



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

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

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of The Sydney Children's Hospitals Network (Randwick and Westmead)(incorporating The Royal Alexandra Hospital for Children) (the Network), which comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and service group statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Network and the consolidated entity. The consolidated entity comprises the Network and the entity it controlled at the year's end or from time to time during the financial year.

Basis for Qualified Opinion

As is common for entities that have donations and fundraising as sources of revenue, it is impractical for the Network to maintain an effective system of internal controls over fundraising revenue and voluntary donations it receives until their initial entry in the financial records. Accordingly, as the evidence available to me regarding revenue from these sources was limited, my audit procedures with respect to fundraising revenue and voluntary donations were restricted to the amounts recorded in the financial records. I am therefore unable to express an opinion on whether all fundraising revenue and voluntary donations received by the Network have been recorded in its financial records.

My opinion on the 2010 financial report was similarly qualified.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the financial position of the Network and the consolidated entity, as at 30 June 2011, and of the financial performance 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* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

My opinion does not extend to the budget information. I have not audited the budget figures disclosed in the statement of comprehensive income, statement of financial position and statement of cashflows.

Chief Executive's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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


My qualified opinion does *not* provide assurance:

- about the future viability of the Network or the consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of their internal control
- 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.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



Peter Achterstraat
Auditor-General

5 October 2011
Sydney



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

**Certification of Parent/Consolidated Financial Statements
for the Year Ended 30 June 2011**

Pursuant to Section 45F of the *Public Finance and Audit Act 1983*, I state that in my opinion:


(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 2011 have been prepared in accordance with:

- the requirements of applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2010* and the Treasurer's Directions

(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).

(3) There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

I further state that the financial statements have been prepared in accordance with the NSW Department of Health's Accounts and Audit Determination for Public Health Organisations.


.....
Elizabeth Koff
Chief Executive

04 October 2011

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

Statement of Financial Position as at 30 June 2011

PARENT			CONSOLIDATION			
Actual	Budget (unaudited)	Actual	Notes	Actual	Budget (unaudited)	Actual
2011	2011	2010		2011	2011	2010
\$000	\$000	\$000		\$000	\$000	\$000
ASSETS						
Current Assets						
18,389	4,775	10,245		18,389	4,775	10,245
19,866	9,094	9,037	17	19,866	9,094	9,037
5,727	5,007	4,954	18	5,727	5,007	4,954
70,711	77,226	73,571	19	70,711	77,226	73,571
114,693	96,102	97,807	20	114,693	96,102	97,807
Non-Current Assets						
	60	60			60	60
35,936	11,901	11,901	18	35,936	11,901	11,901
387,405	302,588	305,119	20	387,405	302,588	305,119
38,201	34,834	31,085	21	38,201	34,834	31,085
40,692	26,582	27,533	21	40,692	26,582	27,533
466,298	364,004	363,737	21	466,298	364,004	363,737
2,160	2,034	2,791	22	2,160	2,034	2,791
504,414	377,999	378,489		504,414	377,999	378,489
619,107	474,101	476,296		619,107	474,101	476,296
LIABILITIES						
Current Liabilities						
34,731	18,146	20,116		34,731	18,146	20,116
36	268	1,124	24	36	268	1,124
61,566	87,842	83,543	25	61,566	87,842	83,543
474	79	79	26	474	79	79
96,807	106,335	104,862	27	96,807	106,335	104,862
Non-Current Liabilities						
	3,000	36			3,000	36
228	6,309	5,087	25	228	6,309	5,087
228	9,309	5,123	26	228	9,309	5,123
97,035	115,644	109,985		97,035	115,644	109,985
522,072	358,457	366,311		522,072	358,457	366,311
EQUITY						
210,581	184,568	184,568		210,581	184,568	184,568
311,491	173,889	181,743		311,491	173,889	181,743
522,072	358,457	366,311		522,072	358,457	366,311

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 2011

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2010		181,743	184,568	366,311
Changes in Accounting Policy		-	-	-
Correction of Errors (SPECIFY)		-	-	-
Restated Total Equity at 1 July 2010		181,743	184,568	366,311
Result For The Year		(1,532)	-	(1,532)
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment		-	26,013	26,013
Total Other Comprehensive Income		-	26,013	26,013
Total Comprehensive Income For The Year		(1,532)	26,013	24,481
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	35	131,280	-	131,280
Balance at 30 June 2011		311,491	210,581	522,072
Balance at 1 July 2009		183,671	184,568	368,239
Restated Total Equity at 1 July 2009		183,671	184,568	368,239
Result For The Year		(1,928)	-	(1,928)
Total Comprehensive Income For The Year		(1,928)	-	(1,928)
Balance at 30 June 2010		181,743	184,568	366,311

* Increase/(Decrease) in Net Assets From Equity Transfers represents - (a) transfers in of net assets from the Sydney Children's Hospital with effect from 01 July 2010 and from the NSW Newborn and Paediatric Emergency Transport Services (NETS) with effect from 01 Jan 2011 to the Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) and (b) transfers of the 01 January 2011 balance of Long Service Leave liability from the Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) to the Crown Entity

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the year ended 30 June 2011

PARENT			CONSOLIDATION			
Actual	Budget (unaudited)	Actual		Actual	Budget (unaudited)	Actual
2011	2011	2010	Notes	2011	2011	2010
\$000	\$000	\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
-	-	-		Employee Related	(364,933)	(373,157)
(1,988)	(928)	(1,923)		Grants and Subsidies	(1,988)	(928)
(59)	-	(114)		Finance Costs	(59)	(114)
(510,562)	(509,763)	(343,717)		Other	(145,579)	(135,826)
(512,609)	(509,711)	(345,754)		Total Payments	(512,609)	(345,754)
Receipts						
63,551	56,970	248,452		Sale of Goods and Services	63,551	56,970
2,196	5,847	1,003		Interest Received	2,196	5,847
64,798	46,862	49,489		Other	64,798	49,489
130,545	109,679	298,944		Total Receipts	130,545	298,944
Cash Flows From Government						
409,205	409,175	58,066		NSW Department of Health Recurrent Allocations	409,205	409,175
4,871	8,132	3,698		NSW Department of Health Capital Allocations	4,871	8,132
2,285	-	-		Cash Reimbursements from the Crown Entity	2,285	-
416,361	417,307	61,764		Net Cash Flows From Government	416,361	61,764
34,297	17,275	14,954		NET CASH FLOWS FROM OPERATING ACTIVITIES	34,297	17,275
CASH FLOWS FROM INVESTING ACTIVITIES						
130	-	174		Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	130	174
2,500	-	5,000		Proceeds from Sale of Investments	2,500	5,000
(9,662)	(21,197)	(13,343)		Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems	(9,662)	(21,197)
(18,000)	(3,656)	(7,000)		Purchases of Investments	(18,000)	(7,000)
(25,032)	(24,853)	(15,169)		NET CASH FLOWS FROM INVESTING ACTIVITIES	(25,032)	(15,169)
CASH FLOWS FROM FINANCING ACTIVITIES						
-	2,964	-		Proceeds from Borrowings and Advances	2,964	-
(1,124)	(856)	(1,037)		Repayment of Borrowings and Advances	(1,124)	(1,037)
(1,124)	2,108	(1,037)		NET CASH FLOWS FROM FINANCING ACTIVITIES	(1,124)	2,108
8,141	(5,470)	(1,252)		NET INCREASE / (DECREASE) IN CASH	8,141	(5,470)
10,245	10,245	11,497		Opening Cash and Cash Equivalents	10,245	10,245
4	-	-		Cash Transferred In/(Out) as a Result of Administrative Restructuring	4	-
18,389	4,775	10,245		CLOSING CASH AND CASH EQUIVALENTS	18,389	4,775

* Cash Transferred In/(Out) as a Result of Administrative Restructuring represents transfers in of cash balance of 01 July 2010 from the Sydney Children's Hospital and the cash balance of 01 January 2011 from the NSW Newborn and Paediatric Emergency Transport Services (NETS) to the Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children).

The accompanying notes form part of these financial statements

The Sydney Children's Hospitals Network (Randwick and Westmead) (Incorporating The Royal Alexandra Hospital for Children)
 Service Group Statements
 for the Year Ended 30 June 2011

	1.1 *		1.2 *		1.3 *		2.1 *		2.2 *		3.1 *		4.1 *		5.1 *		6.1 *		Total		
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010			
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000		
SERVICES EXPENSES AND INCOME																					
Expenses excluding losses																					
Operating Expenses																					
Employee Related	11,406	6,429	632	394	70,036	56,003	29,160	10,861	194,078	122,101	14,259	11,075	8,951	5,538	9,497	6,335	46,679	33,410	385,528	254,177	
Visiting Medical Officers	336	123	18	6	1,673	1,162	719	245	5,395	2,728	320	249	163	104	222	194	779	414	9,825	5,225	
Other Operating Expenses	3,997	2,164	218	134	23,872	19,490	10,331	3,632	65,038	40,854	5,894	3,703	3,322	1,865	3,146	2,083	18,574	12,435	134,372	66,351	
Depreciation and Amortisation	524	383	39	18	4,274	3,650	1,540	785	11,597	8,741	801	800	419	321	658	648	1,355	1,610	21,703	16,956	
Grants and Subsidies	69	27	-	2	208	339	45	41	265	467	21	42	183	24	22	18	1,155	1,053	1,898	1,922	
Finance Costs	-	3	-	-	12	25	3	5	31	69	2	5	1	2	2	5	8	9	59	114	
Total Expenses excluding losses	16,322	9,129	927	554	101,075	82,569	41,798	15,559	276,424	174,331	21,287	15,874	13,049	7,855	13,547	9,284	69,051	48,941	553,480	364,756	
Revenue																					
Sale of Goods and Services	1,622	413	8	9	12,485	11,169	4,331	12,176	33,298	219,558	169	181	574	375	421	513	7,774	1,500	60,742	246,054	
Investment Revenue	533	149	12	9	453	1,352	274	255	930	2,864	23	260	437	129	527	152	4,322	3,016	7,871	8,186	
Grants and Contributions	3,341	2,853	81	82	2,029	952	1,450	997	5,394	1,947	132	97	3,056	2,312	3,617	2,778	31,817	25,322	51,517	37,370	
Other Revenue	240	(115)	5	(3)	773	1,452	190	111	1,953	1,328	16	11	157	(35)	189	(114)	1,742	3,571	5,283	6,146	
Total Revenue	6,404	3,300	106	77	15,750	14,925	6,235	13,539	41,625	225,697	340	549	4,244	2,721	4,754	3,329	45,955	33,519	125,413	297,756	
Gains / (Loss) on Disposal	-	(5)	-	-	(119)	(50)	(18)	(11)	(272)	(120)	(1)	(11)	-	(4)	-	(9)	(5)	(47)	-	(461)	(257)
Other Gains / (Losses)	-	(6)	-	-	(159)	(54)	(24)	(12)	(362)	(131)	(2)	(12)	-	(5)	(1)	(10)	(65)	(19)	-	(613)	(249)
Net Cost of Services	9,918	5,840	821	477	85,603	67,748	35,605	2,653	235,433	(50,465)	20,950	15,348	8,805	5,143	6,794	5,974	23,212	15,389	429,141	67,506	
Government Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	427,609	65,578	427,609	65,578
RESULT FOR THE YEAR																					
Other Comprehensive Income	9,918	5,840	821	477	85,603	67,748	35,605	2,653	235,433	(50,465)	20,950	15,348	8,805	5,143	6,794	5,974	23,212	15,389	(427,609)	(65,578)	
increase/(Decrease) in Asset Revaluation Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(26,013)	(26,013)	
TOTAL COMPREHENSIVE INCOME																					
	9,918	5,840	821	477	85,603	67,748	35,605	2,653	235,433	(50,465)	20,950	15,348	8,805	5,143	6,794	5,974	23,212	15,389	(453,622)	(65,576)	
																				(24,481)	1,928

Service Group Statements focus on the key measures of service delivery performance.

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

The Service Group Statement uses statistical data to 31 December 2010 to allocate the current period's financial information on expenses and revenue to each service group.

No changes have occurred during the period between 1 January 2011 and 30 June 2011 which would materially impact this allocation.

The Sydney Children's Hospitals Network (Randwick and Westmead) (Incorporating The Royal Alexandra Hospital for Children)
 Service Group Statements (Continued)
 for the Year Ended 30 June 2011

	1.1		1.2		1.3		2.1		2.2		3.1		4.1		5.1		6.1		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010		2011
SERVICE'S ASSETS AND LIABILITIES																				
ASSETS																				
Current Assets																				
Cash and Cash Equivalents	534	218	13	3,305	1,974	1,357	372	9,038	4,184	638	380	427	168	443	222	2,549	2,694	18,889	10,245	
Receivables	464	19	3	3,311	330	1,152	350	12,356	8,188	15	5	169	16	133	21	2,233	110	19,866	9,607	
Inventories	9	-	-	373	67	599	246	4,601	4,820	8	1	17	2	9	4	111	4	5,727	4,954	
Financial Assets at Fair Value	1,657	1,316	96	10,447	11,903	4,320	2,245	28,572	25,226	2,230	2,289	1,249	1,132	1,400	1,338	20,640	26,042	70,711	73,571	
Total Current Assets	2,664	1,553	129	17,436	14,274	7,438	3,223	54,567	42,216	2,949	2,675	1,952	1,338	1,895	1,563	25,533	30,859	114,693	97,807	
Non-Current Assets																				
Receivables	-	-	-	-	-	-	-	-	54	-	-	-	6	-	-	-	-	-	60	
Financial Assets at Fair Value	857	213	49	5,310	1,926	2,195	303	14,521	4,081	1,118	370	695	183	712	217	10,468	4,535	35,336	11,870	
Property, Plant and Equipment	9,361	6,836	697	76,357	65,100	27,519	14,003	297,185	155,892	14,510	14,299	7,488	5,726	11,755	11,553	32,741	31,440	307,405	395,119	
Land and Buildings	657	729	71	7,895	6,948	2,812	1,493	21,177	16,625	1,463	1,522	765	610	1,202	1,232	1,948	1,657	38,201	31,893	
Plant and Equipment	997	617	74	8,128	5,874	2,929	1,264	22,054	14,067	1,533	1,298	797	516	1,251	1,043	2,999	2,885	40,692	27,633	
Infrastructure Systems	59	63	4	469	601	162	129	1,274	1,439	98	132	46	53	72	107	284	284	2,183	2,791	
Intangible Assets	12,230	8,456	895	99,059	80,444	35,619	17,252	266,211	192,148	18,502	17,591	9,779	7,889	14,992	14,152	48,117	40,971	504,474	376,489	
Total Non-Current Assets	14,924	10,011	1,024	115,595	94,718	43,957	20,475	320,778	234,364	21,651	20,256	11,741	9,406	16,977	15,737	73,650	71,821	619,107	476,296	
TOTAL ASSETS																				
LIABILITIES																				
Current Liabilities																				
Payables	1,032	495	57	6,225	4,535	2,648	851	17,827	9,568	1,445	868	920	501	818	487	4,559	2,781	34,731	20,116	
Borrowings	1	33	2	7	294	3	55	20	623	2	57	1	23	2	32	-	-	56	1,124	
Provisions	1,821	2,353	144	11,312	21,230	4,657	3,975	30,993	44,701	2,277	4,054	1,431	2,027	1,517	2,319	7,454	2,740	61,566	63,549	
Other	2,854	2,801	161	17,544	26,059	7,308	4,881	46,514	54,971	3,724	4,979	2,352	2,556	2,337	2,838	12,043	5,521	474	73	
Total Current Liabilities																				
Non-Current Liabilities																				
Borrowings	-	-	-	-	-	-	-	-	20	-	2	-	-	-	-	1	-	-	35	
Provisions	7	138	-	42	1,245	17	233	115	2,622	8	239	5	119	6	137	28	347	228	5,827	
Total Non-Current Liabilities	7	138	-	42	1,254	17	235	115	2,642	8	240	5	120	6	139	28	347	228	5,827	
TOTAL LIABILITIES	2,861	3,020	161	17,596	27,313	7,325	5,116	48,229	57,613	9,732	5,219	2,357	2,676	2,943	2,976	12,041	5,868	97,433	109,895	
NET ASSETS	12,063	6,991	863	97,919	67,405	35,732	15,359	272,449	176,751	17,719	15,037	9,384	5,730	14,634	12,761	61,989	65,953	572,672	366,311	

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

Assets and liabilities that are specific to service groups are allocated accordingly. Remaining assets and liabilities are apportioned to service groups in accordance with the methodology advised in Note 16(a), thereby ensuring that the benefit of each asset and the liabilities incurred in the provision of services are duly recognised in each service group.

1. The Health Service Reporting Entity

On 1 July 2010, through the Health Services (The Sydney Children's Hospitals Network (Randwick and Westmead)) Order 2010 under the *Health Services Act 1997*, The Royal Alexandra Hospital for Children was renamed The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) and the public hospital located at Randwick known as Sydney Children's Hospital was transferred from South Eastern Sydney and Illawarra Area Health Service to The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children).

On 1 January 2011 through Health Services Amendment (Local Health Networks) Regulation 2010 issued under the *Health Services Act 1997* the NSW Newborn and Paediatric Emergency Transport Services ("NETS") was transferred from the Sydney West Area Health Service to The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children).

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) "(the Network)", as a reporting entity, comprises all the operating activities of the hospital facilities and the NSW Newborn and Paediatric Emergency Transport Services under its control. It also encompasses the Special Purposes and Trust Funds which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the Network. The Network is a not-for-profit entity (as profit is not its principal objective).

The Network controls 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 Government Service in accordance with the *Public Sector Employment and Management Act 2002* and the *Health Services Act 1997* and renamed as such from 1 July 2010. This division provides personnel services to enable the Network to exercise its functions.

As a consequence the values in the annual financial statements presented herein consist of the Network (as the parent entity) and the consolidated financial statements of the economic entity. Notes capture both the parent and consolidated values with notes 3, 4, 11, 24, 26 and 31 being especially relevant.

In the process of preparing the consolidated financial statements for the economic entity consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

The reporting entity is consolidated as part of the NSW Department of Health and the NSW Total State Sector Accounts.

These consolidated financial statements for the year ended 30 June 2011 have been authorised for issue by the Chief Executive on 04 October 2011.

2. Summary of Significant Accounting Policies

Basis of preparation

The Network's financial statements are general purpose financial statements which have been prepared in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of *Public Finance and Audit Act 1983*, *Public Finance and Audit Regulations 2010*, and the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2) (n) of the Act. The requirements of the *Health Services Act 1997* and its regulations including the Accounts and Audit Determination for Public Health Organisations have also been observed.

Apart from the basis for the Network's budget figures, the financial statements comply with the Financial Reporting Code for Budget Dependent General Government Sector Agencies. Further information on the budget figures can be found at Note 2(z).

Statement of Compliance

The consolidated and parent entity's financial statements comply with Australian Accounting Standards which include Australian Accounting Interpretations.

Property, plant and equipment and financial assets at "fair value through profit and loss" and available for sale are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

The consolidated entity has a surplus of working capital of \$17.9m (2010 deficiency of \$7.1m). However, on exclusion of restricted assets, the consolidated entity has a deficiency of working capital of \$52.8m (comparative 2010 deficiency of \$80.6m). Notwithstanding this deficiency the financial statements have been prepared on a going concern basis because the entity has the support of the New South Wales Department of Health.

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

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

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. Comparative amounts, where practicable, are reclassified for the purpose of comparability with the current year figures.

No new or revised accounting standards or interpretations are adopted earlier than their prescribed date of application. Set out below are changes to be effected, their date of application and the possible impact on the financial statements of the Network.

Accounting Standard/Interpretation

AASB 2010-07, Financial Instruments, arising from the issuance of AASB 9, Financial Instruments, in AASB 2009-5 in December 2010, has mandatory application from 1 July 2013 and will not be early adopted by the Network.

AASB 124 and AASB2009-12, Related Party Transactions, have application from 1 July 2011 but are assessed as having no material impact on the Network.

AASB 2009-14, Amendments to Australian Interpretation - Prepayment of a Minimum Funding Requirement, has application from 1 July 2011 and principally addresses contributions relating to future service. It has no impact on the Network.

AASB 1053 and AASB 2010-2, Application of Tiers of Australian Accounting Standards, have application from 1 July 2013 and may result in a lessening of reporting requirements, dependent on the mandate of the NSW Treasury.

AASB 2010-04, Annual Improvements, has application from 1 July 2011 and is assessed as having no material impact on the Network.

AASB 2010-5, Editorial Corrections, applies from 1 July 2011 and principally addresses editorial amendments to a range of Australian Accounting Standards and Interpretations. It is assessed as having no impact on the Network.

AASB 2010-6, Disclosures on Transfers of Financial Assets, has mandatory application from 1 July 2011 and is assessed as having no impact on the Network.

AASB 2010-8, Deferred Tax: Recovery of Underlying Assets, has mandatory application from 1 July 2012 but will have no impact on the Network.

AASB 2010-9, Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters, has application from 1 July 2011 and is assessed as having no impact on the Network.

AASB 2010-10, Removal of Fixed Dates for First Time Adopters, has application from 1 July 2013 and is assessed as having no impact on the Network.

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

a) **Employee Benefits and Other Provisions**

i) **Salaries & Wages, Annual Leave, Sick Leave and On-Costs**

At the consolidated level of reporting, liabilities for salaries and wages (including non-monetary benefits) and annual leave that are due to be settled within 12 months after the end of the period in which the employees render the service are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

All Annual Leave employee benefits are reported as "Current" as there is an unconditional right to payment. Current liabilities are then further classified as "Short Term" or "Long Term" based on past trends and known resignations and retirements. Anticipated payments to be made in the next twelve months are reported as "Short Term". On-costs of 17% are applied to the value of leave payable at 30 June 2011, such on-costs being based on actuarial assessment.

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

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

ii) **Long Service Leave and Superannuation**

Responsibility for Long Service Leave liability was transferred to the Crown Entity with effect from 31 December 2010. As is the case with other Budget Sector agencies both the Defined Benefit Superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) and Long Service Leave liabilities are now assumed by the Crown Entity.

Long Service Leave is measured at present value in accordance with AASB119, Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 11/06) to employees with five or more years of service, using current rates of pay. These approximate present value.

The Network's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity. The Network accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of Employee Benefits". Any liability attached to Superannuation Guarantee Charge cover is reported in Note 24, "Payables".

The superannuation expense for the reporting period is determined by using the formulae specified by Treasury and communicated via the NSW Department of Health. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Authorities Superannuation Scheme and State Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

iii) **Other Provisions**

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

b) **Insurance**

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

c) **Finance Costs**

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

d) **Income Recognition**

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

Sale of Goods

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

Rendering of Services

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

Patient Fees

Patient Fees are derived from chargeable inpatients and non-inpatients on the basis of rates specified by the NSW Department of Health from time to time.

Investment Revenue

Interest revenue is recognised using the effective interest method as set out in AASB139, Financial Instruments: Recognition and Measurement. Rental revenue is recognised in accordance with AASB117, Leases on a straight line basis over the lease term. Dividend revenue is recognised in accordance with AASB118, Revenue when the Network's right to receive payment is established.

Royalty revenue is recognised in accordance with AASB118, Revenue on an accrual basis in accordance with the substance of the relevant agreement.

Debt Forgiveness

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

Use of Hospital Facilities

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

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

Use of Outside Facilities

The Network uses a number of facilities owned and maintained by the local authorities in the area to deliver community health services for which no charges are raised by the authorities. Where material, the cost method of accounting is used for the initial recording of all such services. Cost is determined as the fair value of the services given and is then recognised as revenue with a matching expense.

Grants and Contributions

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

NSW Department of Health Allocations

Payments are made by the NSW Department of Health on the basis of the allocation for the Network as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects. This allocation is included in the Statement of Comprehensive Income before arriving at the "Result for the Year" on the basis that the allocation is earned in return for the health services provided on behalf of the NSW Department of Health. Allocations are normally recognised upon the receipt of Cash.

e) Accounting for the Goods & Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except that:

- * the amount of GST incurred by the Network as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset 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 is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

f) Interstate Patient Flows / Inter Area Patient Flows

The Network recognises the value of inflows for acute inpatient treatment provided to residents from other States and Territories. The revenue values reported within the financial statements have been based on 2009/10 activity data for the former reporting entity, the Royal Alexandra Hospital for Children (revenues only) and the Sydney Children's Hospital using standard cost weighted separation values to reflect estimated costs in 2010/11 for acute weighted inpatient separations.

The reporting adopted for interstate patient flows aims to provide a greater accuracy of the cost of service provision to the Network's resident population and disclose the extent to which service is provided to non-residents.

As a change in accounting policy from FY 2010-11 Inter Area Patient Flows are not reported separately. For 2010, the Inter Area Patient Flows were reported as a separate line item at \$203.0m with the NSW Department of Health Recurrent Allocations correspondingly reduced by that amount. As a consequence of the change in accounting policy for 2011, the value of Inter Area Patient Flows is not separately reported and the NSW Department of Health Recurrent Allocations are reported in full without adjustment for Inter Area Patient Flows. In the absence of relevant information the value of such patient flows can not be quantified.

The composition of patient flow revenue is disclosed in Note 9.

g) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Network. 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 specific requirements of other Australian Accounting Standards.

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

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, ie the deferred payment amount is effectively discounted at an asset-specific rate.

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

h) Capitalisation Thresholds

Individual items of property, plant & equipment are capitalised where their cost is \$10,000 or above.

i) Depreciation of Property, Plant and Equipment

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

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

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

"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.

j) Revaluation of Non-Current Assets

Physical non-current assets are valued in accordance with the NSW Department of Health's "Valuation of Physical Non-Current Assets at Fair Value" policy. This policy adopts fair value in accordance with AASB116, Property, Plant and Equipment.

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

The Network revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets assumed by the Network as at 1 July 2010 was completed on 01 March 2009 for assets held by Westmead campus and on 01 July 2007 for assets held by Randwick campus and was based on an independent assessments. To ensure that the carrying amount for each asset does not differ materially from its fair value at reporting date, indices provided in expert advice from the Land and Property Management Authority have been applied. The indices reflect an assessment of movements made in the period between revaluations.

The Network did not revalue Land, Buildings and Infrastructure belonging to Randwick campus this year because of transition of the facility to the Network. The Network plans to revalue these assets along with the assets belonging to Westmead campus at the same time during 2011-12 and every three years thereafter in accordance with the revaluation policy.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

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

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

Revaluation decrements are recognised immediately as expenses in the Result for the Year, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

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 asset revaluation reserve in respect of that asset is transferred to accumulated funds.

k) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, the Network is effectively exempt from AASB 136, Impairment of Assets and impairment testing. This is because AASB136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are regarded as material. Selling costs are regarded as immaterial.

l) Restoration Costs

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

m) Intangible Assets

The Network recognises intangible assets only if it is probable that future economic benefits will flow to the Network and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

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

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

Computer software developed or acquired by the Network are recognised as intangible assets and are amortised over 5 to 10 years using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

n) 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.

o) Leased Assets

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

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the commencement of the lease term. 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 charged to the Statement of Comprehensive Income in the periods in which they are incurred.

p) Inventories

Inventories are stated at cost. Costs are assigned to individual items of stock mainly on the basis of weighted average costs.

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

q) Loans and Receivables

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

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

r) **Investments**

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

Fair value through profit or loss - The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) subsequently measures investments classified as 'held for trading' or designated upon initial recognition "at fair value through profit or loss" at fair value. Financial assets are classified as 'held for trading' if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the Result for the Year.

The Hour-Glass Investment facilities are designated at fair value through profit or loss using the second leg of the fair value option i.e. these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the agency'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*. NSW TCorp investments are made in an effort to improve interest returns on cash balances otherwise available whilst also providing secure investments guaranteed by the State market exposures.

The movement in the fair value of the Hour-Glass Investment facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturity that The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) has the positive intention and ability to hold to maturity are classified as 'held-to-maturity'. These investments are measured at amortised cost using the effective interest method. Changes are recognised in the Result for the Year when impaired, derecognised or through the amortisation process.

Available-for-sale investments - Any residual investments that do not fall into any other category are accounted for as available-for-sale investments and measured at fair value in other comprehensive income until disposed or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the Result for the Year. However, interest calculated using the effective interest method and dividends are recognised in the Result for the Year.

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.

s) **Impairment of financial assets**

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

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

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

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

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

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

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

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

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

u) **Payables**

These amounts represent liabilities for goods and services provided to the Network and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

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

v) **Borrowings**

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

The finance lease liability is determined in accordance with AASB 117, Leases. The Network did not have any finance lease liabilities.

w) **Equity Transfers**

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies is designated or required by Accounting Standards to be treated as contributions by owners and is recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB1004, Contributions and Australian 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 departments 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 agency recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the agency does not recognise that asset.

x) **Equity and Reserves**

(i) **Asset Revaluation Reserve**

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

(ii) **Accumulated Funds**

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

(iii) **Separate Reserves**

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

y) **Trust Funds**

The Network receives monies in a trustee capacity for various trusts as set out in Note 29. As the Network performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Network's own objectives, they are not brought to account in the financial statements.

z) **Budgeted Amounts**

The budgeted amounts are drawn from the budgets agreed with the NSW Department of Health at the beginning of the financial reporting period and with any adjustments for the effects of additional supplementation provided. The budget figures are unaudited.

aa) **Service Group Statements Allocation Methodology**

Expenses and revenues are assigned to service groups in accordance with statistical data for six months ended 31 December 2010 which is then applied to the current period's financial information. The same methodology is applied to attribute assets and liabilities to each service group.

In respect of assets and liabilities the NSW Department of Health requires the Network to take action to identify those components that can be specifically identified and reported by service groups. Remaining values are attributed to service groups in accordance with values advised by the NSW Department of Health, e.g. depreciation/amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant & Equipment.

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

PARENT			CONSOLIDATION	
2011	2010		2011	2010
\$000	\$000		\$000	\$000
3. Employee Related				
Employee related expenses comprise the following:				
-	-	Salaries and Wages	283,899	184,437
-	-	Awards	12,282	7,380
-	-	Superannuation - Defined Benefit Plans	6,381	3,814
-	-	Superannuation - Defined Contribution Plans	26,118	16,763
-	-	Long Service Leave	11,108	11,139
-	-	Annual Leave	30,765	21,276
-	-	Sick Leave and Other Leave	12,579	7,752
-	-	Redundancies	23	6
-	-	Workers' Compensation Insurance	2,372	1,589
-	-	Fringe Benefits Tax	1	21
-	-		<u>385,528</u>	<u>254,177</u>
The Network did not have any employee related expenses capitalised to Land and Buildings and to Plant and Equipment.				
4. Personnel Services				
Personnel Services comprise the purchase of the following:				
283,899	184,437	Salaries and Wages	-	-
12,282	7,380	Awards	-	-
26,118	16,763	Superannuation - Defined Contribution Plans	-	-
(67,393)	11,139	Long Service Leave	-	-
30,765	21,276	Annual Leave	-	-
12,579	7,752	Sick Leave and Other Leave	-	-
23	6	Redundancies	-	-
2,372	1,589	Workers' Compensation Insurance	-	-
1	21	Fringe Benefits Tax	-	-
<u>300,646</u>	<u>250,363</u>		<u>-</u>	<u>-</u>
5. Other Operating Expenses				
9,391	7,879	Blood and Blood Products	9,391	7,879
4,660	3,251	Domestic Supplies and Services	4,660	3,251
25,070	16,073	Drug Supplies	25,070	16,073
4,217	2,812	Food Supplies	4,217	2,812
2,870	2,407	Fuel, Light and Power	2,870	2,407
10,738	6,796	General Expenses (See (b) below)	10,738	6,796
2,980	636	Hospital Ambulance Transport Costs	2,980	636
3,475	2,864	Information Management Expenses	3,475	2,864
456	426	Insurance	456	426
Maintenance (See (c) below)				
5,242	4,591	Maintenance Contracts	5,242	4,591
3,999	2,814	New/Replacement Equipment under \$10,000	3,999	2,814
3,547	2,141	Repairs Maintenance/Non Contract	3,547	2,141
192	(16)	Other	192	(16)
25,811	15,688	Medical and Surgical Supplies	25,811	15,688
290	171	Motor Vehicle Expenses	290	171
2,117	1,744	Postal and Telephone Costs	2,117	1,744
2,311	1,791	Printing and Stationery	2,311	1,791
566	654	Rates and Charges	566	654
351	218	Rental	351	218
17,114	7,765	Special Service Departments	17,114	7,765
3,347	2,321	Staff Related Costs	3,347	2,321
65	12	Sundry Operating Expenses (See (a) below)	65	12
5,563	3,323	Travel Related Costs	5,563	3,323
<u>134,372</u>	<u>86,361</u>		<u>134,372</u>	<u>86,361</u>

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

PARENT			CONSOLIDATION	
2011	2010		2011	2010
\$000	\$000		\$000	\$000
		(a) Sundry Operating Expenses comprise :		
65	12	Contract for Patient Services	65	12
<u>65</u>	<u>12</u>		<u>65</u>	<u>12</u>
		(b) General Expenses include :		
269	276	Advertising	269	276
422	404	Books, Magazines and Journals	422	404
		Consultancies		
1,057	532	- Operating Activities	1,057	532
32	53	- Capital Works	32	53
446	458	Courier and Freight	446	458
131	127	Auditor's Remuneration - Audit of Financial Statements	131	127
37	7	Audit Committee members fees	37	7
1,189	756	Health Support Services Corporate Charges	1,189	756
216	51	Data Recording and Storage	216	51
95	831	Legal Services	95	831
216	200	Membership/Professional Fees	216	200
232	149	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	232	149
221	227	Other Operating Lease Expense - Minimum Lease Payments	221	227
40	71	Payroll Services	40	71
44	102	Quality Assurance/Accreditation	44	102
116	75	Security Services	116	75
564	512	Translator Services	564	512
5,411	1,965	Other	5,411	1,965
<u>10,738</u>	<u>6,796</u>		<u>10,738</u>	<u>6,796</u>
		(c) Reconciliation of Total Maintenance		
12,980	9,530	Maintenance Expense - Contracted Labour and Other (Non-Employee Related), included in Note 5	12,980	9,530
310	291	Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	310	291
<u>13,290</u>	<u>9,821</u>	Total Maintenance Expenses included in Notes 3, 4 and 5	<u>13,290</u>	<u>9,821</u>

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

PARENT			CONSOLIDATION	
2011	2010		2011	2010
\$000	\$000		\$000	\$000
6. Depreciation and Amortisation				
12,519	9,664	Depreciation - Buildings	12,519	9,664
123	124	Amortisation - Leased Buildings	123	124
6,951	5,461	Depreciation - Plant and Equipment	6,951	5,461
1,491	950	Depreciation - Infrastructure Systems	1,491	950
624	757	Amortisation - Intangible Assets	624	757
<u>21,708</u>	<u>16,956</u>		<u>21,708</u>	<u>16,956</u>
7. Grants and Subsidies				
347	338	Non-Government Organisations	347	338
153	45	Grants to Research Orgs	153	45
4	-	Promotion of Research	4	-
1,484	1,540	Other Grants	1,484	1,540
<u>1,988</u>	<u>1,923</u>		<u>1,988</u>	<u>1,923</u>
8. Finance Costs				
59	110	Interest on Bank Overdrafts and Loans	59	110
-	4	Other Interest Charges	-	4
<u>59</u>	<u>114</u>	Total Finance Costs	<u>59</u>	<u>114</u>

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

PARENT			CONSOLIDATION	
2011	2010		2011	2010
\$000	\$000		\$000	\$000
9. Sale of Goods and Services				
(a) Sale of Goods comprise the following:-				
2,752	2,204	Sale of Prosthesis	2,752	2,204
101	19	Other	101	19
307	240	Pharmacy Sales	307	240
(b) Rendering of Services comprise the following:-				
20,621	12,260	Patient Fees [see note 2(d)]	20,621	12,260
257	294	Staff-Meals and Accommodation	257	294
12,715	9,720	Infrastructure Fees - Monthly Facility Charge [see note 2(d)]	12,715	9,720
3,240	2,161	- Annual Charge	3,240	2,161
-	203,005	Allocation from Inter Area Patient Inflows, NSW [see note (c) below]	-	203,005
2,043	2,200	Cafeteria/Kiosk	2,043	2,200
2,438	2,151	Car Parking	2,438	2,151
726	663	Child Care Fees	726	663
116	208	Clinical Services (excluding Clinical Drug Trials)	116	208
904	167	Commercial Activities	904	167
52	47	Fees for Medical Records	52	47
14	-	Information Retrieval	14	-
4,183	2,348	High Specialised Drugs	4,183	2,348
1,034	2,158	Motor Accident Authority Third Party	1,034	2,158
3,804	3,279	Patient Inflows from Interstate [see note (d) below]	3,804	3,279
153	105	Salary Packaging Fee	153	105
520	552	Services Provided to Non NSW Health Organisations	520	552
2,212	-	Use of Ambulance Facilities	2,212	-
2,550	2,261	Other	2,550	2,261
<u>60,742</u>	<u>246,054</u>		<u>60,742</u>	<u>246,054</u>
(c) Details of the Allocations received for Inter Area Patient Flows, NSW on an Area basis as accepted by the NSW Department of Health are as follows:				
-	50,274	Sydney South West	-	50,274
-	26,133	North Sydney/Central Coast	-	26,133
-	89,395	Sydney West	-	89,395
-	8,753	Hunter/New England	-	8,753
-	9,574	South East/Illawarra	-	9,574
-	4,294	North Coast	-	4,294
-	9,284	Greater Western	-	9,284
-	5,298	Greater Southern	-	5,298
-	<u>203,005</u>		-	<u>203,005</u>
(d) Revenues from Patient Inflows from Interstate are as follows:-				
2,395	1,465	Australian Capital Territory	2,395	1,465
1,830	(16)	Northern Territory	1,830	(16)
(297)	685	Queensland	(297)	685
6	228	South Australia	6	228
165	(69)	Tasmania	165	(69)
(1)	(21)	Victoria	(1)	(21)
(294)	1,007	Western Australia	(294)	1,007
<u>3,804</u>	<u>3,279</u>		<u>3,804</u>	<u>3,279</u>
10. Investment Revenue				
722	175	Interest	722	175
601	566	- Bank	601	566
25	23	Lease and Rental Income	25	23
6,523	7,422	Royalties	6,523	7,422
		Other - TCorp		
<u>7,871</u>	<u>8,186</u>		<u>7,871</u>	<u>8,186</u>

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

PARENT			CONSOLIDATION	
2011	2010		2011	2010
\$000	\$000		\$000	\$000
11. Grants and Contributions				
865	891	Clinical Drug Trials	865	891
4,001	3,076	Commonwealth Government Grants	4,001	3,076
177	-	Commonwealth Teaching Hospital Grants	177	-
30,025	22,272	Industry Contributions/Donations	30,025	22,272
705	602	Cancer Institute Grants	705	602
579	673	NSW Government Grants	579	673
7,203	9,446	Research Grants	7,203	9,446
7,962	410	Other Grants	7,962	410
<u>51,517</u>	<u>37,370</u>		<u>51,517</u>	<u>37,370</u>
12. Other Revenue				
Other Revenue comprises the following:-				
5	25	Bad Debts Recovered	5	25
118	94	Commissions	118	94
1,031	1,701	Conference and Training Fees	1,031	1,701
(2)	5	Discounts	(2)	5
152	92	Sale of Merchandise, Old Wares and Books	152	92
168	94	Sponsorship Income	168	94
1,252	1,293	Treasury Managed Fund Hindsight Adjustment	1,252	1,293
2,559	2,842	Other	2,559	2,842
<u>5,283</u>	<u>6,146</u>		<u>5,283</u>	<u>6,146</u>
13. Gain / (Loss) on Disposal				
7,316	8,807	Property, Plant and Equipment	7,316	8,807
6,725	8,376	Less: Accumulated Depreciation	6,725	8,376
591	431	Written Down Value	591	431
130	174	Less: Proceeds from Disposal	130	174
<u>(461)</u>	<u>(257)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(461)</u>	<u>(257)</u>
<u>(461)</u>	<u>(257)</u>	Total Gain/(Loss) on Disposal	<u>(461)</u>	<u>(257)</u>
14. Other Gains / (Losses)				
(613)	(249)	Impairment of Receivables	(613)	(249)
<u>(613)</u>	<u>(249)</u>		<u>(613)</u>	<u>(249)</u>

PARENT AND CONSOLIDATION

15. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at balance date	7,427	19,593	5,105	32,125
Contributions recognised in amalgamated balance as at 1 July 2010 which were not expended in the current reporting period	433	71,461	4,301	76,195
Total amount of unexpended contributions as at balance date	7,860	91,054	9,406	108,320

Comment on restricted assets appears in Note 23

16. Service Groups of the Network

Service Group 1.1 - Primary and Community Based Services

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

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

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

Service Group 1.2 - Aboriginal Health Services

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

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

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

Service Group 1.3 - Outpatient Services

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

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

Service Group 2.1 - Emergency Services

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

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

Service Group 2.2 - Inpatient Hospital Services

Service Description: This service group covers the provision of health care to children admitted to public hospitals.

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

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

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

Service Group 3.1 - Mental Health Services

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

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

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

Service Group 4.1 - Rehabilitation and Extended Care Services

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

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

Service Group 5.1 - Population Health Services

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

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

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

Service Group 6.1 - Teaching and Research

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

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

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

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

PARENT			CONSOLIDATION	
2011	2010		2011	2010
\$000	\$000		\$000	\$000
17. Cash and Cash Equivalents				
<u>18,389</u>	<u>10,245</u>	Cash at Bank and On Hand	<u>18,389</u>	<u>10,245</u>
<u>18,389</u>	<u>10,245</u>		<u>18,389</u>	<u>10,245</u>
Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:				
<u>18,389</u>	<u>10,245</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>18,389</u>	<u>10,245</u>
<u>18,389</u>	<u>10,245</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>18,389</u>	<u>10,245</u>

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

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

PARENT			CONSOLIDATION	
2011	2010		2011	2010
\$000	\$000		\$000	\$000
18. Receivables				
Current				
(a) Sale of Goods and Services				
4,415	2,164	- Patient Fees	4,415	2,164
4,961	3,590	- Other	4,961	3,590
507	729	Leave Mobility	507	729
7,289	559	NSW Health Department	7,289	559
1,893	1,331	Goods and Services Tax	1,893	1,331
1,130	663	Other Debtors	1,130	663
<u>20,195</u>	<u>9,036</u>	Sub Total	<u>20,195</u>	<u>9,036</u>
<u>(980)</u>	<u>(581)</u>	Less Allowance for Impairment (Note 18 (b) (c))	<u>(980)</u>	<u>(581)</u>
<u>19,215</u>	<u>8,455</u>	Sub Total	<u>19,215</u>	<u>8,455</u>
651	582	Prepayments	651	582
<u>19,866</u>	<u>9,037</u>		<u>19,866</u>	<u>9,037</u>
(b) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(246)	(431)	Balance at 1 July	(246)	(431)
(684)	116	Amounts written off during the year	(684)	116
5	25	Amounts recovered during the year	5	25
443	44	Increase/(decrease) in Allowance Recognised in Result for the Year	443	44
<u>(482)</u>	<u>(246)</u>	Balance at 30 June	<u>(482)</u>	<u>(246)</u>
(c) Movement in the Allowance for Impairment				
Other Debtors				
(335)	(224)	Balance at 1 July	(335)	(224)
(334)	(257)	Amounts written off during the year	(334)	(257)
-	-	Amounts recovered during the year	-	-
171	146	Increase/(decrease) in Allowance Recognised in Result for the Year	171	146
<u>(498)</u>	<u>(335)</u>	Balance at 30 June	<u>(498)</u>	<u>(335)</u>
<u>(980)</u>	<u>(581)</u>		<u>(980)</u>	<u>(581)</u>
Non-Current				
(a) Sale of Goods and Services				
-	60		-	60
<u>-</u>	<u>60</u>		<u>-</u>	<u>60</u>
(b) Movement in the Allowance for Impairment				
Sale of Goods and Services				
-	-	Balance at 1 July	-	-
-	(59)	Amounts written off during the year	-	(59)
59	59	Increase/(decrease) in Allowance Recognised in Result for the Year	-	59
-	-	Balance at 30 June	-	-
<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>
(a) Sale of Goods and Services Receivables				
(Current and Non-Current) include:				
349	60	Patient Fees - Compensable	349	60
1,225	756	Patient Fees - Ineligible	1,225	756
<u>2,841</u>	<u>1,348</u>	Patient Fees - Other	<u>2,841</u>	<u>1,348</u>
<u>4,415</u>	<u>2,164</u>		<u>4,415</u>	<u>2,164</u>

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

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

PARENT			CONSOLIDATION	
2011	2010		2011	2010
\$000	\$000		\$000	\$000
19. Inventories - Current - Held for Distribution				
1,569	1,577	Drugs	1,569	1,577
3,069	2,338	Medical and Surgical Supplies	3,069	2,338
29	33	Food and Hotel Supplies	29	33
140	125	Engineering Supplies	140	125
<u>920</u>	<u>881</u>	Other Including Goods in Transit	<u>920</u>	<u>881</u>
<u>5,727</u>	<u>4,954</u>		<u>5,727</u>	<u>4,954</u>

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

PARENT			CONSOLIDATION	
2011	2010		2011	2010
\$000	\$000		\$000	\$000
		20. Financial Assets at Fair Value		
		Current		
<u>70,711</u>	<u>73,571</u>	Treasury Corporation - Hour-Glass Investment Facilities	<u>70,711</u>	<u>73,571</u>
<u>70,711</u>	<u>73,571</u>		<u>70,711</u>	<u>73,571</u>
		Non Current		
		Treasury Corporation - Hour-Glass Investment Facilities (Includes the following):		
22,506	11,901	- Australian Shares Sector Trust	22,506	11,901
<u>13,430</u>	-	- Long Term Growth Facility	<u>13,430</u>	-
<u>35,936</u>	<u>11,901</u>		<u>35,936</u>	<u>11,901</u>

Refer to Note 36 for further information regarding credit risk, liquidity risk and market risk arising from financial investments.

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

PARENT			CONSOLIDATION	
2011	2010		2011	2010
\$000	\$000		\$000	\$000
21. Property, Plant and Equipment				
Land and Buildings - Fair Value				
568,635	413,418	Gross Carrying Amount	568,635	413,418
181,230	108,299	Less Accumulated Depreciation and Impairment	181,230	108,299
<u>387,405</u>	<u>305,119</u>	Net Carrying Amount	<u>387,405</u>	<u>305,119</u>
Plant and Equipment - Fair Value				
123,526	106,552	Gross Carrying Amount	123,526	106,552
85,325	75,467	Less Accumulated Depreciation and Impairment	85,325	75,467
<u>38,201</u>	<u>31,085</u>	Net Carrying Amount	<u>38,201</u>	<u>31,085</u>
Infrastructure Systems - Fair Value				
63,821	38,156	Gross Carrying Amount	63,821	38,156
23,129	10,623	Less Accumulated Depreciation and Impairment	23,129	10,623
<u>40,692</u>	<u>27,533</u>	Net Carrying Amount	<u>40,692</u>	<u>27,533</u>
<u>466,298</u>	<u>363,737</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>466,298</u>	<u>363,737</u>

PARENT AND CONSOLIDATION

21. Property, Plant and Equipment - Reconciliation

	Land	Buildings	Work in Progress	Leased Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2011							
Net Carrying Amount at Start of Year	20,318	281,016	0	3,785	31,085	27,533	363,737
Additions	-	8	2,460	-	6,382	69	8,919
Reclassifications to Intangibles	-	-	-	-	-	(9)	(9)
Disposals	-	(59)	-	-	(523)	-	(582)
Administrative Restructures - Transfers In/(Out)	4,882	62,797	1,136	-	7,700	12,281	88,796
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	2,264	21,440	-	-	-	2,309	26,013
Depreciation Expense	-	(12,519)	-	(123)	(6,951)	(1,491)	(21,084)
Reclassifications	-	1,057	(1,057)	-	508	-	508
Net Carrying Amount at End of Year	27,464	353,740	2,539	3,662	38,201	40,692	466,298

	Land	Buildings	Work in Progress	Leased Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2010							
Net Carrying Amount at Start of Year	20,318	287,968	-	3,909	27,037	28,341	363,571
Additions	-	2,714	-	-	9,744	142	12,600
Disposals	-	-	-	-	(431)	-	(431)
Depreciation Expense	-	(9,664)	-	(124)	(5,461)	(950)	(16,199)
Reclassifications	-	-	-	-	196	-	196
Net Carrying Amount at End of Year	20,318	281,016	-	3,785	31,085	27,533	363,737

* Administrative Restructures - Transfers In/(Out) represent transfers in of net assets from the Sydney Children's Hospital with effect from 01 July 2010 and from the NSW Newborn and Paediatric Emergency Transport Services (NETS) with effect from 01 Jan 2011 to the Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children).

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

(ii) Land and Buildings assumed by the Network with effect from 01 July 2010 were earlier valued by Mr Paul Goldsmith AAPI, an independent valuer (Certified Practising Valuer) Registered Valuer No. 3009 on 01 March 2009 for the Westmead facility and by Mr Jim Parameter AAPI, an independent valuer holding NSW Reg No. Val010561 Without limitations on 01 July 2007 for the Randwick facility.

(iii) In accordance with the fair value requirements of AASB 116 the land, buildings and infrastructure assets have had a factor applied in relation to the movement in the market and variation in the building and infrastructure costs. The adjustment has been performed on a gross basis in accordance with note 2 (j). This factor gives consideration to the valuation of Physical Non-Current Assets at Fair Value. The following table details the indices applied to Non Current Assets as determined by the Department of Lands:

Year	Land	Buildings	Infrastructure
09/10	1.10	1.04	1.04
10/11	1.00	1.03	1.03

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

PARENT			CONSOLIDATION	
2011	2010		2011	2010
\$000	\$000		\$000	\$000
		22. Intangible Assets		
		Software		
8,629	9,468	Cost (Gross Carrying Amount)	8,629	9,468
<u>6,449</u>	<u>6,677</u>	Less Accumulated Amortisation and Impairment	<u>6,449</u>	<u>6,677</u>
<u>2,180</u>	<u>2,791</u>	Net Carrying Amount	<u>2,180</u>	<u>2,791</u>
<u>2,180</u>	<u>2,791</u>	Total Intangible Assets at Net Carrying Amount	<u>2,180</u>	<u>2,791</u>

PARENT AND CONSOLIDATION

22. Intangibles - Reconciliation

	Software \$000	Total \$000
2011		
Net Carrying Amount at Start of Year	2,791	2,791
Additions (From Internal Development or Acquired Separately)	13	13
Amortisation (Recognised in Depreciation and Amortisation)	(624)	(624)
Net Carrying Amount at End of Year	2,180	2,180

	Software \$000	Total \$000
2010		
Net Carrying Amount at Start of Year	3,478	3,478
Additions (From Internal Development or Acquired Separately)	320	320
Reclassifications from Plant & Equipment	(250)	(250)
Amortisation (Recognised in Depreciation and Amortisation)	(757)	(757)
Net Carrying Amount at End of Year	2,791	2,791

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

PARENT						CONSOLIDATION	
2011	2010					2011	2010
\$000	\$000					\$000	\$000
		23. Restricted Assets					
<p>The Network's financial statements include the following assets which are restricted by externally imposed conditions, eg donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.</p>							
		Category	Brief Details of Externally Imposed Conditions including Asset Category affected				
55,987	39,843	Specific Purposes	Donations, contributions and fundraisings held in trust for purchase of equipment and for the benefit of specific patients, departments and / or staff group			55,987	39,843
6,956	6,889	Perpetually Invested Funds	Funds invested in perpetuity, the income therefrom is used in accordance with donors' or trustees' instructions for the benefit of patients and / or in support of the Network services.			6,956	6,889
35,971	32,029	Research Grants	Funds held for provision of research infrastructure and research on child health and other related research carried out by the Network.			35,971	32,029
9,406	5,268	Private Practice Funds	Funds held for the use of training, education and professional development of medical staff.			9,406	5,268
<u>108,320</u>	<u>84,029</u>					<u>108,320</u>	<u>84,029</u>

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

PARENT			CONSOLIDATION	
2011	2010		2011	2010
\$000	\$000		\$000	\$000
		24. Payables		
		Current		
-	-	Accrued Salaries, Wages and On-Costs	4,219	3,354
-	-	Taxation and Payroll Deductions	3,746	174
7,965	3,528	Accrued Liability - Purchase of Personnel Services	-	-
9,837	9,646	Creditors	9,837	9,646
		Other Creditors		
81	302	- Capital Works	81	302
12,039	2,585	- Intra Health Liability	12,039	2,585
4,809	4,055	- Other	4,809	4,055
<u>34,731</u>	<u>20,116</u>		<u>34,731</u>	<u>20,116</u>
		25. Borrowings		
		Current		
36	1,124	Other Loans and Deposits	36	1,124
<u>36</u>	<u>1,124</u>		<u>36</u>	<u>1,124</u>
		Non-Current		
-	36	Other Loans and Deposits	-	36
<u>-</u>	<u>36</u>		<u>-</u>	<u>36</u>

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

Other loans still to be extinguished represent monies to be repaid to the Sustainable Energy Development Authority. Final Repayment is scheduled for 31 December 2011

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

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

PARENT			CONSOLIDATION	
2011	2010		2011	2010
\$000	\$000		\$000	\$000
26. Provisions				
Current Employee Benefits and Related On-Costs				
-	-	Annual Leave - Short Term Benefit	25,223	14,709
-	-	Annual Leave - Long Term Benefit	32,003	21,745
-	-	Long Service Leave - Short Term Benefit	-	2,023
-	-	Long Service Leave - Long Term Benefit	-	45,066
-	-	Long Service Leave On-Costs	4,340	-
<u>61,566</u>	<u>83,543</u>	Provision for Personnel Services Liability	-	-
<u>61,566</u>	<u>83,543</u>	Total Current Provisions	<u>61,566</u>	<u>83,543</u>
Non-Current Employee Benefits and Related On-Costs				
-	-	Long Service Leave - Conditional	-	5,087
-	-	Long Service Leave On-Costs	228	-
<u>228</u>	<u>5,087</u>	Provision for Personnel Services Liability	-	-
<u>228</u>	<u>5,087</u>	Total Non-Current Provisions	<u>228</u>	<u>5,087</u>
Aggregate Employee Benefits and Related On-Costs				
-	-	Provisions - Current	61,566	83,543
-	-	Provisions - Non-Current	228	5,087
-	-	Accrued Salaries, Wages and On-Costs (Note 24)	4,219	3,354
-	-	Taxation and Payroll Deductions (Note 24)	3,746	174
<u>69,759</u>	<u>92,158</u>	Accrued Liability - Purchase of Personnel Services (Note 24)	-	-
<u>69,759</u>	<u>92,158</u>		<u>69,759</u>	<u>92,158</u>

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

PARENT			CONSOLIDATION	
2011	2010		2011	2010
\$000	\$000		\$000	\$000
27. Other Liabilities				
Current				
474	79	Income in Advance *	474	79
474	79		474	79
474	79		474	79

* Income in Advance represents fees received in advance from patients for which services are provided after 30 June 2011.

The Sydney Children's Hospitals Network (Randwick and Westmead) (Incorporating The Royal Alexandra Hospital for Children)
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

PARENT			CONSOLIDATION	
2011	2010	28. Commitments for Expenditure	2011	2010
\$000	\$000		\$000	\$000
		(a) Capital Commitments		
		Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure and intangible assets, contracted for at balance date and not provided for:		
2,649	1,541	Not later than one year	2,649	1,541
176	-	Later than one year and not later than five years	176	-
<u>2,825</u>	<u>1,541</u>	Total Capital Expenditure Commitments (Including GST)	<u>2,825</u>	<u>1,541</u>
		Of the commitments reported at 30 June 2011 it is expected that \$614,213 will be met from locally generated moneys.		
		(b) Other Expenditure Commitments		
		Aggregate other expenditure for operating expenses contracted for at balance date and not provided for:		
9,298	5,930	Not later than one year	9,298	5,930
1,315	1,525	Later than one year and not later than five years	1,315	1,525
<u>10,613</u>	<u>7,455</u>	Total Other Expenditure Commitments (Including GST)	<u>10,613</u>	<u>7,455</u>
		(c) Operating Lease Commitments		
		Commitments in relation to non-cancellable operating leases are payable as follows:		
164	168	Not later than one year	164	168
134	197	Later than one year and not later than five years	134	197
<u>298</u>	<u>365</u>	Total Operating Lease Commitments (Including GST)	<u>298</u>	<u>365</u>
		(d) Contingent Asset Related to Commitments for Expenditure		
		The total of "Commitments for Expenditure" above, i.e. \$13.74 million as at 30 June 2011 includes input tax credits of \$1.25m that are expected to be recoverable from the Australian Taxation Office.		

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

PARENT AND CONSOLIDATION

29. Trust Funds

The Network holds trust fund moneys of \$4.68 million which are used for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts and Cord Blood Bank Trust. These monies 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:

	Employee Related		Private Practice Trust Funds		Cord Blood Bank Trust Funds		Total	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Cash Balance at the beginning of the financial reporting period	55	53	1,177	984	-	-	1,232	1,037
Receipts	13	14	25,056	20,498	5,227	-	30,296	20,512
Expenditure	(25)	(12)	(24,134)	(20,305)	(2,689)	-	(26,846)	(20,317)
Cash Balance at the end of the financial reporting period	43	55	2,099	1,177	2,538	-	4,680	1,232

PARENT AND CONSOLIDATED

30. Contingent Liabilities and Assets

a) Claims on Managed Fund

The Network is a member of the NSW Treasury Managed Fund. The predecessor organisations were also members since 1 July 1989. The Fund will pay to or on behalf of the Network all sums which it shall become legally liable to pay by way of compensation or legal liability if sued except for employment related, discrimination and harassment claims that do not have statewide implications. The costs relating to such exceptions are to be absorbed by the Network. No contingent liabilities exist in respect of liability claims against the Network. A Solvency Fund (now called Pre-Managed Fund Reserve) was established to deal with the insurance matters incurred before 1 July 1989 that were above the limit of insurance held or for matters that were incurred prior to 1 July 1989 that would have become verdicts against the State. That Solvency Fund will likewise respond to all claims against the Network.

b) Workers Compensation Hindsight Adjustment

The NSW Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2004/05 fund year and an interim adjustment for the 2006/07 fund year were not calculated until 2010/11. As a result, the 2005/06 final and 2007/08 interim hindsight calculations will be paid in 2011/12.

It is not possible for the Network to reliably quantify the benefit to be received.

c) Contingent Assets

The Network estimates the value of contingent assets that the Network may come to possess in the following financial year depending on the outcome of legal matters awaiting financial settlements at approximately \$5.2m

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

PARENT			CONSOLIDATION	
2011	2010		2011	2010
\$000	\$000		\$000	\$000
31. Reconciliation of Net Cash Flows from Operating Activities to Net Cost of Services				
34,297	14,954	Net Cash Flows from Operating Activities	34,297	14,954
(21,709)	(16,956)	Depreciation	(21,709)	(16,956)
(399)	74	Allowance for Impairment	(399)	74
71,349	-	Acceptance by the Crown Entity of Employee Superannuation and LSL Benefits	(13,533)	(3,814)
(4,220)	(8,566)	Decrease in Provisions	(4,220)	(8,566)
6,716	7,811	Increase / (Decrease) in Prepayments and Other Assets	6,716	7,811
(13,471)	1,011	(Increase)/ Decrease in Creditors	(13,471)	1,011
(461)	(257)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(461)	(257)
(409,205)	(58,066)	NSW Health Department Recurrent Allocations	(409,205)	(58,066)
(4,871)	(3,698)	NSW Health Department Capital Allocations	(4,871)	(3,698)
(2,285)	-	Cash Reimbursements from the Government	(2,285)	-
<u>(344,259)</u>	<u>(63,692)</u>	Net Cost of Services	<u>(429,141)</u>	<u>(67,506)</u>

32. 2010/11 Voluntary Services

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

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

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33. Unclaimed Moneys

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

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

34. Budget Review - Parent and Consolidated

Net Cost of Services

The actual Net Cost of Services was \$8.6m lower compared to budget. This was due primarily to revenue being \$15.1m higher than budget which is partially offset \$6.0m increase in expenditure compared to budget.

The network was able to contain the expenditure increase to 1.1% compared to budget through efficient management of resources despite increased demand for services.

Result for the Year

The actual result for the year was also better than budget by \$6.3m. This was due to Government contributions being \$2.3m lower compared to budget.

Assets and Liabilities

The current assets were \$18.6m higher than budget. This was primarily due to transferring of short term cash facility to long term growth investment facility and not including all of the opening current assets from Randwick campus at 01 July 2010 in the budget for the Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children).

Non-current assets were \$126.4m higher than budget. This was largely due to transfer of non-current assets from Sydney Children's Hospital and from NSW Newborn and Paediatric Emergency Transport Services ("NETS") accounting for \$88.8m, impact of indices applied to land, building and infrastructure systems of \$26.0m and the balance mainly due to transferring of strategic cash facility to long term growth investments facilities.

Total assets were \$145.0m more than budget as a result of these movements in current and non-current assets.

Liabilities

Current liabilities were \$9.5m lower compared with budget largely due to transferring of long service leave provisions to the Crown Entity at the end of December 2010 partly offset by opening current liabilities for Randwick campus at 01 July 2010 not included in the budget of the Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children).

Non-current liabilities were \$9.1m lower compared with budget due to transfer of long service leave provisions to the Crown Entity at the end of December 2010 and also because the Network did not borrow the budgeted \$3.0m.

Working Capital

The working capital was \$28.1m better than budget largely due to the transferring of long service leave provisions to the Crown Entity at the end of December 2010.

Cash Flows

Cash flows were almost \$13.6m better than budget largely from operating activities.

Budget Allocation

Movements in the level of the NSW Department of Health Recurrent Allocation that have occurred since the time of the initial allocation on 16 June 2010 are as follows:

	\$000
Initial Allocation	386,317
Nurses' Awards	4,157
Newborn and Paediatric Emergency Transport Service	3,331
Liver Transplant	2,823
HRIO Charges	2,142
Pancreas Transplant	2,095
Urgent Care Centres	2,000
Liquidity Assistance	1,267
High Cost Patient Pool	1,385
Additional Mental Health Funding	739
Nursing Strategies	739
Rural Clinical Locum	564
Excessive Annual Leave	500
Additional Clinical Nurse Educators	419
Additional Bed Capacity	400
Other	297
Balance as per Statement of Comprehensive Income	<u>409,175</u>

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

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

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

Consistent with NSW Treasury approval, Long Service Leave liability of \$71.35m was transferred from the Network with effect from 31 December 2010 from which time the Crown Entity assumed responsibility for Long Service Leave.

Other equity transfers effected in the year were:

Under Health Services (The Sydney Children's Hospitals Network (Randwick and Westmead)) Order 2010 dated 30th June 2010, The Royal Alexandra Hospital for Children was renamed 'The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)', and the public hospital known as Sydney Children's Hospital from the South Eastern Sydney and Illawarra Area Health Service was transferred to The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children).

On 1 January 2011 through Health Services Amendment (Local Health Networks) Regulation 2010 issued under Health Services Act 1997 the NSW Newborn and Paediatric Emergency Transport Services ("NETS") was transferred from the Sydney West Area Health Service to The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children).

The following transfers of net assets were effected from the Sydney Children's Hospital with effect from 01 July 2010 and from NSW Newborn and Paediatric Emergency Transport Services (NETS) with effect from 01 January 2011 to The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) from which time The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) assumed responsibility for provision of services in accordance with the provisions of the Health Services Act 1997:

Transferred from the Sydney Children's Hospital with effect from 01 July	\$ 60.56m
Transferred from the NSW Newborn and Paediatric Emergency Transport Services (NETS) with effect from 01 January 2011	(\$ 0.63m)
Total transfers	\$ 59.93m

Assets and liabilities transferred are as follows:

	\$000
Assets	
<i>Current Assets</i>	
Cash	4
Receivables	12,901
Stock on Hand	281
<i>Non-current Assets</i>	
Property, Plant and Equipment	88,796
Financial Assets at Fair Value	-
Liabilities	
<i>Current Liabilities</i>	
Payables	(1,758)
<i>Non-current Liabilities</i>	
Provisions	(40,293)
Subtotal	59,931
Add: Long Service Leave liability transferred to the Crown Entity	71,349
Increase/(Decrease) in Net Assets From Equity Transfers	131,280

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

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

36. Financial Instruments

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

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

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

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION

	Note	Category	Carrying Amount 2011 \$000	Carrying Amount 2010 \$000
Financial Assets				
Class:				
Cash and Cash Equivalents	17	N/A	18,389	10,245
Receivables ¹	18	Loans and receivables (at amortised cost)	17,322	7,184
Financial Assets at Fair Value	20	At fair value through profit or loss (designated as such upon initial recognition)	106,647	85,472
Total Financial Assets			<u>142,358</u>	<u>102,901</u>
Financial Liabilities				
Borrowings	25	Financial liabilities measured at	36	1,160
Payables ²	24	amortised cost	34,731	20,116
Total Financial Liabilities			<u>34,767</u>	<u>21,276</u>

Notes

¹ Excludes statutory receivables and prepayments (ie not within scope of AASB 7)

² Excludes statutory payables and unearned revenue (ie not within scope of AASB 7)

(b) Credit Risk

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

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

Credit risk associated with the Networks'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 Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

Cash

Cash comprises cash on hand and bank balances deposited in accordance with *Public Authorities Arrangements Act 1987* approvals. Interest is earned on daily bank balances at rates of approximately 4.4% in 2010/11. The NSW TCorp Hour-Glass cash facility is discussed in para (d) below.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW Department of Health Accounting Manual 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. Of the total trade debtors balance at year end, \$9.3m related to debtors that were not past due and not considered impaired and debtors of \$1.7m were past due but not considered impaired. Together these represent 91.9% of total trade debtors. The Receivables include Patient Fees Compensables which 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. There are no debtors which are currently not past due or impaired whose terms have been renegotiated. The only financial assets that are past due or impaired are 'sales of goods and services' 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.

	\$000		
2011	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
<3 months overdue	1,736	1,736	-
3 months - 6 months overdue	475	-	475
> 6 months overdue	506	-	506
2010			
<3 months overdue	541	541	-
3 months - 6 months overdue	241	-	241
> 6 months overdue	340	-	340

Notes

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

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

Authority Deposits

The Network has placed funds on deposit with NSW TCorp, which has been rated "AAA" by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed "at call" or for a fixed term. For fixed term deposits, the interest rate payable by NSW TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 5.41%, while over the year the weighted average interest rate was 5.38% on a weighted average balance during the year of \$10,909,645. None of these assets are past due or impaired.

(c) Liquidity Risk

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

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

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Network's exposure to liquidity risk is considered significant. However, the risk is minimised as the NSW Department of Health has indicated its ongoing financial support for The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) (refer Note 2).

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

Notes to and forming part of the Financial Statements
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The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the NSW Department of Health. 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.

In those instances where settlement cannot be effected in accordance with the above, eg due to short term liquidity constraints, terms of payment are negotiated with creditors.

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

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

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure				Maturity Dates		
	Weighted Average Effective Int. Rate	Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr
	%	\$000	\$000	\$000	\$000	\$000	\$000
2011							
Payables:							
Accrued Salaries		4,219	-	-	4,219	4,219	-
Wages, On-Costs and Payroll Deductions		3,746	-	-	3,746	3,746	-
Creditors		26,766	-	-	26,766	26,766	-
Borrowings:							
Other Loans and Deposits	6.08	-	36	-	-	36	-
		<u>34,731</u>	<u>36</u>	<u>-</u>	<u>34,731</u>	<u>34,767</u>	<u>-</u>
2010							
Payables:							
Accrued Salaries		3,354	-	-	3,354	3,354	-
Wages, On-Costs and Payroll Deductions		174	-	-	174	174	-
Creditors		16,588	-	-	16,588	16,588	-
Borrowings:							
Other Loans and Deposits	6.43	-	1160	-	-	1124	36
		<u>20,116</u>	<u>1,160</u>	<u>-</u>	<u>20,116</u>	<u>21,240</u>	<u>36</u>

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.

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

d) Market Risk

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Network operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2010. The analysis assumes that all other variables remain constant.

Interest rate risk

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

However, the Network is not permitted to borrow external to the NSW Department of Health (Energy loans which are negotiated through Treasury excepted).

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

A reasonably possible change of +/-1% is used consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

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

	Carrying Amount	-1%		+1%	
		Profit	Equity	Profit	Equity
	\$000	\$000	\$000	\$000	\$000
2011					
Financial Assets					
Cash and Cash Equivalents	18,389	(176)	(176)	176	176
Financial Assets at Fair Value	106,647	3,804	3,804	(3,804)	(3,804)
<hr/>					
2010					
Financial Assets					
Cash and Cash Equivalents	10,245	(102)	(102)	102	102
Financial Assets at Fair Value	85,472	1,011	1,011	(1,011)	(1,011)

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

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

Other price risk - NSW TCorp Hour-Glass facilities

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

Facility	Investment Sectors	Investment Horizon	2011 \$000	2010 \$000
Cash facility	Cash, money market instruments	Up to 1.5 years	10,590	6,331
Strategic cash facility	Cash, money market and other interest rate instruments	1.5 years to 3 years	60,121	67,240
Long-term growth facility	Cash, money market instruments, Australian and International bonds, listed property, Australian and International shares	7 years and over	13,430	-
Australian Shares facility	Cash, money market instruments, Australian and International bonds listed property, Australian and International shares	7 years and over	22,506	11,901

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

NSW TCorp is trustee for each of the above facilities and is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, NSW TCorp has appointed external managers to manage the performance and risk of each facility in accordance with a mandate agreed by the parties. However, NSW TCorp, acts as manager for part of the Cash and Strategic Cash Facilities and also manages the Australian Bond portfolio. A significant portion of the administration of the facilities is outsourced to an external custodian.

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

NSW TCorp provides sensitivity analysis information for each of the Investment facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (ie 95% probability).

The NSW TCorp Hour-Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity).

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

	Change in unit price	Impact on profit/loss	
		2011 \$000	2010 \$000
Hour-Glass Investment - Cash facility	+/- 1%	106	63
Hour-Glass Investment - Strategic cash facility	+/- 1%	601	672
Hour-Glass Investment - Long-term growth facility	+/- 15%	2,015	-
Australian Shares facility -	+/- 26%	5,852	2,856

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

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

(e) Fair Value compared to Carrying Amount

Financial instruments are generally recognised at cost, with the exception of the NSW TCorp Hour-Glass facilities, which are measured at fair value. As discussed, the value of the Hour-Glass Investments is based on the Network's share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using 'redemption' pricing.

Except where specified below, 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.

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

The Network uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

Level 1 - derived from quoted prices in active markets for identical assets/liabilities.

Level 2 - derived from inputs other than quoted prices that are observable directly or indirectly.

Level 3 - derived from valuation techniques that include inputs for the asset/liability not based on observable market data (unobservable inputs).

	Level 1 \$000	Level 2 \$000	Level 3 \$000	2011 Total \$000
NSW TCorp Hour-Glass Invt.Facility	-	106,647	-	106,647

(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 2011.

37. Post Balance Date Events

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

The Pregnancy and Newborn Service Network was transferred to the Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) with effect from 1 July 2011. In addition, the Children's Court Clinics were also transferred to the Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) from 1 July 2011.

END OF AUDITED FINANCIAL STATEMENTS