred across at the carrying amounts from the transferor to the transferee.

#### **Equity transfers effected in the 2019/20 year were:**

- (b) Nil

#### **Equity transfers effected comprised:**

	2021 \$000	2020 \$000
Transfer of motor vehicle fleet and property leases	(3)	-
	(3)	-

#### **Assets and Liabilities transferred are as follows:**

	2021 \$000	2020 \$000
<b>Assets</b>		
Right-of-use assets	(70)	
<b>Liabilities</b>		
Lease liabilities	73	
<b>Increase / (Decrease) in Net Assets From Equity Transfers</b>	<b>3</b>	<b>-</b>

# 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 2021

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### 38. 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 2021

### 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

##### PARENT AND CONSOLIDATION

Class	Category	Carrying	Carrying
		Amount 2021 \$000	Amount 2020 \$000
<b>Financial assets</b>			
Cash and cash equivalents (Note 18)	Amortised cost	42,916	19,344
Receivables (Note 19) <sup>1</sup>	Amortised cost	19,664	17,069
Contract assets (Note 20) <sup>3</sup>	Amortised cost	-	170
Financial assets at fair value (Note 22)	Fair value through profit or loss - mandatory classification	118,381	118,273
<b>Total financial assets</b>		<b>180,961</b>	<b>154,856</b>
<b>Financial liabilities</b>			
Borrowings (Note 30)	Financial liabilities measured at amortised cost	2,075	2,547
Payables (Note 28) <sup>2</sup>	Financial liabilities measured at amortised cost	32,516	49,617
<b>Total financial liabilities</b>		<b>34,591</b>	<b>52,164</b>

#### Notes

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

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

<sup>3</sup> 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 2021

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### 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: 0.96%) in 2020-21 compared to 0.00% (Restricted Funds Bank balance: 1.67%) in the previous year. The TCorpIM Cash Fund 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 2021

### 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 2021 and 30 June 2020 was determined as follows:

#### PARENT AND CONSOLIDATION

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2021</b>						
Expected credit loss rate	0.27%	2.68%	2.85%	4.63%	6.94%	1.34%
Estimated total gross carrying amount <sup>1</sup>	11,676	1,417	561	389	1,499	15,542
Expected credit loss	32	38	16	18	104	208
<b>30 June 2020</b>						
Expected credit loss rate	0.48%	2.14%	3.93%	2.11%	6.88%	1.56%
Estimated total gross carrying amount <sup>1</sup>	10,057	795	407	380	1,730	13,369
Expected credit loss	48	17	16	8	119	208

#### Notes

<sup>1</sup> 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.

The Network is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2021 and 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 2021 (2020: \$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 2021

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### 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's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

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. 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 2021

### 40. Financial instruments (continued)

#### (d) Financial risk (continued)

#### ii. Liquidity risk (continued)

#### PARENT AND CONSOLIDATION

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 <sup>3</sup> %	Nominal Amount <sup>1</sup> \$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
<b>2021</b>								
Payables:								
- Creditors <sup>2</sup>		32,516	-	-	32,516	32,516	-	-
Borrowings:								
- Lease liabilities	1.98%	2,154	2,154	-	-	569	1,571	14
		<b>34,670</b>	<b>2,154</b>	<b>-</b>	<b>32,516</b>	<b>33,085</b>	<b>1,571</b>	<b>14</b>
<b>2020</b>								
Payables:								
- Creditors <sup>2</sup>		49,617	-	-	49,617	49,617	-	-
Borrowings:								
- Lease liabilities	1.87%	2,565	2,565	-	-	547	1,838	180
		<b>52,182</b>	<b>2,565</b>	<b>-</b>	<b>49,617</b>	<b>50,164</b>	<b>1,838</b>	<b>180</b>

#### Notes:

<sup>1</sup> 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.

<sup>2</sup> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments: Disclosures).

<sup>3</sup> 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 2021

### 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 2020. 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:

#### **PARENT AND CONSOLIDATION**

	2021		2020	
	(\$000)		(\$000)	
	-1%	1%	-1%	1%
Net result	(1,592)	1,592	(1,351)	1,351
Equity	(1,592)	1,592	(1,351)	1,351

# 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 2021

### 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	2021 \$000	2020 \$000
TCorpIM Cash Fund	Cash and fixed income	Up to 1.5 years	17,546	11,499
TCorpIM Short Term Income Fund	Cash and fixed income	1.5 years to 3 years	86,259	86,267
TCorpIM Long-Term Growth Fund	Cash and fixed income, credit, equities, alternative assets and real assets	7 years and over	32,122	32,005

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, which is used to demonstrate the impact on the funds' net assets as a result of changes in unit price. This impact is based on a sensitivity rate of 10%, multiplied by the redemption value as at the 30 June each year for each facility (balance from TCorpIM Funds statement). Actual movements in the price risk variables may differ to the sensitivity rates used due to a number of factors. TCorpIM Funds are measured at fair value through profit or loss and therefore any change in unit price impacts directly on net results.

	Change in unit price		Impact on net result	
	2021 %	2020 %	2021 \$000	2020 \$000
TCorpIM Cash Fund	10%	10%	1,755	1,150
TCorpIM Short Term Income Fund	10%	10%	8,626	8,627
TCorpIM Long-Term Growth Fund	10%	10%	3,212	3,201

# 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 2021

### 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	2021 Total \$'000
TCorpIM Funds	-	135,927	-	135,927
				<b>2020</b>
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
TCorpIM Funds	-	129,771	-	129,771

*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 year ended 30 June 2021.

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 2021

### 41. Related party disclosures

#### PARENT AND CONSOLIDATION

##### (a) Key management personnel compensation

Key management personnel compensation is as follows:

	2021 \$000	2020 \$000
Short-term employee benefits	332	284
Post-employment benefits	32	27
	<b>364</b>	<b>311</b>

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 \$358 thousand (2020: \$375 thousand) for these services. This amount does not form part of the key management

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 (2020: \$Nil).

##### (c) Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2020: \$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 (includes Ambulance Service of NSW, eHealth NSW, Health Infrastructure, Health System Support Group, HealthShare NSW and NSW Health Pathology) 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.
- Various grants and subsidies towards research and other projects

# 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 2021

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### 41. Related party disclosures

#### (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)
- Interest income on TCorpIM Funds Investment facilities
- 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 terms 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

On 28 June 2021, the NSW Government put in place Public Health (COVID-19 Temporary Movement and Gathering Restrictions) Order 2021 under the Public Health Act 2010 to contain the spread of COVID-19 and to prioritise the health and safety of the community. The Public Health Order 2021 placed various restrictions on Greater Sydney and impacted the way the Network operates since reporting date. Elective surgery was cancelled in public hospitals as they prepared for surges in COVID-19 presentations. Management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of COVID-19 on the Network after reporting date.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the Network.

**END OF AUDITED FINANCIAL STATEMENTS**