

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

Financial Statements

for the year ended 30 June 2016



INDEPENDENT AUDITOR'S REPORT

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

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) (the Network), which comprise the statement of financial position as at 30 June 2016, 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.

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 2016, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

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

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

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

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

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

Emphasis of Matter

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 1(ag). 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.

In preparing the financial statements, the Chief Executive must assess the ability of the Network and the consolidated entity to continue as a going concern unless operations will cease as a result of an administrative restructure. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:


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

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

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

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



Renee Meimaroglou
Director, Financial Audit Services

7 September 2016
SYDNEY



**Certification of the Financial Statements
for the year ended 30 June 2016**

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 2016 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); and
- 3) I am not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

Dr. Michael Brydon
Chief Executive

05 September 2016

Brian Jackson
Director of Finance and Corporate Services

05 September 2016

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Statement of Financial Position as at 30 June 2016

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2016 \$000	2016 \$000	2015 \$000		2016 \$000	2016 \$000	2015 \$000
ASSETS						
Current Assets						
107,979	92,929	111,392	16	107,979	92,929	111,392
24,138	26,954	24,998	17	24,138	26,954	24,998
6,530	6,553	6,553	18	6,530	6,553	6,553
271	246	247	19	271	246	247
<u>138,918</u>	<u>126,682</u>	<u>143,190</u>		<u>138,918</u>	<u>126,682</u>	<u>143,190</u>
-----	1,336	1,336	22	-----	1,336	1,336
138,918	128,018	144,526		138,918	128,018	144,526
Non-Current Assets						
55,882	56,675	51,675	19	55,882	56,675	51,675
Property, Plant & Equipment						
404,489	409,717	414,298	20	404,489	409,717	414,298
60,464	46,102	48,901	20	60,464	46,102	48,901
37,395	37,432	39,055	20	37,395	37,432	39,055
3,569	3,577	3,714	20	3,569	3,577	3,714
<u>505,917</u>	<u>496,828</u>	<u>505,968</u>		<u>505,917</u>	<u>496,828</u>	<u>505,968</u>
3,801	9,349	4,079	21	3,801	9,349	4,079
<u>565,600</u>	<u>562,852</u>	<u>561,722</u>		<u>565,600</u>	<u>562,852</u>	<u>561,722</u>
704,518	690,870	706,248		704,518	690,870	706,248
LIABILITIES						
Current Liabilities						
45,188	40,612	38,670	25	45,188	40,612	38,670
80,596	77,121	75,763	26	80,596	77,121	75,763
2,798	2,354	2,354	27	2,798	2,354	2,354
<u>128,582</u>	<u>120,087</u>	<u>116,787</u>		<u>128,582</u>	<u>120,087</u>	<u>116,787</u>
Non-Current Liabilities						
983	983	865	26	983	983	865
<u>983</u>	<u>983</u>	<u>865</u>		<u>983</u>	<u>983</u>	<u>865</u>
<u>129,565</u>	<u>121,070</u>	<u>117,652</u>		<u>129,565</u>	<u>121,070</u>	<u>117,652</u>
574,953	569,800	588,596		574,953	569,800	588,596
EQUITY						
265,074	265,242	265,242		265,074	265,242	265,242
309,879	304,558	323,354		309,879	304,558	323,354
<u>574,953</u>	<u>569,800</u>	<u>588,596</u>		<u>574,953</u>	<u>569,800</u>	<u>588,596</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 2016

PARENT AND CONSOLIDATION	Notes	Accumulated Funds	Asset Revaluation Surplus	Total
		\$000	\$000	\$000
Balance at 1 July 2015		323,354	265,242	588,596
Total Equity at 1 July 2015		323,354	265,242	588,596
Net Result for the year		(13,475)	-----	(13,475)
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	20	-----	(168)	(168)
Total Other Comprehensive Income		-----	(168)	(168)
Total Comprehensive Income for the year		(13,475)	(168)	(13,643)
Balance at 30 June 2016		309,879	265,074	574,953
Balance at 1 July 2014		318,529	230,668	549,197
Total Equity at 1 July 2014		318,529	230,668	549,197
Net Result for the year		4,825	-----	4,825
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	20	-----	34,574	34,574
Total Other Comprehensive Income		-----	34,574	34,574
Total Comprehensive Income for the year		4,825	34,574	39,399
Balance at 30 June 2015		323,354	265,242	588,596

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 2016

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2016 \$000	2016 \$000	2015 \$000		2016 \$000	2016 \$000	2015 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
-----	-----	-----				
(6,144)	(4,805)	(5,434)		(475,464)	(477,528)	(461,698)
(679,028)	(683,616)	(660,847)		(6,144)	(4,805)	(5,434)
				(203,564)	(206,088)	(199,149)
<u>(685,172)</u>	<u>(688,421)</u>	<u>(666,281)</u>		<u>(685,172)</u>	<u>(688,421)</u>	<u>(666,281)</u>
Receipts						
516,020	516,020	491,958		516,020	516,020	491,958
5,641	5,967	4,388		5,641	5,967	4,388
8,022	8,022	6,896		8,022	8,022	6,896
82,363	79,500	82,027		82,363	79,500	82,027
2,999	340	3,575		2,999	340	3,575
64,964	56,709	73,590		64,964	56,709	73,590
29,878	30,706	27,356		29,878	30,706	27,356
<u>709,887</u>	<u>697,264</u>	<u>689,790</u>		<u>709,887</u>	<u>697,264</u>	<u>689,790</u>
<u>24,715</u>	<u>8,843</u>	<u>23,509</u>		<u>24,715</u>	<u>8,843</u>	<u>23,509</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
1,639	-----	151		1,639	-----	151
8,000	8,000	19,000		8,000	8,000	19,000
(25,535)	(22,306)	(18,531)		(25,535)	(22,306)	(18,531)
(12,232)	(13,000)	(16,099)		(12,232)	(13,000)	(16,099)
<u>(28,128)</u>	<u>(27,306)</u>	<u>(15,479)</u>		<u>(28,128)</u>	<u>(27,306)</u>	<u>(15,479)</u>
NET INCREASE / (DECREASE) IN CASH						
(3,413)	(18,463)	8,030		(3,413)	(18,463)	8,030
111,392	111,392	103,362		111,392	111,392	103,362
<u>107,979</u>	<u>92,929</u>	<u>111,392</u>		<u>107,979</u>	<u>92,929</u>	<u>111,392</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 2016

	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		
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
	\$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	13,521	12,331	24	69	93,774	101,913	38,673	38,952	256,264	227,735	21,848	21,573	16,718	14,726	23,037	22,763	40,067	41,424	-----	-----	503,926	481,486	
Visiting Medical Officers	230	3	(1)	(1)	2,237	3,650	3	-----	9,867	7,313	48	80	202	155	780	878	203	10	-----	-----	13,569	12,088	
Other Operating Expenses	3,120	2,251	4	14	38,312	40,115	7,552	8,025	91,017	81,989	5,127	4,434	2,949	3,611	9,771	9,519	13,885	16,154	-----	-----	171,737	166,112	
Depreciation and Amortisation	667	391	2	2	4,771	4,839	1,917	1,821	13,906	14,190	857	763	616	579	1,012	1,250	1,609	1,418	-----	-----	25,357	25,253	
Grants and Subsidies	12	12	(1)	-----	95	16	2	3	61	95	180	12	91	750	1,133	786	3,883	3,142	-----	-----	5,456	4,816	
Total Expenses Excluding Losses	17,550	14,988	28	84	139,189	150,533	48,147	48,801	371,115	331,322	28,060	26,862	20,576	19,821	35,733	35,196	59,647	62,148	-----	-----	720,045	689,755	
Revenue																							
NSW Ministry of Health Recurrent Allocations **																				516,020	491,958	516,020	491,958
NSW Ministry of Health Capital Allocations **																				5,641	4,388	5,641	4,388
Acceptance by the Crown Entail of Employee Benefits	801	656	5	4	5,167	5,358	2,373	2,201	15,541	11,843	1,253	996	937	767	811	1,052	1,201	2,325	-----	-----	28,089	25,202	
Sale of Goods and Services	107	96	1	(1)	11,850	8,926	4,324	5,419	50,868	53,413	2,003	1,507	1,914	783	6,868	7,852	1,646	2,233	-----	-----	79,581	80,228	
Investment Revenue	3	22	1	3	560	1,518	1,646	4,399	76	216	3	35	139	429	304	889	915	2,424	-----	-----	3,647	9,935	
Grants and Contributions	500	97	15	17	9,152	10,022	20,312	22,248	2,062	2,967	762	194	185	2,639	5,343	7,921	23,165	26,536	-----	-----	61,496	72,641	
Other Revenue	769	406	24	12	3,867	2,040	920	486	832	4,849	437	231	653	345	782	413	4,198	2,215	-----	-----	12,482	10,997	
Total Revenue	2,180	1,277	46	35	30,596	27,864	29,575	34,753	69,379	73,288	4,458	2,963	3,828	4,963	14,108	18,127	31,125	35,733	521,661	496,346	706,956	695,349	
Gain / (Loss) on Disposal	(8)	(54)	-----	2	-----	(12)	-----	(2)	(43)	(104)	-----	-----	-----	(22)	-----	(150)	-----	(288)	-----	-----	(51)	(630)	
Other Gains / (Losses)	-----	-----	-----	(1)	-----	-----	(2)	(10)	(315)	(128)	-----	-----	-----	-----	-----	-----	(18)	-----	-----	-----	(335)	(139)	
Net Result	(15,378)	(13,765)	18	(48)	(108,593)	(122,681)	(18,574)	(14,060)	(302,094)	(258,266)	(23,602)	(23,899)	(16,748)	(14,880)	(21,625)	(17,219)	(28,540)	(26,703)	521,661	496,346	(13,475)	4,825	
Other Comprehensive Income																							
Net Increase/(Decrease) in PP&E Revaluation Surplus	(4)	535	1	2	(32)	6,625	(13)	2,493	(92)	19,428	(6)	1,045	(4)	793	(7)	1,711	(11)	1,942	-----	-----	(168)	34,574	
Total Other Comprehensive Income	(4)	535	1	2	(32)	6,625	(13)	2,493	(92)	19,428	(6)	1,045	(4)	793	(7)	1,711	(11)	1,942	-----	-----	(168)	34,574	
Total Comprehensive Income	(15,382)	(13,230)	19	(46)	(108,625)	(116,056)	(18,587)	(11,567)	(302,186)	(238,838)	(23,608)	(22,854)	(16,752)	(14,087)	(21,632)	(15,508)	(28,551)	(24,761)	521,661	496,346	(13,643)	39,399	

* The name and purpose of each service group is summarised in Note 15

** 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 2016

	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			
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS																								
Current Assets																								
Cash and Cash Equivalents	2,284	2,040	4	17	16,340	17,790	6,564	6,815	47,618	47,584	2,937	3,489	2,110	2,425	3,466	4,520	26,656	26,712	-----	-----	107,979	111,392		
Receivables	32	30	1	-----	3,594	2,781	1,311	1,688	15,429	16,643	608	469	581	244	2,083	2,447	499	696	-----	-----	24,138	24,998		
Inventories	119	89	(1)	1	1,457	1,582	287	317	3,461	3,234	195	175	112	142	372	376	528	637	-----	-----	6,530	6,553		
Financial Assets at Fair Value	6	4	-----	1	40	39	16	15	118	104	7	8	5	5	9	10	70	61	-----	-----	271	247		
Non-Current Assets Held for Sale	-----	21	-----	-----	-----	256	-----	96	-----	751	-----	40	-----	31	-----	66	-----	75	-----	-----	-----	-----	1,336	
Total Current Assets	2,441	2,184	4	19	21,431	22,448	8,178	8,931	66,626	68,316	3,747	4,181	2,808	2,847	5,930	7,419	27,753	28,181	-----	-----	138,918	144,526		
Non-Current Assets																								
Financial Assets at Fair Value	1,163	935	1	8	8,316	8,154	3,341	3,124	24,235	21,810	1,495	1,599	1,074	1,111	1,764	2,072	14,493	12,862	-----	-----	55,882	51,675		
Property, Plant and Equipment																								
- Land and Buildings	10,487	6,268	38	25	75,005	77,604	30,134	29,206	218,600	227,578	13,478	12,240	9,683	9,286	15,903	20,043	31,161	32,048	-----	-----	404,489	414,298		
- Plant and Equipment	1,651	765	6	3	11,806	9,475	4,743	3,566	34,408	27,787	2,121	1,494	1,524	1,134	2,503	2,447	1,702	2,230	-----	-----	60,464	48,901		
- Infrastructure Systems	973	593	4	2	6,958	7,345	2,796	2,764	20,281	21,541	1,250	1,159	898	879	1,475	1,897	2,760	2,875	-----	-----	37,395	39,055		
- Leasehold Improvements	100	61	-----	-----	717	754	288	284	2,090	2,211	129	119	93	90	152	195	-----	-----	-----	-----	3,569	3,714		
Intangible Assets	93	58	1	1	667	717	268	270	1,945	2,101	120	113	86	86	141	185	480	548	-----	-----	3,801	4,079		
Total Non-Current Assets	14,467	8,680	50	39	103,469	104,049	41,570	39,214	301,559	303,028	18,593	16,724	13,358	12,586	21,938	26,839	50,596	50,563	-----	-----	565,600	561,722		
TOTAL ASSETS	16,908	10,864	54	58	124,900	126,497	49,748	48,145	368,185	371,344	22,340	20,905	16,166	15,433	27,868	34,258	78,349	78,744	-----	-----	704,518	706,248		
LIABILITIES																								
Current Liabilities																								
Payables	821	524	-----	2	10,081	9,339	1,987	1,868	23,949	19,087	1,349	1,032	776	841	2,571	2,216	3,654	3,761	-----	-----	45,188	38,670		
Provisions	2,163	1,940	4	11	14,998	16,036	6,185	6,129	40,986	35,835	3,494	3,395	2,674	2,317	3,684	3,582	6,408	6,518	-----	-----	80,596	75,763		
Other	68	51	-----	(1)	541	514	187	167	1,442	1,131	109	92	80	68	139	120	232	212	-----	-----	2,798	2,354		
Total Current Liabilities	3,052	2,515	4	12	25,620	25,889	8,359	8,164	66,377	56,053	4,952	4,519	3,530	3,226	6,394	5,918	10,294	10,491	-----	-----	128,582	116,787		
Non-Current Liabilities																								
Provisions	26	22	-----	1	183	183	75	70	500	409	43	39	33	26	45	41	78	74	-----	-----	983	865		
Total Non-Current Liabilities	26	22	-----	1	183	183	75	70	500	409	43	39	33	26	45	41	78	74	-----	-----	983	865		
TOTAL LIABILITIES	3,078	2,537	4	13	25,803	26,072	8,434	8,234	66,877	56,462	4,995	4,558	3,563	3,252	6,439	5,959	10,372	10,565	-----	-----	129,565	117,652		
NET ASSETS	13,830	8,327	50	45	99,097	100,425	41,314	39,911	301,308	314,882	17,345	16,347	12,603	12,181	21,429	28,299	67,977	68,179	-----	-----	574,953	588,596		

* The name and purpose of each service group is summarised in Note 15

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 2016

1. Summary of Significant Accounting Policies

a) The Reporting Entity

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

The Network, 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 14 and 24), 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 2016 have been authorised for issue by the Chief Executive on 05 September 2016.

b) Basis of Preparation

The Network's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and 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 adjusted budget figures can be found at Note 1(ag).

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.

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.

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 2016

1. Summary of Significant Accounting Policies

c) Comparative Information

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

d) Statement of Compliance

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

e) Employee Benefits and Other Provisions

i) Salaries & 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 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 2016 (comparable on-costs for 30 June 2015 were 16.7%). 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 26.

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.

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.

f) 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.

g) 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 NSW general government sector entities.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. **Summary of Significant Accounting Policies**

h) **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 vehicle accidents. The Network recognises the revenue on an accruals basis from the time the patient is treated or admitted into hospital.

Investment Revenue

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

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 the 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.

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 2016

1. Summary of Significant Accounting Policies

i) 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.

j) 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.

k) 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 1(ad)).

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 and operated/occupied by the Network are deemed to be controlled by the Network and are reflected as such in the financial statements.

l) Capitalisation Thresholds

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

m) 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:

	2016	2015
Buildings	2.5%	2.5%
Computer Equipment	20%	20%
Electro Medical Equipment		
- Costing less than \$200,000	10%	10%
- Costing more than or equal to \$200,000	12.5%	12.5%
Furniture, Fittings and Furnishings	5%	5%
Infrastructure Systems	2.5%	2.5%
Linen	25%	25%
Motor Vehicle Sedans	12.5%	12.5%
Motor Vehicles, Trucks & Vans	20%	20%
Office Equipment	10%	10%
Plant and Machinery	10%	10%
Leasehold Improvements	3.8%	3.8%
Intangible Assets	10.7%	10.7%

"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.

1. Summary of Significant Accounting Policies

n) 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 1(r).

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 20 and Note 23 for further information regarding fair value.

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

Artworks are capitalised where their value is \$10,000 or over. The Network 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 dropped 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 then 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.

o) 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.

p) 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.

q) 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.

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 2016

1. Summary of Significant Accounting Policies

r) 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.

s) 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.

t) 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.

u) 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.

v) 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.

w) Loans and Receivables

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

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

x) 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 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 2016

1. Summary of Significant Accounting Policies

The T Corp Hour-Glass Investment facilities are designated at fair value through profit or loss as 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.

y) 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.

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.

z) 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.

aa) Payables

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

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

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

ab) Borrowings

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

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

1. Summary of Significant Accounting Policies

ac) 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 23 and Note 36 for further disclosures regarding fair value measurements of financial and non-financial assets.

ad) 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.

ae) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

(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.

af) Trust Funds

The Network receives monies in a trustee capacity for various trusts as set out in Note 29.

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.

ag) 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".

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 35.

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 2016

1. Summary of Significant Accounting Policies

ah) Service Group Statements Allocation Methodology

Service group definitions are based and allocated on methodology determined by the Independent Hospital Pricing Authority, refer note 15.

Revenue and expenses are allocated to service groups using statistical data for the twelve months ended 30 June 2015, then adjusted for any material change in service delivery or funding distribution occurring in the 2015-16 financial year.

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

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

(i) Effective for the first time in 2015-16

The accounting policies applied in 2015-16 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

The early adoption of AASB 2015-7, Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities. The standard allows for exemption from making certain Level 3 'Fair Value Measurement' disclosures held primarily for current service potential rather than the generation of future net cash inflows.

(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 16, Leases will have application from 1 January 2019. The standard introduces a new approach to lease accounting that requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. We believe that the application of this standard will likely have a significant transitional impact as a result of all leases, except short term (<12 months) and low value, brought on balance sheet.

AASB 15, AASB 2014-5, AASB 2015-8 and AASB 2016-3, Revenue from Contracts with Customers, has application from 1 January 2018. 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 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 is likely to increase disclosures to the financial statements relating to related party transactions, outstanding balances and Key Management Personnel remuneration.

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 January 2018 and comprises changes to improve and simplify the approach for classification and measurement of financial assets. 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). The change is not expected to materially impact the financial statements.

AASB 2016-2, Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107, will apply from 1 January 2017. The standard amends AASB 107 to require additional disclosures regarding financing activities in the Statement of Cash Flows. The change is not expected to materially impact the financial statements.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		2. Employee Related		
----	----	Salaries and Wages (including annual leave)	433,584	415,268
----	----	Superannuation - Defined Benefit Plans	4,660	4,940
----	----	Superannuation - Defined Contribution Plans	38,214	36,195
----	----	Long Service Leave	24,904	21,767
----	----	Redundancies	369	150
----	----	Workers' Compensation Insurance	2,120	3,017
----	----	Fringe Benefits Tax	75	149
-----	-----		-----	-----
<u>-----</u>	<u>-----</u>		<u>503,926</u>	<u>481,486</u>
		The amounts below are capitalised and do not form part of the above total employee related costs:		
----	----	Employee Related Expenses Capitalised - Intangibles	3,153	4,713
		3. Personnel Services		
433,584	415,268	Salaries and Wages	----	----
38,214	36,195	Superannuation - Defined Contribution Plans	----	----
1,475	1,505	Long Service Leave	----	----
369	150	Redundancies	----	----
2,120	3,017	Workers' Compensation Insurance	----	----
75	149	Fringe Benefits Tax	----	----
-----	-----		-----	-----
<u>475,837</u>	<u>456,284</u>		<u>-----</u>	<u>-----</u>
		The amounts below are capitalised and do not form part of the above total personnel services:		
3,153	4,713	Personnel Services Expenses Capitalised - Intangibles	----	----

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 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
4. Other Operating Expenses				
145	146	Advertising	145	146
167	162	Auditor's Remuneration - Audit of Financial Statements	167	162
9,087	9,442	Blood and Blood Products	9,087	9,442
662	1,266	Consultancies	662	1,266
7	37	Contractors	7	37
4,821	4,501	Domestic Supplies and Services	4,821	4,501
36,561	34,282	Drug Supplies	36,561	34,282
7,157	7,226	Food Supplies	7,157	7,226
3,245	3,684	Fuel, Light and Power	3,245	3,684
6,137	6,251	Hospital Ambulance Transport Costs	6,137	6,251
8,703	9,119	Information Management Expenses	8,703	9,119
490	562	Insurance	490	562
14,042	14,286	Maintenance (See 4(b) below)	14,042	14,286
30,892	29,876	Medical and Surgical Supplies	30,892	29,876
443	311	Motor Vehicle Expenses	443	311
2,467	2,589	Postal and Telephone Costs	2,467	2,589
2,066	2,131	Printing and Stationery	2,066	2,131
810	830	Rates and Charges	810	830
861	756	Rental	861	756
1,438	-----	Hosted Services Purchased from Other NSW Health Entities	1,438	-----
20,065	18,503	Special Service Departments	20,065	18,503
4,488	4,144	Staff Related Costs	4,488	4,144
6,194	6,254	Travel Related Costs	6,194	6,254
10,789	9,754	Other (See 4(a) below)	10,789	9,754
<u>171,737</u>	<u>166,112</u>		<u>171,737</u>	<u>166,112</u>

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 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
4. Other Operating Expenses				
a) Other Includes:				
137	167	Contract for Patient Services	137	167
2,989	1,817	Corporate Support Services	2,989	1,817
544	550	Courier and Freight	544	550
183	230	Legal Services	183	230
466	707	Membership/Professional Fees	466	707
265	258	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	265	258
131	129	Other Operating Lease Expense - Minimum Lease Payments	131	129
151	93	Quality Assurance/Accreditation	151	93
83	92	Security Services	83	92
5,840	5,711	Other Miscellaneous	5,840	5,711
<u>10,789</u>	<u>9,754</u>		<u>10,789</u>	<u>9,754</u>
b) Reconciliation of Total Maintenance				
4,933	5,114	Maintenance Contracts	4,933	5,114
3,844	3,921	New/Replacement Equipment under \$10,000	3,844	3,921
4,085	3,973	Repairs Maintenance/Non Contract	4,085	3,973
1,180	1,278	Other	1,180	1,278
14,042	14,286	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	14,042	14,286
211	350	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	211	350
<u>14,253</u>	<u>14,636</u>		<u>14,253</u>	<u>14,636</u>

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 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
5. Depreciation and Amortisation				
15,761	15,154	Depreciation - Buildings	15,761	15,154
7,092	7,698	Depreciation - Plant and Equipment	7,092	7,698
1,733	1,623	Depreciation - Infrastructure Systems	1,733	1,623
145	136	Amortisation - Leasehold Improvements	145	136
626	642	Amortisation - Intangible Assets	626	642
<hr/>	<hr/>		<hr/>	<hr/>
25,357	25,253		25,357	25,253
<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>
6. Grants and Subsidies				
729	695	Non-Government Organisations	729	695
1,717	1,682	Grants to Research Organisations	1,717	1,682
50	123	NSW Government Sector Grants	50	123
1,989	1,039	Grants to Other NSW Health Entities	1,989	1,039
971	1,277	Other Grants	971	1,277
<hr/>	<hr/>		<hr/>	<hr/>
5,456	4,816		5,456	4,816
<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>

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 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
7. Sale of Goods and Services				
a) Sale of Goods comprise the following:-				
924	1,119	Pharmacy Sales	924	1,119
2,109	2,854	Sale of Prosthesis	2,109	2,854
124	159	Other	124	159
b) Rendering of Services comprise the following:-				
		Patient Fees		
28,155	27,865	- Inpatient Fees	28,155	27,865
391	265	- Non Inpatient Fees	391	265
219	351	Staff-Meals and Accommodation	219	351
14,179	14,201	Infrastructure Fees - Monthly Facility Charge	14,179	14,201
3,507	4,161	Infrastructure Fees - Annual Charge	3,507	4,161
51	58	Cafeteria/Kiosk	51	58
2,899	2,941	Car Parking	2,899	2,941
879	842	Child Care Fees	879	842
9	321	Clinical Services (excluding Clinical Drug Trials)	9	321
2,893	1,728	Commercial Activities	2,893	1,728
53	44	Fees for Medical Records	53	44
4	5	Information Retrieval	4	5
12,136	9,029	High Cost Drugs	12,136	9,029
2,324	4,154	Motor Accident Authority Third Party	2,324	4,154
6,362	6,728	Patient Transport Fees	6,362	6,728
70	101	Private Use of Motor Vehicles	70	101
197	201	Salary Packaging Fee	197	201
972	457	Services Provided to Non NSW Health Organisations	972	457
1,124	2,644	Other	1,124	2,644
<hr/> 79,581	<hr/> 80,228		<hr/> 79,581	<hr/> 80,228
8. Investment Revenue				
2,999	3,575	Interest	2,999	3,575
648	6,360	Other	648	6,360
<hr/> 3,647	<hr/> 9,935		<hr/> 3,647	<hr/> 9,935

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 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
9. Grants and Contributions				
2,078	2,095	Clinical Drug Trials	2,078	2,095
5,793	5,101	Commonwealth Government Grants	5,793	5,101
2,430	2,510	Commonwealth Teaching Hospital Grants	2,430	2,510
28,389	43,115	Industry Contributions/Donations	28,389	43,115
287	222	Cancer Institute Grants	287	222
468	538	NSW Government Grants	468	538
873	2,281	Grants from Other NSW Health Entities	873	2,281
4,173	4,477	Research Grants	4,173	4,477
17,005	12,302	Other Grants	17,005	12,302
<u>61,496</u>	<u>72,641</u>		<u>61,496</u>	<u>72,641</u>
10. Acceptance by the Crown Entity of Employee Benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
----	----	Superannuation-defined benefit	4,660	4,940
----	----	Long Service Leave	23,428	20,262
<u>----</u>	<u>----</u>		<u>28,088</u>	<u>25,202</u>
11. Other Revenue				
Other Revenue comprises the following:-				
186	187	Commissions	186	187
4,238	3,926	Conference and Training Fees	4,238	3,926
46	47	Discounts	46	47
6	32	Insurance Refunds	6	32
681	740	Lease and Rental	681	740
-----	2,022	Property not Previously Recognised	-----	2,022
82	121	Sale of Merchandise, Old Wares and Books	82	121
116	169	Sponsorship	116	169
3,470	-----	Treasury Managed Fund Hindsight Adjustment	3,470	-----
3,657	3,753	Other	3,657	3,753
<u>12,482</u>	<u>10,997</u>		<u>12,482</u>	<u>10,997</u>

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 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
12. Gain / (Loss) on Disposal				
6,454	28,674	Property, Plant and Equipment	6,454	28,674
(6,100)	(27,893)	Accumulated Depreciation	(6,100)	(27,893)
<u>354</u>	<u>781</u>	Written Down Value	<u>354</u>	<u>781</u>
73	151	Proceeds from Disposal	73	151
<u>(281)</u>	<u>(630)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(281)</u>	<u>(630)</u>
1,336	-----	Assets Held for Sale	1,336	-----
1,566	-----	Proceeds from Disposal	1,566	-----
<u>230</u>	<u>-----</u>	Gain/(Loss) on Disposal of Assets Held for Sale	<u>230</u>	<u>-----</u>
<u>(51)</u>	<u>(630)</u>	Total Gain/(Loss) on Disposal	<u>(51)</u>	<u>(630)</u>
13. Other Gains / (Losses)				
(335)	(139)	Impairment of Receivables	(335)	(139)
<u>(335)</u>	<u>(139)</u>		<u>(335)</u>	<u>(139)</u>

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 2016

PARENT & CONSOLIDATION

14. 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	1,942	11,127	3,507	16,576
Contributions recognised in previous years which were not expended in the current reporting period	2,676	124,596	10,692	137,964
Total amount of unexpended contributions as at reporting date	4,618	135,723	14,199	154,540

Comment on restricted assets appears in Note 24

15. 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.

15. Service Groups of the Network

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 people 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
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
16. Cash and Cash Equivalents				
14,320	18,392	Cash at Bank and On Hand	14,320	18,392
93,659	93,000	Short Term Deposits	93,659	93,000
107,979	111,392		107,979	111,392
<p>For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.</p> <p>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:</p>				
107,979	111,392	Cash and Cash Equivalents (per Statement of Financial Position)	107,979	111,392
107,979	111,392	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	107,979	111,392

Refer to Note 36 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		17. Receivables		
		Current		
10,001	10,160	Sale of Goods and Services	10,001	10,160
5,520	5,888	Intra Health Receivables	5,520	5,888
2,170	1,625	Goods and Services Tax	2,170	1,625
5,765	6,487	Other Debtors	5,765	6,487
<u>23,456</u>	<u>24,160</u>	Sub Total	<u>23,456</u>	<u>24,160</u>
(469)	(378)	Less Allowance for Impairment	(469)	(378)
22,987	23,782	Sub Total	22,987	23,782
1,151	1,216	Prepayments	1,151	1,216
<u>24,138</u>	<u>24,998</u>		<u>24,138</u>	<u>24,998</u>
		a) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
(331)	(519)	Balance at Commencement of Reporting Period	(331)	(519)
232	347	Amounts written off during the period	232	347
(328)	(159)	(Increase)/decrease in Allowance Recognised in the Net Result	(328)	(159)
<u>(427)</u>	<u>(331)</u>	Balance at 30 June	<u>(427)</u>	<u>(331)</u>
		b) Movement in the Allowance for Impairment		
		Other Debtors		
(47)	(121)	Balance at Commencement of Reporting Period	(47)	(121)
12	54	Amounts written off during the period	12	54
(7)	20	(Increase)/decrease in Allowance Recognised in the Net Result	(7)	20
<u>(42)</u>	<u>(47)</u>	Balance at 30 June	<u>(42)</u>	<u>(47)</u>
<u>(469)</u>	<u>(378)</u>		<u>(469)</u>	<u>(378)</u>
		c) The current and non-current sale of goods and services balances above include the following patient fee receivables:		
		(Current and Non-Current) include:		
709	371	Patient Fees - Compensable	709	371
2,297	3,162	Patient Fees - Ineligible	2,297	3,162
3,312	2,355	Patient Fees - Inpatient & Other	3,312	2,355
<u>6,318</u>	<u>5,888</u>		<u>6,318</u>	<u>5,888</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 36.

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 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
18. Inventories				
1,598	1,873	Drugs	1,598	1,873
3,988	3,735	Medical and Surgical Supplies	3,988	3,735
128	104	Engineering Supplies	128	104
816	841	Other Including Goods in Transit	816	841
<u>6,530</u>	<u>6,553</u>		<u>6,530</u>	<u>6,553</u>
19. Financial Assets at Fair Value				
Current				
<u>271</u>	<u>247</u>	NSW Treasury Corporation - Hour-Glass Investment Facilities	<u>271</u>	<u>247</u>
<u>271</u>	<u>247</u>		<u>271</u>	<u>247</u>
Non Current				
<u>55,882</u>	<u>51,675</u>	NSW Treasury Corporation - Hour-Glass Investment Facilities	<u>55,882</u>	<u>51,675</u>
<u>55,882</u>	<u>51,675</u>		<u>55,882</u>	<u>51,675</u>

Refer to Note 36 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
20. Property, Plant and Equipment				
Land and Buildings - Fair Value				
666,908	660,956	Gross Carrying Amount	666,908	660,956
262,419	246,658	Less: Accumulated Depreciation and Impairment	262,419	246,658
<u>404,489</u>	<u>414,298</u>	Net Carrying Amount	<u>404,489</u>	<u>414,298</u>
Plant and Equipment - Fair Value*				
135,830	123,276	Gross Carrying Amount	135,830	123,276
75,366	74,375	Less: Accumulated Depreciation and Impairment	75,366	74,375
<u>60,464</u>	<u>48,901</u>	Net Carrying Amount	<u>60,464</u>	<u>48,901</u>
Infrastructure Systems - Fair Value				
69,405	69,332	Gross Carrying Amount	69,405	69,332
32,010	30,277	Less: Accumulated Depreciation and Impairment	32,010	30,277
<u>37,395</u>	<u>39,055</u>	Net Carrying Amount	<u>37,395</u>	<u>39,055</u>
Leasehold Improvements - Fair Value*				
3,774	3,774	Gross Carrying Amount	3,774	3,774
205	60	Less: Accumulated Depreciation and Impairment	205	60
<u>3,569</u>	<u>3,714</u>	Net Carrying Amount	<u>3,569</u>	<u>3,714</u>
<u>505,917</u>	<u>505,968</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>505,917</u>	<u>505,968</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.

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

20. 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 \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2016						
Net carrying amount at start of year	30,079	384,219	48,901	39,055	3,714	505,968
Additions	----	5,810	19,319	73	----	25,202
Disposals	----	----	(354)	----	----	(354)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	----	(168)	----	----	----	(168)
Depreciation Expense	----	(15,761)	(7,092)	(1,733)	(145)	(24,731)
Reclassifications	----	310	(310)	----	----	----
Net carrying amount at end of year	30,079	374,410	60,464	37,395	3,569	505,917

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2015						
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	30,079	384,219	48,901	39,055	3,714	505,968

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 23.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the Network [see note 1(k)].
- (ii) Indices provided by Land and Property Information, a division of NSW Department of Finance and Services were not applied as immaterial.

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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
21. Intangible Assets				
		Software		
12,911	12,564	Cost (Gross Carrying Amount)	12,911	12,564
9,110	8,485	Less Accumulated Amortisation and Impairment	9,110	8,485
<u>3,801</u>	<u>4,079</u>	Net Carrying Amount	<u>3,801</u>	<u>4,079</u>
<u>3,801</u>	<u>4,079</u>	Total Intangible Assets at Net Carrying Amount	<u>3,801</u>	<u>4,079</u>

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21. Intangibles - Reconciliation

	Software \$000	Total \$000
2016		
Net carrying amount at start of year	4,079	4,079
Additions (From Internal Development or Acquired Separately)	348	348
Amortisation (Recognised in Depreciation and Amortisation)	(626)	(626)
Net carrying amount at end of year	3,801	3,801

	Software \$000	Total \$000
2015		
Net carrying amount at start of year	4,635	4,635
Additions (From Internal Development or Acquired Separately)	67	67
Reclassifications from Plant & Equipment	19	19
Amortisation (Recognised in Depreciation and Amortisation)	(642)	(642)
Net carrying amount at end of year	4,079	4,079

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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
22. Non-Current Assets (or Disposal Groups) Held for Sale				
Assets Held for Sale				
-----	1,336	Land and Buildings	-----	1,336
-----	1,336		-----	1,336
<u>-----</u>	<u>1,336</u>		<u>-----</u>	<u>1,336</u>

The Assets Held for Sale reported under 2015 represent a residential house and land and a residential unit received by the Network in June 2015 as part of a bequest from a donor to support cardiology services. At 30 June 2015 these properties were registered in the Network's name and were in the process of being listed for sale in order to make the net sales proceeds available for the purpose specified by the donor. These properties have since been disposed off during the FY 2015-16; the net gain on disposal is reported within these financial statements.

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23. Fair Value Measurement of Non-Financial Assets

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

a) Fair Value Hierarchy

2016	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	----	396,728	396,728
- Infrastructure Systems	----	----	37,395	37,395
- Artworks	----	2,296	----	2,296
	-----	-----	-----	-----
	-----	<u>2,296</u>	<u>434,123</u>	<u>436,419</u>

There were no transfers between level 1 and 2 during the period ended 30 June 2016.

2015	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 20)				
- 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 22)	----	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.

Work in Progress and Newly Completed Projects are carried at cost, therefore excluded from figures above and as a result will not agree to Note 20.

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

For Artworks as well the Network obtains independent external valuations every three years. The last valuation was performed in the 2014/15 financial year by an independent valuer, not an employee of the Network, Ms. Adrienne Carlson, an approved valuer under the Commonwealth Government Cultural Gifts Program for the past eighteen years.

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23. Fair Value Measurement of Non-Financial Assets

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 strictions, for example hospital grounds, and values are adjusted accordingly.

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

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

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23. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2016	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2015	412,291	39,055	451,346
Additions	168	73	241
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	(168)	-----	(168)
Transfers from Level 2	193	-----	193
Depreciation	(15,756)	(1,733)	(17,489)
Fair value as at 30 June 2016	<u>396,728</u>	<u>37,395</u>	<u>434,123</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. This also includes net book value of a residential property that was included under Level 2 upon revaluation last year.

2015	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
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 year been subject to revaluation using market approach.

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2016
\$000

2015
\$000

2016
\$000

2015
\$000

24. 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

86,410	97,735	Specific Purposes	86,410	97,735
10,921	9,977	Perpetually Invested Funds	10,921	9,977
43,010	39,507	Research Grants	43,010	39,507
14,199	12,670	Private Practice Funds	14,199	12,670
<hr/>	<hr/>		<hr/>	<hr/>
154,540	159,889		154,540	159,889

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2016	2015		2016	2015
\$000	\$000		\$000	\$000
		25. Payables		
		Current		
-----	-----	Accrued Salaries, Wages and On-Costs	12,175	9,457
-----	-----	Taxation and Payroll Deductions	1,580	742
13,755	10,199	Accrued Liability - Purchase of Personnel Services	-----	-----
15,084	13,031	Creditors	15,084	13,031
		Other Creditors		
13,292	12,196	- Intra Health Liability	13,292	12,196
3,057	3,244	- Other	3,057	3,244
<u>45,188</u>	<u>38,670</u>		<u>45,188</u>	<u>38,670</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 36.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
26. Provisions				
Current				
-----	-----	Annual Leave - Short Term Benefit	45,164	44,761
-----	-----	Annual Leave - Long Term Benefit	24,131	21,058
-----	-----	Long Service Leave Consequential On-Costs	11,301	9,944
80,596	75,763	Provision for Personnel Services Liability	-----	-----
80,596	75,763		80,596	75,763
Non-Current				
-----	-----	Long Service Leave Consequential On-Costs	983	865
983	865	Provision for Personnel Services Liability	-----	-----
983	865		983	865
Aggregate Employee Benefits and Related On-Costs				
-----	-----	Provisions - Current	80,596	75,763
-----	-----	Provisions - Non-Current	983	865
-----	-----	Accrued Salaries, Wages and On-Costs (Note 25)	13,755	10,199
95,334	86,827	Liability - Purchase of Personnel Services	-----	-----
95,334	86,827		95,334	86,827
27. Other Liabilities				
Current				
2,798	2,354	Income in Advance	2,798	2,354
2,798	2,354		2,798	2,354

Income in Advance represents fees received in advance from customers and students for which services are rendered after 30 June 2016.

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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
28. Commitments for Expenditure				
a) Capital Commitments				
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:				
25,369	1,988	Not later than one year	25,369	1,988
<u>25,369</u>	<u>1,988</u>	Total Capital Expenditure Commitments (Including GST)	<u>25,369</u>	<u>1,988</u>
b) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
657	528	Not later than one year	657	528
871	931	Later than one year and not later than five years	871	931
<u>1,528</u>	<u>1,459</u>	Total Operating Lease Commitments (Including GST)	<u>1,528</u>	<u>1,459</u>

The operating lease commitments above are for motor vehicles, properties used for service delivery and equipment including medical equipment and other equipment.

c) Contingent Asset Related to Commitments for Expenditure

The total of 'Commitments for Expenditure' above, i.e. \$26.9 million as at 30 June 2016 includes input tax credits of \$2.4 million that are expected to be recoverable from the Australian Taxation Office (2015 \$0.31 million).

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29. Trust Funds

The Network holds trust funds of \$1.4 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	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Balance at the beginning of the financial year	1,087	1,025	1,087	1,025
Revenue	25,613	25,095	25,613	25,095
Expenses	(25,323)	(25,033)	(25,323)	(25,033)
Balance at the end of the financial year	<u>1,377</u>	<u>1,087</u>	<u>1,377</u>	<u>1,087</u>

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30. Contingent Liabilities and Assets

a) Workers Compensation Hindsight Adjustment

Treasury Managed Fund workers compensation insurance hindsight adjustments are calculated 3 years (interim) and 5 years (final) after the start of each policy year. Hindsight (payments/refunds) adjust insurance contributions paid to reflect actual claims experience. iCare Self Insurance (manager of the Treasury Managed Fund) calculates hindsight adjustments after the 'hindsight date' has past. At 30 June 2016, hindsight adjustments were due for the 2011/12 (final) and 2013/14 (interim) policy years. Adjustments for the 30 June 2016 'hindsight date' have not been provided by the Treasury Managed Fund. It is not possible for the The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) to reliably quantify the hindsight benefit to be received or amount payable.

b) Contingent Assets

The Network estimates the value of contingent assets it may come to possess in the period after 30 June 2016 to be approximately \$1.9 million. These relate to notified bequests awaiting granting of probate and in some cases bequests that are currently contested.

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2016	2015		2016	2015
\$000	\$000		\$000	\$000
31. Reconciliation of Cash Flows from Operating Activities to Net Result				
24,715	23,509	Net Cash Flows from Operating Activities	24,715	23,509
(25,357)	(25,253)	Depreciation and Amortisation	(25,357)	(25,253)
(335)	(139)	Allowance for Impairment	(335)	(139)
(444)	(441)	(Increase)/ Decrease Income in Advance	(444)	(441)
(4,951)	(3,603)	(Increase)/ Decrease in Provisions	(4,951)	(3,603)
(857)	1,766	Increase / (Decrease) in Prepayments and Other Assets	(857)	1,766
(6,209)	5,029	(Increase)/ Decrease in Payables from Operating Activities	(6,209)	5,029
(51)	(630)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(51)	(630)
14	4,587	Assets donated or brought to account for the first time	14	4,587
<u>(13,475)</u>	<u>4,825</u>	Net Result	<u>(13,475)</u>	<u>4,825</u>
32. Non-Cash Financing and Investing Activities				
14	2,565	Assets Received by Donation	14	2,565
-----	2,022	Assets Brought to Account	-----	2,022
<u>14</u>	<u>4,587</u>		<u>14</u>	<u>4,587</u>

33. 2015/16 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
- Pink Ladies/Hospital Auxiliaries
- Patient Support Groups
- Community Organisations
- Patient & Family Support
- Patient Services, Fund Raising
- Practical Support to Patients and Relatives
- Counselling, Health Education, Transport, Home Help & Patient Activities

34. 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.

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35. Adjusted Budget Review - Parent and Consolidated

Net Result

The actual Net Result was higher than adjusted budget by \$5 million, primarily due to:

The revenue was higher than adjusted budget by \$9 million, partially offset by higher than adjusted budget expenditure of \$4 million. The main contributors to the higher than adjusted budget revenue were - Grants and Contributions \$8 million, Other Revenue \$3 million and Sales of Goods and Services \$2 million; offset by \$4 million lower than budgeted Investment Revenue.

The variance of \$4 million in expenditure compared to adjusted budget was mainly due to higher than budgeted expenditure on account of Employee Related expenses \$3 million and Grants and Subsidies \$1 million.

Assets and Liabilities

The Net Assets were higher than adjusted budget by \$5 million. This was mainly due to higher than budget Total Assets of \$14 million partially offset by higher than budget Total Liabilities of \$9 million. The variance of \$14 million in Total Assets mainly comprised of higher than budget balance of operating Cash and Cash Equivalents of \$15 million, lower than budget balance of Receivables of \$3 million, \$1 million relating to Non-current Assets Held for Sale compared to budget and higher than budget balance of Non-Current Assets of \$3 million. The \$9 million variance in liabilities was mainly due to higher than budget Payables and provisions for employee benefits of \$5 million and \$4 million respectively.

Cash Flows

Cashflows were higher than adjusted budget by \$15 million. The main contributors to this variance were Net Cashflows from Operating Activities of \$16 million, comprising of \$13 million higher than budget Receipts and \$3 million lower than budget Payments, and Net Cashflows from Investing Activities of \$1 million.

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 2015 are as follows:

	\$000
Initial Allocation	482,506
Award Increases	10,156
Special Projects:	
Integrated Care Demonstrator Program	999
High Cost Blood Products	617
Nursing and Midwifery Strategy	382
Medicinal Cannabis for Paediatric Epilepsy trials	375
Mental Health	282
Drug & Alcohol Summit Program	158
Treasury Managed Fund - Adjustment	369
Aboriginal Health Enhancement - AHE	100
Medical & Scientific Research	125
Other:	
National Specialty Centre - Liver Transplants & Norwood Procedures	9,737
Revenue Initiative Budget Adjustment	4,036
Hospital in the Home (HITH)	754
Tissue Typing for Transplantation	506
Children's Healthcare Network projects	473
Child Abuse and Sexual Assault Clinical Advice Line	360
Whole of Health	120
Others	3,965
	516,020
Balance as per Statement of Comprehensive Income	516,020

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36. Financial Instruments

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

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

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the 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

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Financial Assets Class:	Category	Carrying Amount	Carrying Amount
		2016	2015
		\$000	\$000
Cash and Cash Equivalents (note 16)	N/A	107,979	111,392
Receivables (note 17)*	Loans and receivables (at amortised cost)	20,817	22,157
Financial Assets at Fair Value (note 19)	At fair value through profit or loss (designated as such upon initial recognition)	56,153	51,922
		184,949	185,471
Financial Liabilities			
Payables (note 25)**	Financial liabilities measured at amortised cost	43,608	37,928
		43,608	37,928

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 2.87% in 2015/16 compared to 3.52% in the previous year.

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

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36. Financial Instruments

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 (2016: \$9.1 million; 2015: \$10.2 million) and not more than 3 months past due (2016: \$2.4 million; 2015: \$1.1 million) are not considered impaired. Together these represent 88.4% 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.

	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
2016	\$000	\$000	\$000
<3 months overdue	2,379	2,350	29
3 months - 6 months overdue	714	501	213
> 6 months overdue	756	529	227
2015			
<3 months overdue	1,088	1,055	33
3 months - 6 months overdue	505	315	189
> 6 months overdue	457	301	156

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 1.94% (2015: 2.06%), while over the year the weighted average interest rate was 2.45% (2015: 2.75%) on a weighted average balance during the year of \$1,599,870 (2015: \$1,233,087). 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 1).

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36. Financial Instruments

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

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

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

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36. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure		Maturity Dates
	Nominal Amount ¹	Non - Interest Bearing	< 1 Yr
2016	\$000	\$000	\$000
Payables:			
- Accrued Salaries Wages, On-Costs and Payroll Deductions	12,175	12,175	12,175
- Creditors	31,433	31,433	31,433
	43,608	43,608	43,608
2015			
Payables:			
- Accrued Salaries Wages, On-Costs and Payroll Deductions	9,457	9,457	9,457
- Creditors	28,471	28,471	28,471
	37,928	37,928	37,928

Notes:

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

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36. Financial Instruments

(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 2015. 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	-1% Net Result	Equity	+1% Net Result	Equity
2016					
Financial Assets					
Cash and Cash Equivalents	107,979	(1,080)	(1,080)	1,080	1,080
Receivables	20,817	-----	-----	-----	-----
Financial Assets at Fair Value	56,153	(562)	(562)	562	562
Financial Liabilities					
Payables	43,608	-----	-----	-----	-----
2015					
Financial Assets					
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
Financial Liabilities					
Payables	37,928	-----	-----	-----	-----

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Other price risk - TCorp Hour-Glass Investment facilities

Exposure to 'other price risk' primarily arises through the investment in the NSW 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	2016 \$000	2015 \$000
Cash facility	Cash and money market instruments	Up to 1.5 years	271	247
Long-term growth facility	Cash, money market instruments, Australian and International bonds, listed property and Australian shares	7 years and over	55,882	51,675

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, NSW TCorp has appointed external managers to manage the performance and risk of each facility in accordance with a mandate agreed by the parties. NSW 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). NSW 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 NSW TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from Hour-Glass Statement).

Impact on net result	Change in unit price	2016 \$000	2015 \$000
Hour-Glass Investment - Cash facility	+/- 1%	3	3
Hour-Glass Investment - Long-term growth facility	+/- 16%	8,941	7,751

(e) Fair Value Measurement

(i) Fair value compared to carrying amount

Financial instruments are generally recognised at cost, with the exception of the NSW 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.

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2016 Total \$'000
TCorp Hour-Glass Invt.Facility	-----	56,153	-----	56,153
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2015 Total \$'000
TCorp Hour-Glass Invt.Facility	-----	51,922	-----	51,922

(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 2016.

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.

37. Events after the Reporting Period

In July 2016, iCare Self Insurance advised of the Treasury Managed Fund workers compensation insurance hindsight adjustment calculations for the 2010/11 and 2012/13 policy years. This has resulted in a hindsight refund (revenue) of \$1.96M being recognised as a receivable at 30 June 2016. Other than the above, there has not been any matters arising subsequent to balance date that would require these financial statements to be amended.

END OF AUDITED FINANCIAL STATEMENTS