The Sydney Children's Hospitals Network

(Randwick and Westmead)

Financial Statements

for the year ended 30 June 2019

INDEPENDENT AUDITOR'S REPORT

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

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating the Royal Alexandra Hospital for Children (the Network), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the Network and the consolidated entity. The consolidated entity comprises the Network and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Network and the consolidated entity as at 30 June 2019, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

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

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

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

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

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

Emphasis of Matter – Presentation of Budget Information

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 1(af). The note states that AASB 1055 ‘Budgetary Reporting’ is not applicable to the Network. It also states that, unlike the requirement in AASB 1055 ‘Budgetary Reporting’ to present original budget information, the Network’s financial statements present adjusted budget information.

The Chief Executive’s Responsibilities for the Financial Statements

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

In preparing the financial statements, the Chief Executive is responsible for assessing the ability of the Network and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where operations will cease as a result of an administrative restructure.

Auditor’s Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor’s report.

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
- about any other information which may have been hyperlinked to/from the financial statements.

S Bond.

Sally Bond
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

4 September 2019
SYDNEY

The Sydney children's Hospitals Network
care, advocacy, research, education

TRIM Ref: SCHN19/6528

We state, pursuant to section 45F of the Public Finance and Audit Act 1983:

1) The financial statements of The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) for the year ended 30 June 2019 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 Regulation 2015;

   c) Financial Reporting Directions mandated by the NSW Treasurer.

2) The financial statements exhibit a true and fair view of the financial position and the financial performance of The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children); and

3) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

Adjunct Assoc Prof Cheryl McCullagh	Brian Jackson
Interim Chief Executive	**Director Finance Corporate & Services**
Date: 3 September 2019	**Date:** 3 September 2019

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Westmead NSW 2145
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The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Statement of Comprehensive Income for the year ended 30 June 2019

PARENT					CONSOLIDATION		
Actual 2019 $000	Adjusted Budget Unaudited 2019 $000	Actual 2018 $000		Notes	Actual 2019 $000	Adjusted Budget Unaudited 2019 $000	Actual 2018 $000
			Continuing Operations				
			Expenses excluding losses				
-	-	-	Employee Related Expenses	2	593,447	590,024	546,733
556,699	552,497	524,412	Personnel Services	3	-	-	-
17,960	16,218	16,012	Visiting Medical Officers		17,960	16,218	16,012
226,769	228,916	195,404	Other Expenses	4	226,769	228,916	195,404
33,262	33,638	31,418	Depreciation and Amortisation	1(n), 5	33,262	33,638	31,418
4,554	3,970	14,465	Grants and Subsidies	6	4,554	3,970	14,465
839,244	835,239	781,711	Total Expenses excluding losses		875,992	872,766	804,032
			Revenue				
629,911	615,868	580,113	NSW Ministry of Health Recurrent Allocations	1(i)	629,911	615,868	580,113
19,218	20,209	6,314	NSW Ministry of Health Capital Allocations	1(i)	19,218	20,209	6,314
-	-	-	Acceptance by the Crown Entity of Employee Benefits	1(e)(ii),10	36,748	37,527	22,321
107,594	110,353	84,556	Sale of Goods and Services	1(i), 7	107,594	110,353	84,556
5,848	6,690	7,412	Investment Revenue	1(i),8	5,848	6,690	7,412
59,729	55,438	73,794	Grants and Other Contributions	1(i),9	59,729	55,438	73,794
8,400	9,655	10,699	Other Income	11	8,400	9,655	10,699
830,700	818,213	762,888	Total Revenue		867,448	855,740	785,209
(8,544)	(17,026)	(18,823)	Operating Result		(8,544)	(17,026)	(18,823)
(293)	-	(73)	Gains / (Losses) on Disposal	12	(293)	-	(73)
(138)	(555)	-	Impairment Losses on Financial Assets	15	(138)	(555)	-
-	-	(259)	Other Gains / (Losses)	13	-	-	(259)
(8,975)	(17,581)	(19,155)	Net Result from Continuing Operations	28	(8,975)	(17,581)	(19,155)
(8,975)	(17,581)	(19,155)	Net Result		(8,975)	(17,581)	(19,155)
			Other Comprehensive Income				
			Items that will not be reclassified to Net Result in subsequent periods				
15,941	-	68,506	Changes in Revaluation Surplus of Property, Plant and Equipment	19	15,941	-	68,506
15,941	-	68,506	Total Other Comprehensive Income		15,941	-	68,506
6,966	(17,581)	49,351	TOTAL COMPREHENSIVE INCOME		6,966	(17,581)	49,351

The accompanying notes form part of these financial statements.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Statement of Financial Position as at 30 June 2019

PARENT					CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual		Notes	Actual	Adjusted Budget Unaudited	Actual
2019	2019	2018			2019	2019	2018
$000	$000	$000			$000	$000	$000
			ASSETS				
			Current Assets				
35,203	4,018	8,874	Cash and Cash Equivalents	14	35,203	4,018	8,874
21,542	25,923	26,267	Receivables	15	21,542	25,923	26,267
7,638	6,736	6,736	Inventories	16	7,638	6,736	6,736
84,928	24,876	22,576	Financial Assets at Fair Value	17	84,928	24,876	22,576
-	65,700	83,000	Other Financial Assets	18	-	65,700	83,000
149,311	127,253	147,453	Total Current Assets		149,311	127,253	147,453
			Non-Current Assets				
32,088	42,044	37,044	Financial Assets at Fair Value	17	32,088	42,044	37,044
			Property, Plant & Equipment	19			
507,781	493,156	493,144	- Land and Buildings		507,781	493,156	493,144
55,530	53,140	53,217	- Plant and Equipment		55,530	53,140	53,217
36,990	35,299	37,240	- Infrastructure Systems		36,990	35,299	37,240
3,763	3,057	3,279	- Leasehold Improvements		3,763	3,057	3,279
604,064	584,652	586,880	Total Property, Plant & Equipment		604,064	584,652	586,880
21,403	19,622	16,554	Intangible Assets	20	21,403	19,622	16,554
657,555	646,318	640,478	Total Non-Current Assets		657,555	646,318	640,478
806,866	773,571	787,931	Total Assets		806,866	773,571	787,931
			LIABILITIES				
			Current Liabilities				
59,490	56,775	55,278	Payables	23	59,490	56,775	55,278
95,008	90,173	88,633	Provisions	24	95,008	90,173	88,633
1,885	2,082	2,082	Other Current Liabilities	25	1,885	2,082	2,082
156,383	149,030	145,993	Total Current Liabilities		156,383	149,030	145,993
			Non-Current Liabilities				
1,338	1,339	1,155	Provisions	24	1,338	1,339	1,155
1,338	1,339	1,155	Total Non-Current Liabilities		1,338	1,339	1,155
157,721	150,369	147,148	Total Liabilities		157,721	150,369	147,148
649,145	623,202	640,783	Net Assets		649,145	623,202	640,783
			EQUITY				
349,531	333,627	333,627	Reserves		349,531	333,627	333,627
299,614	289,575	307,156	Accumulated Funds		299,614	289,575	307,156
649,145	623,202	640,783	Total Equity		649,145	623,202	640,783

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 2019

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds $000	Revaluation Surplus $000	Total $000
Balance at 1 July 2018		307,156	333,627	640,783
Changes in Accounting Policy	1ag)(i)	113	-	113
Restated balance at 1 July 2018		307,269	333,627	640,896
Net Result for the Year		(8,975)	-	(8,975)
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	19	-	15,941	15,941
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		37	(37)	-
Total Other Comprehensive Income		37	15,904	15,941
Total Comprehensive Income for the Year		(8,938)	15,904	6,966
Transactions With Owners In Their Capacity As Owners				
Increase / (Decrease) in Net Assets From Equity Transfers	33	1,283	-	1,283
Balance at 30 June 2019		299,614	349,531	649,145
Balance at 1 July 2017		320,998	265,074	586,072
Net Result for the Year		(19,155)	-	(19,155)
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	19	-	68,506	68,506
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		(47)	47	-
Total Other Comprehensive Income		(47)	68,553	68,506
Total Comprehensive Income for the Year		(19,202)	68,553	49,351
Transactions With Owners In Their Capacity As Owners				
Increase / (Decrease) in Net Assets From Equity Transfers	33	5,360	-	5,360
Balance at 30 June 2018		307,156	333,627	640,783

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 2019

PARENT					CONSOLIDATION		
Actual 2019 $000	Adjusted Budget Unaudited 2019 $000	Actual 2018 $000		Notes	Actual 2019 $000	Adjusted Budget Unaudited 2019 $000	Actual 2018 $000
			CASH FLOWS FROM OPERATING ACTIVITIES				
			Payments				
-	-	-	Employee Related		(555,486)	(558,418)	(526,123)
(270,532)	(273,018)	(233,913)	Suppliers for Goods and Services		(270,532)	(273,018)	(233,913)
(5,142)	(4,559)	(16,224)	Grants and Subsidies		(5,142)	(4,559)	(16,224)
(555,486)	(558,418)	(526,123)	Other		-	-	-
(831,160)	(835,995)	(776,260)	Total Payments		(831,160)	(835,995)	(776,260)
			Receipts				
629,911	615,868	580,113	NSW Ministry of Health Recurrent Allocations		629,911	615,868	580,113
19,218	20,209	6,314	NSW Ministry of Health Capital Allocations		19,218	20,209	6,314
9,277	9,277	9,292	Reimbursements from the Crown Entity		9,277	9,277	9,292
111,535	112,464	82,106	Sale of Goods and Services		111,535	112,464	82,106
606	(4,725)	2,326	Interest Received		606	(4,725)	2,326
64,908	60,704	77,656	Grants and Other Contributions		64,908	60,704	77,656
35,889	41,721	35,930	Other		35,889	41,721	35,930
871,344	855,518	793,737	Total Receipts		871,344	855,518	793,737
40,184	19,523	17,477	NET CASH FLOWS FROM OPERATING ACTIVITIES	28	40,184	19,523	17,477
			CASH FLOWS FROM INVESTING ACTIVITIES				
66	-	92	Proceeds from Sale of Property, Plant & Equipment and Intangibles		66	-	92
30,833	30,833	22,000	Proceeds from Sale of Financial Assets		30,833	30,833	22,000
(39,525)	(34,379)	(24,463)	Purchases of Property, Plant & Equipment and Intangibles		(39,525)	(34,379)	(24,463)
(5,229)	(20,833)	(109,965)	Purchases of Financial Assets		(5,229)	(20,833)	(109,965)
(13,855)	(24,379)	(112,336)	NET CASH FLOWS FROM INVESTING ACTIVITIES		(13,855)	(24,379)	(112,336)
26,329	(4,856)	(94,859)	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		26,329	(4,856)	(94,859)
8,874	8,874	103,733	Opening Cash and Cash Equivalents	14	8,874	8,874	103,733
35,203	4,018	8,874	CLOSING CASH AND CASH EQUIVALENTS	14	35,203	4,018	8,874

The accompanying notes form part of these financial statements.

1. Statement 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 is a NSW Government entity and is controlled by the NSW Ministry of Health, which is the immediate parent. The reporting entity is also controlled by the State of New South Wales (and is consolidated as part of the NSW Total State Sector Accounts), which is the ultimate parent. The reporting entity is a not-for-profit entity (as profit is not its principal objective).

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

* The parent entity, comprises all the operating activities of the hospital facilities and the operating activities of the NSW Newborn and Paediatric Emergency Transport Services (NETS), the Pregnancy and Newborn Service Network (PSN) and the Children's Court Clinic (CCC) under its control. It also encompasses the Restricted Assets (as disclosed in Note 22), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.

* The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) Special Purpose Service Entity, which was established as a Division of the Network on 1 July 2010 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the Network to exercise its functions.

As a consequence the values in the financial statements presented herein consist of the parent entity and the consolidated entity which comprises the parent and special purpose service entity. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

These consolidated financial statements for the year ended 30 June 2019 have been authorised for issue by the Chief Executive on 03 September 2019.

b) Basis of Preparation

The Network's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 (the Act) and the Public Finance and Audit Regulation 2015, and the NSW Treasurer's Directions issued under the Act. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities.

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

The Secretary of NSW Health, the Chair of The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under the Network's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the Network fails to meet Service Agreement performance standards, the NSW Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the NSW Ministry of Health.

Other circumstances why the going concern assumption 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 cash flows to ensure that debts can be paid when they become due and payable.

* The Network has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the Network and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.

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

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

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the Network's presentation and functional currency.

c) Comparative Information

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

Certain comparative information has been reclassified to ensure consistency with current year presentation and classification.

d) Statement of Compliance

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

1. Statement of Significant Accounting Policies

e) Employee Benefits and Other Provisions

i) Salaries and Wages, Annual Leave, Sick Leave, Allocated Days Off (ADO) and On-Costs

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave and ADO are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, they are required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 17.7% are applied to the value of leave payable at 30 June 2019 (comparable on-costs for 30 June 2018 were 17.6%). The Network has assessed the actuarial advice based on the Network's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the consolidated entity does not expect to settle the liability within 12 months as the consolidated entity does not have an unconditional right to defer settlement.

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

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, which is a controlled entity of the ultimate parent.

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

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the Network as shown in Note 24.

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using the long-term Commonwealth Government bond rate at the reporting date.

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

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

f) Insurance

The Network's insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self insurance for government entities. The expense (premium) is determined by the Fund Manager based on past claims experience. The TMF is managed by Insurance and Care NSW (iCare), a controlled entity of the ultimate parent.

g) Grants and Subsidies

Grant and subsidies expense generally comprise contributions in cash or in kind to various local government authorities and not-for-profit community organisations to support their health-related objectives and activities. The grant and subsidies are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

h) Finance Costs

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with NSW Treasury's mandate to not-for-profit NSW General Government Sector entities.

i) 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.

1. Statement of Significant Accounting Policies

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 goods, usually on delivery of the goods.

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).

Grants and Other Contributions

Grants and other contributions, comprising mainly cash and in-kind contributions, are recognised as revenues when control passes to the Network and the contractual obligations have been satisfied. In-kind contributions are measured at fair value on transfer 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.

Highly Specialised Drugs

Revenue for highly specialised drugs is paid by the Commonwealth in accordance with the terms of the Commonwealth agreement through Medicare and reflects the recoupment of costs incurred under Section 100 of the National Health Act 1953 for highly specialised drugs. The agreement provides for the provision of medicines for the treatment of chronic conditions where specific criteria are met in respect of 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 calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For financial assets that become credit impaired the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

Forgiveness of Liabilities

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

Use of Hospital Facilities

Specialist doctors with rights of private practice are subject to an infrastructure charge, including service charges where applicable for the use of hospital facilities at rates determined by the NSW Ministry of Health. 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.

Refer to Note 7 (b) for further details.

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.

NSW Ministry of Health Allocations

Payments are made by the immediate parent 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 NSW Ministry of Health. Allocations are normally recognised upon the receipt of cash.

Other Income

Other income includes lease income from operating leases where the Network is the lessor. Income is recognised on a straight-line basis over the lease term.

1. Statement of Significant Accounting Policies

j) 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.

k) Interstate Patient Flows

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

l) Acquisition of Property, Plant and Equipment

Property, plant and equipment acquired are initially recognised at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

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

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Refer to Note 1(ac) for assets transferred as a result of equity transfer.

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

m) Capitalisation Thresholds

Property, plant and equipment and Intangibles costing $10,000 and above individually (or forming part of a network costing more than $10,000) are capitalised.

n) Depreciation of Property, Plant and Equipment

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

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

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

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. Statement of Significant Accounting Policies

o) 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.

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 19 and Note 21 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 revalues Artworks at minimum every three years. The last revaluation of Artworks by the Network was completed in the 2017-18 financial year and was based on an independent assessment.

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

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

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

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

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.

p) 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 Impairment of Assets 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.

q) Restoration Costs

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

r) 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.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets are 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 fifteen years using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions. Some computer software is acquired from the Health Administration Corporation, a controlled entity of the immediate parent.

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.

1. Statement of Significant Accounting Policies

s) 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.

t) 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.

As a lessee:

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.

As a lessor:

The Network, as the lessor, classifies its leases as finance leases if it transfers to the lessee substantially all the risks and rewards incidental to ownership of the leased asset. The leased assets are recognised as current and non-current receivables at amounts equal to the net investment in the lease.

Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

u) Inventories

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

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

v) Receivables

Recognition and Measurement

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

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

Other financial assets are initially measured at fair value plus any transaction costs. Other financial assets include intra health loans and deposits with a maturity of three months or more.

Subsequent measurement under AASB 9 Financial Instruments (from 1 July 2018)

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

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows solely representing payments of principal and interest. Impairment losses are presented as a separate line item in the statement of comprehensive income. Any gain or loss arising on derecognition is recognised directly in net results and presented in other gains / (losses) together with foreign exchange gains and losses.

Amounts due from lessees under finance leases are classified at amortised cost and recognised at the amount of the Network’s net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Network’s net investment outstanding in respect of the leases.

Classification and measurement under AASB 139 Financial Instruments: Recognition and Measurement (for comparative period ended 30 June 2018)

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Amounts due from lessees under finance leases are classified as loans and receivables and recognised at the amount of the consolidated entity’s net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the consolidated entity’s net investment outstanding in respect of the leases.

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

w) Financial Assets at Fair Value

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

1. Statement of Significant Accounting Policies

Classification and measurement under AASB 9 (from 1 July 2018)

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

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

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

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

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

Classification and measurement under AASB 139 (for comparative period ended 30 June 2018)

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 or repurchasing 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.

  TCorpIM Funds investment facilities are managed by New South Wales Treasury Corporation, a controlled entity of the ultimate parent. The facilities are designated at fair value through profit or loss as the management and performance of these financial assets is undertaken on a fair value basis, in accordance with a documented risk management strategy. Information about these assets is provided internally 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 1987.

  TCorpIM Funds investment 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 TCorpIM Funds investment 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.

x) Impairment of Financial Assets

Impairment under AASB 9 (from 1 July 2018)

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

Receivables

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

Other Financial Assets

ECLs are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, ECLs are based on default events possible within the next 12-months (i.e. a 12-month ECL). If there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (i.e. a lifetime ECL). In addition, the Network considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Network term deposits are issued by financial institutions that have strong credit ratings and therefore considered to be low credit risk investments. Hence the Network measures the loss allowance for term deposits at an amount equal to 12-month ECL. However, when there is a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Network uses the ratings from external credit rating agencies both to determine whether there has been a significant increase in credit risk on the deposits and to estimate ECLs. These estimates are performed at every reporting date.

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

1. Statement of Significant Accounting Policies

Impairment of financial assets under AASB 139 (for the comparative period ended 30 June 2018)

All financial assets, except those measured at fair value through profit or loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the Network will not be able to collect all amounts due, as a result of one or more events that occurred after the initial recognition of the asset, the estimated cash flows have been affected.

For certain categories of financial assets, such as trade receivables,the Network first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Further, receivables are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

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.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. 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.

y) De-recognition of Financial Assets and Financial Liabilities

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

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

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

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

z) Payables

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

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

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

aa) Borrowings

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

Finance lease liabilities are determined in accordance with AASB 117 Leases.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 1y) for derecognition policy.

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

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

Refer to Note 21 and Note 34 for further disclosures regarding fair value measurements of non-financial and financial assets.

1. Statement of Significant Accounting Policies

ac) Equity Transfers

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs/functions and parts thereof between entities controlled by the ultimate parent are recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with AASB 1004 Contributions and Australian Accounting Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government entities are recognised at the amount at which the asset was recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the Network recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the Network does not recognise that asset.

ad) 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(o).

ae) Trust Funds

The Network receives monies in a trustee capacity for various trusts as set out in Note 27.

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.

af) Adjusted Budget 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 32.

ag) Changes in Accounting Policy, Including New or Revised Australian Accounting Standards

(i) Effective for the first time in 2018-19

The accounting policies applied in 2018-19 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

The Network has adopted AASB 9 Financial Instruments (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 Financial Instruments: Disclosures (AASB 7R).

The Network applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 Financial Instruments: Recognition and Measurement (AASB 139). Any differences arising from the adoption of AASB 9 have been recognised directly in accumulated funds and other components of equity.

The effect of adopting AASB 9 on the Statement of Financial Position (increase / (decrease)) as at 1 July 2018 is set out below:

	Notes	1 July 2018 $'000
Assets		
Receivables	15	113
Total Adjustment on equity		113
Accumulated funds		(113)

a) Classification and measurement of financial instruments

On 1 July 2018 (the date of initial application of AASB 9), the Network's management has assessed which business models apply to the financial assets by the Network and has classified its financial instruments into the appropriate AASB 9 categories. The classification and measurement requirements of AASB 9 did not have a material impact to the Network.

1. Statement of Significant Accounting Policies

The impact of transition to AASB 9 on reserves and accumulated funds is, as follows:

	Notes	Accumulated funds $'000	Total change in equity $'000
Closing balance 30 June 2018 - AASB 139		307,156	307,156
Recognition of AASB 9 expected credit losses	15	113	113
Total impact		113	113
Opening balance 1 July 2018 - AASB 9		307,269	307,269

The Network continued measuring at fair value, all financial assets previously held at fair value under AASB 139.

The following are the changes in the classification of the Network's financial assets:

- Trade receivables and other financial assets (i.e., term deposits) classified as 'Loans and receivables' (L&R) under AASB 139 as at 30 June 2018 are held to collect contractual cash flows representing solely payments of principal and interest. At 1 July 2018, these are classified and measured as debt instruments at amortised cost.

- Investments in TCorpIM Funds are managed on a fair value basis and hence were designated at fair value through profit or loss (FVPL) under AASB 139 as at 30 June 2018. Under AASB 9, these are now mandatorily required at transition date of 1 July 2018 and going forward to be classified and measured as fair value through profit or loss.

- The Network has not designated any financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement for the Network's financial liabilities.

In summary, upon the adoption of AASB 9, the Network had the following required or elected reclassifications as at 1 July 2018:

	Measurement category		Carrying amount		
AASB 139 measurement category	AASB 139	AASB 9	Original $'000	New $'000	Difference $'000
Receivables	L&R	Amortised cost	26,267	26,380	113
Term deposits	L&R	Amortised cost	83,000	83,000	-
Other receivables	L&R	Amortised cost	-	-	-
TCorpIM funds	FVPL	FVPL	59,620	59,620	-

b) Impairment

The adoption of AASB 9 has changed the Network's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Network to recognise an allowance for ECLs for all debt instruments not held at fair value through profit and loss.

Set out below is the reconciliation of the closing impairment allowances under AASB 139 to the opening loss allowances determined under AASB 9:

	Allowance for impairment under AASB 139 as at 30 June 2018 $'000	Re-measurement $'000	ECL under AASB 9 as at 1 July 2018 $'000
Loans and receivables under AASB 139 / Financial assets at amortised cost under AASB 9	(352)	113	(239)

(ii) Issued but not yet effective

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

AASB 16 Leases replaces all existing lease requirements and applies to annual periods beginning on or after 1 January 2019. For lessees, the distinction between operating and finance leases will no longer exist. Instead, AASB 16 Leases will require lessees to account for practically all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low value' assets (e.g. personal computers below $10,000) and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement of a lease, a lessee will recognise a liability representing its obligation to make future lease payments and an asset representing its right of use to the underlying asset for the lease term. Lessees will be required to separately recognise interest expense on the lease liability and depreciation expense on the right of use asset rather than operating lease expense.

1. Statement of Significant Accounting Policies

The new standard will gross up the Statement of Financial Position and change Statement of Comprehensive Income and cash flow presentation. Rent and lease expense will be replaced by depreciation and interest expense in Statement of Comprehensive Income. This results in a front-loaded lease expense, decreasing the net result and equity position. The Statement of Cash Flows for lessees will also be affected as payments for the principal portion of the lease liability will be presented within financing activities.

Lessor accounting is substantially unchanged from today's accounting under AASB 117 Leases. Lessors will continue to classify all leases using the same classification as in AASB 117 Leases and distinguish between two types of leases: operating and finance leases.

The standard permits two methods of adoption: full retrospective – by retrospectively adjusting each prior reporting period presented and recognising the cumulative effect of initially applying the new requirements at the start of the earliest period, which would be 1 July 2018; or modified retrospective – by recognising the cumulative effect of initially applying the new requirements at the initial application, which would be 1 July 2019. NSW Treasury has mandated a modified retrospective application of this accounting standard.

AASB 15 Revenue from Contracts with Customers (and associated amending standards AASB 2014-5, AASB 2015-8, AASB 2016-3, AASB 2016-7 and AASB 2016-8) applies to annual periods beginning on or after 1 January 2019 for not-for-profit entities. AASB 15 Revenue from Contracts with Customers establishes a contract-based five-step analysis of transactions to determine the nature, amount and timing of revenue arising from contracts with customers. This new standard requires revenue to be recognised when control of the goods or services are transferred to the customer at the transaction price. This may impact the timing of recognising certain revenue currently recognised by reference to the stage of completion of the transaction.

AASB 1058 Income of Not-for-Profit Entities applies to not-for-profit entities and is effective for annual periods beginning on or after 1 January 2019. This standard requires entities to recognise income where the consideration to acquire an asset, including cash, is significantly less than the fair value principally to enable the entity to further its objectives. Under this standard, the timing of income recognition may be impacted depending on whether there is a liability or other performance obligation associated with the acquired asset, including cash. AASB 1058 Income of Not-for-Profit Entities also requires government agencies to recognise income for volunteer services received if the fair value of those services can be measured reliably and the services would have been purchased if they had not been donated. This is consistent with current practice under AASB 1004 Contributions and is not expected to materially impact these financial statements.

AASB 1059 Service Concession Arrangements is applicable to public sector entities only and is effective for annual periods beginning on or after 1 January 2020. This standard requires the grantor to recognise a service concession asset in a service concession arrangement where it controls the asset. A corresponding financial liability and/or grant of right liability is also recognised depending on the nature of the consideration exchanged. Service concession assets (including those provided by the operator, an upgrade to or a major component replacement of an existing asset of the grantor; and existing assets of the grantor – also applicable to previously unrecognised intangible assets except goodwill) are initially measured at current replacement cost based on AASB 13 Fair Value Measurement principles. They are subsequently accounted for under AASB 116 Property, Plant & Equipment or AASB 138 Intangible Assets. Service concession liabilities are initially measured at the same amount as the service concession asset and subsequently measured using either the 'financial liability' model applying AASB 9 Financial Instruments or, the 'grant of right' model under AASB 1059 Service Concession Arrangements. AASB 1059 Service Concession Arrangements requires retrospective application.

Overview of Assessment Activities

The Ministry of Health has formed a project team to lead the implementation of the new accounting standards. The objective of the project is to continuously analyse and assess the impact of the new accounting standards. This includes changes to our accounting policies, internal and external reporting requirements, IT systems, business processes and associated internal controls with the objectives of quantifying the expected first time adoption impacts as well as supporting ongoing compliance with the new accounting requirements.

The project team has conducted various data gathering tasks with health entities around leases and certain revenue streams.

Work currently underway includes:

* implementation of an IT solution for lease management and accounting
* comprehensive review and capture of lease information
* review of accounting policies and processes surrounding leases and revenue.

Potential Impact on the Network's Financial Report

While the consolidated entity, controlled by the ultimate parent, is yet to complete full implementation and adoption of the new accounting standards, the following summaries work undertaken by the Network so far and the known and expected impacts:

Leases

The Network has compiled a lease register and calculated the likely impact of the new leasing standards, to be as follows.

* The total assets and liabilities on the Statement of Financial Position will increase by approximately $1.23 million on the date of transition (on 1 July 2019). In subsequent years, total equity is expected to decrease due to a reduction in capitalised assets being on a straight line basis whilst the liability reduces by the principal amount of repayments.

* Interest expenses will increase by approximately $31 thousand in the 2019-2020 financial year due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a lease life due to the higher principal value causing profit variability over the course of the leases life.This effect may be partially mitigated due to the number of leases held by the Network at different stages of their lease terms.

1. Statement of Significant Accounting Policies

* Depreciation expense will be booked on right of use assets, which will be on a straight line basis. For 2019-2020 financial year, depreciation expense is expected to be higher by approximately $341 thousand.
* Operating lease expense recognised under AASB 17 Leases will decrease by approximately $345 thousand in the 2019-2020 financial year.
* Operating cash flows will be higher as repayment of the principal portion of all lease liabilities will be classified as financing activities.
* The assessment outcomes are based on certain assumptions and are indicative only. There are likely to be variances with the actual impacts to be reported in 2019-2020 financial year and onwards.

Revenue and Income of Not-for-Profit Entities

Network in consultation with the NSW Ministry of Health has performed a preliminary impact assessment by the major revenue lines. The review has not indicated any material impact arising from the adoption of the new revenue accounting standard. The likely impacts are:

* Deferral of 'Grants and Other Contributions' revenue. The impacts are not expected to be material as most funds received correlates to the level of activities performed during the year and most contracts are short to medium term only. Some timing differences is expected between inflow of funds and the level of activity, which may require some deferral or accrual of grant and other contribution revenue.
* Specific quantitative and qualitative disclosures will be required under AASB 15 Revenue from Contracts with Customers.

Service Concession Arrangements

The work on Service Concession Arrangements is in progress.The Network expects the following impacts from the preliminary work performed so far:

* No significant impact expected on the Network.

Application Date

The Network plans to adopt the new accounting standards on the required effective date in line with the NSW Treasury's instructions.

PARENT 2019 $000	PARENT 2018 $000			CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		2.	Employee Related Expenses		
-	-		Salaries and Wages (including Annual Leave and ADO)	505,927	477,522
-	-		Superannuation - Defined Benefit Plans	3,210	3,637
-	-		Superannuation - Defined Contribution Plans	45,357	42,304
-	-		Long Service Leave	35,830	20,889
-	-		Redundancies	366	107
-	-		Workers' Compensation Insurance	2,755	2,256
-	-		Fringe Benefits Tax	2	18
-	-			593,447	546,733
			The amounts below are capitalised and do not form part of the above total employee related costs:		
-	-		Employee Related Expenses Capitalised - Intangibles	3,771	2,780
-	-			3,771	2,780
		3.	Personnel Services		
505,927	477,522		Salaries and Wages (including Annual Leave and ADO)	-	-
-	-		Superannuation - Defined Benefit Plans	-	-
45,357	42,304		Superannuation - Defined Contribution Plans	-	-
2,292	2,205		Long Service Leave	-	-
366	107		Redundancies	-	-
2,755	2,256		Workers' Compensation Insurance	-	-
2	18		Fringe Benefits Tax	-	-
556,699	524,412			-	-

Personnel services of The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) were provided by its controlled entity, The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) Special Purpose Service Entity.

The amounts below are capitalised and do not form part of the above total personnel services:

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
3,771	2,780	Personnel Services Expenses Capitalised - Intangibles	-	-
3,771	2,780		-	-

PARENT			CONSOLIDATION	
2019	2018		2019	2018
$000	$000		$000	$000
		4. Other Expenses		
111	124	Advertising	111	124
216	190	Auditor's Remuneration - Audit of Financial Statements	216	190
11,095	11,505	Blood and Blood Products	11,095	11,505
458	523	Consultancies	458	523
3,065	3,047	Contractors	3,065	3,047
5,186	5,036	Domestic Supplies and Services	5,186	5,036
67,236	41,074	Drug Supplies	67,236	41,074
7,692	7,302	Food Supplies	7,692	7,302
4,866	3,742	Fuel, Light and Power	4,866	3,742
7,042	6,177	Patient Transport Costs	7,042	6,177
12,279	11,242	Information Management Expenses	12,279	11,242
477	409	Insurance	477	409
17,865	18,169	Maintenance (See Note 4(b))	17,865	18,169
33,603	31,956	Medical and Surgical Supplies	33,603	31,956
457	427	Motor Vehicle Expenses	457	427
2,110	2,619	Postal and Telephone Costs	2,110	2,619
1,659	1,934	Printing and Stationery	1,659	1,934
791	801	Rates and Charges	791	801
2,521	2,471	Rental	2,521	2,471
1,532	1,626	Hosted Services Purchased from Entities Controlled by the Immediate Parent	1,532	1,626
23,342	20,741	Specialised Services (Dental, Radiology, Pathology, Allied Health)	23,342	20,741
5,727	4,740	Staff Related Costs	5,727	4,740
6,353	6,376	Travel Related Costs	6,353	6,376
11,086	13,173	Other (See Note 4(a))	11,086	13,173
226,769	195,404		226,769	195,404

PARENT 2019 $000	PARENT 2018 $000			CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		4.	Other Expenses		
		a)	Other Includes:		
128	44		Contract for Patient Services	128	44
2,683	2,728		Corporate Support Services	2,683	2,728
556	505		Courier and Freight	556	505
153	656		Legal Services	153	656
800	735		Membership/Professional Fees	800	735
179	205		Motor Vehicle Operating Lease Expense - Minimum Lease Payments	179	205
12	18		Other Operating Lease Expense - Minimum Lease Payments	12	18
122	108		Quality Assurance/Accreditation	122	108
233	153		Security Services	233	153
2,007	1,306		Other Management Services	2,007	1,306
1,123	1,060		Intrahealth Other Expenses	1,123	1,060
938	2,373		Fundraising Expenses	938	2,373
2,152	3,282		Other Miscellaneous	2,152	3,282
11,086	13,173			11,086	13,173
		b)	Reconciliation of Total Maintenance		
5,735	6,247		Maintenance Contracts	5,735	6,247
4,984	5,626		New/Replacement Equipment under $10,000	4,984	5,626
5,683	4,994		Repairs Maintenance/Non Contract	5,683	4,994
1,463	1,302		Other	1,463	1,302
17,865	18,169		Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	17,865	18,169
102	128		Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	102	128
17,967	18,297			17,967	18,297

'Auditor's Remuneration' was paid to The Audit Office of New South Wales, an entity controlled by the ultimate parent. (2018: The Auditor's Remuneration was paid to The Audit Office of New South Wales, an entity controlled by the ultimate parent.)

The majority of 'Patient Transport Costs' were paid to Health Administration Corporation, which is an entity controlled by the immediate parent. (2018: The majority of 'Hospital Ambulance Transport Costs' were paid to Health Administration Corporation, which is an entity controlled by the immediate parent.)

Some of 'Drug Supplies' and 'Medical and Surgical Supplies' were paid to entities controlled by the immediate parent. (2018: Some of 'Drug Supplies' and 'Medical and Surgical Supplies' were paid to entities controlled by the immediate parent)

The majority of 'Information Management Expenses' were paid to Health Administration Corporation, an entity controlled by the immediate parent. (2018: The majority of 'Information Management Expenses' were paid toHealth Administration Corporation, an entity controlled by the immediate parent.)

Some of 'Maintenance' expenses were paid to entities controlled by the immediate parent. (2018: Some of 'Maintenance' expenses were paid to entities controlled by the immediate parent.)

The majority of 'Domestic Supplies and Services', 'Food Supplies', 'Corporate Support Services', were paid to Health Administration Corporation, an entity controlled by the immediate parent. (2018: The majority of 'Domestic Supplies and Services', 'Food Supplies', 'Corporate Support Services' were paid to Health Administration Corporation, an entity controlled by the immediate parent.)

The majority of 'Rates and Charges' were paid to entities controlled by the ultimate parent. (2018: The majority of 'Rates and Charges' were paid to entities controlled by the ultimate parent.)

Some of 'Contractors' expenses were paid to entities controlled by the immediate parent. (2018: 'Some of 'Contractors' expenses were paid to entities controlled by the immediate parent.)

Some of 'Specialised Service' expenses were paid to the Health Administration Corporation and other Health entities controlled by the immediate parent. (2018: Some of 'Special Service Departments' expenses were paid to Health Administration Corporation, an entity controlled by the immediate parent.)

Some of 'Rental' expenses were paid to entities controlled by the immediate parent. (2018: Some of 'Rental' and 'Staff Related' expenses were paid to entities controlled by the immediate parent.)

The 'Intrahealth Other Expenses' were paid to entities controlled by the immediate parent. (2018: The 'Intrahealth Other Expenses' were paid to entities controlled by the immediate parent.)

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		5. Depreciation and Amortisation		
19,319	16,671	Depreciation - Buildings	19,319	16,671
10,161	10,462	Depreciation - Plant and Equipment	10,161	10,462
1,935	1,735	Depreciation - Infrastructure Systems	1,935	1,735
134	145	Amortisation - Leasehold Improvements	134	145
1,713	2,405	Amortisation - Intangible Assets	1,713	2,405
33,262	31,418		33,262	31,418
		6. Grants and Subsidies		
648	632	Non-Government Organisations	648	632
1,876	1,876	Grants to Research Organisations	1,876	1,876
809	11,437	Grants Paid to Entities Controlled by the Immediate Parent	809	11,437
1,221	520	Other Grants	1,221	520
4,554	14,465		4,554	14,465

PARENT 2019 $000	PARENT 2018 $000			CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		7.	Sale of Goods and Services		
		a)	Sale of Goods comprise the following:-		
1,410	1,767		Pharmacy Sales	1,410	1,767
1,774	2,627		Sale of Prosthesis	1,774	2,627
180	138		Other	180	138
		b)	Rendering of Services comprise the following:-		
			Patient Fees:		
26,340	28,237		- Inpatient Fees	26,340	28,237
444	376		- Non Inpatient Fees	444	376
211	202		Staff Meals and Accommodation	211	202
14,785	13,685		Infrastructure Fees - Monthly Facility Charge	14,785	13,685
1,958	2,050		Infrastructure Fees - Annual Charge	1,958	2,050
45	71		Cafeteria/Kiosk	45	71
4,399	3,133		Car Parking	4,399	3,133
973	855		Child Care Fees	973	855
361	408		Clinical Services (excluding Clinical Drug Trials)	361	408
3,684	3,192		Commercial Activities	3,684	3,192
-	1		Enteral Nutrition	-	1
51	37		Fees for Medical Records	51	37
1	1		Information Retrieval	1	1
38,716	15,021		Highly Specialised Drugs	38,716	15,021
3,510	4,733		Motor Accident Authority Third Party	3,510	4,733
7,531	6,869		Patient Transport Fees	7,531	6,869
46	76		Private Use of Motor Vehicles	46	76
227	216		Salary Packaging Fee	227	216
329	316		Services Provided to Non NSW Health Organisations	329	316
619	545		Other	619	545
107,594	84,556			107,594	84,556

The majority of 'Commercial Activities' revenue was earned from entities controlled by the immediate parent. (2018: The majority of 'Commercial Activities' revenue was earned from entities controlled by the immediate parent.)

The majority of 'Patient Transport Fees' revenue was earned from entities controlled by the immediate parent. (2018: The majority of 'Patient Transport Fees' revenue was earned from entities controlled by the immediate parent.)

The majority of 'Motor Accident Authority Third Party ' revenue was received from State Insurance Regulatory Authority (SIRA), an entity controlled by the ultimate parent. (2018: The majority of 'Motor Accident Authority Third Party ' revenue was received from State Insurance Regulatory Authority (SIRA), an entity controlled by the ultimate parent.)

PARENT 2019 $000	PARENT 2018 $000			CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		8.	Investment Revenue		
606	2,326		Interest	606	2,326
5,238	5,086		Investment Income excluding interest	5,238	5,086
4	-		Other	4	-
5,848	7,412			5,848	7,412

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		9. Grants and Other Contributions		
2,549	2,706	Clinical Drug Trials	2,549	2,706
9,028	11,776	Commonwealth Government Grants	9,028	11,776
2,784	32,023	Industry Contributions / Donations	2,784	32,023
220	271	Cancer Institute Grants Received from an Entity Controlled by the Immediate Parent	220	271
281	511	Grants & Contributions Received from Entities Controlled by the Ultimate Parent	281	511
619	3,000	Grants & Contributions Received from Entities Controlled by the Immediate Parent	619	3,000
5,939	3,488	Research Grants	5,939	3,488
38,309	20,019	Other Grants	38,309	20,019
59,729	73,794		59,729	73,794
		The majority of 'Grants & Contributions Received from Entities Controlled by the Ultimate Parent' were received from -		
		- Department of Education	280	8
		- Department of Family & Community Services - Ageing Disability & Home Care	1	453
		The majority of 'Grants & Contributions Received from Entities Controlled by the Immediate Parent' were received from -		
		- Agency for Clinical Innovation	351	256
		- Health Education and Training Institute	149	169
		- South Eastern Sydney Local Health District	80	77
		- Western Sydney Local Health District	30	69
		- Health Administration Corporation	9	2,278
		- NSW Ministry of Health	-	150
		10. Acceptance by the Crown Entity of Employee Benefits		
		The following liabilities and expenses have been assumed by the Crown Entity:		
-	-	Superannuation - Defined Benefit Plans	3,210	3,637
-	-	Long Service Leave Provision	33,537	18,684
-	-		36,747	22,321

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		11. Other Income		
106	120	Commissions	106	120
3,990	4,096	Conference and Training Fees	3,990	4,096
29	8	Discounts	29	8
12	16	Insurance Refunds	12	16
569	614	Lease and Rental	569	614
93	80	Sale of Merchandise, Old Wares and Books	93	80
29	30	Sponsorship	29	30
229	1,751	Treasury Managed Fund Hindsight Adjustment	229	1,751
3,343	3,984	Other	3,343	3,984
8,400	10,699		8,400	10,699

Some 'Other' revenue was received from entities controlled by the immediate parent. (2018: Some 'Other' revenue was received from entities controlled by the immediate parent.)

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		12. Gains / (Losses) on Disposal		
8,168	6,663	Property, Plant and Equipment	8,168	6,663
(7,809)	(6,498)	Less: Accumulated Depreciation	(7,809)	(6,498)
359	165	Written Down Value	359	165
66	92	Less: Proceeds from Disposal	66	92
(293)	(73)	Gain / (Loss) on Disposal of Property, Plant and Equipment	(293)	(73)
30,833	22,000	Financial Assets	30,833	22,000
(30,833)	(22,000)	Less: Proceeds from Disposal	(30,833)	(22,000)
-	-	Gain / (Loss) on Disposal of Financial Assets	-	-
(293)	(73)	Total Gains / (Losses) on Disposal	(293)	(73)
		13. Other Gains / (Losses)		
-	(259)	Impairment of Receivables	-	(259)
-	(259)		-	(259)

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		14. Cash and Cash Equivalents		
23,832	8,874	Cash at Bank and On Hand	23,832	8,874
11,371	-	Short Term Deposits	11,371	-
35,203	8,874		35,203	8,874

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

Cash and Cash Equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
35,203	8,874	Cash and Cash Equivalents (per Statement of Financial Position)	35,203	8,874
35,203	8,874	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	35,203	8,874

Refer to Note 34 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		15. Receivables		
		Current		
11,026	12,543	Sale of Goods and Services	11,026	12,543
6,026	5,750	Intra Health Receivables	6,026	5,750
2,407	2,400	Goods and Services Tax	2,407	2,400
866	3,156	Other Debtors	866	3,156
20,325	23,849	Sub Total	20,325	23,849
(151)	-	Less: Allowance for Expected Credit Losses *	(151)	-
-	(352)	Less: Allowance for Impairment **	-	(352)
20,174	23,497	Sub Total	20,174	23,497
1,368	2,770	Prepayments	1,368	2,770
21,542	26,267		21,542	26,267

'Intra Health Receivables' includes amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from-

	2019 $000	2018 $000
- Health Administration Corporation	1,871	1,076
- South Eastern Sydney Local Health District	1,151	1,448
- South Western Sydney Local Health District	741	452
- Northern Sydney Local Health District	360	514
- Nepean Blue Mountains Local Health District	335	144
- Hunter New England Local Health District	315	-
- Western Sydney Local Health District	284	965
- Ministry of Health	266	316
- Western NSW Local Health District	200	193
- Murrumbidgee Local Health District	174	-
- Illawarra Shoalhaven Local Health District	162	-
- Sydney Local Health District	131	316

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		a) * Movement in the Allowance for Expected Credit Losses		
		Sale of Goods and Services		
(233)	-	Balance as at 30 June 2018 under AASB 139	(233)	-
(3)	-	Amounts restated through opening Accumulated Funds	(3)	-
(236)	-	Balance at 1 July 2018 under AASB 9	(236)	-
(3)	-	Amounts Written Off During the Year	(3)	-
88	-	(Increase) / Decrease in Allowance Recognised in the Net Result	88	-
(151)	-	Balance at 30 June 2019	(151)	-
		Other Debtors		
(119)	-	Balance as at 30 June 2018 under AASB 139	(119)	-
116	-	Amounts restated through opening Accumulated Funds	116	-
(3)	-	Balance at 1 July 2018 under AASB 9	(3)	-
23	-	Amounts Written Off During the Year	23	-
(20)	-	(Increase) / Decrease in Allowance Recognised in the Net Result	(20)	-
-	-	Balance at 30 June 2019	-	-
(151)	-		(151)	-

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		15. Receivables		
		b) ** Movement in the Allowance for Impairment		
		Sale of Goods and Services		
-	(285)	Balance at 1 July 2017	-	(285)
-	119	Amounts Written Off During the Year	-	119
-	(67)	(Increase) / Decrease in Allowance Recognised in the Net Result	-	(67)
-	(233)	Balance at 30 June 2018	-	(233)
		Other Debtors		
-	(24)	Balance at 1 July 2017	-	(24)
-	(95)	(Increase) / Decrease in Allowance Recognised in the Net Result	-	(95)
-	(119)	Balance at 30 June 2018	-	(119)
-	(352)		-	(352)

c) The current and non-current sale of goods and services balances above include the following patient fee receivables:

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		Current and Non-Current include:		
95	271	Patient Fees - Compensable	95	271
3,663	3,282	Patient Fees - Ineligible	3,663	3,282
2,977	3,809	Patient Fees - Inpatient & Other	2,977	3,809
6,735	7,362		6,735	7,362

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 34.

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		16. Inventories		
2,327	2,051	Drug Supplies	2,327	2,051
4,347	3,818	Medical and Surgical Supplies	4,347	3,818
137	131	Engineering Supplies	137	131
827	736	Other Including Goods in Transit	827	736
7,638	6,736		7,638	6,736
		17. Financial Assets at Fair Value		
		Current		
84,928	22,576	TCorpIM Funds Investment Facilities	84,928	22,576
84,928	22,576		84,928	22,576
		Non Current		
32,088	37,044	TCorpIM Funds Investment Facilities	32,088	37,044
32,088	37,044		32,088	37,044

Refer to Note 34 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		18. Other Financial Assets		
		Current		
-	83,000	Other Loans and Deposits	-	83,000
-	83,000		-	83,000

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		19. Property, Plant and Equipment		
		Land and Buildings - Fair Value		
890,295	816,607	Gross Carrying Amount	890,295	816,607
382,514	323,463	*Less:* Accumulated Depreciation and Impairment	382,514	323,463
507,781	493,144	Net Carrying Amount	507,781	493,144
		Plant and Equipment - Fair Value*		
141,670	136,829	Gross Carrying Amount	141,670	136,829
86,140	83,612	*Less:* Accumulated Depreciation and Impairment	86,140	83,612
55,530	53,217	Net Carrying Amount	55,530	53,217
		Infrastructure Systems - Fair Value		
78,628	76,190	Gross Carrying Amount	78,628	76,190
41,638	38,950	*Less:* Accumulated Depreciation and Impairment	41,638	38,950
36,990	37,240	Net Carrying Amount	36,990	37,240
		Leasehold Improvements - Fair Value*		
3,850	3,773	Gross Carrying Amount	3,850	3,773
87	494	*Less:* Accumulated Depreciation and Impairment	87	494
3,763	3,279	Net Carrying Amount	3,763	3,279
604,064	586,880	Total Property, Plant and Equipment at Net Carrying Amount	604,064	586,880

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

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19. Property, Plant and Equipment - Reconciliation

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

	Land and Buildings $000	Plant and Equipment $000	Infrastructure Systems $000	Leasehold Improvements $000	Total $000
2019					
Net Carrying Amount at Beginning of Year	493,144	53,217	37,240	3,279	586,880
Additions	20,078	13,627	-	-	33,705
Reclassifications to Intangibles	-	(554)	-	-	(554)
Disposals	-	(359)	-	-	(359)
Net Revaluation Increment Less Revaluation Decrements	13,638	-	1,685	618	15,941
Depreciation Expense	(19,319)	(10,161)	(1,935)	(134)	(31,549)
Reclassifications	240	(240)	-	-	-
Net Carrying Amount at End of Year	507,781	55,530	36,990	3,763	604,064

	Land and Buildings $000	Plant and Equipment $000	Infrastructure Systems $000	Leasehold Improvements $000	Total $000
2018					
Net Carrying Amount at Beginning of Year	428,066	65,635	35,660	3,424	532,785
Additions	11,241	11,892	-	-	23,133
Reclassifications to Intangibles	-	(13,726)	-	-	(13,726)
Disposals	-	(165)	-	-	(165)
Equity Transfers - Transfers In / (Out)	5,360	-	-	-	5,360
Net Revaluation Increment Less Revaluation Decrements	65,251	(60)	3,315	-	68,506
Depreciation Expense	(16,671)	(10,462)	(1,735)	(145)	(29,013)
Reclassifications	(103)	103	-	-	-
Net Carrying Amount at End of Year	493,144	53,217	37,240	3,279	586,880

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 21.

(i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the Network [see Note 1(l)].

(ii) To ensure the land, buildings and infrastructure systems materially reflect the carrying value since the last revaluation, assets have had a factor applied in relation to the movement in the market and variation in the building and infrastructure systems costs. The adjustment has been performed on a gross basis in accordance with Note 1(o).

The following table details the indices applied to Land, Buildings and Infrastructure Systems as determined by Estate Property Consultants :

Year	Buildings	Infrastructure Systems
2017/18	10%	10%

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		20. Intangible Assets		
		Intangibles		
35,190	28,628	Cost (Gross Carrying Amount)	35,190	28,628
13,787	12,074	Less: Accumulated Amortisation and Impairment	13,787	12,074
21,403	16,554	Net Carrying Amount	21,403	16,554
21,403	16,554	Total Intangible Assets at Net Carrying Amount	21,403	16,554

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20. Intangible Assets - Reconciliation

	Total $000
2019	
Net Carrying Amount at Beginning of Year	16,554
Additions	6,008
Reclassifications from Plant & Equipment	554
Amortisation (Recognised in Depreciation and Amortisation)	(1,713)
Net Carrying Amount at End of Year	21,403

	Total $000
2018	
Net Carrying Amount at Beginning of Year	3,620
Additions	1,613
Reclassifications from Plant & Equipment	13,726
Amortisation (Recognised in Depreciation and Amortisation)	(2,405)
Net Carrying Amount at End of Year	16,554

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21. 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

2019	Level 1 $000	Level 2 $000	Level 3 $000	Total Fair Value $000
Property, Plant and Equipment (Note 19)				
- Land and Buildings	-	183	482,109	482,292
- Infrastructure Systems	-	-	36,990	36,990
Artworks	-	2,340	-	2,340
	-	2,523	519,099	521,622

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

The above figures exclude work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 19.

2018	Level 1 $000	Level 2 $000	Level 3 $000	Total Fair Value $000
Property, Plant and Equipment (Note 19)				
- Land and Buildings	-	-	473,557	473,557
- Infrastructure Systems	-	-	37,240	37,240
Artworks		2,333	-	2,333
	-	2,333	510,797	513,130

There were no transfers between level 1 and 2 during the year ended 30 June 2018.

The above figures exclude work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 19.

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the Network obtains external valuations by independent valuers at least every three years. The last revaluation was performed by Mr Mark Skeed, Registered Valuer No.6028, an independent valuer who worked on behalf of CBRE Valuations Pty Limited for the 2018/19 financial year. Mr Mark Skeed, Registered Valuer No.6028, an independent valuer who worked on behalf of CBRE Valuations Pty Limited which is an independent entity and is not an associated entity of the Network.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices (refer Note 19 reconciliation.)

For Artworks, the Network obtains independent external valuations every three years. The last revaluation was performed in the 2017/18 financial year by an independent valuer, Ms. Adrienne Carlson, an approved valuer under the Commonwealth Government Cultural Gifts Program. She was not an enployee of the Network.

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

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

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

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

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

For Artworks, the valuation is made on a market approach, comparing the current pricings of comparable works, auction sales records particularly in relation to works by senior artists or those who have an established secondary market presence and information gathered from primary art dealers, dependent on particular circumstances. These valuations have been included in Level 2.

PARENT AND CONSOLIDATION

21. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2019	Land and Buildings $000	Infrastructure Systems $000	Total Level 3 Recurring $000
Fair Value as at 1 July 2018	473,557	37,240	510,797
Additions	14,415	-	14,415
Revaluation Increments / (Decrements) recognised in Other Comprehensive Income – included in line item 'Changes in Revaluation Surplus of Property, Plant and Equipment' (Note 19)	13,639	1,685	15,324
Transfers to Level 2	(183)	-	(183)
Depreciation expense	(19,319)	(1,935)	(21,254)
Fair Value as at 30 June 2019	482,109	36,990	519,099

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

2018	Land and Buildings $000	Infrastructure Systems $000	Total Level 3 Recurring $000
Fair Value as at 1 July 2017	381,036	35,660	416,696
Additions	38,581	-	38,581
Revaluation Increments / (Decrements) recognised in Other Comprehensive Income – included in line item 'Changes in Revaluation Surplus of Property, Plant and Equipment' (Note 19)	65,251	3,315	68,566
Depreciation expense	(16,671)	(1,735)	(18,406)
Equity Transfers - Transfers In / (Out)	5,360	-	5,360
Fair Value as at 30 June 2018	473,557	37,240	510,797

There were no transfers between Level 1 or 2 during the year ended 30 June 2018.

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22. Restricted Assets

The Network's financial statements include the following assets which are restricted for stipulated purposes and/or by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2019'.

Category	Opening Equity 1 July 2018 $000	Expense 2019 $000	Revenue 2019 $000	Closing Equity 30 June 2019 $000
Community Welfare	2,686	6,209	6,811	3,288
Facility Improvements	5,548	8,139	8,261	5,670
Holds Funds in Perpetuity	10,996	3	38	11,031
Patient Welfare	41,923	16,583	22,981	48,321
Private Practice Disbursements (No.2 Accounts)	14,342	3,887	2,321	12,776
Public Contributions	2,561	3,172	1,666	1,055
Research	55,342	26,892	16,491	44,941
Staff Welfare	22	-	3	25
Training and Education Including Conferences	10,896	1,908	1,377	10,365
	144,316	66,793	59,949	137,472

Restricted assets are held for the following purpose and cannot be used for any other purpose.

Category	Purpose
Community Welfare	Improvements to service access, health literacy, public and preventative health care.
Facility Improvements	Repairs, maintenance, renovations and/or new equipment or building related expenditure.
Holds Funds in Perpetuity	Donor has explicitly requested funds be invested permanently and not otherwise
Patient Welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Private Practice Disbursements (No.2 Accounts)	Staff specialists' private practice arrangements to improve the level of clinical services provided.
Public Contributions	Donations or legacies received without any donor-specified conditions as to its use.
Research	Research to gain knowledge, understanding and insight.
Staff Welfare	Staff benefits such as staff recognition awards, functions and staff amenity
Training and Education Including Conferences	Professional training, education and conferences.
Other	Doesn't meet the definition of any of the above categories.

23. Payables

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		Current		
-	-	Accrued Salaries, Wages and On-Costs	17,948	15,478
-	-	Taxation and Payroll Deductions	2,232	2,049
20,180	17,527	Accrued Liability - Purchase of Personnel Services	-	-
20,106	17,825	Creditors	20,106	17,825
		Other Creditors		
15,140	16,868	- Payables to Entities Controlled by the Immediate Parent	15,140	16,868
4,064	3,058	- Other	4,064	3,058
59,490	55,278		59,490	55,278

'Creditors' include some amounts owing to entities controlled by the ultimate parent.

The majority of 'Payables to Entities Controlled by the Immediate Parent' relate to balances payable to -

	2019 $000	2018 $000
- South Eastern Sydney Local Health District	9,697	10,917
- Health Administration Corporation	2,977	3,292
- Western Sydney Local Health District	1,659	1,297
- Northern Sydney Local Health District	158	180
- NSW Ministry of Health	157	176
- Sydney Local Health District	132	140

Some of 'Other Creditors - Other' balances payable to entities controlled by ultimate parent relate to -

	2019 $000	2018 $000
- Audit Office of New South Wales	144	127
- Sydney Water Corporation	45	48
- Department of Justice	28	15

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 34.

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		24. Provisions		
		Current		
-	-	Annual Leave - Short Term Benefit	54,174	51,221
-	-	Annual Leave - Long Term Benefit	23,850	22,885
-	-	Long Service Leave Consequential On-Costs	15,394	13,285
-	-	Provision for Other Employee Benefits	1,590	1,242
95,008	88,633	Provision for Personnel Services Liability	-	-
95,008	88,633		95,008	88,633
		Non-Current		
-	-	Long Service Leave Consequential On-Costs	1,338	1,155
1,338	1,155	Provision for Personnel Services Liability	-	-
1,338	1,155		1,338	1,155
		Aggregate Employee Benefits and Related On-Costs		
-	-	Provisions - Current	95,008	88,633
-	-	Provisions - Non-Current	1,338	1,155
-	-	Accrued Salaries, Wages and On-Costs, Taxation and Payroll Deductions (Note 23)	20,180	17,527
116,526	107,315	Liability - Purchase of Personnel Services	-	-
116,526	107,315		116,526	107,315
		25. Other Liabilities		
		Other Current Liabilities		
1,885	2,082	Unearned Revenue	1,885	2,082
1,885	2,082		1,885	2,082

Income in Advance represents fees received in advance from customers and students for which services are rendered after 30 June 2019.

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		26. Commitments		
		a) Capital Commitments		
		Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:		
2,891	7,926	Within one year	2,891	7,926
15	-	Later than one year and not later than five years	15	-
2,906	7,926	Total (Including GST)	2,906	7,926

The majority of 'Capital Commitments' contracted but not provided for related to capital works overseen by the Health Administration Corporation, an entity controlled by the immediate parent.

b) Operating Lease Commitments

Entity as Lessee

Future minimum rentals payable under non-cancellable operating leases at balance date are, as follows:

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
1,820	1,743	Within one year	1,820	1,743
2,539	3,351	Later than one year and not later than five years	2,539	3,351
314	262	Later than five years	314	262
4,673	5,356	Total (Including GST)	4,673	5,356

The 'Operating Lease Commitments' above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.

Some 'operating lease commitments' contracted but not provided for related to lease with the Northern Sydney Local Health District, an entity controlled by the immediate parent.

c) Input Tax Receivable Related to Commitments for Expenditure

The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments (Entity as Lessee)' of $$8 million as at 30 June 2019 includes input tax credits of $0.69 million that are expected to be recoverable from the Australian Taxation Office (2018 $1.2 million).

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27. Trust Funds

The Network holds trust funds of $123 thousand which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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

	Private Practice Trust Funds		Third Party Funds		Unclassified		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	$000	$000	$000	$000	$000	$000	$000	$000
Balance at the beginning of the financial year	-	-	103	85	-	439	103	524
Add : Receipts	23,992	23,365	49	47	-	(439)	24,041	22,973
Less : Expenditure	(23,992)	(23,365)	(29)	(29)	-	-	(24,021)	(23,394)
Balance at the end of the financial year	-	-	123	103	-	-	123	103

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

Category	Purpose
Patient Trust	The safe custody of patients' valuables including monies.
Refundable Deposits	A sum of money held in trust as a security deposit.
Private Practice Trust Funds	The revenue derived from private patient and other billable services provided by Staff Specialists
Third Party Funds	A sum of money held in trust on behalf of external parties, e.g. external foundations, volunteer groups and auxiliaries.
Unclassified	Further information required before the funds can be categorised into an appropriate trust.

PARENT			CONSOLIDATION	
2019	2018		2019	2018
$000	$000		$000	$000
		28. Reconciliation of Cash Flows from Operating Activities to Net Result		
40,184	17,477	Net Cash Used on Operating Activities	40,184	17,477
(33,262)	(31,418)	Depreciation and Amortisation Expense	(33,262)	(31,418)
(138)	(259)	Allowance for impairment	(138)	(259)
197	508	(Increase) / Decrease in Unearned Revenue	197	508
(7,842)	(5,242)	Decrease / (Increase) in Provisions	(7,842)	(5,242)
(4,026)	3,306	Increase / (Decrease) in Prepayments and Other Assets	(4,026)	3,306
(3,983)	(3,736)	Decrease / (Increase) in Payables	(3,983)	(3,736)
(293)	(73)	Net Gain / (Loss) on Sale of Property, Plant and Equipment	(293)	(73)
188	282	Assets Donated or Brought to Account / Emerging Assets Recognised	188	282
(8,975)	(19,155)	Net Result	(8,975)	(19,155)

		29. Non-Cash Financing and Investing Activities		
188	282	Assets Donated or Brought to Account	188	282
188	282		188	282

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30. 2018/19 Voluntary Services

It is considered impracticable to quantify the monetary value of voluntary services provided to the Network. Services received free, or for nominal consideration include:

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

31. Unclaimed Monies

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

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

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32. Adjusted Budget Review

Net Result

The actual Net Result was higher than adjusted budget by $9 million, primarily due to:

This was mainly due to revenue being higher than adjusted budget by $12 million. The variance in revenue was contributed mainly by $14 million cash assistance from Ministry included within Ministry of Health Allocations for the year and $4 million in higher than adjusted budget Grants and Other Contributions. These were partially offset by lower than adjusted budget Sale of Good and Services of $3 million, $3 million in aggregate for the other items of revenue.

The variance in expenditure was $3 million over adjusted budget and it was contributed mainly by higher than adjusted budget Employee Related Expenses of $3 million, Visiting Medical Officers expenditure of $2 million and Grants and Subsidies of $ 1 million, partially offset by lower than adjusted budget Other Expenses and Depreciation of $3 million.

Assets and Liabilities

The Net Assets were higher than adjusted budget by $26 million comprising of $33 million higher than adjusted budget total assets partially offset by $7 million higher than adjusted budget liabilities. The variance in assets was primarily due to revaluation increment in the value of land, buildings and infrastructure assets of $16 million. The other main factors contributing to the variance are - decrease of $10 million in the Financial Assets at Fair Value; comparatively higher than budget additions of $5 million to Plant and Equipment, Intangible assets and Buildings and lower than adjusted budget receivables and financial assets of $4 million and $6 million respectively and higher than adjusted budget inventory of $1 million and $31 million in Cash and Cash Equivalents which was mainly on account of reclassification of $11 million of TCorp Cash Facility from Financial Assets to Cash and Cash Equivalents and higher bank deposits of grants received towards the end of financial year.

The variance in liabilities of $7 million was mainly due to higher than adjusted budget provisions for employee benefits and payables of $5 million and $2 million respectively.

Cash Flows

The net decrease in cash and cash equivalents was higher than adjusted budget by $31 million. This was mainly due to higher than adjusted budget Cashflows from Operating Activities of $21 million and $10 million relating to lower than adjusted budget outflows on account of Investing Activities towards Purchase of Property, Plant and Equipment and Financial Assets. The higher Net Cash Flows from Operating Activities were contributed mainly by $14 million cash assistance included in the Ministry of Health Recurrent allocations; higher than budgeted receipts of $4 million relating to Grants and Contributions, Interest received and other receipts; lower than budgeted capital allocations and Sale of Goods and Services of $2 million. In addtion, the lower than adjusted budget payments of $5 million on account of Employee Related and Goods and Services contributed to the overall variance in Net Cashflows from Operating Activities.

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 2018 are as follows:

	$000
Initial Allocation	572,891
Award Increases	11,517
Special Projects:	
Keep Them Safe	3,517
Palliative Care Programs	1,588
NSW Compassionate Access Scheme Paediatric Epilepsy Cannabis Program	1,135
Treasury Managed Fund	935
Rett Syndrome clinical trial Paediatric Epilepsy Medicinal Cannabis	604
Nurse Midwife Strategy Reserves	585
Other Special Projects	1,144
Other:	
Nationally Funded Centres Program	10,142
Additional activity	6,956
High Cost Patient Pool	2,438
Revenue Final Alignment	841
Others	1,575
Balance as per Statement of Comprehensive Income	615,868

33. Increase / (Decrease) in Net Assets from Equity Transfers

a) Equity transfers effected in the 2018/19 year were:

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

b) Equity transfers effected in the 2017/18 year were:

An increase in net assets of $5.4 million relating to a parcel of land controlled by the Sydney Children's Hospital, Randwick transferred from South Eastern Sydney Local Health District.

	2019	2018
Equity transfers effected comprised:	$000	$000
Annual Leave Provision - Transfer of Annual Leave Provisions between NSW Health entities	1,283	-
South Eastern Sydney Local Health District	-	5,360
	1,283	5,360

Assets and Liabilities transferred are as follows:

	2019	2018
	$000	$000
Assets		
Land	-	5,360
Liabilities		
Annual Leave Provision	1,283	-
Increase / (Decrease) in Net Assets From Equity Transfers	1,283	5,360

34. Financial Instruments

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

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

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Network, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

a) Financial Instrument Categories

i. As at 30 June 2019 under AASB 9

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Class	Category	Carrying Amount 2019 $000
Cash and Cash Equivalents (Note 14)	N/A	35,203
Receivables (Note 15) [1]	Amortised cost	17,767
Financial Assets at Fair Value (Note 17)	Fair value through profit or loss - mandatory classification	117,016
Total Financial Assets		169,986
Financial Liabilities		
Payables (Note 23) [2]	Financial liabilities measured at amortised cost	57,258
Total Financial Liabilities		57,258

Notes

[1] *Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).*
[2] *Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).*

ii. As at 30 June 2018 under AASB 139 (comparative period)

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Class	Category	Carrying Amount 2018 $000
Cash and Cash Equivalents (Note 14)	N/A	8,874
Receivables (Note 15) [1]	Loans and receivables (at amortised cost)	21,097
Financial Assets at Fair Value (Note 17)	At fair value through profit or loss (designated as such upon initial recognition)	59,620
Other Financial Assets (Note 18)	Loans and receivables (at amortised cost)	83,000
Total Financial Assets		172,591
Financial Liabilities		
Payables (Note 23) [2]	Financial liabilities measured at amortised cost	53,229
Total Financial Liabilities		53,229

Notes

[1] *Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).*
[2] *Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).*

34. Financial Instruments

b) Financial Risk

i. Credit Risk

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

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

Cash and Cash Equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 0.00% (Restricted funds bank balance: 2.33%) in 2018/19 compared to 2.35% in the previous year.

The TCorpIM Funds Investment facility is discussed in paragraph b) iii below.

Accounting policy for impairment of Trade Debtors and Other Financial Assets under AASB 9

Receivables - Trade Debtors

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

The Network applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

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

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Network has not identified any relevant factors, and accordingly not adjusted the historical loss rates based on no expected changes in these factors.

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

The loss allowance for trade debtors (Sale of Goods and Services) as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows:

30 June 2019	Current $'000	<30 days $'000	30-60 days $'000	61-90 days $'000	>91 days $'000	Total $'000
Expected credit loss rate	0.51%	0.46%	2.04%	4.27%	5.50%	1.37%
Estimated total gross carrying amount at default	6,286	1,958	1,027	609	1,146	11,026
Expected credit loss	32	9	21	26	63	151

1 July 2018	Current $'000	<30 days $'000	30-60 days $'000	61-90 days $'000	>91 days $'000	Total $'000
Expected credit loss rate	0.54%	1.43%	3.24%	6.77%	8.50%	1.88%
Estimated total gross carrying amount at default	8,513	1,403	925	266	1,436	12,543
Expected credit loss	46	20	30	18	122	236

The Network is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2019.

Other Financial Assets - Authority Deposits

The Network has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. These deposits are considered to be low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. The Network didn't recognise a provision for expected credit losses on its other financial assets in 2019.

34. Financial Instruments

Accounting policy for impairment of Trade Debtors and Other Financial Assets under AASB 139 (comparative period only)

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 are not considered impaired.

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.

For the comparative period 30 June 2018, the ageing analysis of trade debtors is as follows:

	2018 $000
Neither past due nor impaired	18,478
Past due but not impaired [1,2]	
< 3 months overdue	1,481
3 - 6 months overdue	603
> 6 months overdue	535
Impaired [1,2]	
< 3 months overdue	45
3 - 6 months overdue	184
> 6 months overdue	123
Total [1,2]	21,449

Notes

1 The table reports 'gross receivables'.

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 Financial Instruments: Disclosures. 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. There were no indicators for impairment on these securities during the year.

ii. Liquidity Risk

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

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

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

The Network has exposure to liquidity risk. However, the risk is minimised by the service agreement with the NSW Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the Network fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 1).

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. 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.

34. 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
	$000	$000	$000
2019			
Payables:			
- Creditors [2]	57,258	57,258	57,258
	57,258	57,258	57,258
2018			
Payables:			
- Creditors [2]	53,229	53,229	53,229
	53,229	53,229	53,229

Notes:

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

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

34. Financial Instruments

iii. Market Risk

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

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Network operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis as for 2018. The analysis assumes that all other variables remain constant.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the Network's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The Network does not account for any fixed rate financial instruments at fair value through profit or loss or as at fair value through other comprehensive income or available for sale (until 30 June 2018). Therefore, for these financial instruments, a change in 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 Reserve Bank of Australia interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

However, the Network is not permitted to borrow external to the NSW Ministry of Health (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates.

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

		-1%		+1%	
2019	Carrying Amount $000	Net Result $000	Equity $000	Net Result $000	Equity $000
Financial Assets					
Cash and Cash Equivalents	35,203	(352)	(352)	352	352
Receivables	17,767	-	-	-	-
Financial Assets at Fair Value	117,016	(1,170)	(1,170)	1,170	1,170
Financial Liabilities					
Payables[1]	57,258	-	-	-	-
2018					
Financial Assets					
Cash and Cash Equivalents	8,874	(89)	(89)	89	89
Receivables	21,097	-	-	-	-
Financial Assets at Fair Value	59,620	(596)	(596)	596	596
Other Financial Assets	83,000	(830)	(830)	830	830
Financial Liabilities					
Payables[1]	53,229	-	-	-	-

[1] *Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments: Disclosures).*

Other price risk - TCorpIM Funds

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

Facility	Investment Sectors	Investment Horizon	2019 $000	2018 $000
Cash facility	Cash and money market instruments	Up to 1.5 years	11,371	1,016
Strategic cash	Cash and money market instruments	1.5 years to 3 years	84,928	21,560
Long-term growth facility	Cash, money market instruments, Australian and International bonds, listed property and Australian shares	7 years and over	32,088	37,044

The unit price of each facility is equal to the total fair value of net assets held by the facility divided by the total number of units on issue for that facility. Unit prices are calculated and published daily.

TCorp, as trustee for each of the above facilities is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risk of each facility in accordance with a mandate agreed by the parties. TCorp has also leveraged off internal expertise to manage certain fixed income assets for the TCorpIM Funds facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

34. Financial Instruments

Investment in the TCorpIM Funds facilities limits the Network's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

TCorp provides sensitivity analysis information for each of the investment facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (ie 95% probability). TCorpIM Funds are measured at fair value through profit or loss and therefore any change in unit price impacts directly on net results.

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

Impact on net result

	Change in unit price	2019 $000	2018 $000
TCorpIM Funds - Cash facility	+/- 1%	114	10
TCorpIM Funds - Strategic cash facility	+/- 1%	849	216
TCorpIM Funds - Long-term growth facility	+/- 13%	4,171	5,557

c) Fair Value Measurement

i. Fair value compared to carrying amount

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

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

Therefore the fair value of the financial instruments do not differ from the carrying amount.

ii. Fair Value recognised in the Statement of Financial Position

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

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	2019 Total $'000
TCorpIM Funds	-	128,387	-	128,387

	Level 1 $'000	Level 2 $'000	Level 3 $'000	2018 Total $'000
TCorpIM Funds	-	59,620	-	59,620

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 2019.

The value of the TCorpIM Funds investment is based on the Network's share of the value of the underlying assets of the facility, based on the market value. All of the TCorpIM Funds investment facilities are valued using 'redemption' pricing.

35. Related Party Transactions

PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

	2019	2018
	$000	$000
Short-Term Employee Benefits	395	320
Post-Employment Benefits	37	31
Other Long-Term Benefits	-	-
Termination Benefits	-	-
	432	351

During the financial year, The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) obtained key management personnel services from the immediate parent and incurred $0.61 million (2018: $0.48 million) for these services.

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the Ministry of Health and its controlled entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

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

Transactions with key management personnel and their close family members

There were no transactions with key management personnel and their close family members (2018: $Nil).

Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2018: $Nil).

36. Events After the Reporting Period

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

END OF AUDITED FINANCIAL STATEMENTS