



## 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

I have audited the accompanying financial statements of The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) (the Network), which comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and service group statement for the year then ended, notes comprising a summary 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.

### Opinion

In my opinion, the financial statements:

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

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

### Emphasis of Matter

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 2(ab). 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 Responsibility for the Financial Statements

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

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

My opinion does *not* provide assurance:

- about the future viability of the Network or the consolidated entity
- that they carried out their activities effectively, efficiently and economically
- about the effectiveness of the internal control
- about the assumptions used in formulating the adjusted 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 other information that may have been hyperlinked to/from the financial statements.

## **Independence**

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical pronouncements. The PF&A Act further promotes independence 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, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



Renee Meimaroglou  
Director, Financial Audit Division

14 September 2015  
SYDNEY



## Certification of the Financial Statements for the year ended 30 June 2015

I state, pursuant to Section 45F of the *Public Finance and Audit Act 1983*:

- 1) The financial statements of The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) for the year ended 30 June 2015 have been prepared in accordance with:
  - a) Australian Accounting Standards (which include Australian Accounting Interpretations)
  - b) the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2015* and the Treasurer's Directions
  - c) the Financial Reporting Code for NSW General Government Sector Entities;
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) Special Purpose Service Entity; and
- 3) There are no circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

Dr Michael Brydon  
**Acting Chief Executive**

10 September 2015

Brian Jackson  
**Director of Finance and Corporate Services**

10 September 2015

**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 2015**

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2015	2015	2014		2015	2015	2014
\$000	\$000	\$000		\$000	\$000	\$000
			<b>Expenses excluding losses</b>			
			<b>Operating Expenses</b>			
---	---	---				
456,284	460,048	441,149	3	481,486	485,258	464,994
12,088	12,102	10,707	4	---	---	---
166,112	166,429	158,305		12,088	12,102	10,707
25,253	25,310	24,775	5	166,112	166,429	158,305
4,816	2,577	5,357	2(i), 6	25,253	25,310	24,775
<b>664,553</b>	<b>666,466</b>	<b>640,293</b>	7	4,816	2,577	5,357
				<b>689,755</b>	<b>691,676</b>	<b>664,138</b>
			<b>Revenue</b>			
491,958	492,156	471,228	2(d)	491,958	492,156	471,228
4,388	5,188	3,918	2(d)	4,388	5,188	3,918
---	---	---	2(a)(ii),11	25,202	25,210	23,845
80,228	79,862	74,484	8	80,228	79,862	74,484
9,935	8,745	10,015	9	9,935	8,745	10,015
72,641	55,470	60,378	10	72,641	55,470	60,378
10,997	14,187	8,438	12	10,997	14,187	8,438
<b>670,147</b>	<b>655,608</b>	<b>628,461</b>		<b>695,349</b>	<b>680,818</b>	<b>652,306</b>
(630)	(432)	(413)	13	(630)	(432)	(413)
(139)	(555)	(365)	14	(139)	(555)	(365)
<b>4,825</b>	<b>(11,845)</b>	<b>(12,610)</b>		<b>4,825</b>	<b>(11,845)</b>	<b>(12,610)</b>
			32			
			<b>Net Result</b>			
			<b>Other Comprehensive Income</b>			
			<b>Items that will not be reclassified to net result</b>			
			<b>Net Increase/(Decrease) in Property, Plant &amp;</b>			
34,574	---	---	21	34,574	---	---
<b>34,574</b>	<b>---</b>	<b>---</b>		<b>34,574</b>	<b>---</b>	<b>---</b>
<b>39,399</b>	<b>(11,845)</b>	<b>(12,610)</b>		<b>39,399</b>	<b>(11,845)</b>	<b>(12,610)</b>
			<b>TOTAL COMPREHENSIVE INCOME</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 Financial Position as at 30 June 2015

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual		Actual	Adjusted Budget Unaudited	Actual
2015	2015	2014	Notes	2015	2015	2014
\$000	\$000	\$000		\$000	\$000	\$000
<b>ASSETS</b>						
<b>Current Assets</b>						
111,392	92,194	103,362	17	111,392	92,194	103,362
24,998	22,812	22,757	18	24,998	22,812	22,757
6,553	6,298	6,244	19	6,553	6,298	6,244
247	15,076	15,076	20	247	15,076	15,076
<u>143,190</u>	<u>136,380</u>	<u>147,439</u>		<u>143,190</u>	<u>136,380</u>	<u>147,439</u>
1,336	----	----	23	1,336	----	----
<u>144,526</u>	<u>136,380</u>	<u>147,439</u>		<u>144,526</u>	<u>136,380</u>	<u>147,439</u>
<b>Non-Current Assets</b>						
51,675	44,747	39,747	20	51,675	44,747	39,747
<b>Property, Plant &amp; Equipment</b>						
414,298	393,036	395,151	21	414,298	393,036	395,151
48,901	36,898	40,087	21	48,901	36,898	40,087
39,055	34,747	36,370	21	39,055	34,747	36,370
3,714	3,345	3,481	21	3,714	3,345	3,481
<u>505,968</u>	<u>468,026</u>	<u>475,089</u>		<u>505,968</u>	<u>468,026</u>	<u>475,089</u>
4,079	4,031	4,635	22	4,079	4,031	4,635
<u>561,722</u>	<u>516,804</u>	<u>519,471</u>		<u>561,722</u>	<u>516,804</u>	<u>519,471</u>
<u>706,248</u>	<u>653,184</u>	<u>666,910</u>		<u>706,248</u>	<u>653,184</u>	<u>666,910</u>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
38,670	39,390	42,776	26	38,670	39,390	42,776
75,763	73,664	72,559	27	75,763	73,664	72,559
2,354	1,913	1,913	28	2,354	1,913	1,913
<u>116,787</u>	<u>114,967</u>	<u>117,248</u>		<u>116,787</u>	<u>114,967</u>	<u>117,248</u>
<b>Non-Current Liabilities</b>						
865	865	465	27	865	865	465
<u>865</u>	<u>865</u>	<u>465</u>		<u>865</u>	<u>865</u>	<u>465</u>
<u>117,652</u>	<u>115,832</u>	<u>117,713</u>		<u>117,652</u>	<u>115,832</u>	<u>117,713</u>
<u>588,596</u>	<u>537,352</u>	<u>549,197</u>		<u>588,596</u>	<u>537,352</u>	<u>549,197</u>
<b>EQUITY</b>						
265,242	230,668	230,668		265,242	230,668	230,668
323,354	306,684	318,529		323,354	306,684	318,529
<u>588,596</u>	<u>537,352</u>	<u>549,197</u>		<u>588,596</u>	<u>537,352</u>	<u>549,197</u>

The accompanying notes form part of these financial statements.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)  
Statement of Changes in Equity for the year ended 30 June 2015

PARENT AND CONSOLIDATION	Notes	Accumulated	Asset Revaluation	Total
		Funds	Surplus	
		\$000	\$000	\$000
Balance at 1 July 2014		318,529	230,668	549,197
<b>Total Equity at 1 July 2014</b>		<b>318,529</b>	<b>230,668</b>	<b>549,197</b>
Net Result for the year		4,825		4,825
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	21	----	34,574	34,574
<b>Total Other Comprehensive Income</b>		<b>----</b>	<b>34,574</b>	<b>34,574</b>
<b>Total Comprehensive Income for the year</b>		<b>4,825</b>	<b>34,574</b>	<b>39,399</b>
<b>Balance at 30 June 2015</b>		<b>323,354</b>	<b>265,242</b>	<b>588,596</b>
Balance at 1 July 2013		331,139	230,668	561,807
<b>Total Equity at 1 July 2013</b>		<b>331,139</b>	<b>230,668</b>	<b>561,807</b>
Net Result for the year		(12,610)		(12,610)
Other Comprehensive Income:				
<b>Total Other Comprehensive Income</b>		<b>----</b>	<b>----</b>	<b>----</b>
<b>Total Comprehensive Income for the year</b>		<b>(12,610)</b>	<b>----</b>	<b>(12,610)</b>
<b>Balance at 30 June 2014</b>		<b>318,529</b>	<b>230,668</b>	<b>549,197</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 2015

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual		Actual	Adjusted Budget Unaudited	Actual
2015 \$000	2015 \$000	2014 \$000	Notes	2015 \$000	2015 \$000	2014 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
				(461,698)	(469,025)	(442,163)
(5,434)	(3,195)	(5,947)	Employee Related	(5,434)	(3,195)	(5,947)
(660,847)	(668,156)	(635,031)	Grants and Subsidies	(199,149)	(199,131)	(192,868)
			Other			
<u>(666,281)</u>	<u>(671,351)</u>	<u>(640,978)</u>	<b>Total Payments</b>	<u>(666,281)</u>	<u>(671,351)</u>	<u>(640,978)</u>
<b>Receipts</b>						
491,958	492,156	471,228	NSW Ministry of Health Recurrent Allocations	491,958	492,156	471,228
4,388	5,188	3,918	NSW Ministry of Health Capital Allocations	4,388	5,188	3,918
6,896	6,896	7,500	Reimbursements from the Crown Entity	6,896	6,896	7,500
82,027	82,541	75,417	Sale of Goods and Services	82,027	82,541	75,417
3,575	589	3,829	Interest Received	3,575	589	3,829
73,590	58,912	61,140	Grants and Contributions	73,590	58,912	61,140
27,356	34,888	34,008	Other	27,356	34,888	34,008
<u>689,790</u>	<u>681,170</u>	<u>657,040</u>	<b>Total Receipts</b>	<u>689,790</u>	<u>681,170</u>	<u>657,040</u>
<u>23,509</u>	<u>9,819</u>	<u>16,062</u>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>23,509</u>	<u>9,819</u>	<u>16,062</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
151		116	Proceeds from Sale of Property, Plant & Equipment and Intangibles	151		116
19,000	19,000	27,509	Proceeds from Sale of Investments	19,000	19,000	27,509
(18,531)	(15,987)	(11,337)	Purchases of Property, Plant & Equipment and Intangibles	(18,531)	(15,987)	(11,337)
(16,099)	(24,000)	(21,114)	Purchases of Investments	(16,099)	(24,000)	(21,114)
<u>(15,479)</u>	<u>(20,987)</u>	<u>(4,826)</u>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>(15,479)</u>	<u>(20,987)</u>	<u>(4,826)</u>
8,030	(11,168)	11,236	<b>NET INCREASE / (DECREASE) IN CASH</b>	8,030	(11,168)	11,236
103,362	103,362	92,126	Opening Cash and Cash Equivalents	103,362	103,362	92,126
<u>111,392</u>	<u>92,194</u>	<u>103,362</u>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<u>111,392</u>	<u>92,194</u>	<u>103,362</u>

The accompanying notes form part of these financial statements.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)  
 Service Group Statements  
 for the year ended 30 June 2015

	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total							
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014				
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000			
Expenses excluding losses																												
Operating Expenses																												
Employee Related	12,331	13,156																										
Visiting Medical Officers	3	6																										
Other Operating Expenses	2,251	1,015																										
Depreciation and Amortisation	391	454																										
Grants and Subsidies	12	19																										
<b>Total Expenses excluding losses</b>	<b>14,988</b>	<b>14,650</b>																										
Revenue																												
NSW Ministry of Health Recurrent Allocations **																												
NSW Ministry of Health Capital Allocations **																												
Acceptance by the Crown Entity																												
of Employee Benefits and Other Liabilities																												
Sale of Goods and Services	656	643																										
Investment Revenue	96	138																										
Grants and Contributions	22	64																										
Other Revenue	97	550																										
Total Revenue	406	81																										
Gain / (Loss) on Disposal	1,277	1,476																										
Other Gains / (Losses)	(54)	(106)																										
<b>Net Result</b>	<b>(13,765)</b>	<b>(13,280)</b>																										
Other Comprehensive Income																												
Increase/(Decrease) in Revaluation Surplus	535	.....																										
Total Other Comprehensive Income	535	.....																										
<b>Total Comprehensive Income</b>	<b>(13,230)</b>	<b>(13,280)</b>																										

\* The name and purpose of each service group is summarised in Note 16

\*\* Allocations are made on an entity basis and not to individual Service Groups. Consequently, allocations must be included in "Not Attributable" column.



The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)  
Service Group Statements (Continued)  
for the year ended 30 June 2015

	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total		
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>ASSETS</b>																							
Current Assets																							
Cash and Cash Equivalents	2,040	1,902	17	17	17,790	18,514	6,815	6,342	47,584	44,221	3,489	3,241	2,425	2,285	4,520	4,273	26,712	24,567			111,392	103,382	
Receivables	30	42	2	2	2,781	6,259	1,888	322	16,643	15,334	489	502	244	167	2,447	58	696	71			24,968	22,757	
Inventories	89	40	1	(6)	1,582	1,462	317	285	3,234	3,073	175	257	142	178	376	340	637	615			6,553	6,244	
Financial Assets at Fair Value	4	279	1	3	39	2,425	15	931	104	6,494	8	476	5	335	10	628	61	3,505			247	15,076	
Non-Current Assets Held for Sale	21	.....	.....	.....	256	.....	95	.....	751	.....	40	.....	31	.....	66	.....	75	.....			1,336	.....	
<b>Total Current Assets</b>	<b>2,184</b>	<b>2,263</b>	<b>19</b>	<b>16</b>	<b>22,448</b>	<b>26,660</b>	<b>8,931</b>	<b>7,880</b>	<b>68,316</b>	<b>69,122</b>	<b>4,181</b>	<b>4,476</b>	<b>2,847</b>	<b>2,865</b>	<b>7,419</b>	<b>5,299</b>	<b>28,181</b>	<b>28,788</b>			<b>144,526</b>	<b>147,419</b>	
Non-Current Assets																							
Financial Assets at Fair Value	935	737	8	6	8,154	6,394	3,124	2,455	21,810	17,121	1,599	1,255	1,111	884	2,072	1,654	12,862	9,241			51,675	39,747	
Property, Plant and Equipment	6,268	7,102	25	141	77,604	75,404	29,205	31,830	227,578	217,354	12,240	12,166	9,286	4,558	20,043	15,883	32,048	30,715			414,298	395,151	
- Land and Buildings	765	742	3	14	9,475	7,872	3,566	3,323	27,787	22,692	1,494	1,270	1,734	476	2,447	1,658	2,230	2,040			48,901	40,087	
- Plant and Equipment	593	656	2	13	7,345	6,950	2,764	2,934	21,541	20,035	1,159	1,121	879	420	1,897	1,464	2,875	2,778			39,055	36,370	
- Infrastructure Systems	81	68	.....	.....	754	720	284	304	2,211	2,076	119	.....	80	116	195	44	.....	.....			3,714	3,481	
- Leasehold Improvements	58	78	.....	.....	717	832	270	351	2,102	2,397	113	134	86	50	185	175	548	616			4,079	4,635	
Intangible Assets	8,680	9,382	38	177	104,049	98,172	39,214	41,197	303,029	281,675	16,724	15,946	12,586	6,502	26,839	20,878	50,563	45,542			561,722	519,471	
<b>Total Non-Current Assets</b>	<b>10,864</b>	<b>11,645</b>	<b>57</b>	<b>193</b>	<b>126,497</b>	<b>124,832</b>	<b>48,145</b>	<b>49,077</b>	<b>371,345</b>	<b>350,797</b>	<b>20,905</b>	<b>20,422</b>	<b>15,433</b>	<b>9,467</b>	<b>34,258</b>	<b>26,177</b>	<b>78,744</b>	<b>74,300</b>			<b>706,248</b>	<b>666,910</b>	
<b>TOTAL ASSETS</b>																							
Current Liabilities																							
Payables	524	274	2	(50)	9,339	10,019	1,888	1,953	19,087	21,051	1,032	1,783	841	1,220	2,216	2,331	3,761	4,215			38,670	42,776	
Provisions	1,940	2,053	11	48	16,036	12,880	6,129	6,142	35,835	37,742	3,395	2,736	2,317	1,858	3,582	3,240	6,518	5,860			75,763	72,559	
Other	51	42	(1)	.....	514	366	167	141	1,131	981	32	72	68	51	120	95	212	165			2,354	1,913	
<b>Total Current Liabilities</b>	<b>2,515</b>	<b>2,369</b>	<b>12</b>	<b>(2)</b>	<b>25,889</b>	<b>23,265</b>	<b>8,164</b>	<b>8,236</b>	<b>56,053</b>	<b>59,774</b>	<b>4,519</b>	<b>4,571</b>	<b>3,226</b>	<b>3,129</b>	<b>5,918</b>	<b>5,666</b>	<b>10,491</b>	<b>10,240</b>			<b>116,787</b>	<b>117,248</b>	
Non-Current Liabilities																							
Provisions	22	13	1	(1)	183	83	70	39	409	242	39	18	26	12	41	21	74	38			865	465	
<b>Total Non-Current Liabilities</b>	<b>22</b>	<b>13</b>	<b>1</b>	<b>(1)</b>	<b>183</b>	<b>83</b>	<b>70</b>	<b>39</b>	<b>409</b>	<b>242</b>	<b>39</b>	<b>18</b>	<b>26</b>	<b>12</b>	<b>41</b>	<b>21</b>	<b>74</b>	<b>38</b>			<b>865</b>	<b>465</b>	
<b>TOTAL LIABILITIES</b>	<b>2,537</b>	<b>2,382</b>	<b>13</b>	<b>(3)</b>	<b>26,072</b>	<b>23,348</b>	<b>8,234</b>	<b>8,275</b>	<b>56,462</b>	<b>60,016</b>	<b>4,558</b>	<b>4,589</b>	<b>3,252</b>	<b>3,141</b>	<b>5,959</b>	<b>5,687</b>	<b>10,565</b>	<b>10,278</b>			<b>117,652</b>	<b>117,713</b>	
<b>NET ASSETS</b>	<b>8,327</b>	<b>9,263</b>	<b>44</b>	<b>196</b>	<b>100,425</b>	<b>101,484</b>	<b>39,911</b>	<b>40,802</b>	<b>314,883</b>	<b>290,781</b>	<b>16,347</b>	<b>15,833</b>	<b>12,181</b>	<b>6,326</b>	<b>28,299</b>	<b>20,490</b>	<b>66,179</b>	<b>64,022</b>			<b>568,586</b>	<b>548,197</b>	

\* The name and purpose of each service group is summarised in Note 16

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 2015

**1. The Reporting Entity**

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

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

- \* The parent entity comprises all the operating activities of the Hospital facilities and the NSW Newborn and Paediatric Emergency Transport Services (NETS), the Pregnancy and Newborn Service Network (PSN) and the Children's Court Clinic (CCC) under its control. It also encompasses the Restricted Assets (as disclosed in notes 15 and 25), 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 annual 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.

The reporting entity is a NSW Government entity which is consolidated as part of the NSW Ministry of Health and NSW Total State Sector Accounts. The Network is a not-for-profit entity (as profit is not its principal objective).

These consolidated financial statements for the year ended 30 June 2015 have been authorised for issue by the Acting Chief Executive on 10 September 2015.

**2. Summary of Significant Accounting Policies**

**Basis of Preparation**

The Network's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2015, and the Treasurers' Directions. The financial statements comply with the Financial Reporting Code for NSW General Government Sector Entities. Further information on the budget figures can be found at Note 2(ab).

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

The Secretary of 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.

Other circumstances why the going concern is appropriate include:

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

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2015

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

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

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

#### 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.

#### Statement of Compliance

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

Significant accounting policies used in the preparation of these financial statements are as follows:

#### a) Employee Benefits and Other Provisions

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

Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability can be used to approximate the present value of the annual leave liability. On-costs of 16.7% are applied to the value of leave payable at 30 June 2015 (comparable on-costs for 30 June 2014 were 16.5%). The Network has assessed the actuarial advice based on the Network's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

##### ii) Long Service Leave and Superannuation

The Network's liability for Long Service Leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity.

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

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the Network as shown in Note 27.

Long Service Leave is measured at present value in accordance with AASB 119, Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 15/09) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2015

iii) **Consequential On-Costs**

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

iv) **Other Provisions**

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

b) **Insurance**

The Network's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government Entities. The expense (premium) is determined by the Fund Manager based on past claims experience.

c) **Finance Costs**

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

d) **Income Recognition**

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

*Sale of Goods*

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

*Rendering of Services*

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

*Patient Fees*

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

*High Cost Drugs*

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

*Motor Accident Authority Third Party*

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

*Investment Revenue*

Interest revenue is recognised using the effective interest method as set out in AASB 139, Financial Instruments: Recognition and Measurement.

Dividend revenue is recognised in accordance with AASB 118 Revenue, when the Network's right to receive payment is established.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2015

*Debt Forgiveness*

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

*Use of Hospital Facilities*

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

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

*Use of Outside Facilities*

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

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

*Grants and Contributions*

Grants and contributions are recognised as revenues when the Network obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

*NSW Ministry of Health Allocations*

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

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

**e) 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.

**f) Interstate Patient Flows**

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

**g) Acquisition of Assets**

Assets acquired are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer Note 2(y)).

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2015

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.

Land and buildings which are owned by the Health Administration Corporation or the State and operated/occupied by the Network are deemed to be controlled by the Network and are reflected as such in the financial statements.

**h) Capitalisation Thresholds**

Individual items of Property, Plant & Equipment and Intangibles are capitalised where their cost is \$10,000 or above.

**i) Depreciation of Property, Plant and Equipment**

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

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

	2015	2014
Buildings	2.5%	2.5%
Electro Medical Equipment		
- Costing less than \$200,000	10.0%	10.0%
- Costing more than or equal to \$200,000	12.5%	12.5%
Computer Equipment	20.0%	20.0%
Infrastructure Systems	2.5%	2.5%
Motor Vehicle Sedans	12.5%	12.5%
Motor Vehicles, Trucks & Vans	20.0%	20.0%
Office Equipment	10.0%	10.0%
Plant and Machinery	10.0%	10.0%
Furniture, Fittings and Furnishings	5.0%	5.0%
Leasehold Improvements	3.8%	3.5%
Intangible Assets	7.5%	7.5%

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

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

**j) Revaluation of Non-Current Assets**

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

Investment property is separately discussed at Note 2(n).

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.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2015

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 21 and Note 24 for further information regarding fair value.

The Network revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets recognised by the Network was completed in the 2014-15 financial year and was based on an independent assessment.

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

Artworks are capitalised where their value is \$10,000 or over. The Network also revalues the Artworks at minimum every three years. The last revaluation of the Artworks by the Network was completed in the 2014-15 financial year and was based on an independent assessment. For previously capitalised Artworks that had reduced in value below \$10,000 as assessed by the independent valuer, a further assessment was done internally by the Network's Artwork curator to determine their current values and these items have accordingly been recognised at their new values of below \$10,000.

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

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

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

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

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

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

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

**k) Impairment of Property, Plant and Equipment**

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

**l) Restoration Costs**

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2015

**m) Non-Current Assets (or disposal groups) Held for Sale**

The Network has certain non-current assets (or disposal groups) classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use.

Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount and fair value less costs of disposal. These assets are not depreciated while they are classified as held for sale.

**n) Investment Properties**

Investment property is held to earn rentals or for capital appreciation, or both. However, for not-for-profit entities, property held to meet service delivery objectives rather than to earn rental or for capital appreciation does not meet the definition of investment property and is accounted for under AASB 116, Property, Plant and Equipment.

The Network does not have any property that meets the definition of Investment Property.

**o) Intangible Assets**

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

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

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

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

Computer software developed or acquired by the Network are recognised as intangible assets and are amortised over five to ten years using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions.

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.

**p) Maintenance**

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

**q) Leased Assets**

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

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

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

**r) Inventories**

Inventories are stated at the lower of cost and net realisable value, adjusted when applicable, for any loss of service potential. Costs are assigned to individual items of stock mainly on the basis of weighted average costs.

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



Notes to and forming part of the Financial Statements  
for the year ended 30 June 2015

**s) Loans and Receivables**

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

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

**t) Investments**

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

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

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

The T Corp Hour-Glass Investment facilities are designated at fair value through profit or loss using the second leg of the fair value option i.e. these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the Network's key management personnel.

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

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

The movement in the fair value of the T Corp Hour-Glass Investment facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

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

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

**u) Impairment of financial assets**

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

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

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the net result for the year, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the net result for the year.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2015

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as "available for sale", must be made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

**v) De-recognition of financial assets and financial liabilities**

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

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

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

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

**w) Payables**

These amounts represent liabilities for goods and services provided to the Network and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value.

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

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

**x) Fair Value Hierarchy**

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

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

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

Refer Note 37 and Note 24 for further disclosures regarding fair value measurements of financial and non-financial assets.

**y) Equity Transfers**

The transfer of net assets between entities is as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector entities is designated or required by Accounting Standards to be treated as contributions by owners and is 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.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2015

**z) Equity and Reserves**

**(i) Accumulated Funds**

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

**(ii) Revaluation Surplus**

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the Network's policy on the revaluation of property, plant and equipment as discussed in Note 2(j).

**(iii) Separate Reserves**

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

**aa) Trust Funds**

The Network receives monies in a trustee capacity for various trusts as set out in Note 30.

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

**ab) Adjusted Budgeted Amounts**

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

**ac) Service Group Statements Allocation Methodology**

Service group definitions are based and allocated on methodology determined by the Independent Hospital Pricing Authority, refer note 16.

Income and expenses are allocated to service groups using statistical data for the twelve months ending 30 June 2014, then adjusted for any material change in service delivery or funding distribution occurring in the 2014-15 financial year.

In respect of assets and liabilities, the Network identifies those components that can be specifically identified and reported by service groups.

Remaining values are attributed to service groups in accordance with values advised by the NSW Ministry of Health, e.g. depreciation/amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant & Equipment.

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

**(i) Effective for the first time in 2014-15**

The accounting policies applied in 2014-15 are consistent with those of the previous financial year except as a result of the following new or revised Australian Accounting Standards that have impacted in 2014-15 and have been applied for the first time as follows:

AASB 10 Consolidated Financial Statements, AASB 2011-7, and AASB 2013-8 Amendments to Australian Accounting Standards for the consolidation and joint arrangement standards, arise from the issuance of AASB 10, AASB 11, AASB 12, AASB 127, and AASB 128. For not for profit entities, the changes have application from 1 July 2014.

Following an assessment of the applicable new accounting standards mentioned above in relation to consolidation and joint arrangements, Network management is of the opinion that there will be no material implications for the financial statements.

Notes to and forming part of the Financial Statements  
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AASB 1055 and AASB 2013-1, regarding Budgetary Reporting has application from 1 July 2014. This standard is not applicable to the Network as individual budgets are not presented in parliament. Refer note 2(ab) on how the Network derives its adjusted budgetary information.

(ii) **Issued but not yet effective**

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

AASB 9, Financial Instruments, has application from 1 January 2018. The standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

AASB 15 and AASB 2014-5, Revenue from Contracts with Customers has application from 1 January 2017. We believe this standard will impact on the timing recognition of certain revenues given the core principle of the new standard requires revenue to be recognised when the goods or services are transferred to the customer at the transaction price (as opposed to stage of completion of the transaction). The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

AASB 2010-7, regarding Financial Instruments has mandatory application from 1 July 2015 and comprises changes to improve and simplify the approach for classification and measurement of financial assets. The change is not expected to materially impact the financial statements.

AASB 2014-3, Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations. This amending standard clarifies the treatment of expensing all acquisition-related costs, and recognition of share in a joint operation according to the contractual arrangements. This standard is applicable from 1 January 2016.

AASB 2014-4, Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation, has application from 1 January 2016. The change will take into account the expected future reductions in the selling price when accounting for useful life.

AASB 2014-7, Amendments to various Australian Accounting Standards as a result of the changes from AASB 9 (December 2014) and will have application from 1 Jan 2018. The new AASB 9 includes revised guidance on the classification and measurement of financial assets and supersedes AASB 9 (December 2009) and AASB 9 (December 2010).

AASB 2014-8, Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)] has application from 1 Jan 2015. This update limits the application of the existing versions of AASB 9 (December 2009) and AASB 9 (December 2010).

AASB 2014-9, Amendments to Australian Accounting Standards – It gives entities the choice of using the Equity Method for their subsidiaries in their separate financial statements [AASB 1, 127 & 128]. It has application from 1 January 2016.

AASB 2014-10, Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]. This has application from 1 January 2016.

AASB 2015-01, Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]. This has application from 1 January 2016.

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AASB 2015-02, Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049] require entities to disclose significant accounting policies and other explanatory information in a more detailed manner rather than a summary as previously done. This application takes place from 1 January 2016.

AASB 2015-03, Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality from 1 January 2016. It is expected that the withdrawal of AASB 1031 will not change practice regarding the application of materiality in financial reporting. In particular, amendments would not change the level of disclosure presently specified by other accounting standards.

AASB 2015-5, Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12 & AASB 128], has application from 1 January 2016. This standard is unlikely to have any impact on this entity as the exceptions would be hard to satisfy.

AASB 2015-6, Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049], has application from 1 July 2016. Based on preliminary evaluation, this standard could potentially increase the level of disclosure required for not for profit entities where delegated power exists for senior officers of the entity.

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  
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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
<b>3. Employee Related</b>				
Employee related expenses comprise the following:				
---	---	Salaries and Wages	314,894	304,499
---	---	Overtime	11,719	11,647
---	---	Penalties	22,852	22,203
---	---	Superannuation - Defined Benefit Plans	4,940	5,042
---	---	Superannuation - Defined Contribution Plans	36,195	33,355
---	---	Long Service Leave	21,767	20,300
---	---	Annual Leave	41,407	40,239
---	---	Sick Leave and Other Leave	24,396	22,693
---	---	Redundancies	150	1,157
---	---	Workers' Compensation Insurance	3,017	3,817
---	---	Fringe Benefits Tax	149	42
---	---		<b>481,486</b>	<b>464,994</b>
The following additional information is provided:				
---	---	Employee Related Expenses Capitalised - Intangibles	4,713	294
<b>4. Personnel Services</b>				
Personnel Services comprise the purchase of the following:				
314,894	304,499	Salaries and Wages	---	---
11,719	11,647	Overtime	---	---
22,852	22,203	Penalties	---	---
36,195	33,355	Superannuation - Defined Contribution Plans	---	---
1,505	1,497	Long Service Leave	---	---
41,407	40,239	Annual Leave	---	---
24,396	22,693	Sick Leave and Other Leave	---	---
150	1,157	Redundancies	---	---
3,017	3,817	Workers' Compensation Insurance	---	---
149	42	Fringe Benefits Tax	---	---
<b>456,284</b>	<b>441,149</b>		<b>---</b>	<b>---</b>
The following additional information is provided:				
4,713	294	Personnel Services Expenses Capitalised - Intangibles	---	---
<b>5. Other Operating Expenses</b>				
315	268	Advertising	315	268
162	158	Auditor's Remuneration - Audit of Financial Statements	162	158
9,442	9,992	Blood and Blood Products	9,442	9,992
1	202	Consultancies - Capital Works	1	202
1,266	886	Consultancies - Other	1,266	886
37	---	Contractors	37	---
4,501	4,729	Domestic Supplies and Services	4,501	4,729
34,282	30,771	Drug Supplies	34,282	30,771
7,226	7,214	Food Supplies	7,226	7,214
3,684	4,439	Fuel, Light and Power	3,684	4,439
6,251	5,163	Hospital Ambulance Transport Costs	6,251	5,163
9,119	8,908	Information Management Expenses	9,119	8,908
562	533	Insurance	562	533
14,286	12,979	Maintenance (See (b) below)	14,286	12,979
29,876	28,466	Medical and Surgical Supplies	29,876	28,466
311	498	Motor Vehicle Expenses	311	498
2,589	2,277	Postal and Telephone Costs	2,589	2,277
2,131	1,986	Printing and Stationery	2,131	1,986
830	453	Rates and Charges	830	453
756	712	Rental	756	712
18,503	18,330	Special Service Departments	18,503	18,330
4,143	3,710	Staff Related Costs	4,143	3,710
6,254	6,434	Travel Related Costs	6,254	6,434
9,585	9,197	Other (See (a) below)	9,585	9,197
<b>166,112</b>	<b>158,305</b>		<b>166,112</b>	<b>158,305</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  
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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
		<b>(a) Other Includes:</b>		
167	67	Contract for Patient Services	167	67
1,817	1,529	Corporate Support Services	1,817	1,529
550	651	Courier and Freight	550	651
230	153	Legal Services	230	153
707	498	Membership/Professional Fees	707	498
258	214	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	258	214
129	172	Other Operating Lease Expense - Minimum Lease Payments	129	172
93	185	Quality Assurance/Accreditation	93	185
92	71	Security Services	92	71
5,542	5,657	Other Miscellaneous	5,542	5,657
<b>9,585</b>	<b>9,197</b>		<b>9,585</b>	<b>9,197</b>
		<b>(b) Reconciliation of Total Maintenance</b>		
5,114	4,200	Maintenance Contracts	5,114	4,200
3,921	4,306	New/Replacement Equipment under \$10,000	3,921	4,306
3,973	3,357	Repairs Maintenance/Non Contract	3,973	3,357
1,278	1,116	Other	1,278	1,116
14,286	12,979	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 5)	14,286	12,979
350	298	Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	350	298
<b>14,636</b>	<b>13,277</b>	<b>Total Maintenance Expenses</b>	<b>14,636</b>	<b>13,277</b>

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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
		<b>6. Depreciation and Amortisation</b>		
15,154	14,635	Depreciation - Buildings	15,154	14,635
7,698	7,544	Depreciation - Plant and Equipment	7,698	7,544
1,623	1,545	Depreciation - Infrastructure Systems	1,623	1,545
136	130	Amortisation - Leasehold Improvements	136	130
642	921	Amortisation - Intangible Assets	642	921
<u>25,253</u>	<u>24,775</u>		<u>25,253</u>	<u>24,775</u>
		<b>7. Grants and Subsidies</b>		
695	573	Non-Government Organisations	695	573
1,682	1,457	Grants to Research Organisations	1,682	1,457
123	1,040	NSW Government Sector Grants	123	1,040
1,039	300	Grant Payments to Other NSW Health Entities	1,039	300
1,277	1,987	Other Grants	1,277	1,987
<u>4,816</u>	<u>5,357</u>		<u>4,816</u>	<u>5,357</u>



The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)  
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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
<b>8. Sale of Goods and Services</b>				
(a) Sale of Goods comprise the following:-				
1,119	1,070	Pharmacy Sales	1,119	1,070
2,854	2,727	Sale of Prosthesis	2,854	2,727
159	295	Other	159	295
(b) Rendering of Services comprise the following:-				
		Patient Fees		
		- Inpatient Fees	27,865	26,264
		- Non Inpatient Fees	265	166
		Staff-Meals and Accommodation	351	328
14,201	13,757	Infrastructure Fees - Monthly Facility Charge	14,201	13,757
4,161	4,957	- Annual Charge	4,161	4,957
58	73	Cafeteria/Kiosk	58	73
2,941	2,772	Car Parking	2,941	2,772
842	773	Child Care Fees	842	773
321	348	Clinical Services (excluding Clinical Drug Trials)	321	348
1,728	1,744	Commercial Activities	1,728	1,744
44	37	Fees for Medical Records	44	37
5	4	Information Retrieval	5	4
9,029	5,460	High Cost Drugs	9,029	5,460
4,154	3,539	Motor Accident Authority Third Party	4,154	3,539
6,728	6,739	Patient Transport Fees	6,728	6,739
101	112	Private Use of Motor Vehicles	101	112
201	192	Salary Packaging Fee	201	192
457	600	Services Provided to Non NSW Health Organisations	457	600
2,644	2,527	Other	2,644	2,527
<b>80,228</b>	<b>74,484</b>		<b>80,228</b>	<b>74,484</b>
<b>9. Investment Revenue</b>				
3,575	3,829	Interest	3,575	3,829
6,360	6,186	Other	6,360	6,186
<b>9,935</b>	<b>10,015</b>		<b>9,935</b>	<b>10,015</b>

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)  
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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
		<b>10. Grants and Contributions</b>		
2,095	1,420	Clinical Drug Trials	2,095	1,420
5,101	5,664	Commonwealth Government Grants	5,101	5,664
2,510	2,561	Commonwealth Teaching Hospital Grants	2,510	2,561
43,115	32,192	Industry Contributions/Donations	43,115	32,192
222	458	Cancer Institute Grants	222	458
2,447	1,868	NSW Government Grants	2,447	1,868
372	50	Grants from Other NSW Health Entities	372	50
4,477	5,241	Research Grants	4,477	5,241
12,302	10,924	Other Grants	12,302	10,924
<b>72,641</b>	<b>60,378</b>		<b>72,641</b>	<b>60,378</b>
		<b>11. Acceptance by the Crown Entity of Employee Benefits</b>		
		The following liabilities and expenses have been assumed by the Crown Entity:		
-----	---	Superannuation-defined benefit	4,940	5,042
-----	-----	Long Service Leave	20,262	18,803
-----	-----		<b>25,202</b>	<b>23,845</b>
		<b>12. Other Revenue</b>		
		Other Revenue comprises the following:-		
187	184	Commissions	187	184
3,926	3,790	Conference and Training Fees	3,926	3,790
47	50	Discounts	47	50
32	---	Insurance Refunds	32	---
740	647	Lease and Rental Income	740	647
2,022	475	Property not Previously Recognised	2,022	475
121	145	Sale of Merchandise, Old Wares and Books	121	145
169	129	Sponsorship Income	169	129
3,753	3,018	Other	3,753	3,018
<b>10,997</b>	<b>8,438</b>		<b>10,997</b>	<b>8,438</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 2015

PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
		<b>13. Gain / (Loss) on Disposal</b>		
28,674	3,853	Property, Plant and Equipment	28,674	3,853
27,893	3,324	Less: Accumulated Depreciation	27,893	3,324
<b>781</b>	<b>529</b>	<b>Written Down Value</b>	<b>781</b>	<b>529</b>
151	116	Less: Proceeds from Disposal	151	116
<b>(630)</b>	<b>(413)</b>	<b>Gain/(Loss) on Disposal of Property, Plant and Equipment</b>	<b>(630)</b>	<b>(413)</b>
<b>(630)</b>	<b>(413)</b>	<b>Total Gain/(Loss) on Disposal</b>	<b>(630)</b>	<b>(413)</b>
		<b>14. Other Gains / (Losses)</b>		
(139)	(365)	Impairment of Receivables	(139)	(365)
<b>(139)</b>	<b>(365)</b>		<b>(139)</b>	<b>(365)</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 2015

**PARENT & CONSOLIDATION**

**15. Conditions on Contributions**

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at reporting date	2,514	17,429	4,160	24,103
Contributions recognised in previous years which were not expended in the current reporting period	4,621	122,655	8,510	135,786
Total amount of unexpended contributions as at reporting date	7,135	140,084	12,670	159,889

Comment on restricted assets appears in Note 25

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)  
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**16. Service Groups of the Network**

**Service Group 1.1 - Primary and Community Based Services**

Service Description: This service group covers the provision of health services to children attending community health centres or in the home, including health promotion activities, community based dental, drug and alcohol and HIV/AIDS services. It also covers the provision of grants to non-Government organisations for community health purposes.

Objective: This service group contributes to making prevention everybody's business and strengthening primary health and continuing care in the community by working towards a range of intermediate results that include the following:

- improved access to early intervention, assessment, therapy and treatment services for claims in a home or community setting
- reduced rate of avoidable hospital admissions for conditions identified in the State Plan that can be appropriately treated in the community

**Service Group 1.2 - Aboriginal Health Services**

Service Description: This service group covers the provision of supplementary health services to Aboriginal children, particularly in the areas of health promotion, health education and disease prevention. (Note: This program excludes most services for Aboriginal children provided directly by Local Health Districts and other general health services that are used by all members of the community).

Objective: This service group contributes to ensuring a fair and sustainable health system by working towards a range of intermediate results that include the following:

- the building of regional partnerships for the provision of health services
- raising the health status of Aboriginal children and
- promoting a healthy lifestyle.

**Service Group 1.3 - Outpatient Services**

Service Description: This service group covers the provision of services provided in outpatient clinics including low level emergency care, diagnostic and pharmacy services and radiotherapy treatment.

Objective: This service group contributes to creating better experiences for children using health services and ensuring a fair and sustainable health system by working towards a range of intermediate results including improving, maintaining or restoring the health of ambulant patients in a hospital setting through diagnosis, therapy, education and treatment services.

**Service Group 2.1 - Emergency Services**

Service Description: This service group covers the provision of emergency road and air ambulance services and treatment of children in emergency departments of public hospitals.

Objective: This service group contributes to creating better experiences for children using the health system by working towards a range of intermediate results including reduced risk of premature death or disability by providing timely emergency diagnostic treatment and transport services.

**Service Group 2.2 - Inpatient Hospital Services**

Service Description: This service group covers the provision of health care to children admitted to hospitals, including elective surgery.

Objective: This service group contributes to creating better experiences for children using the health system by working towards a range of intermediate results that include the following:

- timely treatment of booked surgical patients, resulting in improved clinical outcomes, quality of life and patient satisfaction and
- reduced rate of unplanned and unexpected hospital readmissions.

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

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**Service Group 3.1 - Mental Health Services**

Service Description: This service group covers the provision of an integrated and comprehensive network of services by the Network for children seriously affected by mental illnesses and mental health problems. It also covers the development of preventative programs that meet the needs of specific client groups.

Objective: This service group contributes to strengthening primary health and continuing care in the community by working towards a range of intermediate results that include the following:

- improving the health, wellbeing and social functioning of children with disabling mental disorders and
- reducing the incidence of suicide, mental health problems and mental disorders in the community.

**Service Group 4.1 - Rehabilitation and Extended Care Services**

Service Description: This service group covers the provision of appropriate health care services for children with long-term physical and psycho-physical disabilities. It also includes the coordination of the NSW Ministry of Health's services for disabled, with those provided by other agencies and individuals.

Objective: This service group contributes to strengthening primary health and continuing care in the community and creating better experiences for children using the health system by working towards a range of intermediate results including improving or maintaining the wellbeing and independent functioning of children with disabilities or chronic conditions and terminally ill.

**Service Group 5.1 - Population Health Services**

Service Description: This service group covers the provision of health services targeted at broad population groups including environmental health protection, food and poisons regulation and monitoring of communicable diseases.

Objective: This service group contributes to making prevention everybody's business by working towards a range of intermediate results that include the following:

- reduced incidence of preventable disease and disability and
- improved access to opportunities and prerequisites for good health.

**Service Group 6.1 - Teaching and Research**

Service Description: This service group covers the provision of professional training for the needs of the New South Wales health system. It also includes strategic investment in research and development to improve the health and wellbeing of the children of New South Wales.

Objective: This service group contributes to ensuring a fair and sustainable health system by working towards a range of intermediate results that include the following:

- developing the skills and knowledge of the health workforce to support patient care and population health and
- extending knowledge through scientific enquiry and applied research aimed at improving the health and wellbeing of the children of New South Wales.

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  
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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		<b>17. Cash and Cash Equivalents</b>		
18,392	30,362	Cash at Bank and On Hand	18,392	30,362
93,000	73,000	Short Term Deposits	93,000	73,000
<b>111,392</b>	<b>103,362</b>		<b>111,392</b>	<b>103,362</b>
		For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.		
		Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:		
111,392	103,362	Cash and Cash Equivalents (per Statement of Financial Position)	111,392	103,362
<b>111,392</b>	<b>103,362</b>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<b>111,392</b>	<b>103,362</b>

*Refer to Note 37 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.*

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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
		<b>18. Receivables</b>		
		<b>Current</b>		
10,160	9,016	Sale of Goods and Services	10,160	9,016
5,888	6,788	Intra Health Receivables	5,888	6,788
1,625	2,888	Goods and Services Tax	1,625	2,888
6,487	3,779	Other Debtors	6,487	3,779
<u>24,160</u>	<u>22,471</u>	<b>Sub Total</b>	<u>24,160</u>	<u>22,471</u>
(378)	(640)	Less Allowance for Impairment	(378)	(640)
<u>23,782</u>	<u>21,831</u>	<b>Sub Total</b>	<u>23,782</u>	<u>21,831</u>
1,216	926	Prepayments	1,216	926
<u><b>24,998</b></u>	<u><b>22,757</b></u>		<u><b>24,998</b></u>	<u><b>22,757</b></u>
		(a) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
(519)	(180)	Balance at Commencement of Reporting Period	(519)	(180)
347	333	Amounts written off during the period	347	333
(159)	(672)	(Increase)/decrease in Allowance Recognised in the Net Result	(159)	(672)
<u>(331)</u>	<u>(519)</u>	Balance at 30 June	<u>(331)</u>	<u>(519)</u>
		(b) Movement in the Allowance for Impairment		
		Other Debtors		
(121)	(486)	Balance at Commencement of Reporting Period	(121)	(486)
54	58	Amounts written off during the period	54	58
20	307	(Increase)/decrease in Allowance Recognised in the Net Result	20	307
<u>(47)</u>	<u>(121)</u>	Balance at 30 June	<u>(47)</u>	<u>(121)</u>
<u><b>(378)</b></u>	<u><b>(640)</b></u>		<u><b>(378)</b></u>	<u><b>(640)</b></u>
		The current and non-current sale of goods and services balances above include the following patient fee receivables:		
		(Current and Non-Current) include:		
371	494	Patient Fees - Compensable	371	494
3,162	1,824	Patient Fees - Ineligible	3,162	1,824
2,355	3,552	Patient Fees - Inpatient & Other	2,355	3,552
<u><b>5,888</b></u>	<u><b>5,870</b></u>		<u><b>5,888</b></u>	<u><b>5,870</b></u>

*Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 37.*



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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
<b>19. Inventories</b>				
1,873	1,906	Drugs	1,873	1,906
3,735	3,369	Medical and Surgical Supplies	3,735	3,369
104	133	Engineering Supplies	104	133
841	836	Other Including Goods in Transit	841	836
<u>6,553</u>	<u>6,244</u>		<u>6,553</u>	<u>6,244</u>
<b>20. Financial Assets at Fair Value</b>				
<b>Current</b>				
247	15,076	Treasury Corporation - Hour-Glass Investment Facilities	247	15,076
<u>247</u>	<u>15,076</u>		<u>247</u>	<u>15,076</u>
<b>Non Current</b>				
51,675	39,747	Treasury Corporation - Hour-Glass Investment Facilities	51,675	39,747
<u>51,675</u>	<u>39,747</u>		<u>51,675</u>	<u>39,747</u>

*Refer to Note 37 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.*

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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
<b>21. Property, Plant and Equipment</b>				
<b>Land and Buildings - Fair Value</b>				
660,956	615,937	Gross Carrying Amount	660,956	615,937
246,658	220,786	Less: Accumulated Depreciation and Impairment	246,658	220,786
<u>414,298</u>	<u>395,151</u>	Net Carrying Amount	<u>414,298</u>	<u>395,151</u>
<b>Plant and Equipment - Fair Value*</b>				
123,276	134,657	Gross Carrying Amount	123,276	134,657
74,375	94,570	Less: Accumulated Depreciation and Impairment	74,375	94,570
<u>48,901</u>	<u>40,087</u>	Net Carrying Amount	<u>48,901</u>	<u>40,087</u>
<b>Infrastructure Systems - Fair Value</b>				
69,332	61,788	Gross Carrying Amount	69,332	61,788
30,277	25,418	Less: Accumulated Depreciation and Impairment	30,277	25,418
<u>39,055</u>	<u>36,370</u>	Net Carrying Amount	<u>39,055</u>	<u>36,370</u>
<b>Leasehold Improvements - Fair Value*</b>				
3,774	3,785	Gross Carrying Amount	3,774	3,785
60	304	Less: Accumulated Depreciation and Impairment	60	304
<u>3,714</u>	<u>3,481</u>	Net Carrying Amount	<u>3,714</u>	<u>3,481</u>
<u>505,968</u>	<u>475,089</u>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<u>505,968</u>	<u>475,089</u>

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

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**21. Property, Plant and Equipment - Reconciliation**

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Leasehold Improvements	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>2015</b>						
Net Carrying Amount at Start of Year	26,150	369,001	40,087	36,370	3,481	475,089
Additions	2,016	5,549	15,487	-----	-----	23,052
Reclassifications to Intangibles	-----	-----	(19)	-----	-----	(19)
Recognition of Assets Held for Sale	-----	(1,336)	-----	-----	-----	(1,336)
Disposals	-----	-----	(781)	-----	-----	(781)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	1,913	27,828	156	4,308	369	34,574
Depreciation Expense	-----	(15,154)	(7,698)	(1,623)	(136)	(24,611)
Reclassifications	-----	(1,669)	1,669	-----	-----	-----
Net Carrying Amount at End of Year	<b>30,079</b>	<b>384,219</b>	<b>48,901</b>	<b>39,055</b>	<b>3,714</b>	<b>505,968</b>

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Leasehold Improvements	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>2014</b>						
Net Carrying Amount at Start of Year	26,150	382,128	40,791	37,915	3,611	490,595
Additions	-----	1,508	11,676	-----	-----	13,184
Reclassifications to Intangibles	-----	-----	(4,307)	-----	-----	(4,307)
Disposals	-----	-----	(529)	-----	-----	(529)
Depreciation Expense	-----	(14,635)	(7,544)	(1,545)	(130)	(23,854)
Net Carrying Amount at End of Year	<b>26,150</b>	<b>369,001</b>	<b>40,087</b>	<b>36,370</b>	<b>3,481</b>	<b>475,089</b>

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 24.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the Network [see note 2(g)].

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2015	2014		2015	2014
\$000	\$000		\$000	\$000
		<b>22. Intangible Assets</b>		
		<b>Software</b>		
12,564	12,478	Cost (Gross Carrying Amount)	12,564	12,478
<u>8,485</u>	<u>7,843</u>	Less Accumulated Amortisation and Impairment	<u>8,485</u>	<u>7,843</u>
<b><u>4,079</u></b>	<b><u>4,635</u></b>	<b>Net Carrying Amount</b>	<b><u>4,079</u></b>	<b><u>4,635</u></b>
<b><u>4,079</u></b>	<b><u>4,635</u></b>	<b>Total Intangible Assets at Net Carrying Amount</b>	<b><u>4,079</u></b>	<b><u>4,635</u></b>

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**PARENT & CONSOLIDATION**

**22. Intangibles - Reconciliation**

	Software \$000
<b>2015</b>	
Net Carrying Amount at Start of Year	4,635
Additions (From Internal Development or Acquired Separately)	67
Reclassifications from Plant & Equipment	19
Amortisation (Recognised in Depreciation and Amortisation)	(642)
<b>Net Carrying Amount at End of Year</b>	<b>4,079</b>
<b>2014</b>	
Net Carrying Amount at Start of Year	1,054
Additions (From Internal Development or Acquired Separately)	194
Reclassifications from Plant & Equipment	4,307
Amortisation (Recognised in Depreciation and Amortisation)	(920)
<b>Net Carrying Amount at End of Year</b>	<b>4,635</b>



## PARENT & CONSOLIDATION

### 24. Fair Value Measurement of Non-Financial Assets

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2015.

#### a) Fair Value Hierarchy

2015	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 21)				
- Land and Buildings	---	198	412,291	412,489
- Infrastructure Systems	----	----	39,055	39,055
- Artworks	----	2,268	---	2,268
Non-Current Assets (or Disposal Groups) Held for Sale (Note 23)				
	---	1,336	----	1,336
	----	<u>3,802</u>	<u>451,346</u>	<u>455,148</u>

There were no transfers between level 1 and 2 during the period ended 30 June 2015.

2014	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 21)				
- Land and Buildings	----	29,045	366,106	395,151
- Infrastructure Systems	----	----	36,370	36,370
	----	<u>29,045</u>	<u>402,476</u>	<u>431,521</u>

There were no transfers between level 1 and 2 during the period ended 30 June 2014.

Work in Progress is carried at cost, therefore excluded from figures above and as a result will not agree to to Note 21.

#### b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the Network obtains external valuations by independent valuers every three years. The last revaluation was performed by Mr Andor Kabok, Registered Valuer No.16545, an independent valuer working on behalf of the Land and Property Information, a division of NSW Department of Finance and Services for the 2014-15 financial year. The Land and Property Information is an independent entity and the valuer. Mr. Andor Kabok, is not an employee of the Network.

For Artworks, the Network has obtained external valuation by independent valuer this year. This valuation was performed by Ms. Adrienne Carlson, an approved valuer under the Commonwealth Government Cultural Gifts Program for the past eighteen years. Ms. Adrienne Carlson, an independent valuer, is not an employee of the Network. The valuation is made on a market approach, comparing current pricings of comparable works, auction sales records particularly in relation to works by senior artists or those artists who have an established proven secondary market presence and information gathered from primary art dealers, dependent on the particular circumstances. These valuations are included in level 2.

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. Refer, note 21 reconciliation.

In accordance with AASB 13 Fair Value Measurement no assets have been found to have a higher and better use than their current use. Highest and best use takes account of use that is physically possible, legally permissible and financially feasible.

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

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

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

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

For buildings and infrastructure, many assets are of a specialised nature or use, and thus the most appropriate valuation method is depreciated replacement cost. These assets are included as Level 3 as these assets have a high level of unobservable inputs. However, residential properties are valued on a market approach and included in level 2.

Non-Current Assets Held for Sale is a non-recurring item that is measured at fair value less cost to sell, which is less than its carrying amount. These assets are categorised as level 2.

Level 3 significant valuation inputs and relationship to fair value:

The valuation of buildings was computed by suitably qualified independent valuers using a methodology known as the depreciated replacement cost valuation technique. The following table highlights the key unobservable (Level 3) inputs assessed during the valuation process, the relationship to the estimated fair value and the sensitivity to changes in unobservable inputs.

Assets	Valuation Technique	Significant Unobservable Inputs	Relationship between unobservable inputs and fair value measurement
Land	Market approach: this valuation method involves comparing the subject property to comparable sale prices in similar location on a rate per square metre basis, adjusted for restrictions specific for the property (e.g. mandated use and/or zoning)	<ul style="list-style-type: none"> <li>• Rate per square metre</li> <li>• Discount rate</li> <li>• Provision for remediation</li> </ul>	The fair value will increase/(decrease) if the estimated: <ul style="list-style-type: none"> <li>• Rate per square metre increases/(decreases)</li> <li>• Discount rate decreases/(increases)</li> <li>• Provision for remediation decreases/(increases)</li> </ul>
Specialised Buildings	Depreciated replacement cost approach: this valuation method involves establishing the current replacement cost of the modern equivalent asset for each type of buildings on a rate per square metre basis; depreciated to reflect the building's remaining useful life.	<ul style="list-style-type: none"> <li>• Useful life assessment</li> <li>• Replacement cost per square metre</li> </ul>	The fair value will increase/(decrease) if the estimated: <ul style="list-style-type: none"> <li>• Useful life assessment increases/(decreases)</li> <li>• Replacement cost per square metre increases/(decreases)</li> </ul>
Non-Specialised Buildings	Depreciated replacement cost approach: this valuation method involves establishing the current replacement cost of the modern equivalent asset for each type of buildings on a rate per square metre basis; depreciated to reflect the building's remaining useful life.	<ul style="list-style-type: none"> <li>• Useful life assessment</li> <li>• Replacement cost per square metre</li> </ul>	The fair value will increase/(decrease) if the estimated: <ul style="list-style-type: none"> <li>• Useful life assessment increases/(decreases)</li> <li>• Replacement cost per square metre increases/(decreases)</li> </ul>
Infrastructure Systems	Depreciated replacement cost approach: this valuation method involves establishing the current replacement cost of the modern equivalent infrastructure asset on a rate per square metre basis; depreciated to reflect the assets remaining useful life.	<ul style="list-style-type: none"> <li>• Useful life assessment</li> <li>• Replacement cost per square metre</li> </ul>	The fair value will increase/(decrease) if the estimated: <ul style="list-style-type: none"> <li>• Useful life assessment increases/(decreases)</li> <li>• Replacement cost per square metre increases/(decreases)</li> </ul>

There are no other direct or significant relationships between the unobservable inputs which materially impact fair value.



**PARENT & CONSOLIDATION**

**24. Fair Value Measurement of Non-Financial Assets**

**c) Reconciliation of Recurring Level 3 Fair Value Measurements**

<b>2015</b>	<b>Land and Buildings \$000</b>	<b>Infrastructure Systems \$000</b>	<b>Total Level 3 Recurring \$000</b>
Fair value as at 1 July 2014	366,106	36,370	402,476
Additions	4,088	----	4,088
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	29,740	4,308	34,048
Transfers from Level 2	29,045	----	29,045
Transfers to Level 2	(198)	----	(198)
Depreciation	(15,154)	(1,623)	(16,777)
Transfers to Non-current Assets Held for Sale	(1,336)	----	(1,336)
Fair value as at 30 June 2015	<u>412,291</u>	<u>39,055</u>	<u>451,346</u>

Transfers from Level 2 mainly relate to assets initially recognised at cost (e.g. Work in Progress) which have in the current year, been subject to asset revaluations consistent with the specialised nature/use of the assets. The Transfer to Level 2 relates to a residential property previously included under Level 3 which has in the current been subject to revaluation using market approach.

<b>2014</b>	<b>Land and Buildings \$000</b>	<b>Infrastructure Systems \$000</b>	<b>Total Level 3 Recurring \$000</b>
Fair value as at 1 July 2013	380,109	37,915	418,024
Depreciation	(14,003)	(1,545)	(15,548)
Fair value as at 30 June 2014	<u>366,106</u>	<u>36,370</u>	<u>402,476</u>

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2015  
\$000

2014  
\$000

2015  
\$000

2014  
\$000

25. Restricted Assets

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

Category

97,735	90,165	Specific Purposes	97,735	90,165
9,977	10,123	Perpetually Invested Funds	9,977	10,123
39,507	32,837	Research Grants	39,507	32,837
12,670	10,646	Private Practice Funds	12,670	10,646
<u>159,889</u>	<u>143,771</u>		<u>159,889</u>	<u>143,771</u>

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2015	2014		2015	2014
\$000	\$000		\$000	\$000
		<b>26. Payables</b>		
		<b>Current</b>		
		Accrued Salaries, Wages and On-Costs	9,457	8,139
		Taxation and Payroll Deductions	742	4,059
10,199	12,198	Accrued Liability - Purchase of Personnel Services	-----	-----
13,031	16,106	Creditors	13,031	16,106
		Other Creditors		
12,196	11,082	- Intra Health Liability	12,196	11,082
3,244	3,390	- Other	3,244	3,390
<b>38,670</b>	<b>42,776</b>		<b>38,670</b>	<b>42,776</b>

*Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 37.*

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2015	2014		2015	2014
\$000	\$000		\$000	\$000
		<b>27. Provisions</b>		
		<b>Current</b>		
----	----	Annual Leave - Short Term Benefit	44,761	41,611
----	----	Annual Leave - Long Term Benefit	21,058	22,109
----	----	Long Service Leave Consequential On-Costs	9,944	8,839
75,763	72,559	Provision for Personnel Services Liability	----	----
<b>75,763</b>	<b>72,559</b>	<b>Total Current Provisions</b>	<b>75,763</b>	<b>72,559</b>
		<b>Non-Current</b>		
----	----	Long Service Leave Consequential On-Costs	865	465
865	465	Provision for Personnel Services Liability	----	----
<b>865</b>	<b>465</b>	<b>Total Non-Current Provisions</b>	<b>865</b>	<b>465</b>
		<b>Aggregate Employee Benefits and Related On-Costs</b>		
----	----	Provisions - Current	75,763	72,559
----	----	Provisions - Non-Current	865	465
----	----	Accrued Salaries, Wages and On-Costs (Note 26)	10,199	12,198
86,827	85,222	Liability - Purchase of Personnel Services	----	----
<b>86,827</b>	<b>85,222</b>		<b>86,827</b>	<b>85,222</b>
		<b>28. Other Liabilities</b>		
		<b>Current</b>		
2,354	1,913	Income in Advance	2,354	1,913
<b>2,354</b>	<b>1,913</b>		<b>2,354</b>	<b>1,913</b>

Income in Advance represents fees received in advance from customers and students for which services are rendered after 30 June 2015.

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2015 \$000	2014 \$000		2015 \$000	2014 \$000
		<b>29. Commitments for Expenditure</b>		
		<b>(a) Capital Commitments</b>		
		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:		
		Not later than one year	1,988	2,961
1,988	2,961			
<u>1,988</u>	<u>2,961</u>	<b>Total Capital Expenditure Commitments (Including GST)</b>	<u>1,988</u>	<u>2,961</u>
		Of the commitments reported at 30 June 2015 it is expected that \$1.3 million will be met from locally generated moneys.		
		<b>(b) Operating Lease Commitments</b>		
		Future non-cancellable operating lease rentals not provided for and payable:		
		Not later than one year	528	348
528	348	Later than one year and not later than five years	931	611
931	611			
<u>1,459</u>	<u>959</u>	<b>Total Operating Lease Commitments (Including GST)</b>	<u>1,459</u>	<u>959</u>
		The operating lease commitments above are for motor vehicles, properties used for service delivery and equipment including medical equipment and other equipment.		
		<b>(c) Contingent Asset Related to Commitments for Expenditure</b>		
		The total of 'Commitments for Expenditure' above, i.e. \$3.4 million as at 30 June 2015 includes input tax credits of \$0.31 million that are expected to be recoverable from the Australian Taxation Office (2014 \$0.36 million).		

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**30. Trust Funds**

The Network holds trust funds of \$1.1 million which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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

	Private Practice Trust Funds		Total	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Balance at the beginning of the financial year	1,025	972	1,025	972
Income	25,095	24,970	25,095	24,970
Expenses	(25,033)	(24,917)	(25,033)	(24,917)
Balance at the end of the financial year	1,087	1,025	1,087	1,025

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### 31. Contingent Liabilities and Assets

#### a) **Workers Compensation Hindsight Adjustment**

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2009/10 fund year and an interim adjustment for the 2011/12 fund year were not calculated until 2014/15.

As a result, the 2010/11 final and 2012/13 adjustments pertaining to the hospitals and community services now forming part of the Network will be paid in 2015/16. It is not possible for the Network to reliably quantify the benefit to be received or amount payable.

#### b) **Other**

The Network estimates the value of contingent assets it may come to possess in the period after 30 June 2015 to be approximately \$6.52 million. All these contingent assets relate to notified bequests awaiting granting of probate and some cases are currently contested.

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2015	2014		2015	2014
\$000	\$000		\$000	\$000
<b>32. Reconciliation of Cash Flows from Operating Activities to Net Result</b>				
23,509	16,062	Net Cash Flows from Operating Activities	23,509	16,062
(25,253)	(24,775)	Depreciation	(25,253)	(24,775)
(139)	(364)	Allowance for Impairment	(139)	(364)
(441)	(695)	(Increase)/ Decrease Income in Advance	(441)	(695)
(3,603)	(5,470)	(Increase)/ Decrease in Provisions	(3,603)	(5,470)
1,766	(517)	Increase / (Decrease) in Prepayments and Other Assets	1,766	(517)
5,029	1,519	(Increase)/ Decrease in Payables from Operating Activities	5,029	1,519
(630)	(412)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(630)	(412)
4,587	2,042	Assets donated or brought to account for the first time	4,587	2,042
<b>4,825</b>	<b>(12,610)</b>	<b>Net Result</b>	<b>4,825</b>	<b>(12,610)</b>
<b>33. Non-Cash Financing and Investing Activities</b>				
2,565	1,567	Assets Received by Donation	2,565	1,567
2,022	475	Assets brought to account	2,022	475
<b>4,587</b>	<b>2,042</b>		<b>4,587</b>	<b>2,042</b>

**34. 2014/15 Voluntary Services**

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

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

**35. Unclaimed Monies**

Unclaimed salaries and wages are paid to the credit of the NSW Treasury in accordance with the provisions of the *Industrial Relations Act, 1996*.

All money and personal effects of patients which are left in the custody of 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 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.



**PARENT AND CONSOLIDATION**

**36. Adjusted Budget Review - Parent and Consolidated**

**Net Result**

The actual Net Result was higher than adjusted budget by \$17 million, primarily due to:

The revenue was higher than adjusted budget by \$14.5 million, the expenses were lower than the adjusted budget by \$2.0 million with the balance of \$0.2 million contributed by lower gains or losses on disposal and other gains or losses compared to adjusted budget. The higher revenue was mainly contributed by Grants and Contributions of \$17.2 million partially offset by lower than budget Other Revenue of \$3.2 million.

The variance of \$2.0 million in expenditure compared to the adjusted budget was mainly due to Employee Related expenses which were lower than adjusted budget by \$3.8 million; this was partially offset by higher than adjusted budget Grants and Subsidies of \$2.2 million, with the balance contributed by Other Operating Expenses.

**Assets and Liabilities**

The Net Assets were higher than adjusted budget by \$51.2 million. This was mainly due to revaluation increment of \$34.6 million in the value of Property, Plant and Equipment with the balance contributed by Current Assets, Non-current Financial Assets and other net additions to Property, Plant and Equipment of \$8.1 million, \$6.9 million and \$3.4 million respectively. The liabilities were also higher than adjusted budget by \$1.8 million thereby offsetting the impact of higher than budget assets by this amount.

**Cash Flows**

Cashflows were higher than adjusted budget by \$19.2 million which was mainly contributed by \$13.7 million of cash flows from operating activities and \$5.5 million of net cash flows from investing activities compared to the adjusted budget.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 01 July 2014 are as follows:

	<b>\$000</b>
Initial Allocation	471,714
Special Projects :	
High Cost Patient Pool for Blood and Blood Products	1,226
Nurse/Midwife Strategy Reserve	703
Planning and Innovation Fund	471
Indigenous Health	310
NSW Organ and Tissue Donation Service Funding	257
National Centre for Immunisation Research & Surveillance (NCIRS)	38
Other :	
Adjustment to Initial Allocation Revenue	7,796
National Speciality Centres-Liver Transplants and HLHS	6,284
Young People with Brain Injury	996
Children's Healthcare Network projects (NSW Kids & Families)	847
Cochlear Implants	350
Clinical Medicinal cannabis for paediatric epilepsy trial	198
CAAH transferred to NSW Kids & Families	(362)
Others	1,130
<b>Balance as per Statement of Comprehensive Income</b>	<b>491,958</b>

### 37. 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 Acting 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 risk faced by the Network, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit & Risk Management Committee and the internal auditors on a regular basis.

#### (a) Financial Instrument Categories

PARENT AND CONSOLIDATION		Carrying Amount 2015 \$000	Carrying Amount 2014 \$000
Class:	Category		
<b>Financial Assets</b>			
Cash and Cash Equivalents (note 17)	N/A	111,392	103,362
Receivables (note 18)*	Loans and receivables (at amortised cost)	22,157	18,943
Financial Assets at Fair Value (note 20)	At fair value through profit or loss (designated as such upon initial recognition)	51,922	54,823
<b>Total Financial Assets</b>		<u>185,471</u>	<u>177,128</u>
<b>Financial Liabilities</b>			
Payables (note 26)**	Financial liabilities measured at amortised cost	37,928	38,717
<b>Total Financial Liabilities</b>		<u>37,928</u>	<u>38,717</u>

#### Notes

\*Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)

\*\*Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

#### (b) Credit Risk

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

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

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

#### Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 3.52% in 2014/15 compared to 3.91% in the previous year.

The TCorp Hour-Glass cash facility is discussed in paragraph (d) below.

### Receivables - trade debtors

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

The Network is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2015:\$10.2 million; 2014: \$9.5 million) and not more than 3 months past due (2015: \$1.1 million; 2014:\$1.2 million) are not considered impaired. Together these represent 91.9% of the total trade debtors. In addition Patient Fees Compensables are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the Network's debtors are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments.

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

2015	Total <sup>1,2</sup>	Past due but not impaired <sup>1,2</sup>	Considered impaired <sup>1,2</sup>
	\$000	\$000	\$000
<3 months overdue	1,088	1,055	33
3 months - 6 months overdue	505	315	189
> 6 months overdue	457	301	156
<b>2014</b>			
<3 months overdue	1,157	1,094	63
3 months - 6 months overdue	667	411	256
> 6 months overdue	673	352	321

#### Notes

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

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables total recognised in the statement of financial position

### Authority Deposits

The Network has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 2.06% (2014 - 3.04%), while over the year the weighted average interest rate was 2.75% (2014 - 2.92%) on a weighted average balance during the year of \$1,233,087 (2014 - \$7,645,949). None of these assets are past due or impaired.

### (c) Liquidity Risk

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

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

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

The Network has exposure to liquidity risk. However, the risk is minimised by the service agreement with the NSW Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the Network fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 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 2015

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

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

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

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

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 2015

*Maturity Analysis and interest rate exposure of financial liabilities*

	Interest Rate Exposure		Maturity Dates
	Nominal Amount <sup>1</sup>	Non - Interest Bearing	< 1 Yr
	\$000	\$000	\$000
<b>2015</b>			
Payables:			
- Accrued Salaries Wages, On-Costs and Payroll Deductions	9,457	9,457	9,457
- Creditors	28,471	28,471	28,471
	<u>37,928</u>	<u>37,928</u>	<u>37,928</u>
<b>2014</b>			
Payables:			
- Accrued Salaries Wages, On-Costs and Payroll Deductions	8,139	8,139	8,139
- Creditors	30,578	30,578	30,578
	<u>38,717</u>	<u>38,717</u>	<u>38,717</u>

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.*

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 2015

**(d) Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Network's exposures to market risk are primarily through interest rate risk on the Network's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The Network has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Network operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2014. The analysis assumes that all other variables remain constant.

*Interest rate risk*

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

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

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

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

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

	Carrying Amount \$000	Net Result	-1% Equity	Profit	+1% Equity
<b>2015</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	111,392	(1,114)	(1,114)	1,114	1,114
Receivables	22,157	----	----	----	----
Financial Assets at Fair Value	51,922	(519)	(519)	519	519
<b>Financial Liabilities</b>					
Payables	37,928	---	---	---	---
<b>2014</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	103,362	(1,034)	(1,034)	1,034	1,034
Receivables	18,943	----	----	----	----
Financial Assets at Fair Value	54,823	(548)	(548)	548	548
<b>Financial Liabilities</b>					
Payables	38,717	----	----	----	----

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 2015

*Other price risk - TCorp Hour-Glass Investment facilities*

Exposure to 'other price risk' primarily arises through the investment in the TCorp Hour-Glass Investment Facilities, which are held for strategic rather than trading purposes. The Network has no direct equity investments. The Network holds units in the following Hour-Glass investment trusts:

Facility	Investment Sectors	Investment Horizon	2015	2014
			\$000	\$000
Cash facility	Cash and money market instruments	Up to 1.5 years	247	15,076
Long-term growth facility	Cash, money market instruments, Australian and International bonds, listed property and Australian shares	7 years and over	51,675	39,747

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.

NSW 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 Hour-Glass facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the Hour-Glass 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.

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

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

	Change in unit price	Impact on profit/loss	
		2015 \$000	2014 \$000
Hour-Glass Investment - Cash facility	+/- 1%	3	151
Hour-Glass Investment - Long-term growth facility	+/- 15%	7,751	5,962

**(e) Fair Value Measurement**

**(i) Fair value compared to carrying amount**

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities, which are measured at fair value.

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

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 2015

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2015 Total \$'000
TCorp Hour-Glass Invt.Facility		51,922		51,922
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2014 Total \$'000
TCorp Hour-Glass Invt.Facility		54,823		54,823

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

There were no transfers between level 1 and 2 during the period ended 30 June 2015.

As discussed, the value of the Hour-Glass Investments 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 Hour-Glass facilities are valued using 'redemption' pricing.

**38. Events after the Reporting Period**

There are no events after the reporting period that require amendment to the financial statements.

**END OF AUDITED FINANCIAL STATEMENTS**