



## 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 2022, the Statement of Financial Position as at 30 June 2022, 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
- presents 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.

## **Chief Executive's Responsibilities for the Financial Statements**

The Chief Executive of the Network is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the GSF Act, GSF Regulation 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

30 September 2022  
SYDNEY



REF: SCHN22/7787

**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 2022

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

1. The financial statements of The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) for the year ended 30 June 2022 have been prepared in accordance with:
  - a. Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
  - b. applicable requirements of the GSF Act, the *Government Sector Finance Regulation 2018*; and
  - c. Treasurer's Directions issued under the GSF Act.
2. The financial statements present fairly The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)'s financial position as at 30 June 2022 and the financial performance and cash flows for the year then ended; and
3. We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

Handwritten signature of Cathryn Cox in black ink.

Cathryn Cox PSM  
Chief Executive

27 September 2022

Handwritten signature of Sayeed Zia in black ink.

Sayeed Zia  
Director of Finance and Corporate Services

27 September 2022

# 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 2022

	Notes	Consolidated Actual 2022 \$000	Consolidated Budget <sup>1</sup> 2022 \$000	Consolidated Actual 2021 \$000	Parent Actual 2022 \$000	Parent Actual 2021 \$000
<b>Continuing operations</b>						
<b>Expenses excluding losses</b>						
Employee related expenses	2	665,526	636,894	633,353	-	-
Personnel services	3	-	-	-	669,940	632,410
Visiting medical officers	4	22,382	19,531	21,602	22,382	21,602
Other expenses	5	269,035	279,557	250,840	269,035	250,840
Depreciation and amortisation	6	41,589	41,373	38,719	41,589	38,719
Grants and subsidies	7	8,340	4,369	4,128	8,340	4,128
Finance costs	8	42	476	43	42	43
<b>Total expenses excluding losses</b>		<b>1,006,914</b>	<b>982,200</b>	<b>948,685</b>	<b>1,011,328</b>	<b>947,742</b>
<b>Revenue</b>						
Ministry of Health recurrent allocations	11	744,152	727,876	758,744	744,152	758,744
Ministry of Health capital allocations	11	86,194	85,786	115,236	86,194	115,236
Acceptance by the Crown <sup>2</sup> of employee benefits	15	(4,414)	(4,359)	943	-	-
Sale of goods and services from contracts with customers	12	118,772	129,176	116,319	118,772	116,319
Investment revenue	13	(2,522)	5,318	6,257	(2,522)	6,257
Grants and other contributions	14	78,113	56,670	66,368	78,113	66,368
Other income	16	1,771	8,428	5,527	1,771	5,527
<b>Total revenue</b>		<b>1,022,066</b>	<b>1,008,895</b>	<b>1,069,394</b>	<b>1,026,480</b>	<b>1,068,451</b>
<b>Operating result</b>		<b>15,152</b>	<b>26,695</b>	<b>120,709</b>	<b>15,152</b>	<b>120,709</b>
Gains / (losses) on disposal	17	(46)	-	(3,094)	(46)	(3,094)
Impairment losses on financial assets	21	(322)	(555)	(355)	(322)	(355)
Other gains / (losses)	18	(101)	(98)	-	(101)	-
<b>Net result</b>		<b>14,683</b>	<b>26,042</b>	<b>117,260</b>	<b>14,683</b>	<b>117,260</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	24	33,685	-	17,127	33,685	17,127
<b>Total other comprehensive income</b>		<b>33,685</b>	<b>-</b>	<b>17,127</b>	<b>33,685</b>	<b>17,127</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>48,368</b>	<b>26,042</b>	<b>134,387</b>	<b>48,368</b>	<b>134,387</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 2022

	Notes	Consolidated Actual 2022 \$000	Consolidated Budget <sup>1</sup> 2022 \$000	Consolidated Actual 2021 \$000	Parent Actual 2022 \$000	Parent Actual 2021 \$000
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	20	135,373	33,138	42,916	135,373	42,916
Receivables	21	33,597	29,550	24,523	33,597	24,523
Inventories	22	9,056	8,316	8,287	9,056	8,287
Financial assets at fair value	23	29,864	86,259	86,259	29,864	86,259
<b>Total current assets</b>		<b>207,890</b>	<b>157,263</b>	<b>161,985</b>	<b>207,890</b>	<b>161,985</b>
<b>Non-current assets</b>						
Receivables	21	11	2	2	11	2
Financial assets at fair value	23	-	32,122	32,122	-	32,122
Property, plant & equipment	24					
- Land and buildings		619,302	590,940	541,771	619,302	541,771
- Plant and equipment		70,670	72,074	67,353	70,670	67,353
- Infrastructure systems		35,173	32,367	34,419	35,173	34,419
Total property, plant & equipment		725,145	695,381	643,543	725,145	643,543
Right-of-use assets	25	122,890	123,201	126,353	122,890	126,353
Intangible assets	26	15,774	15,714	18,742	15,774	18,742
<b>Total non-current assets</b>		<b>863,820</b>	<b>866,420</b>	<b>820,762</b>	<b>863,820</b>	<b>820,762</b>
<b>Total assets</b>		<b>1,071,710</b>	<b>1,023,683</b>	<b>982,747</b>	<b>1,071,710</b>	<b>982,747</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 2022 (continued)

	Notes	Consolidated Actual 2022 \$000	Consolidated Budget <sup>1</sup> 2022 \$000	Consolidated Actual 2021 \$000	Parent Actual 2022 \$000	Parent Actual 2021 \$000
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Payables	29	46,075	33,168	32,516	46,075	32,516
Contract liabilities	30	7,153	4,952	4,952	7,153	4,952
Borrowings	31	617	532	539	617	539
Provisions	32	141,468	138,619	118,341	141,468	118,341
Other current liabilities	33	2,151	-	-	2,151	-
<b>Total current liabilities</b>		<b>197,464</b>	<b>177,271</b>	<b>156,348</b>	<b>197,464</b>	<b>156,348</b>
<b>Non-current liabilities</b>						
Borrowings	31	1,227	1,417	1,536	1,227	1,536
Provisions	32	1,980	1,980	2,192	1,980	2,192
<b>Total non-current liabilities</b>		<b>3,207</b>	<b>3,397</b>	<b>3,728</b>	<b>3,207</b>	<b>3,728</b>
<b>Total liabilities</b>		<b>200,671</b>	<b>180,668</b>	<b>160,076</b>	<b>200,671</b>	<b>160,076</b>
<b>Net assets</b>		<b>871,039</b>	<b>843,015</b>	<b>822,671</b>	<b>871,039</b>	<b>822,671</b>
<b>EQUITY</b>						
Reserves		391,450	358,259	358,257	391,450	358,257
Accumulated funds		479,589	484,756	464,414	479,589	464,414
<b>Total Equity</b>		<b>871,039</b>	<b>843,015</b>	<b>822,671</b>	<b>871,039</b>	<b>822,671</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 2022

## PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
<b>Balance at 1 July 2021</b>		<b>464,414</b>	<b>358,257</b>	<b>822,671</b>
<b>Net result for the year</b>		<b>14,683</b>	<b>-</b>	<b>14,683</b>
<b>Other comprehensive income:</b>				
Net change in revaluation surplus of property, plant and equipment	24	-	33,685	33,685
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		492	(492)	-
<b>Total other comprehensive income</b>		<b>492</b>	<b>33,193</b>	<b>33,685</b>
<b>Total comprehensive income for the year</b>		<b>15,175</b>	<b>33,193</b>	<b>48,368</b>
<b>Balance at 30 June 2022</b>		<b>479,589</b>	<b>391,450</b>	<b>871,039</b>

	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	24	-	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	34	3	-	3
<b>Balance at 30 June 2021</b>		<b>464,414</b>	<b>358,257</b>	<b>822,671</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 2022

	Notes	Consolidated Actual 2022 \$000	Consolidated Budget <sup>1</sup> 2022 \$000	Consolidated Actual 2021 \$000	Parent Actual 2022 \$000	Parent Actual 2021 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee related		(659,324)	(637,057)	(643,944)	-	-
Suppliers for goods and services		(297,541)	(320,302)	(302,946)	(297,541)	(302,946)
Grants and subsidies		(8,346)	(4,389)	(4,639)	(8,346)	(4,639)
Finance costs		(42)	(476)	(43)	(42)	(43)
Personnel services		-	-	-	(659,324)	(643,944)
<b>Total payments</b>		<b>(965,253)</b>	<b>(962,224)</b>	<b>(951,572)</b>	<b>(965,253)</b>	<b>(951,572)</b>
<b>Receipts</b>						
Ministry of Health recurrent allocations		744,152	727,876	758,744	744,152	758,744
Ministry of Health capital allocations		86,194	85,786	115,236	86,194	115,236
Reimbursements from the Crown <sup>2</sup>		9,886	9,885	6,755	9,886	6,755
Sale of goods and services		121,922	129,681	117,825	121,922	117,825
Interest received		1,037	310	787	1,037	787
Grants and other contributions		76,171	58,740	74,042	76,171	74,042
Other		15,425	27,251	26,597	15,425	26,597
<b>Total receipts</b>		<b>1,054,787</b>	<b>1,039,529</b>	<b>1,099,986</b>	<b>1,054,787</b>	<b>1,099,986</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	38	<b>89,534</b>	<b>77,305</b>	<b>148,414</b>	<b>89,534</b>	<b>148,414</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from sale of property, plant and equipment		41	-	141	41	141
Proceeds from sale of financial assets		85,654	-	17,000	85,654	17,000
Purchases of property, plant and equipment and intangibles		(81,288)	(86,495)	(84,027)	(81,288)	(84,027)
Purchases of financial assets		(886)	-	(11,642)	(886)	(11,642)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>3,521</b>	<b>(86,495)</b>	<b>(78,528)</b>	<b>3,521</b>	<b>(78,528)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Payment of principal portion of lease liabilities		(598)	(588)	(605)	(598)	(605)
Payment for leases made at or before commencement date		-	-	(45,709)	-	(45,709)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(598)</b>	<b>(588)</b>	<b>(46,314)</b>	<b>(598)</b>	<b>(46,314)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
Opening cash and cash equivalents	20	42,916	42,916	19,344	42,916	19,344
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	20	<b>135,373</b>	<b>33,138</b>	<b>42,916</b>	<b>135,373</b>	<b>42,916</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 2022

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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 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 28), 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 2022 have been authorised for issue by the Chief Executive on 27 September 2022.

#### b) Basis of preparation

The Network's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with:

- \* applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
- \* the requirements of the *Government Sector Finance Act 2018* ('GSF Act'); and
- \* Treasurer's Directions issued under the GSF Act.

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

The Secretary of NSW Health, the Chair of The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) Board and the Chief Executive, through the 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 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 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 2022

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### 1. Statement of Significant Accounting Policies

Following the Novel Coronavirus (COVID-19) outbreak in early 2020, the Network has received an additional \$40.62 million in 2022 (2021: \$40.74 million) through Ministry of Health allocations as financial support for COVID-19 activity, see Note 11.

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

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

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

The Network has determined that it is not probable a liability arises to pay superannuation on annual leave loading. This position has been formed based on current inquiries, other information currently available to management, and after considering the facts from a decision in the Federal Court of Australia: *Finance Sector Union of Australia v Commonwealth Bank of Australia [2022] FedCFamC2G 409*. That decision confirmed that, in relation to the industrial agreement considered in that case, annual leave loading did not form part of ordinary time earnings and therefore, did not require superannuation contributions to be made under superannuation guarantee legislation because the obligation to pay annual leave loading was not referable to ordinary hours of work or to ordinary rates of pay. Rather, it was paid by reference to the period of annual leave, and for the purpose of compensating employees for their loss of opportunity to work additional hours at higher rates during this period.

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 2022

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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 2021-22

The accounting policies applied in 2021-22 are consistent with those of the previous financial year.

Several amendments and interpretations apply for the first time in 2021-22, but do not have an impact on the financial statements of the 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 2021-22

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 2021-22 and increased disclosures are presented in the following notes:

- \* Note 1b) Basis of preparation
- \* Note 5 Operating expenses
- \* Note 7 Grants and subsidies
- \* Note 11 Ministry of Health allocations
- \* Note 14 Grants and other contributions
- \* Note 21 Receivables
- \* Note 22 Inventories
- \* Note 32 Provisions
- \* Note 37 Adjusted budget review

# 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 2022

### 2. Employee related expenses

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Salaries and wages (including annual leave and allocated days off)	611,244	572,356	-	-
Superannuation - defined benefit plans	2,193	2,289	-	-
Superannuation - defined contribution plans	57,402	51,171	-	-
Long service leave	(8,958)	3,420	-	-
Redundancies	347	978	-	-
Workers' compensation insurance	3,280	3,137	-	-
Fringe benefits tax	18	2	-	-
	<b>665,526</b>	<b>633,353</b>	<b>-</b>	<b>-</b>

Refer to Note 32 for further details on recognition and measurement of employee related expenses.

Employee related costs of \$1.17 million (2021: \$1.21 million) have been capitalised in property, plant and equipment and intangible assets and are therefore excluded from the above.

The long service leave in 2021 was impacted by significant changes in actuarial factors decreasing the employee benefit liabilities assumed by the Crown.

### 3. Personnel services

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Salaries and wages (including annual leave and allocated days off)	-	-	611,244	572,356
Superannuation - defined contribution plans	-	-	57,402	51,171
Long service leave	-	-	(2,351)	4,766
Redundancies	-	-	347	978
Workers' compensation insurance	-	-	3,280	3,137
Fringe benefits tax	-	-	18	2
	<b>-</b>	<b>-</b>	<b>669,940</b>	<b>632,410</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 \$1.17 million (2021: \$1.21 million) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

# **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 2022

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### **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 \$22.38 million (2021: \$21.6 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 2022

### 5. Other expenses

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Advertising	69	102	69	102
Auditor's remuneration - audit of financial statements	214	225	214	225
Blood and blood products	7,900	9,007	7,900	9,007
Consultancies	271	360	271	360
Contractors <sup>1</sup>	1,077	6,696	1,077	6,696
Domestic supplies and services	5,146	5,394	5,146	5,394
Drug supplies*	95,691	75,992	95,691	75,992
Food supplies	8,353	7,771	8,353	7,771
Fuel, light and power	4,329	4,152	4,329	4,152
Patient transport costs	6,138	7,636	6,138	7,636
Information management expenses	17,374	15,058	17,374	15,058
Insurance	996	832	996	832
Maintenance (see Note 5 (b))	17,602	22,346	17,602	22,346
Medical and surgical supplies	41,788	41,547	41,788	41,547
Motor vehicle expenses	393	411	393	411
Postal and telephone costs	2,473	2,508	2,473	2,508
Printing and stationery	1,639	1,560	1,639	1,560
Rates and charges	841	776	841	776
Hosted services purchased from entities controlled by the immediate parent	(1)	22	(1)	22
Specialised services (dental, radiology, pathology and allied health)	32,261	30,563	32,261	30,563
Staff related costs	5,429	4,355	5,429	4,355
Travel related costs	1,940	280	1,940	280
Other (see Note 5 (a))	17,112	13,247	17,112	13,247
	<b>269,035</b>	<b>250,840</b>	<b>269,035</b>	<b>250,840</b>

<sup>1</sup> The amount under 2021 includes payments to private hospitals for collaborative care model. Expenses on this account in FY 2022 are reported under Note 5(a) Other expenses - Other below.

\* Drug supplies includes \$1.43 million (2021: \$Nil) of COVID-19 vaccinations administered by vaccination hubs within the Network. Refer to Note 22 for further details on COVID-19 vaccines.

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 2022

### 5. Other expenses (continued)

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>(a) Other</b>				
Contract for patient services*	2,712	104	2,712	104
Corporate support services	2,800	2,884	2,800	2,884
Courier and freight	726	569	726	569
Legal services	354	357	354	357
Membership/professional fees	873	1,065	873	1,065
Quality assurance / accreditation	280	162	280	162
Security services	801	386	801	386
Expenses relating to short-term leases	370	352	370	352
Expenses relating to leases of low-value assets	558	1,253	558	1,253
Other management services	1,808	1,760	1,808	1,760
Intrahealth other expenses	888	1,032	888	1,032
Fundraising expenses	91	53	91	53
G&S Other	1,866	716	1,866	716
Translator Services	219	351	219	351
Human Resource Services	352	347	352	347
Data Records & Storage	448	385	448	385
Other miscellaneous	1,966	1,471	1,966	1,471
	<b>17,112</b>	<b>13,247</b>	<b>17,112</b>	<b>13,247</b>

\* Includes payments to private hospitals for collaborative care model in FY 2022.

### (b) Reconciliation of total maintenance expense

Maintenance contracts	6,001	6,340	6,001	6,340
New / replacement equipment under \$10,000	5,826	9,480	5,826	9,480
Repairs maintenance / non contract	3,645	4,501	3,645	4,501
Other	2,130	2,025	2,130	2,025
Maintenance expense - contracted labour and other (non-employee related) in Note 5	<b>17,602</b>	<b>22,346</b>	<b>17,602</b>	<b>22,346</b>
Employee related/personnel services maintenance expense included in Notes 2 and 3.	841	594	841	594
	<b>18,443</b>	<b>22,940</b>	<b>18,443</b>	<b>22,940</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 2022

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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 29.

##### *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 basis:

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

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

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

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 6. Depreciation and amortisation

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Depreciation - buildings	20,847	20,463	20,847	20,463
Depreciation - plant and equipment	11,832	11,752	11,832	11,752
Depreciation - infrastructure systems	2,052	1,994	2,052	1,994
Depreciation - right-of-use land and buildings	3,550	1,223	3,550	1,223
Depreciation - right-of-use plant and equipment	280	283	280	283
Amortisation - intangible assets	3,028	3,004	3,028	3,004
	<b>41,589</b>	<b>38,719</b>	<b>41,589</b>	<b>38,719</b>

Refer to Note 24 Property, plant and equipment, Note 25 Leases, and Note 26 Intangible assets for recognition and measurement policies on depreciation and amortisation.

### 7. Grants and subsidies

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Non-government organisations	686	672	686	672
Grants to research organisations	4,758	1,973	4,758	1,973
Grants paid to entities controlled by the immediate parent*	2,349	1,242	2,349	1,242
Other grants*	547	241	547	241
	<b>8,340</b>	<b>4,128</b>	<b>8,340</b>	<b>4,128</b>

\* The Network granted COVID-19 vaccines to other NSW Health entities and to third parties for nil consideration at current replacement cost. Refer to Note 22 for further details on COVID-19 vaccines. The total value of COVID-19 vaccines provided to NSW Health entities under grants to entities controlled by the immediate parent was \$0.47 million (2021: \$Nil) and to external third parties under other grants was \$Nil (2021: \$Nil).

### 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 2022

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### 8. Finance costs

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Interest expense from lease liabilities	42	43	42	43
	<b>42</b>	<b>43</b>	<b>42</b>	<b>43</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 2022

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### 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.

### 10. Summary of compliance

The *Appropriation Act 2021* (Appropriations Act) appropriates the sum of \$15.8 billion to the Minister for Health out of the Consolidated Fund for the services of the Ministry of Health for the year 2021–22. The spending authority of the Minister from the *Appropriations Act* has been delegated or subdelegated to officers of the Ministry of Health and entities that it is administratively responsible for, including the Network.

The responsible Minister for each GSF agency is taken to have been given an appropriation out of the Consolidated Fund under the authority s4.7 of the *Government Sector Finance Act*, at the time the GSF agency receives or recovers any deemed appropriation money, for an amount equivalent to the money that is received or recovered by the GSF agency. The spending authority of the responsible Minister(s) from deemed appropriation money has been delegated or sub-delegated to officers of the Network for its own services.

A summary of compliance is disclosed in the financial statements of the Annual Report of NSW Health. It has been prepared on the basis of aggregating the spending authorities of both the Minister for Health for the services of the Ministry of Health and the responsible Ministers for the services of the entities the principal department is administratively responsible for that receives or recovers deemed appropriation money. It reflects the status at the point in time this disclosure statement is being made. The Network's spending authority and expenditure is included in the summary of compliance.

The delegations and sub-delegations for FY21/22 and FY20/21, authorising officers of the Network to spend Consolidated Fund money, impose limits to the amounts of individual transactions, but not the overall expenditure of the Network. However, as it relates to expenditure in reliance on a sum appropriated through an annual *Appropriations Act*, the delegation/sub-delegations are referable to the overall authority to spend set out in the relevant Appropriations Act. The individual transaction limits have been properly observed. The information in relation to the limit from the *Appropriations Act* is disclosed in the summary of compliance table included in the financial statements of the Annual Report of NSW Health.

### 11. 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 Ministry of Health recurrent allocations of \$40.00 million (2021: \$39.81 million) and Ministry of Health capital allocations of \$0.62 million (2021: \$0.93 million) to cover costs incurred for the preparation, diagnosis, treatment and vaccination 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 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 2022

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

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

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Sale and recovery of pharmaceutical supplies	58,025	47,076	58,025	47,076
Sale of prostheses	1,980	1,947	1,980	1,947
Other	465	380	465	380
	<b>60,470</b>	<b>49,403</b>	<b>60,470</b>	<b>49,403</b>

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

<b>Patients</b>				
Patient Fees:				
- Inpatient fees	19,922	23,341	19,922	23,341
- Non inpatient fees	416	430	416	430
Motor Accident Authority third party	3,329	3,907	3,329	3,907
Patient transport fees	7,639	9,509	7,639	9,509
<b>Staff</b>				
Private use of motor vehicles	29	42	29	42
Salary packaging fee	251	243	251	243
Meals and accommodation	107	131	107	131
Child care fees	941	986	941	986
<b>General community</b>				
Car parking	1,393	2,336	1,393	2,336
Clinical services (excluding clinical drug trials)	7	5	7	5
Commercial activities	6,090	4,487	6,090	4,487
Fees for conferences and training	3,655	3,764	3,655	3,764
Fees for medical records	47	42	47	42
Information retrieval	6	-	6	-
<b>Non-NSW Health entities</b>				
Services to other organisations	475	582	475	582
<b>Other</b>				
Infrastructure fees - annual charge	968	2,851	968	2,851
Infrastructure fees - monthly facility charge	12,506	13,692	12,506	13,692
Other	521	568	521	568
	<b>58,302</b>	<b>66,916</b>	<b>58,302</b>	<b>66,916</b>
	<b>118,772</b>	<b>116,319</b>	<b>118,772</b>	<b>116,319</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 2022

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

#### Recognition and Measurement

##### Sale of goods

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

Type of good	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
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 2022

### 12. 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 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 2022

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### 12. 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 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 30 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 2022

### 13. Investment revenue

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Interest income from financial assets at amortised cost	158	99	158	99
Net gain / (loss) from TCorpIM Funds measured at fair value through profit or loss	(2,870)	6,155	(2,870)	6,155
Royalties	190	3	190	3
	<b>(2,522)</b>	<b>6,257</b>	<b>(2,522)</b>	<b>6,257</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 2022

### 14. Grants and other contributions

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Other grants with sufficiently specific performance obligations</b>				
Cancer Institute grants received from an entity controlled by the immediate parent	418	413	418	413
Clinical trials and research grants	11,850	8,039	11,850	8,039
Commonwealth government grants other	11,519	9,417	11,519	9,417
Grants from entities controlled by the ultimate parent	288	225	288	225
Other grants from entities controlled by the immediate parent	-	27	-	27
Other grants	1,920	1,027	1,920	1,027
<b>Grants without specific performance obligations</b>				
Clinical trial and research grants	7,269	6,407	7,269	6,407
Commonwealth government grants other	1,671	(25)	1,671	(25)
Grants from entities controlled by the ultimate parent	40	5	40	5
Other grants from entities controlled by the immediate parent	586	939	586	939
Other grants*	40,154	38,486	40,154	38,486
Donations	2,398	1,408	2,398	1,408
	<b>78,113</b>	<b>66,368</b>	<b>78,113</b>	<b>66,368</b>

\* The Network received the majority of COVID-19 vaccines directly from the Commonwealth government and the remainder were received from other NSW Health entities and external third parties. All COVID-19 vaccines were received for nil consideration and recorded at current replacement cost at the time of receipt. Refer to Note 22 for further details on COVID-19 vaccines. The total value of COVID-19 vaccines received from the Commonwealth government under Commonwealth government grants other was \$1.67 million (2021: \$Nil), from NSW Health entities under other grants from entities controlled by the immediate parent was \$0.34 million (2021: \$Nil) and from external third parties under other grants was \$0.01 million (2021: \$Nil).

\* Other grants also include grants from the Sydney Children's Hospitals Foundation of \$37.6 million (2021: \$37.1 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 2022

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### 14. Grants and other contributions

#### Recognition and Measurement

##### *Grants and other contributions*

Income from grants to acquire / construct a recognisable non-financial asset to be controlled by the Network are 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 30 for the transaction price allocated to the performance obligations that have not been satisfied at the end of the year and when it is expected to be recognised as revenue.

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

##### *Volunteer services*

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

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

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

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

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 15. 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 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Superannuation - defined benefit plans	2,193	2,289	-	-
Long service leave provision	(6,607)	(1,346)	-	-
	<b>(4,414)</b>	<b>943</b>	<b>-</b>	<b>-</b>

### 16. Other income

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Other income comprises the following:				
Commissions	76	118	76	118
Discounts	9	6	9	6
Insurance refunds	21	-	21	-
Rental income				
- other rental income	556	556	556	556
Sponsorship	19	7	19	7
Other	1,090	4,840	1,090	4,840
	<b>1,771</b>	<b>5,527</b>	<b>1,771</b>	<b>5,527</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.

#### **Forgiveness of liabilities**

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

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

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Gains / (losses) on disposals of:</b>				
<b>Property, plant and equipment</b>				
Written down value of assets disposed	87	3,235	87	3,235
Less: proceeds from disposal	41	141	41	141
<b>Net gains / (losses) on disposal</b>	<b>(46)</b>	<b>(3,094)</b>	<b>(46)</b>	<b>(3,094)</b>
<b>Right-of-use assets</b>				
Written down value of assets disposed	95	2	95	2
Less: lease liabilities extinguished	95	2	95	2
<b>Net gains / (losses) on disposal*</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial assets</b>				
Written down value of assets disposed	85,654	17,000	85,654	17,000
Less: proceeds from disposal	85,654	17,000	85,654	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>(46)</b>	<b>(3,094)</b>	<b>(46)</b>	<b>(3,094)</b>

\* \$Nil of the net gains / (losses) on disposal is a result of the derecognition of the right-of-use asset of \$0.10 million and lease liability of \$0.10 million with Property NSW as at 30 June 2022. Please refer to Note 25 for further details on the derecognition.

### 18. Other gains / (losses)

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Inventory write down*	(98)	-	(98)	-
Foreign exchange gains / (losses)	(3)	-	(3)	-
	<b>(101)</b>	<b>-</b>	<b>(101)</b>	<b>-</b>

\* Inventory write down includes COVID-19 vaccine wastage of \$0.10 million (2021: \$Nil) and impairment of \$Nil (2021: \$Nil). Refer to Note 22 for further details on COVID-19 vaccines.

### 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 21 Receivables
- Note 22 Inventories
- Note 24 Property, plant and equipment
- Note 25 Leases
- Note 26 Intangible 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 2022

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## **19. 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 28 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 2022

### 20. Cash and cash equivalents

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Cash at bank and on hand	135,373	25,370	135,373	25,370
Short-term deposits	-	17,546	-	17,546
	<b>135,373</b>	<b>42,916</b>	<b>135,373</b>	<b>42,916</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)	135,373	42,916	135,373	42,916
	<b>135,373</b>	<b>42,916</b>	<b>135,373</b>	<b>42,916</b>

Refer to Note 41 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 Ministry of Health on behalf of the Network to fund these payments. These payments are reported as revenue (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 Ministry of Health on behalf of the Network to fund these payments. These payments are reported as revenue (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 2022

## 21. Receivables

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Current</b>				
Trade receivables from contracts with customers	17,886	14,415	17,886	14,415
Intra health receivables	4,148	4,330	4,148	4,330
Goods and Services Tax	3,048	2,888	3,048	2,888
Other receivables	1,998	1,127	1,998	1,127
<b>Sub total</b>	<b>27,080</b>	<b>22,760</b>	<b>27,080</b>	<b>22,760</b>
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(321)	(208)	(321)	(208)
<b>Sub total</b>	<b>26,759</b>	<b>22,552</b>	<b>26,759</b>	<b>22,552</b>
Prepayments	6,838	1,971	6,838	1,971
	<b>33,597</b>	<b>24,523</b>	<b>33,597</b>	<b>24,523</b>

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

<b>Trade receivables from contracts with customers</b>				
Balance at the beginning of the year	(208)	(208)	(208)	(208)
Amounts written off during the year	186	386	186	386
(Increase) / decrease in allowance recognised in the net result <sup>1</sup>	(299)	(386)	(299)	(386)
<b>Balance at the end of the year</b>	<b>(321)</b>	<b>(208)</b>	<b>(321)</b>	<b>(208)</b>
<b>Other receivables</b>				
Balance at the beginning of the year	-	-	-	-
Amounts written off during the year	22	(30)	22	(30)
(Increase) / decrease in allowance recognised in the net result	(22)	30	(22)	30
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>(321)</b>	<b>(208)</b>	<b>(321)</b>	<b>(208)</b>

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Non-current</b>				
Prepayments	11	2	11	2
	<b>11</b>	<b>2</b>	<b>11</b>	<b>2</b>

<sup>1</sup> Includes total impairment loss of \$0.3 million (2021: \$0.39 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 2022

### 21. 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 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Patient fees - compensable	77	29	77	29
Patient fees - ineligible	3,225	3,116	3,225	3,116
Patient fees - inpatient & other	3,346	2,847	3,346	2,847
	<b>6,648</b>	<b>5,992</b>	<b>6,648</b>	<b>5,992</b>

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 41.

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Contract receivables (included in Note 21)	22,034	18,745	22,034	18,745
<b>Total contract receivables</b>	<b>22,034</b>	<b>18,745</b>	<b>22,034</b>	<b>18,745</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.

In response to the COVID-19 pandemic, the Network has changed the terms and conditions with its counterparties to offer deferred payment terms and rent relief to some tenants. The Network has a rental receivables balance amount of \$0.04 million as at 2022 (2021: \$Nil). The expected impacts on the recoverability of these receivables is not considered significant.

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

# 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 2022

### 22. Inventories

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Current</b>				
<b>Held-for-distribution</b>				
Drug supplies	2,468	2,216	2,468	2,216
Medical and surgical supplies	5,128	4,853	5,128	4,853
Engineering supplies	317	222	317	222
Other including goods in transit	1,143	996	1,143	996
	<b>9,056</b>	<b>8,287</b>	<b>9,056</b>	<b>8,287</b>

The increase in medical and surgical supplies is a result of the Network's increased purchases to protect, test and treat suspected and confirmed COVID-19 patients. Inventories held for distribution for COVID-19 are also consumed as part of the normal services provided by the Network.

#### Recognition and Measurement

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

At the beginning of 2021, the rollout of the Commonwealth government's COVID-19 vaccine program began, with the aim of offering free vaccines to all Australians. The Network played a key role in the rollout within NSW, including in relation to logistics, vaccination delivery, safety and reporting. The Commonwealth assumed the responsibility for procuring and distributing vaccines to all states and territories. COVID-19 vaccines were received for nil consideration and were provided to the public free of charge. On the basis that the Network controls the inventory once it is received from the Commonwealth, the value of the inventory received, administered / granted and wasted were recognised by the Network.

The value attributable to the vaccines received was measured at its fair value based on replacement cost. The Network was unsuccessful in obtaining cost information from the Commonwealth because of non-disclosure agreements signed by the Commonwealth and the pharmaceutical companies supplying the COVID-19 vaccines. An internal valuation was undertaken based on publicly available information to estimate the replacement cost of the COVID-19 vaccines received by the Network.

The value of the vaccines received and administered / granted during the financial year ended 30 June 2022 was \$2.01 million (2021: \$Nil) and \$1.9 million (2021: \$Nil), respectively. \$0.1 million (2021: \$Nil) of vaccines were written-off and another \$Nil (2021: \$Nil) impaired during the year. COVID-19 vaccine closing inventory balance as at 30 June 2022 was \$0.02 million (2021: \$Nil) which is included as part of the inventory drug supplies.

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 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 2022

### 23. Financial assets at fair value

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Current</b>				
TCorpIM Funds Investment Facilities	29,864	86,259	29,864	86,259
	<b>29,864</b>	<b>86,259</b>	<b>29,864</b>	<b>86,259</b>
<b>Non-current</b>				
TCorpIM Funds Investment Facilities	-	32,122	-	32,122
	<b>-</b>	<b>32,122</b>	<b>-</b>	<b>32,122</b>

Refer to Note 41 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 2022

## 24. 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 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	(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>

<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 21-09.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 27.

# 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 2022

## 24. 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 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>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2022</b>				
Net carrying amount at beginning of year	541,771	67,353	34,419	643,543
Additions	67,499	15,251	-	82,750
Disposals	-	(87)	-	(87)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	(15)	-	(15)
Net revaluation increments less revaluation decrements	30,879	-	2,806	33,685
Depreciation expense	(20,847)	(11,832)	(2,052)	(34,731)
<b>Net carrying amount at end of year</b>	<b>619,302</b>	<b>70,670</b>	<b>35,173</b>	<b>725,145</b>

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 30 June 2022 - fair value</b>				
Gross carrying amount	1,121,443	168,586	89,182	1,379,211
Less: accumulated depreciation and impairment	502,141	97,916	54,009	654,066
<b>Net carrying amount</b>	<b>619,302</b>	<b>70,670</b>	<b>35,173</b>	<b>725,145</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 21-09.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 27.

# 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 2022

## 24. 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 <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 increment 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>

<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 21-09.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 27.

# 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 2022

## 24. 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 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>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2022</b>				
Net carrying amount at beginning of year	539,378	67,353	34,419	641,150
Additions	67,499	15,251	-	82,750
Disposals	-	(87)	-	(87)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	(15)	-	(15)
Net revaluation increments less revaluation decrements	30,705	-	2,806	33,511
Depreciation expense	(20,725)	(11,832)	(2,052)	(34,609)
Reclassifications	266	-	-	266
<b>Net carrying amount at end of year</b>	<b>617,123</b>	<b>70,670</b>	<b>35,173</b>	<b>722,966</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>At 30 June 2022 - fair value</b>				
Gross carrying amount	1,116,160	168,586	89,182	1,373,928
Less: accumulated depreciation and impairment	499,037	97,916	54,009	650,962
<b>Net carrying amount</b>	<b>617,123</b>	<b>70,670</b>	<b>35,173</b>	<b>722,966</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 21-09.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 27.

# 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 2022

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

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

#### PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<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 increment 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>

# 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 2022

## 24. 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 2021 - fair value</b>				
Gross carrying amount	5,470	-	-	5,470
<i>Less: accumulated depreciation and impairment</i>	3,077	-	-	3,077
<b>Net carrying amount</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>Year ended 30 June 2022</b>				
Net carrying amount at beginning of year	2,393	-	-	2,393
Net revaluation increments less revaluation decrements	174	-	-	174
Depreciation expense	(122)	-	-	(122)
Reclassifications	(266)	-	-	(266)
<b>Net carrying amount at end of year</b>	<b>2,179</b>	<b>-</b>	<b>-</b>	<b>2,179</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>At 30 June 2022 - fair value</b>				
Gross carrying amount	5,283	-	-	5,283
<i>Less: accumulated depreciation and impairment</i>	3,104	-	-	3,104
<b>Net carrying amount</b>	<b>2,179</b>	<b>-</b>	<b>-</b>	<b>2,179</b>

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 27.

# 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 2022

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### 24. 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 Ministry of Health and its controlled entities. Health Infrastructure receives 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's 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 34).

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 2022

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### 24. 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***

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 25.

# 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 2022

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### 24. 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 21-09) and Treasurer's Direction, 'Valuation of Physical Non-Current Assets at Fair Value' (TD 21-05). TPP 21-09 and TD 21-05 adopt 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 27 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.

Indices were subsequently obtained from CBRE Valuations Pty Limited as at 30 June 2022 which suggested cumulative increase in market price of 3.00% for land and increase in construction costs of 8.67% for buildings and infrastructure. Management has applied these indices to perform an interim revaluation and has recognised the resulting revaluation increment of \$33.7 million for land, building and infrastructure.

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 2022

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### 24. 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. The reversal is recognised in other comprehensive income and is treated as a revaluation increase, except to the extent that an impairment loss on the same class of asset was previously recognised in net result, where 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 2022

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### 25. 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.

During financial year ended 30 June 2022, the Network has accepted the changes in the office accommodation arrangements with Property NSW (PNSW). The main change is the introduction of the 'substitution right' clause for PNSW to relocate the Network's leased office accommodation during the term of the agreement. The clause provides PNSW with a substantive substitution right. Therefore, these agreements are no longer accounted for as a lease within the scope of AASB 16. The office accommodation agreement with PNSW is no longer accounted for as a lease from 30 June 2022. This change involves judgment that the 'substitution right' clause in the agreement provides PNSW with a substantive substitution right. Management has made a judgment that PNSW can obtain benefits from exercising the substitution right when it achieves office accommodation efficiency at the whole-of-government level and/or its other service objectives. It is also considered practical for PNSW to exercise the substitution right due to the general nature of the relevant office accommodation.

The corresponding right of use asset and lease liability have been derecognised on 30 June 2022, the effective date of the new clause. The net impact of the derecognition is recognised in 'Gains/(Losses) on disposal' (refer to Note 17). From 1 July 2022, the accommodation charges will be recognised as expenses when incurred over the agreement duration.

The Network continues to carry the responsibility to make good, and to control the fit-out during the remaining occupancy period as the Network receives the economic benefits via using the fit-out or expected compensation from PNSW upon relocation. Therefore, the Network's accounting treatment for make-good provision and fit-out costs in relation to the relevant accommodation remains unchanged.

# 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 2022

### 25. Leases (continued)

#### 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 2021	125,609	744	126,353
Additions	258	173	431
Reassessments	17	14	31
Disposals*	(95)	-	(95)
Depreciation expense	(3,550)	(280)	(3,830)
<b>Balance at 30 June 2022</b>	<b>122,239</b>	<b>651</b>	<b>122,890</b>

\* Disposal includes derecognition of the right-of-use assets of \$0.10 million with Property NSW, an entity of the ultimate parent as at the 30 June 2022.

#### 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)
Reclassifications	76,019	-	76,019
<b>Balance at 30 June 2021</b>	<b>125,609</b>	<b>744</b>	<b>126,353</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 2022

## 25. Leases (continued)

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

#### Lease liabilities

The following table presents liabilities under leases.

#### PARENT AND CONSOLIDATION

	2022	2021
	\$000	\$000
Balance at 1 July	2,074	2,547
Additions	431	195
Interest expenses	42	44
Payments	(640)	(649)
Terminations / derecognition*	(95)	(2)
Equity transfers - transfers In / (out)	-	(73)
Other adjustments	32	13
<b>Balance at 30 June</b>	<b>1,844</b>	<b>2,075</b>

\* Terminations / derecognition includes derecognition of lease liabilities of \$0.10 million with Property NSW, an entity of the ultimate parent as at 30 June 2022.

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

	2022	2021
	\$000	\$000
Depreciation expense of right-of-use assets	3,830	1,506
Interest expense on lease liabilities	42	43
Expenses relating to short-term leases	370	352
Expenses relating to leases of low-value assets	558	1,253
<b>Total amount recognised in the statement of comprehensive income</b>	<b>4,800</b>	<b>3,154</b>

The Network had total cash outflows for leases of \$1.57 million for the year ended 30 June 2022 (2021: \$2.25 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 2022

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## 25. 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.

# 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 2022

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### 25. Leases (continued)

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

##### i. Right-of-use assets

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

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

	<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.

##### 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.

# 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 2022

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### 25. Leases (continued)

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

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

The Network's lease liabilities are included in borrowings in Note 31.

#### 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.

#### (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.

Although the Network is exposed to changes in the residual value at the end of the current lease, the Network typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

### 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 2022

## 26. Intangible assets

### PARENT AND CONSOLIDATION

	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>

	Total \$000
<b>At 1 July 2021</b>	
Cost (gross carrying amount)	38,281
Less: accumulated amortisation and impairment	19,539
<b>Net carrying amount</b>	<b>18,742</b>

	Total \$000
<b>Year ended 30 June 2022</b>	
Net carrying amount at beginning of year	18,742
Additions - acquired separately	60
Amortisation (recognised in depreciation and amortisation)	(3,028)
<b>Net carrying amount at end of year</b>	<b>15,774</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 2022

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### 26. Intangible assets (continued)

#### PARENT AND CONSOLIDATION

	Total \$000
<b>At 30 June 2022</b>	
Cost (gross carrying amount)	38,023
Less: accumulated amortisation and impairment	22,249
<b>Net carrying amount</b>	<b>15,774</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 with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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 2022

### 27. 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
2022	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 24)				
- Land and buildings	-	-	467,165	467,165
- Infrastructure systems	-	-	35,173	35,173
Artworks	-	2,422	-	2,422
	-	2,422	502,338	504,760

There were no transfers between level 1 and 2 during the year ended 30 June 2022.

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 24.

	Level 1	Level 2	Level 3	Total Fair Value
2021	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 24)				
- 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 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 2022

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### 27. 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 24 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.
- Non-current assets held for sale is a non-recurring item that is measured at the lower of its fair value less cost to sell or its carrying amount. These assets are categorised as level 2.

# The 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 2022

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

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

##### PARENT AND CONSOLIDATION

<b>2022</b>	<b>Land and Buildings \$000</b>	<b>Infrastructure Systems \$000</b>	<b>Total Level 3 Recurring \$000</b>
<b>Fair value as at 1 July 2021</b>	456,348	34,419	490,767
Additions*	344	-	344
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 24)	30,879	2,806	33,685
Transfers from Level 2	193	-	193
Depreciation expense	(20,599)	(2,052)	(22,651)
<b>Fair value as at 30 June 2022</b>	<b>467,165</b>	<b>35,173</b>	<b>502,338</b>

\* Additions include assets previously carried at cost which have been revalued under the level 3 fair value hierarchy for the first time as a result of a comprehensive revaluation or an interim desktop revaluation.

There was a transfer from level 2 to 3 during the period ended 30 June 2022.

<b>2021</b>	<b>Land and Buildings \$000</b>	<b>Infrastructure Systems \$000</b>	<b>Total Level 3 Recurring \$000</b>
<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 24)	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>490,767</b>

There was a transfer from level 3 to 2 during the year ended 30 June 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 2022

### 28. 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 2022.

Category	1 July 2021	Revenue	Expense	2022
	Opening			Closing
	\$000	\$000	\$000	\$000
Community welfare	2,987	9,631	10,391	2,227
Facility improvements	13,948	17,625	2,638	28,935
Holds funds in perpetuity	11,039	2	2	11,039
Patient welfare	38,406	5,397	11,464	32,339
Private practice disbursements (No.2 Accounts)	14,264	1,158	1,535	13,887
Public contributions	373	336	253	456
Research	47,572	32,935	28,215	52,292
Staff welfare	35	2	-	37
Training and education including conferences	10,174	2,337	2,412	10,099
	<b>138,798</b>	<b>69,423</b>	<b>56,910</b>	<b>151,311</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.
Section 19(2) exemption funds	Improving access to primary care in rural and remote areas.
Staff welfare	Staff benefits such as staff recognition awards, functions and staff amenity improvements.
Training and education including conferences	Professional training, education and conferences.
Other	Does not meet the definition of any of the above categories.

#### Unclaimed monies

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

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

# 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 2022

### 29. Payables

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Current</b>				
Accrued salaries, wages and on-costs	6,419	8,113	-	-
Salaries and wages deductions	221	256	-	-
Payroll and fringe benefits tax	18	-	-	-
Accrued liability - purchase of personnel services	-	-	6,658	8,369
Creditors	13,561	9,192	13,561	9,192
Other creditors				
- Payables to entities controlled by the immediate parent	18,096	12,011	18,096	12,011
- Other	7,760	2,944	7,760	2,944
	<b>46,075</b>	<b>32,516</b>	<b>46,075</b>	<b>32,516</b>

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 41.

#### 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 2022

### 30. Contract liabilities

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Current</b>				
Contract liabilities	7,153	4,952	7,153	4,952
	<b>7,153</b>	<b>4,952</b>	<b>7,153</b>	<b>4,952</b>

#### Recognition and Measurement

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities at 30 June 2022 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 2022. 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 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Revenue recognised that was included in the contract liability balance at the beginning of the year	4,952	3,340	4,952	3,340
Revenue recognised from performance obligations satisfied in previous periods	1,290	714	1,290	714
Transaction price allocated to the remaining performance obligations from contracts with customers	26,319	26,108	26,319	26,108

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

	2023 \$'000	2024 \$'000	2025 \$'000	≥ 2026 \$'000
Grants and other contributions	16,177	6,797	3,325	20
	<b>16,177</b>	<b>6,797</b>	<b>3,325</b>	<b>20</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 2022

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### 31. Borrowings

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Current</b>				
Lease liabilities (see Note 25)	617	539	617	539
	<b>617</b>	<b>539</b>	<b>617</b>	<b>539</b>
<b>Non-current</b>				
Lease liabilities (see Note 25)	1,227	1,536	1,227	1,536
	<b>1,227</b>	<b>1,536</b>	<b>1,227</b>	<b>1,536</b>

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 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 2022

### 31. 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 41 (b) for derecognition policy.

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

The Network 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 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>
<b>1 July 2021</b>	<b>2,075</b>	<b>2,075</b>
Cash flows	(598)	(598)
New leases	431	431
Lease terminations	(95)	(95)
Lease reassessments	31	31
<b>30 June 2022</b>	<b>1,844</b>	<b>1,844</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 2022

### 32. Provisions

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Current</b>				
<b>Employee benefits and related on-costs</b>				
Annual leave - obligations expected to be settled within 12 months	62,774	58,987	-	-
Annual leave - obligations expected to be settled after 12 months	40,899	35,289	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	1,064	1,245	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	17,975	19,933	-	-
Provision for other employee benefits*	17,568	2,450	-	-
Provision for personnel services liability	-	-	140,280	117,904
	<b>140,280</b>	<b>117,904</b>	<b>140,280</b>	<b>117,904</b>
<b>Other Provisions</b>				
Other	1,188	437	1,188	437
	<b>1,188</b>	<b>437</b>	<b>1,188</b>	<b>437</b>
<b>Total current provisions</b>	<b>141,468</b>	<b>118,341</b>	<b>141,468</b>	<b>118,341</b>
<b>Non-current</b>				
<b>Employee benefits and related on-costs</b>				
Long service leave consequential on-costs	1,883	2,095	-	-
Provision for personnel services liability	-	-	1,883	2,095
	<b>1,883</b>	<b>2,095</b>	<b>1,883</b>	<b>2,095</b>
<b>Other Provisions</b>				
Restoration costs	97	97	97	97
	<b>97</b>	<b>97</b>	<b>97</b>	<b>97</b>
<b>Total non-current provisions</b>	<b>1,980</b>	<b>2,192</b>	<b>1,980</b>	<b>2,192</b>
<b>Aggregate employee benefits and related on-costs</b>				
Provisions - current	140,280	117,904	-	-
Provisions - non-current	1,883	2,095	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 29)	6,640	8,369	-	-
Liability - purchase of personnel services	-	-	148,803	128,368
	<b>148,803</b>	<b>128,368</b>	<b>148,803</b>	<b>128,368</b>

\* Provision for other employee benefits includes a one-off payment to employees of \$14.87 million (2021: \$Nil) for the recognition of service during the COVID-19 pandemic.

# 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 2022

### 32. 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 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Restoration costs</b>				
Carrying amount at beginning of period	97	98	97	98
- Amounts used	-	(1)	-	(1)
<b>Carrying amount at end of period</b>	<b>97</b>	<b>97</b>	<b>97</b>	<b>97</b>

The majority of 'restoration costs' represent the expected cost to restore a leased asset at the end of the lease term. Lease end dates vary across the Network's lease portfolio and therefore the timing of the payments to restore the leased asset at the end of the term will vary. The majority of the 'restoration cost' provision is as per the lease contracts.

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Other</b>				
Carrying amount at beginning of period	437	-	437	-
- Additional provisions recognised*	768	437	768	437
- Amounts used	(17)	-	(17)	-
<b>Carrying amount at end of period</b>	<b>1,188</b>	<b>437</b>	<b>1,188</b>	<b>437</b>

\* Additional provisions recognised of \$0.77 million in 2022, includes a one-off payment to visiting medical officers of \$0.77 million (2021: \$Nil) and affiliated health organisations of \$Nil (2021: \$Nil) for the recognition of service during the COVID-19 pandemic.

The majority of the 'other' provision represent various contractual related obligations. The Network has recognised the provision amount by taking into consideration all available information at the reporting date and making best management estimation of the obligation. The timing of the payments will vary for each contractual related obligations.

#### 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 19.90% are applied to the value of leave payable at 30 June 2022 (comparable on-costs for 30 June 2021 were 19.40%). 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.

# 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 2022

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### 32. Provisions (continued)

#### **Recognition and Measurement (continued)**

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 majority of employee benefits and related on-cost balances have increased since the beginning of the COVID-19 pandemic. Management of the COVID-19 pandemic, along with state and international border closures at different times have adversely impacted the provision balance.

#### **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 Income.

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

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

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

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 33. Other liabilities

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Current</b>				
Unearned revenue	651	-	651	-
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	1,500	-	1,500	-
	<b>2,151</b>	<b>-</b>	<b>2,151</b>	<b>-</b>

Unearned revenue was derived from the following:

\$0.6m relates mainly to unspent Motor Accident Authority payments received, due to reduced activity levels, which is anticipated to be returned after 30 June 2022.

\$1.5m relates to capital funding from a philanthropic organisation towards the cost of Children's Cancer Care Centre at Randwick, which is anticipated to be paid out upon reaching certain construction milestones after 30 June 2022.

#### PARENT AND CONSOLIDATION

#### Reconciliation of financial assets and corresponding liabilities arising from transfers to acquire or construct non-financial assets to be controlled by the Network.

	2022 \$'000	2021 \$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	-	-
Add: receipt of cash during the financial year	1,500	-
Deduct: income recognised during the financial year	-	-
<b>Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity</b>	<b>1,500</b>	<b>-</b>

Refer to Note 14 for a description of the Network's obligations under transfers received to acquire or construct non-financial assets to be controlled by the Network.

The Network expects to recognise as income any liability for unsatisfied obligations as at the end of the reporting period evenly in the next 1-5 financial years, as the related asset(s) are constructed / acquired.

# 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 2022

### 34. 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 24.

#### **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).

#### **Increase / (decrease) in net assets from equity transfers**

Equity transfers effected in the 2021/22 year were:

(a) Nil

Equity transfers effected in the 2020/21 year were:

(b) As at the 30 June 2021, a number of fleet leases were transferred at \$Nil consideration to/from 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 comprised:

	2022 \$000	2021 \$000
Transfer of motor vehicle fleet leases	-	(3)
	-	(3)

Assets and Liabilities transferred are as follows:

	2022 \$000	2021 \$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>-</b>	<b>3</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 2022

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### 34. Equity (continued)

#### *Equity transfers*

##### **Recognition and Measurement**

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 2022

### 35. 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 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Within one year	285,235	25,581	285,235	25,581
Later than one year and not later than five years	501,019	11,430	501,019	11,430
<b>Total (including GST)</b>	<b>786,254</b>	<b>37,011</b>	<b>786,254</b>	<b>37,011</b>

FY 2022 capital commitments mainly relate to construction contracts for Westmead and Randwick redevelopment projects signed this year by Health Infrastructure, who manage these major projects.

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

The total 'Capital expenditure commitments' of \$786.25 million as at 30 June 2022 (2021: \$37.01 million) includes input tax credits of \$71.48 million that are expected to be recoverable from the Australian Taxation Office (2021: \$3.36 million).

### 36. 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 2022

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### 37. Adjusted budget review

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). The Network's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 Budgetary Reporting to present original budget information, the Network's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the Network and the 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 lower than adjusted budget by \$11 million, primarily due to:

Higher than adjusted budget expenditure of \$25 million, offset by higher than adjusted budget revenue of \$13 million.

The variance in expenditure of \$25 million was contributed mainly by Employee related expenses of \$29 million, \$4 million relating to Grants and subsidies and \$3 million for Visiting Medical Officers; partially offset by \$11 million lower than budget Other expenses.

The revenue variance of \$13 million was contributed mainly by \$21 million in Grants and contributions revenue and \$17 million in NSW Ministry of Health allocations; this was partially offset by lower than budget Sale of goods and services revenue of \$10 million, lower than budgeted investment revenue of \$8 million and Other revenue of \$7 million.

##### Assets and liabilities

The Net Assets were higher than adjusted budget by \$28 million comprising of higher than budget total assets of \$48 million and higher than budget liabilities of \$20 million.

The variance of \$48 million in assets compared to adjusted budget was mainly on account of higher than budget Property, plant and equipment of \$30 million primarily relating to interim revaluation increment, \$14 million higher than budget Cash and cash equivalents and Financial Assets combined and \$4 million for Receivables.

The variance of \$20 million relating to higher than budget liabilities comprised of \$13 million in payables; \$3 million in provisions and \$2 million each in contract liabilities and other liabilities.

##### Cash flows

The balance of cash and cash equivalents was \$102 million higher than adjusted budget. Of this \$86 million was contributed by liquidation of TCorp short term investments into cash which is held in a current account at bank. The balance \$12 million was contributed by higher than budget net cashflows from operating activities and lower than budget cash outflows for purchase of property, plant and equipment of \$5 million.

The cashflows from operating activities were contributed mainly by higher cash allocations from the Ministry and from Grants and contributions revenue of \$17 million each; \$1 million on account of interest received compared to budget. This was partially offset by lower than budget sale of goods and services revenue of \$8 million and other receipts of \$12 million. Additionally, payments for goods and services was \$23 million lower than budget, payments for employee related expenses and grants and subsidies were higher than budget by \$22 million and \$4 million respectively.

# 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 2022

### 37. Adjusted budget review

Movements in the level of the Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 01 July 2021 are as follows:

	<b>\$000</b>
<b>Initial allocation</b>	666,124
Award increases	-
<b>Special projects:</b>	
COVID-19	40,000
Cell and Gene Therapies	8,099
Newborn & Pædiatric Emergency Transport Service	2,000
Office of Health and Medical Research (OHMR) funding - GMP certification - Stage 1 Viral Vector Manufacturing Facility (VVMF) project	1,600
Child Well Being Unit	1,332
Nurse and Midwifery Strategy Reserve	548
Office of Health and Medical Research (OHMR) Translational Research Grants Scheme (TRGS)	433
Office of Health and Medical Research (OHMR) - COVID 19 Studies	223
Mental Health Program	111
Others	202
<b>Others:</b>	
Nationally Funded Centres (NFC) Program	6,436
Special Leave Relief Package	4,139
High Cost Blood Products Patient Pool	1,309
Maternity Leave Funding	1,200
Influenza vaccination for patients and families	399
Defined Benefit Superannuation	366
Voluntary Redundancy Payments	347
Trans Gender Dysphoria hubs	300
Newborn bloodspot screening Pathology	240
National Partnership Agreements (NPA) Achieving Better Health Outcomes - Nurse Driven Pilot Program	230
Others	631
Payroll Liability Adjustment	(8,393)
<b>Balance as per Statement of Comprehensive Income</b>	<b>727,876</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 2022

### 38. 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 2022 \$000	Consolidated <sup>1</sup> 2021 \$000	Parent 2022 \$000	Parent <sup>1</sup> 2021 \$000
Net cash used on operating activities	89,534	148,414	89,534	148,414
Depreciation and amortisation expense	(41,589)	(38,719)	(41,589)	(38,719)
Allowance for impairment	(420)	(355)	(420)	(355)
(Increase) / decrease in other liabilities	(2,151)	-	(2,151)	-
Decrease / (increase) in provisions	(22,915)	(12,098)	(22,915)	(12,098)
Increase / (decrease) in inventory	769	(783)	769	(783)
Increase / (decrease) in prepayments and other assets	8,571	3,134	8,571	3,134
Increase / (decrease) in contract assets	-	(170)	-	(170)
Decrease / (increase) in payables	(12,627)	16,903	(12,627)	16,903
Decrease / (increase) in contract liabilities	(2,201)	(1,612)	(2,201)	(1,612)
Net gain / (loss) on sale of property, plant and equipment	(46)	(3,094)	(46)	(3,094)
Increase / (decrease) in financial instruments at fair value	(3,749)	5,467	(3,749)	5,467
Assets donated or brought to account (Note 39)	1,507	173	1,507	173
<b>Net result</b>	<b>14,683</b>	<b>117,260</b>	<b>14,683</b>	<b>117,260</b>

<sup>1</sup> 'Increase / (decrease) in Inventory' and 'Increase / (decrease) in financial instruments at fair value' has been disaggregated from 'Increase / (decrease) in prepayments and other assets' in the current year. The prior period comparatives have been restated to reflect this change.

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

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Assets donated or brought to account	1,507	173	1,507	173
Property, plant and equipment acquired by a lease	431	195	431	195
	<b>1,938</b>	<b>368</b>	<b>1,938</b>	<b>368</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 2022

### 40. Trust funds

#### PARENT AND CONSOLIDATION

The Network holds trust funds of \$205,000 (2021: \$218,000) 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 2021	Revenue	Expense	30 June 2022
	Opening equity			Closing equity
	\$'000	\$'000	\$'000	\$'000
Private Patient Trust Funds	-	19,750	(19,750)	-
Third Party Funds	218	48	(61)	205
<b>Total trust funds</b>	<b>218</b>	<b>19,798</b>	<b>(19,811)</b>	<b>205</b>

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>

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 42.

# 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 2022

### 41. 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 Amount	Carrying Amount
		2022 \$000	2021 \$000
<b>Financial assets</b>			
Cash and cash equivalents (Note 20)	Amortised cost	135,373	42,916
Receivables (Note 21) <sup>1</sup>	Amortised cost	23,711	19,664
Financial assets at fair value (Note 23)	Fair value through profit or loss - mandatory classification	29,864	118,381
<b>Total financial assets</b>		<b>188,948</b>	<b>180,961</b>
<b>Financial liabilities</b>			
Borrowings (Note 31)	Financial liabilities measured at amortised cost	1,844	2,075
Payables (Note 29) <sup>2</sup>	Financial liabilities measured at amortised cost	46,057	32,516
<b>Total financial liabilities</b>		<b>47,901</b>	<b>34,591</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).

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 2022

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### 41. 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 Network 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 daily on restricted financial asset cash on hand and bank balances only. 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 2022

### 41. 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 2022 and 30 June 2021 was determined as follows:

#### PARENT AND CONSOLIDATION

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
30 June 2022	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.35%	0.71%	3.72%	7.30%	10.27%	1.61%
Estimated total gross carrying amount <sup>1</sup>	14,361	2,658	457	411	1,997	19,884
Expected credit loss	50	19	17	30	205	321
30 June 2021	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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

#### Notes

<sup>1</sup> The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB 7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 21.

The Network is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2022 and 30 June 2021.

#### Other Financial Assets - Authority Deposits

The Network has placed funds on deposit with TCorp, which has been rated 'AA+' 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 2022 (2021: \$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 2022

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### 41. 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 loans and other advances.

The Network has negotiated no loan outside of arrangements with the 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 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 2022

### 41. 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>2022</b>								
Payables:								
- Creditors <sup>2</sup>		46,057	-	-	46,057	46,057	-	-
Borrowings:								
- Lease liabilities	2.07%	1,897	1,897	-	-	634	1,233	30
		<b>47,954</b>	<b>1,897</b>	-	<b>46,057</b>	<b>46,691</b>	<b>1,233</b>	<b>30</b>
<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>32,516</b>	<b>33,085</b>	<b>1,571</b>	<b>14</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 AASB 7 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 2022

### 41. 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 Hour Glass Investment Facilities. The Network has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Network operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis as for 2021. 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. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The Network does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income. Therefore, for these financial instruments, a change in interest rates would not affect the carrying value or interest paid/earned. 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 Ministry of Health (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and 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**

	2022		2021	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	(1,634)	1,634	(1,592)	1,592
Equity	(1,634)	1,634	(1,592)	1,592

# 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 2022

### 41. 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	2022 \$000	2021 \$000
TCorpIM Cash Fund	Cash and fixed income	Up to 1.5 years	-	17,546
TCorpIM Short Term Income Fund	Cash and fixed income	1.5 years to 3 years	-	86,259
TCorpIM Long Term Growth Fund	Cash and fixed income, credit, equities, alternative assets and real assets	7 years and over	29,864	32,122

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	
	2022 %	2021 %	2022 \$000	2021 \$000
TCorpIM Cash Fund	10%	10%	-	1,755
TCorpIM Short Term Income Fund	10%	10%	-	8,626
TCorpIM Long Term Growth Fund	10%	10%	2,986	3,212

# 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 2022

### 41. 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 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.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2022 Total \$'000
TCorpIM Funds	-	29,864	-	29,864
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2021 Total \$'000
TCorpIM Funds	-	135,927	-	135,927

*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 2022.

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 2022

### 42. Related party disclosures

#### PARENT AND CONSOLIDATION

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

Key management personnel compensation is as follows:

	2022 \$000	2021 \$000
Short-term employee benefits	427	332
Post-employment benefits	43	32
	<b>470</b>	<b>364</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 \$0.45 million (2021: \$0.36 million) for these services. This amount does not form part of the key management personnel

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 Ministry of Health and its controlled entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

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

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

There were no transactions with key management personnel and their close family members (2021: \$Nil).

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

There were no transactions with the ultimate parent during the financial period (2021: \$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 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 2022

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### 42. Related party disclosures (continued)

#### (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
- Legal and consultancy services
- Utilities, including electricity, gas and water expenses
- Insurance costs
- Rental costs for Property NSW leased properties
- Various grants and subsidies towards research and other projects

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

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

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

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

*Assets and liabilities as follows:*

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

### 43. Events after the reporting period

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

**END OF AUDITED FINANCIAL STATEMENTS**