



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 2012, 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. 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 2011 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 2012, and of the financial performance and the cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

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 cash flows.

Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation of financial statements that give a true and fair view and 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 of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 other information that may have been hyperlinked to/from the financial statements.

Independence

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

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



A T Whitfield
Acting Auditor-General

3 October 2012
Sydney



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

**Certification of the Parent/Consolidated Financial Statements
for the year ended 30 June 2012**

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

- 1) The financial statements have been prepared in accordance with:
 - a) Australian Accounting Standards (which include Australian Accounting Interpretations)
 - b) The requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2010* and the Treasurer's Directions
 - c) The Financial Reporting Code for NSW General Government Sector Entities
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children); and
- 3) There are no circumstances which would render any particulars in the accounts to be misleading or inaccurate.

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

Elizabeth Koff
Chief Executive

3 October 2012

Lis Wilson
Director of Finance and Corporate Services

3 October 2012

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

Statement of Financial Position as at 30 June 2012

PARENT			CONSOLIDATION				
Actual	Budget Unaudited	Actual	Notes	Actual	Budget Unaudited	Actual	
2012	2012	2011		2012	2012	2011	
\$000	\$000	\$000		\$000	\$000	\$000	
ASSETS							
Current Assets							
35,788	13,865	18,389	Cash and Cash Equivalents	18	35,788	13,865	18,389
15,642	19,920	19,866	Receivables	19	15,642	19,920	19,866
6,007	5,781	5,727	Inventories	20	6,007	5,781	5,727
77,570	74,367	70,711	Financial Assets at Fair Value	21	77,570	74,367	70,711
135,007	113,933	114,693	Total Current Assets		135,007	113,933	114,693
Non-Current Assets							
34,064	35,936	35,936	Financial Assets at Fair Value	21	34,064	35,936	35,936
Property, Plant and Equipment							
408,655	390,842	387,405	- Land and Buildings	22	408,655	390,842	387,405
36,364	41,262	38,201	- Plant and Equipment	22	36,364	41,262	38,201
39,198	39,118	40,692	- Infrastructure Systems	22	39,198	39,116	40,692
484,217	471,220	466,298	Total Property, Plant and Equipment		484,217	471,220	466,298
1,615	2,614	2,180	Intangible Assets	23	1,615	2,614	2,180
519,896	509,770	504,414	Total Non-Current Assets		519,896	509,770	504,414
654,903	623,703	619,107	Total Assets		654,903	623,703	619,107
LIABILITIES							
Current Liabilities							
42,054	35,105	34,731	Payables	25	42,054	35,105	34,731
-	36	36	Borrowings	26	-	36	36
69,446	65,989	61,566	Provisions	27	69,446	65,989	61,566
814	474	474	Other	28	814	474	474
112,314	101,604	96,807	Total Current Liabilities		112,314	101,604	96,807
Non-Current Liabilities							
404	1,584	228	Provisions	27	404	1,584	228
404	1,584	228	Total Non-Current Liabilities		404	1,584	228
112,718	103,188	97,035	Total Liabilities		112,718	103,188	97,035
542,185	520,515	522,072	Net Assets		542,185	520,515	522,072
EQUITY							
229,288	210,581	210,581	Reserves		229,288	210,581	210,581
312,897	309,934	311,491	Accumulated Funds		312,897	309,934	311,491
542,185	520,515	522,072	Total Equity		542,185	520,515	522,072

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 2012

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2011		311,491	210,581	522,072
Restated Total Equity at 1 July 2011		311,491	210,581	522,072
Net Result for the year		1,238		1,238
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment		-	18,707	18,707
Total Other Comprehensive Income		-	18,707	18,707
Total Comprehensive Income for the year		1,238	18,707	19,945
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	36	168	-	168
Balance at 30 June 2012		312,897	229,288	542,185
Balance at 1 July 2010		181,743	184,568	366,311
Restated Total Equity at 1 July 2010		181,743	184,568	366,311
Net 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		131,280	-	131,280
Balance at 30 June 2011		311,491	210,581	522,072

The accompanying notes form part of these financial statements.

The Sydney Children's Hospitals Network (Randwick and Westmead) (Incorporating The Royal Alexandra Hospital for Children)
Statement of Cash Flows for the year ended 30 June 2012

PARENT			CONSOLIDATION			
Actual	Budget	Actual		Actual	Budget	Actual
2012	Unaudited	2011	Notes	2012	2012	2011
\$000	\$000	\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
				(420,525)	(419,074)	(364,983)
(2,409)	(2,868)	(1,988)	Employee Related	(2,409)	(2,868)	(1,988)
-	(9)	(59)	Grants and Subsidies	-	(9)	(59)
(574,826)	(564,706)	(510,562)	Finance Costs	(154,301)	(145,632)	(145,579)
			Other			
(577,235)	(567,581)	(512,609)	Total Payments	(577,235)	(567,581)	(512,609)
Receipts						
427,625	428,067	409,205	NSW Ministry of Health Recurrent Allocations	427,625	428,067	409,205
16,381	17,378	4,871	NSW Ministry of Health Capital Allocations	16,381	17,378	4,871
-	-	2,285	Cash Reimbursements from the Crown Entity	27,058	26,964	2,285
71,050	66,073	63,551	Sale of Goods and Services	71,050	66,073	63,551
1,146	223	1,594	Interest Received	1,146	223	1,594
79,017	74,771	51,516	Grants and Contributions	51,969	47,807	51,516
27,633	9,705	13,884	Other	27,633	9,705	13,884
622,852	596,217	546,906	Total Receipts	622,852	596,217	546,906
45,617	28,636	34,297	NET CASH FLOWS FROM OPERATING ACTIVITIES	45,617	28,636	34,297
CASH FLOWS FROM INVESTING ACTIVITIES						
84	(130)	130	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	34	(130)	130
-	-	2,500	Proceeds from Sale of Investments	-	-	2,500
(23,228)	(29,370)	(9,662)	Purchases of Land and Buildings, Plant and Equipment Infrastructure Systems and Intangibles	(23,228)	(29,370)	(9,662)
(4,987)	(3,856)	(18,000)	Purchases of Investments	(4,987)	(3,856)	(18,000)
(28,181)	(33,156)	(25,032)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(28,181)	(33,156)	(25,032)
CASH FLOWS FROM FINANCING ACTIVITIES						
(37)	(8)	(1,124)	Repayment of Borrowings and Advances	(37)	(8)	(1,124)
(37)	(8)	(1,124)	NET CASH FLOWS FROM FINANCING ACTIVITIES	(37)	(8)	(1,124)
17,399	(4,529)	8,141	NET INCREASE / (DECREASE) IN CASH	17,399	(4,528)	8,141
18,389	18,389	10,244	Opening Cash and Cash Equivalents	18,389	18,389	10,244
-	4	4	Cash Transferred In/(Out) as a Result of Administrative Restructuring	-	4	4
35,788	13,865	18,389	CLOSING CASH AND CASH EQUIVALENTS	35,788	13,865	18,389

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 2012

NETWORK EXPENSES AND INCOME	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total				
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012		
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000		
Expenses excluding losses																									
Operating Expenses	15,441	11,406	788	652	73,597	70,836	36,748	29,160	213,810	194,078	14,848	14,259	11,144	8,961	11,493	9,497	51,387	46,679					429,256	385,528	
Employee Related	407	338	20	18	1,853	1,873	773	719	5,637	5,395	366	320	202	163	258	222	803	779					10,319	9,825	
Visiting Medical Officers	4,890	3,987	228	218	21,774	23,872	12,270	10,331	62,191	65,038	4,237	5,884	4,072	3,322	3,219	3,146	21,801	18,574					134,682	134,372	
Other Operating Expenses	804	524	47	39	4,380	4,274	1,835	1,540	12,662	11,597	937	801	562	419	776	658	2,069	1,856					24,072	21,708	
Depreciation and Amortisation	77	69	1		245	208	62	45	435	285	36	21	175	183	36	22	1,082	1,155					2,149	1,988	
Grants and Subsidies																									
Finance Costs						12		3																	
Total Expenses excluding losses	21,519	16,322	1,084	927	101,849	101,075	51,688	41,798	294,735	276,424	20,424	21,287	16,155	13,049	15,782	13,547	77,143	69,051					600,479	553,480	
Revenue																									
NSW Ministry of Health Recurrent Allocations ***																									
NSW Ministry of Health Capital Allocations ***																									
Acceptance by the Crown Entity																									
of Employee Benefits and Other Liabilities	975	398	50	23	4,839	2,487	2,316	1,024	13,477	6,813	936	501	702	315	724	333	3,239	1,639					27,058	13,533	
Sale of Goods and Services	1,694	1,682	5	8	12,828	12,495	7,195	4,331	35,825	33,288	168	169	522	574	383	421	7,481	7,774					65,991	60,742	
Investment Revenue	164	532	3	12	319	309	98	208	714	660	9	21	134	437	163	525	1,954	4,566					3,558	7,270	
Grants and Contributions	3,520	3,941	73	81	1,979	2,029	1,448	1,450	4,901	5,394	125	132	2,806	3,066	3,339	3,617	31,619	31,817					49,810	51,517	
Other Revenue	429	249	7	5	1,263	917	353	246	3,242	2,293	26	18	300	168	346	190	7,213	1,798					13,179	5,884	
Total Revenue	6,782	6,802	138	129	21,028	18,237	11,350	7,259	58,159	49,438	1,264	841	4,464	4,560	4,905	5,086	47,594	44,006					803,602	553,022	
Gain / (Loss) on Disposal	-31				-86	-119	-17	-18	-315	-272		-1	-10	-1	-6		-75	-51						-540	-461
Other Gains / (Losses)	-38				-276	-159	-49	-24	-734	-362	-4	-2	-17	-1	-16	-1	-211	-65						-1,345	-613
Net Result	-14,906	-9,520	-946	-798	-81,183	-83,116	-40,404	-34,581	-237,625	-226,620	-19,164	-20,449	-11,718	-8,489	-10,899	-8,462	-25,923	-21,573					444,006	414,076	
Other Comprehensive Income																									
Increase/(Decrease) in Asset Revaluation Reserve	628	629	37	47	3,428	5,127	1,435	1,847	9,903	13,912	733	961	440	503	607	789	1,498	2,198						18,707	26,013
Total Other Comprehensive Income	628	629	37	47	3,426	5,127	1,435	1,847	9,903	13,912	733	961	440	503	607	789	1,498	2,198						18,707	26,013
Total Comprehensive Income	-14,278	-8,891	-909	-751	-77,757	-77,989	-38,969	-32,734	-227,722	-214,708	-18,431	-19,488	-11,278	-7,986	-10,292	-7,673	-24,425	-19,375					444,006	414,076	
Total Comprehensive Income																								19,945	24,481

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

* The purpose of each service group is summarised in Note 17.

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

The Service Group Statement uses statistical data for twelve months to 31 December 2010 which is further assessed and varied for seasonal variations, additional supplementations received during the year and significant transfer of services 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 July 2011 and 30 June 2012 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 2012

NETWORK ASSETS AND LIABILITIES	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 5.1 * Teaching And Research		Total				
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012		
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000		
ASSETS																							
Current Assets																							
Cash and Cash Equivalents	1,886	534	70	30	6,531	3,305	3,315	1,367	18,900	9,038	1,310	696	1,038	427	1,013	443	2,227	2,549	-	-	-	35,788	18,389
Receivables	321	464	1	3	2,325	3,311	1,292	1,152	9,932	12,356	31	45	110	169	79	133	1,551	2,233	-	-	-	15,642	19,866
Inventories	6	9	-	-	342	373	920	599	4,620	4,601	7	8	13	17	8	9	91	111	-	-	-	6,007	5,727
Financial Assets at Fair Value	2,230	1,687	112	95	10,504	10,447	5,331	4,320	30,396	28,572	2,105	2,200	1,666	1,349	1,625	1,400	23,600	20,640	-	-	-	77,570	70,711
Total Current Assets	3,943	2,694	183	129	19,702	17,436	10,858	7,438	63,848	54,567	3,454	2,949	2,825	1,962	2,725	1,985	27,469	25,633	-	-	-	135,007	114,693
Non-Current Assets																							
Financial Assets at Fair Value	964	857	48	49	4,541	5,310	2,304	2,196	13,141	14,521	911	1,118	720	885	705	712	10,730	10,488	-	-	-	34,064	35,936
Property, Plant and Equipment	13,737	9,361	803	697	74,834	76,357	31,352	27,513	216,335	207,185	16,009	14,310	9,602	7,486	13,259	11,755	32,724	32,741	-	-	-	408,655	387,405
- Land and Buildings	1,259	957	74	71	6,861	7,805	2,875	2,812	19,835	21,177	1,468	1,463	880	765	1,216	1,202	1,896	1,949	-	-	-	36,364	38,201
- Plant and Equipment	1,304	997	77	74	7,213	8,128	3,022	2,929	20,851	22,054	1,543	1,523	925	797	1,279	1,251	2,964	2,939	-	-	-	39,198	40,692
- Infrastructure Systems	59	58	3	4	321	469	135	169	929	1,274	69	88	41	46	58	72	-	-	-	-	-	1,615	2,180
Intangible Assets	17,343	12,230	1,005	895	93,770	98,069	39,688	35,619	271,091	266,211	20,000	18,502	12,168	9,779	16,517	14,992	48,314	48,117	-	-	-	519,896	504,414
Total Non-Current Assets	21,286	14,924	1,188	1,024	113,472	115,505	50,546	43,057	334,939	320,776	23,454	21,451	14,993	11,741	19,242	16,977	75,783	73,650	-	-	-	654,903	619,107
LIABILITIES																							
Current Liabilities																							
Payables	1,526	1,032	73	57	6,912	6,225	3,738	2,648	19,887	17,027	1,358	1,445	1,304	920	1,033	818	6,223	4,559	-	-	-	42,054	34,731
Borrowings	2,498	1,821	127	104	11,907	11,312	5,945	4,657	34,591	30,993	2,402	2,277	1,803	1,431	1,859	1,517	8,314	7,454	-	-	-	69,446	61,566
Provisions	4,024	2,854	200	151	18,819	17,544	9,583	7,308	55,292	49,514	3,760	3,724	3,107	2,352	2,892	2,337	14,537	12,013	-	-	-	814	474
Other	15	7	1	1	69	42	35	17	201	115	14	8	10	5	11	6	48	28	-	-	-	404	228
Total Current Liabilities	15	7	1	1	69	42	35	17	201	115	14	8	10	5	11	6	48	28	-	-	-	404	228
Provisions	15	7	1	1	69	42	35	17	201	115	14	8	10	5	11	6	48	28	-	-	-	404	228
Total Non-Current Liabilities	4,039	2,861	201	161	18,888	17,586	9,718	7,325	55,493	48,629	3,774	3,732	3,117	2,357	2,903	2,343	14,585	12,041	-	-	-	112,718	97,035
TOTAL LIABILITIES	17,247	12,063	987	863	94,584	97,919	40,828	35,732	279,446	272,148	19,660	17,719	11,876	9,384	16,339	14,634	61,198	61,609	-	-	-	542,185	522,072

* The name and purpose of each service group is summarised in Note 17

Assets and liabilities that are specific to service groups are allocated accordingly, e.g. Non-Current Assets Held for Sale. Remaining assets and liabilities are apportioned to service groups in accordance with the methodology advised in Note 2(e), 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 Reporting Entity

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

On 1 July 2011 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). In addition, the function of Children's Court Clinic was also transferred from the Department of Attorney General and Justice to the Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) with effect from 1 July 2011.

The parent entity, comprises all the operating activities of the hospital facilities and those of NETS, PSN and CCC 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 as a reporting entity, comprises all the entities under its control, namely: the children's hospitals at Randwick and Westmead; the NSW Newborn and Paediatric Emergency Transport Services (NETS), the Pregnancy and Newborn Service Network (PSN) and the Children's Court Clinic (CCC). 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 on 1 July 2010. These Divisions provide personnel services to enable a Network to exercise its functions.

As a consequence the values in the annual financial statements presented herein consist of the parent entity and the consolidated entity which comprises the parent and special purpose service division. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

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

These consolidated financial statements for the year ended 30 June 2012 have been authorised for issue by the Chief Executive on 03 October 2012.

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 the *Health Services Act 1997* and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the *Public Finance and Audit Act 1983* and its regulations, and the Treasurer's Direction. Apart from the basis for the Network's budget figures, the financial statements comply with the Financial Reporting Code for NSW General Government Sector Entities. Further information on the budget figures can be found at Note 2(ab).

The consolidated entity has a surplus of working capital of \$22.7m (2011 surplus of \$17.9m). However, on exclusion of restricted assets, the consolidated entity has a deficiency of working capital of \$54.9m (comparative 2011 deficiency of \$52.8m). Notwithstanding this deficiency the financial statements have been prepared on a going concern basis.

This basis for preparation as a going concern is appropriate given -

* The Network receives each year funding from monies appropriated to the Minister from the Consolidated Fund in accordance with Section 127 of the *Health Services Act 1997* and in accordance with the Service Agreement between the Director General, NSW Ministry of Health and the Network.

* These appropriated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.

* A significant portion of current annual leave entitlements are not expected to be settled in the next 12 months.

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Other mitigating circumstances why the going concern is appropriate include:

- * The Network has the capacity to review timing of subsidy cashflows to ensure that they can pay debts as and when they become due and payable.
- * The Network has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefit from the EIP are retained by the Network and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.

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

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 as follows -

Depreciation	Note 2(i)
Provisions	Note 2(a)

Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements. Comparative amounts, where practicable, are reclassified for the purpose of comparability with the current year figures.

Statement of Compliance

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

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

a) Employee Benefits and Other Provisions

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

At the consolidated level of reporting, liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick 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 2012, such on-costs being based on actuarial assessment (Comparable on-costs for 30 June 2011 were also 17%).

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

The Network's liability for Long Service Leave and defined benefit superannuation are assumed by the Crown Entity.

The Network accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item.

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

Long Service Leave is measured at present value in accordance with AASB119, Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 12/06) 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 25, 'Payables'.

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

iii) Other Provisions

Other provisions occur 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 managed by 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) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with NSW Treasury's Mandate to not-for-profit 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.

Patient Fees

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

High Cost Drugs

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

Motor Accident Authority Third Party

A bulk billing agreement exists in which motor vehicle insurers affect payment directly to NSW Health for the hospital costs for those persons hospitalised or attending for inpatient treatment as a result of motor accidents.

Investment Revenue

Interest revenue is recognised using the effective interest method as set out in AASB139, Financial Instruments: Recognition and Measurement.

Rental Revenue

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

Royalty revenue is recognised in accordance with AASB118 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 Ministry 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 Ministry of Health Allocations

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

This allocation is included in the Statement of Comprehensive Income before arriving at the "Net Result" on the basis that the allocation is earned in return for the health services provided on behalf of the NSW Ministry 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

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 2010/11 activity data using standard cost weighted separation values to reflect estimated costs in 2011/12 for acute weighted inpatient separations.

The composition of interstate 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(y)).

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, i.e. 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 Ministry 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 and TPP 07-1 April 2007, NSW Treasury Accounting Policy: Valuation of Physical Non-Current Assets at Fair Value.

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

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.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is the depreciated replacement cost. Given the specialised nature of Network's assets the depreciated replacement cost method of valuation was adopted.

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 was completed on 01 March 2012 and was based on an independent assessment.

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 net result for the year, the increment is recognised immediately as revenue in the Net Result.

Revaluation decrements are recognised immediately as expenses in the net result for the year, except that, to the extent that a credit balance exists in the 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) Assets Not Able to be Reliably Measured

The Network may at times hold certain assets that are not recognised in the Statement of Financial Position because the Network is unable to measure reliably the value of the assets. No such assets were held by the Network at the balance date.

The Network holds a number of donated artworks, including paintings, prints and sculptures, that were mainly donated by schools and the public. The Network could not estimate their value at the time of acquisition, as most of them are made by amateur artists and have a value less than \$10,000 a piece. The Network does not hold these items for trading or income generation.

m) 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.

n) Investment Properties

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

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

o) Intangible Assets

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

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

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

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

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.

p) Maintenance

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

q) **Leased Assets**

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and 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.

r) **Inventories**

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

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

s) **Loans and Receivables**

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

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

t) **Investments**

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

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

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

The 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 Networks' 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*.

T Corp 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'.

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

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

u) **Impairment of financial assets**

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

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

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

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

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

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

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

w) **Payables**

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

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

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

x) **Borrowings**

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

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

y) 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 entities are recognised at the amount at which the asset was recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the 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.

z) Equity and Reserves

(i) Asset Revaluation Surplus

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

(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.

aa) Trust Funds

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

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

ab) Budgeted Amounts

The budgeted amounts are drawn from the budgets agreed with the NSW Ministry of Health at the beginning of the financial year and with any adjustments for the effects of additional supplementation provided. The budget amounts are not subject to audit review and, accordingly, the relevant column entries in the financial statements are denoted as "Unaudited".

ac) Service Group Statements Allocation Methodology

Expenses and revenues are assigned to service groups in accordance with statistical data for the twelve months ended 31 December 2010 that is further assessed and varied for seasonal variations, additional supplementations received during the year and significant transfer of services and this 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 Ministry of Health requires that Network 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 Ministry of Health, e.g. depreciation/amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant & Equipment.

ad) New Australian Accounting Standards Issued but not Effective

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.

AASB 9 and AASB 2010-7, Financial Instruments have mandatory application from 1 July 2013 and comprise changes to improve and simplify the approach for classification and measurement of financial assets. Financial assets of the Network are not significant and the change is not expected to materially impact the financial statements.

AASB 10, Consolidated Financial Statements has mandatory application from 1 July 2013 and provides replacement criteria for the assessment of control in lieu of the provisions of AASB 127. Changes to the reporting of consolidated entities is not expected as a result of this amendment.

AASB 11, Joint Arrangements has mandatory application from 1 July 2013 and defines joint control and the determination of joint control through an assessment of rights and obligations. The Standard is not expected to have any effect within the Network.

AASB 12, Disclosure of Interests in Other Entities, has mandatory application from 1 July 2013 and requires disclosure of significant judgements and assumptions made in determining the nature of its interests in another entity or arrangement.

It is not expected that the changes will have material impact on the Network.

AASB 13, AASB 2011-8 and AASB 2012-1, Fair Value Measurement have mandatory application from 1 July 2013 and address, inter alia, the assumption that market participants would use when pricing the asset or liability. Future impact is assessed as minimal.

AASB 119, AASB 2011-10 and AASB 2011-11, regarding employee entitlements, have mandatory application from 1 July 2013 and cover the recognition and measurement of short term and long term employee benefits. Any changes to the 2012/13 financial statements will be dependent on the policy of NSW Treasury.

AASB 127, Separate Financial Statements, has mandatory application from 1 July 2013 and applies in accounting for interests in subsidiaries, joint ventures and associates. Based on current activities, it is assessed as having no future impact on the Network.

AASB 128, Investments in Associates and Joint Ventures, has mandatory application from 1 July 2013 and, based on current activities, is assessed as having 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 Treasury.

AASB 2010-8, Deferred Tax: Recovery of Underlying Assets has application from 1 July 2012 and addresses deferred tax relating to investment property. It is assessed as having no impact on the Network.

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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.

AASB 2011-2, Trans Tasman Convergence Project - Reduced Disclosure Requirements, has mandatory application from 1 July 2013 and may result in a lessening of reporting requirements, dependent on the mandate of Treasury.

AASB 2011-3, Amendments to Australian Accounting Standards - Orderly Adoption of Changes to the ABS GFS Manual and related amendments has application from 1 July 2012 and changes in disclosure will be dependent on the mandate of Treasury.

AASB 2011-4, Amendments to Australian Accounting Standards To Remove Individual Key Management Personnel Disclosure Requirements, has application from 1 July 2013 and removes the requirement to individually report the remuneration to Key Management Personnel, recognising that this is more a governance issue.

AASB 2011-6, Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements (AASB 127, AASB 128 and AASB 131), applies from 1 July 2013.

The exemptions from preparing the consolidation is not expected to apply to the Network.

ASB 2011-7, Amendments to Australian Accounting Standards for the consolidation and joint arrangement standards, arise from the issuance of AASB 10, AASB 11, AASB 12, AASB 127, and AASB 128. The changes have application from 1 July 2013 but are assessed as having no material effect.

AASB 2011-8, Amendments to Australian Accounting Standards, Fair Value Measurement affects 32 standards and nine interpretations, consequential to the new requirements contained in AASB 13, Fair Value Measurement. The change is effective from 1 July 2013.

AASB 2011-9, Amendments to Australian Accounting Standards, Presentation of Items of Other Comprehensive Income has application from 1 July 2012. The amendments requires entities to group items presented in Other Comprehensive Income on the basis of whether they are potentially reclassified to Profit or Loss. No change is expected.

AASB 2011-10, Amendments to Australian Accounting Standards arising from AASB 119 has application from 1 July 2013 and makes consequential amendments to 7 standards and 1 interpretation to the changes made by AASB 119, Employee Entitlements. Any change to the 2013/14 will be dependent on the policy of NSW Treasury.

AASB 2011-11, Amendments to AASB 119 arising from Reduced Disclosure Requirements, has application from 1 July 2013 and any changes will be dependent on the mandate of NSW Treasury.

AASB 2011-12, Amendments to AASB 119 arising from Reduced Disclosure Requirements, has application from 1 July 2013 and any changes will be dependent on the mandate of NSW Treasury.

AASB 2011-13, Amendments to Australian Accounting Standard - Improvements to AASB 1049, has application from 1 July 2013 and relates to the Whole of Government General Purpose Financial Statements and General Government Sector Financial Statements. Any change will be dependent on the mandate of NSW Treasury.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
3. Employee Related				
Employee related expenses comprise the following:				
		Salaries and Wages	289,984	264,826
		Overtime	10,776	10,798
		Penalties	21,240	20,301
		Superannuation - Defined Benefit Plans	5,643	6,381
		Superannuation - Defined Contribution Plans	28,762	26,118
		Long Service Leave	21,416	11,108
		Annual Leave	35,937	31,021
		Sick Leave and Other Leave	12,862	12,579
		Redundancies	171	23
		Workers' Compensation Insurance	2,453	2,372
		Fringe Benefits Tax	12	1
			429,256	385,528
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:				
289,984	264,826	Salaries and Wages		
10,776	10,798	Overtime		
21,240	20,301	Penalties		
28,762	26,118	Superannuation - Defined Contribution Plans		
1	(67,393)	Long Service Leave		
35,937	31,021	Annual Leave		
12,862	12,579	Sick Leave and Other Leave		
171	23	Redundancies		
2,453	2,372	Workers' Compensation Insurance		
12	1	Fringe Benefits Tax		
402,198	300,646		-	-
5. Other Operating Expenses				
7,989	9,391	Blood and Blood Products	7,989	9,391
4,384	4,660	Domestic Supplies and Services	4,384	4,660
24,268	25,070	Drug Supplies	24,268	25,070
4,331	4,217	Food Supplies	4,331	4,217
3,693	2,870	Fuel, Light and Power	3,693	2,870
9,179	10,738	General Expenses (See (b) below)	9,179	10,738
4,505	2,980	Hospital Ambulance Transport Costs	4,505	2,980
5,632	3,787	Information Management Expenses	5,632	3,787
685	456	Insurance	685	456
		Maintenance (See (c) below)		
3,369	5,242	Maintenance Contracts	3,369	5,242
3,546	3,999	New/Replacement Equipment under \$10,000	3,546	3,999
2,946	3,547	Repairs Maintenance/Non Contract	2,946	3,547
1,411	192	Other	1,411	192
26,201	25,811	Medical and Surgical Supplies	26,201	25,811
339	290	Motor Vehicle Expenses	339	290
2,165	1,805	Postal and Telephone Costs	2,165	1,805
2,071	2,311	Printing and Stationery	2,071	2,311
612	566	Rates and Charges	612	566
407	351	Rental	407	351
16,074	17,114	Special Service Departments	16,074	17,114
4,904	3,347	Staff Related Costs	4,904	3,347
60	65	Sundry Operating Expenses (See (a) below)	60	65
5,911	5,563	Travel Related Costs	5,911	5,563
134,682	134,372		134,682	134,372

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
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for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
		(a) Sundry Operating Expenses comprise :		
60	65	Contract for Patient Services	60	65
<u>60</u>	<u>65</u>		<u>60</u>	<u>65</u>
		(b) General Expenses include :		
510	269	Advertising	510	269
141	131	Auditor's Remuneration - Audit of Financial Statements	141	131
101	37	Auditor's Remuneration - Other Services	101	37
497	422	Books, Magazines and Journals	497	422
		Consultancies		
17	32	- Capital Works	17	32
1,181	1,057	- Operating Activities	1,181	1,057
1,602	1,189	Corporate Support Services	1,602	1,189
484	446	Courier and Freight	484	446
222	216	Data Recording and Storage	222	216
150	95	Legal Services	150	95
368	216	Membership/Professional Fees	368	216
241	232	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	241	232
2	-	Public Private Partnership	2	-
126	221	Other Operating Lease Expense - Minimum Lease Payments	126	221
48	40	Payroll Services	48	40
168	44	Quality Assurance/Accreditation	168	44
80	116	Security Services	80	116
-	2,142	Services Purchased from Health Reform Transition Organisations	-	2,142
601	564	Translator Services	601	564
2,640	3,269	Other	2,640	3,269
<u>9,179</u>	<u>10,738</u>		<u>9,179</u>	<u>10,738</u>
		(c) Reconciliation of Total Maintenance		
11,272	12,980	Maintenance Expense - Contracted Labour and Other (Non-Employee Related), included in Note 5	11,272	12,980
297	310	Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	297	310
<u>11,569</u>	<u>13,290</u>	Total Maintenance Expenses included in Notes 3, 4 and 5	<u>11,569</u>	<u>13,290</u>

The Sydney Children's Hospitals Network (Randwick and Westmead) (Incorporating The Royal Alexandra Hospital for Children)
 Notes to the Financial Statements
 for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
6. Depreciation and Amortisation				
13,525	12,519	Depreciation - Buildings	13,525	12,519
126	123	Amortisation - Leased Buildings	126	123
8,279	6,951	Depreciation - Plant and Equipment	8,279	6,951
1,576	1,491	Depreciation - Infrastructure Systems	1,576	1,491
566	624	Amortisation - Intangible Assets	566	624
<u>24,072</u>	<u>21,708</u>		<u>24,072</u>	<u>21,708</u>
7. Grants and Subsidies				
356	347	Non-Government Organisations	356	347
210	153	Grants to Research Organisations	210	153
1	4	Promotion of Research	1	4
402	-	Budget Sector Other Grants	402	-
1,180	1,484	Other Grants	1,180	1,484
<u>2,149</u>	<u>1,988</u>		<u>2,149</u>	<u>1,988</u>
8. Finance Costs				
1	59	Interest on Bank Overdrafts and Loans	1	59
<u>1</u>	<u>59</u>		<u>1</u>	<u>59</u>

The Sydney Children's Hospitals Network (Randwick and Westmead) (Incorporating The Royal Alexandra Hospital for Children)
Notes to the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
9. Sale of Goods and Services				
(a) Sale of Goods comprise the following:				
2,923	2,752	Sale of Prosthesis	2,923	2,752
502	101	Other	502	101
362	307	Pharmacy Sales	362	307
(b) Rendering of Services comprise the following:				
Patient Fees [see note 2(d)]				
18,904	19,297	- Inpatient Fees	18,904	19,297
868	1,324	- Non Inpatient Fees	868	1,324
299	257	Staff-Meals and Accommodation	299	257
13,275	12,715	Infrastructure Fees - Monthly Facility Charge [see note 2(d)]	13,275	12,715
2,352	3,240	- Annual Charge	2,352	3,240
2,019	2,043	Cafeteria/Kiosk	2,019	2,043
2,354	2,438	Car Parking	2,354	2,438
731	726	Child Care Fees	731	726
129	116	Clinical Services (excluding Clinical Drug Trials)	129	116
729	904	Commercial Activities	729	904
39	52	Fees for Medical Records	39	52
-	14	Information Retrieval	-	14
4,500	4,183	High Cost Drugs	4,500	4,183
1,400	1,034	Motor Accident Authority Third Party	1,400	1,034
6,460	3,804	Patient Inflows from Interstate [see note (c) below]	6,460	3,804
4,943	2,212	Patient Transport Fees	4,943	2,212
229	153	Salary Packaging Fee	229	153
929	520	Services Provided to Non NSW Health Organisations	929	520
2,044	2,550	Other	2,044	2,550
65,991	60,742		65,991	60,742
(c) Revenues from Patient Inflows from Interstate are as follows:				
4,775	2,395	Australian Capital Territory	4,775	2,395
71	1,830	Northern Territory	71	1,830
970	(297)	Queensland	970	(297)
106	6	South Australia	106	6
58	165	Tasmania	58	165
297	(1)	Victoria	297	(1)
183	(294)	Western Australia	183	(294)
6,460	3,804		6,460	3,804
10. Investment Revenue				
Interest				
1,146	722	- Bank	1,146	722
16	25	Royalties	16	25
2,396	6,523	Other - TCorp	2,396	6,523
3,558	7,270		3,558	7,270

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
11. Grants and Contributions				
1,900	865	Clinical Drug Trials	1,900	865
5,505	4,001	Commonwealth Government Grants	5,505	4,001
2,293	177	Commonwealth Teaching Hospital Grants	2,293	177
25,530	30,025	Industry Contributions/Donations	25,530	30,025
865	705	Cancer Institute Grants	865	705
171	579	NSW Government Grants	171	579
5,803	7,203	Research Grants	5,803	7,203
7,743	7,962	Other Grants	7,743	7,962
49,810	51,517		49,810	51,517
12. Acceptance by the Crown Entity of employee benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
-	-	Superannuation-defined benefit	5,643	6,381
-	-	Long Service Leave	21,415	7,152
-	-		27,058	13,533
13. Other Revenue				
18	5	Bad Debts Recovered	18	5
194	118	Commissions	194	118
2,119	1,031	Conference and Training Fees	2,119	1,031
33	(2)	Discounts	33	(2)
-	2	Insurance Refunds	-	2
670	601	Lease and Rental Income	670	601
56	152	Sale of Merchandise, Old Wares and Books	56	152
253	168	Sponsorship Income	253	168
1,216	1,252	Treasury Managed Fund Hindsight Adjustment	1,216	1,252
8,620	2,557	Other (See (a) below)	8,620	2,557
13,179	5,884		13,179	5,884
(a) 'Other' includes:				
Property previously not brought to account -				
3,932	-	Cord Blood Bank net assets at the beginning of the year	3,932	-
1,715	-	Other Property, Plant and Equipment found on stocktake	1,715	-
2,973	2,557	Other	2,973	2,557
8,620	2,557		8,620	2,557

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 Notes to the Financial Statements
 for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
		14. Gain/(Loss) on Disposal		
2,720	7,316	Property, Plant and Equipment	2,720	7,316
<u>2,146</u>	<u>6,725</u>	Less: Accumulated Depreciation	<u>2,146</u>	<u>6,725</u>
574	591	Written Down Value	574	591
34	130	Less: Proceeds from Disposal	34	130
<u>(540)</u>	<u>(461)</u>	Loss on Disposal of Property, Plant and Equipment	<u>(540)</u>	<u>(461)</u>
<u>(540)</u>	<u>(461)</u>	Total Loss on Disposal	<u>(540)</u>	<u>(461)</u>
		15. Other Gains / (Losses)		
(1,345)	(613)	Impairment of Receivables	(1,345)	(613)
<u>(1,345)</u>	<u>(613)</u>		<u>(1,345)</u>	<u>(613)</u>

PARENT AND CONSOLIDATION

16. 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	2,041	12,670	2,654	17,365
Contributions recognised in amalgamated balance as at 30 June 2011 which were not expended in the current reporting period	7,120	79,515	6,933	93,568
Total amount of unexpended contributions as at balance date	<u>9,161</u>	<u>92,185</u>	<u>9,587</u>	<u>110,933</u>

Comment on restricted assets appears in Note 24

17. 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.

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 Ministry of Health's services for disabled, with those provided by other agencies and individuals.

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

Service Group 5.1 - Population Health Services

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

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

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

Service Group 6.1 - Teaching and Research

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

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

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

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PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
18. Cash and Cash Equivalents				
35,788	18,389	Cash at Bank and On Hand	35,788	18,389
35,788	18,389		35,788	18,389
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:				
35,788	18,389	Cash and Cash Equivalents (per Statement of Financial Position)	35,788	18,389
35,788	18,389	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	35,788	18,389

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

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Notes to the Financial Statements
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PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
19. Receivables				
Current				
11,203	9,376	Sale of Goods and Services	11,203	9,376
1,863	507	Leave Mobility	1,863	507
1,115	6,939	Intra Health Receivables	1,115	6,939
1,464	1,893	Goods and Services Tax	1,464	1,893
1,436	1,480	Other Debtors	1,436	1,480
<u>17,081</u>	<u>20,195</u>	Sub Total	<u>17,081</u>	<u>20,195</u>
<u>(2,211)</u>	<u>(980)</u>	Less Allowance for Impairment	<u>(2,211)</u>	<u>(980)</u>
14,870	19,215	Sub Total	14,870	19,215
772	651	Prepayments	772	651
<u>15,642</u>	<u>19,866</u>		<u>15,642</u>	<u>19,866</u>
 (a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(482)	(246)	Balance at Commencement of Reporting Period	(482)	(246)
(46)	212	Amounts written off during the year	(46)	212
(18)	(5)	Amounts recovered during the year	(18)	(5)
(1,062)	(443)	(Increase)/decrease in Allowance Recognised in Result for the Year	(1,062)	(443)
(1,607)	(482)	Balance at 30 June	(1,607)	(482)
 (b) Movement in the Allowance for Impairment				
Other Debtors				
(498)	(335)	Balance at Commencement of Reporting Period	(498)	(335)
178	7	Amounts written off during the year	178	7
-	-	Amounts recovered during the year	-	-
(283)	(171)	(Increase)/decrease in Allowance Recognised in Result for the Year	(283)	(171)
(604)	(498)	Balance at 30 June	(604)	(498)
<u>(2,211)</u>	<u>(980)</u>		<u>(2,211)</u>	<u>(980)</u>
 (c) Sale of Goods and Services Receivables				
(Current) include:				
632	349	Patient Fees - Compensable	632	349
1,017	1,225	Patient Fees - Ineligible	1,017	1,225
3,640	2,841	Patient Fees - Other	3,640	2,841
<u>5,289</u>	<u>4,415</u>		<u>5,289</u>	<u>4,415</u>

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

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Notes to the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
20. Inventories - Current - Held for Distribution				
1,634	1,569	Drugs	1,634	1,569
3,339	3,069	Medical and Surgical Supplies	3,339	3,069
33	29	Food and Hotel Supplies	33	29
143	140	Engineering Supplies	143	140
858	920	Other Including Goods in Transit	858	920
6,007	5,727		6,007	5,727

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
21. Financial Assets at Fair Value				
Current				
<u>77,570</u>	<u>70,711</u>	Treasury Corporation - Hour-Glass Investment Facilities	<u>77,570</u>	<u>70,711</u>
<u>77,570</u>	<u>70,711</u>		<u>77,570</u>	<u>70,711</u>
Non Current				
		Treasury Corporation - Hour-Glass Investment Facilities		
20,732	22,506	- Australian Shares Sector Trust	20,732	22,506
<u>13,332</u>	<u>13,430</u>	- Long Term Growth Facility	<u>13,332</u>	<u>13,430</u>
<u>34,064</u>	<u>35,936</u>		<u>34,064</u>	<u>35,936</u>

Refer to Note 37 for further information regarding credit risk, liquidity risk and market risk arising from financial investments.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
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PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
22. Property, Plant and Equipment				
Land and Buildings - Fair Value				
600,880	568,635	Gross Carrying Amount	600,880	568,635
192,225	181,230	Less Accumulated Depreciation and Impairment	192,225	181,230
408,655	387,405	Net Carrying Amount	408,655	387,405
Plant and Equipment - Fair Value				
127,838	123,526	Gross Carrying Amount	127,838	123,526
91,474	85,325	Less Accumulated Depreciation and Impairment	91,474	85,325
36,364	38,201	Net Carrying Amount	36,364	38,201
Infrastructure Systems - Fair Value				
61,529	63,821	Gross Carrying Amount	61,529	63,821
22,331	23,129	Less Accumulated Depreciation and Impairment	22,331	23,129
39,198	40,692	Net Carrying Amount	39,198	40,692
484,217	466,298	Total Property, Plant and Equipment At Net Carrying Amount	484,217	466,298

PARENT AND CONSOLIDATION

22. 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
2012							
Net Carrying Amount at Start of Year	27,464	353,740	2,539	3,662	38,202	40,692	466,299
Additions	-	10	16,266	-	7,051	-	23,327
Disposals	-	-	-	-	(574)	-	(574)
Administrative Restructures - Transfers In/(Out)	-	-	-	-	65	-	65
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	(1,314)	19,792	-	205	-	24	18,707
Depreciation Expense	-	(13,525)	-	(126)	(8,279)	(1,576)	(23,506)
Reclassifications	-	4,539	(4,597)	-	(101)	58	(101)
Net Carrying Amount at End of Year	26,150	364,556	14,208	3,741	36,364	39,198	484,217

	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 Reporting Period	20,318	281,016	-	3,785	31,085	27,533	363,737
Additions	-	8	2,460	-	6,362	69	8,919
Disposals	-	(59)	-	-	(523)	(9)	(591)
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

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the Network [see note 2(g)].
- (ii) Land and Buildings were valued on 01 March 2012 by Mr Shane Anlag, an independent valuer, Registered Valuer No. 17535, Mr. Therone Russell, an independent valuer, Registered Valuer No. 26104 and Mr. Con Vafeas, an independent valuer, Registered Valuer No. 23211 for the Westmead facility and by Mr Bradley Humphreys AAPI, an independent valuer, Registered Valuer No. 19372 for the Randwick facility [see note 2(i)]. All the four valuers are not employees of the Network.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
		23. Intangible Assets		
		Software		
8,504	8,629	Cost (Gross Carrying Amount)	8,504	8,629
<u>6,889</u>	<u>6,449</u>	Less Accumulated Amortisation	<u>6,889</u>	<u>6,449</u>
<u>1,615</u>	<u>2,180</u>	Net Carrying Amount	<u>1,615</u>	<u>2,180</u>

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23. Intangibles - Reconciliation

	Software \$000	Total \$000
2012		
Net Carrying Amount at Start of Year	2,180	2,180
Reclassification from Plant & Equipment	1	1
Amortisation (Recognised in Depreciation and Amortisation)	(566)	(566)
Net Carrying Amount at End of Year	1,615	1,615

	Other \$000	Total \$000
2011		
Net Carrying Amount at Start of Reporting Period	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

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012 \$000	2011 \$000		2012 \$000	2011 \$000
24. Restricted Assets				
The Network's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.				
	Category	Brief Details of Externally Imposed Conditions including Asset Category affected		
59,883	55,987 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.	59,883	55,987
7,023	6,956 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.	7,023	6,956
34,440	35,971 Research Grants	Funds held for provision of research infrastructure and research on child health and other related research carried out by the Network.	34,440	35,971
9,587	9,406 Private Practice Funds	Funds held for the use of training, education and professional development of medical staff.	9,587	9,406
110,933	108,320		110,933	108,320

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Notes to the Financial Statements
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PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
		25. Payables		
		Current		
		Accrued Salaries, Wages and On-Costs	6,030	4,219
		Taxation and Payroll Deductions	3,547	3,746
9,577	7,965	Accrued Liability - Purchase of Personnel Services	-	-
12,435	9,837	Creditors	12,435	9,837
		Other Creditors		
	81	- Capital Works	-	81
16,947	11,507	- Intra Health Liability	16,947	11,507
3,091	5,341	- Other	3,091	5,341
4	-	- Taxation	4	-
<u>42,054</u>	<u>34,731</u>		<u>42,054</u>	<u>34,731</u>

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

		26. Borrowings		
		Current		
-	36	Other Loans and Deposits	-	36
<u>-</u>	<u>36</u>		<u>-</u>	<u>36</u>

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

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to the Financial Statements
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PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
27. Provisions				
		Annual Leave - Short Term Benefit	30,375	25,223
		Annual Leave - Long Term Benefit	31,403	32,003
		Long Service Leave On-Costs	7,668	4,340
69,446	61,566	Provision for Personnel Services Liability		
69,446	61,566	Total Current Provisions	69,446	61,566
Non-Current Employee Benefits and Related On-Costs				
		Long Service Leave On-Costs	404	228
404	228	Provision for Personnel Services Liability		
404	228	Total Non-Current Provisions	404	228
Aggregate Employee Benefits and Related On-Costs				
		Provisions - Current	69,446	61,566
		Provisions - Non-Current	404	228
		Accrued Salaries, Wages and On-Costs (Note 25)	9,577	7,965
79,427	69,759	Accrued Liability - Purchase of Personnel Services (Note 25)		
79,427	69,759		79,427	69,759

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
 Notes to the Financial Statements
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PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
		28. Other Liabilities		
		Current		
		Income in Advance		
814	474		814	474
<u>814</u>	<u>474</u>		<u>814</u>	<u>474</u>

Income in Advance represents fees received in advance from customers or students for which services are rendered after 30 June 2012.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to the Financial Statements
for the Year Ended 30 June 2012

PARENT		CONSOLIDATION	
2012 \$000	2011 \$000	2012 \$000	2011 \$000
	29. Commitments for Expenditure		
	(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:		
3,152	Not later than one year	3,152	2,649
283	Later than one year and not later than five years	283	176
-	Later than five years	-	-
<u>3,435</u>	Total Capital Expenditure Commitments (Including GST)	<u>3,435</u>	<u>2,825</u>
	Of the commitments reported at 30 June 2012 it is expected that \$2,072,967 will be met from locally generated moneys.		
	(b) Operating Lease Commitments		
	Commitments in relation to non-cancellable operating leases are payable as follows:		
471	Not later than one year	471	164
377	Later than one year and not later than five years	377	134
-	Later than five years	-	-
<u>848</u>	Total Operating Lease Commitments (Including GST)	<u>848</u>	<u>298</u>

The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.

(c) Contingent Asset Related to Commitments for Expenditure

The total of 'Commitments for Expenditure' above, i.e. \$4.28 million as at 30 June 2012 includes input tax credits of \$0.39M that are expected to be recoverable from the Australian Taxation Office (2011 \$0.28M).

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to the Financial Statements
for the Year Ended 30 June 2012

PARENT AND CONSOLIDATION

30. Trust Funds

The Network holds trust fund moneys of \$0.69 million which are used for Private Practice Trusts.

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.

	Private Practice Trust Funds		Total	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Cash Balance at the beginning of the financial year	4,680	1,232	4,680	1,232
Receipts	24,385	30,296	24,385	30,296
Expenditure	(28,372)	(26,848)	(28,372)	(26,848)
Cash Balance at the end of the financial year	693	4,680	693	4,680

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31. Contingent Liabilities and Assets

a) Workers Compensation Hindsight Adjustment

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2005/06 fund year and an interim adjustment for the 2007/08 fund year were not calculated until 2011/12.

As a result, the 2006/07 final and 2008/09 interim pertaining to the hospitals and community services now forming part of the Network will be paid in 2012/13. It is not possible for the Network to reliably quantify the benefit to be received.

b) Contingent Assets and Liabilities

The Network estimates the value of contingent assets that the Network may come to possess in the next financial year depending on the outcome of legal matters awaiting financial settlements at approximately \$5.90m. The Network also estimates the corresponding contingent liabilities that the Network may have to settle in the next financial year dependent on the progress and final outcome of the legal matters awaiting financial settlement at approximately \$0.02m.

	PARENT		CONSOLIDATION	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
32. Reconciliation of Cash Flows from Operating Activities to Net Result				
Net Cash Flows from Operating Activities	45,617	34,297	45,617	34,297
Depreciation	(24,072)	(21,709)	(24,072)	(21,709)
Allowance for Impairment	1,345	(399)	1,345	(399)
Acceptance by the Crown Entity of Employee LSL Benefits	-	71,349	-	-
Income in advance	(341)	(395)	(341)	(395)
Decrease in Provisions	(8,055)	(4,220)	(8,055)	(4,220)
Increase / (Decrease) in Prepayments and Other Assets	(5,262)	4,431	(5,262)	4,431
(Increase) in Creditors	(7,454)	(13,076)	(7,454)	(13,076)
Net (Loss) on Sale of Property, Plant and Equipment	(540)	(461)	(540)	(461)
	1,238	69,817	1,238	(1,532)

33. 2011/12 Voluntary Services

It is considered impracticable to quantify the monetary value of voluntary service 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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34. Unclaimed property and wages

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

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

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

35. Budget Review - Parent and Consolidated

Net Result

The actual Net Result was favourable compared to budget by \$2.8M, primarily due to the following -

Revenues were higher than budget by \$6.8M which was partially offset by \$4.0M increase in expenditure compared to budget.

Assets and Liabilities

The current assets were \$21.0M higher than budget. This was mainly due to increase in cash compared to budget.

Non-current assets were \$10.1M higher than budget. This was largely due to revaluation of land, building and infrastructure systems accounting for an increment of \$18.7M partially offset by lower than budget increase in property, plant and equipment of \$5.7M and decrease of \$1.9M and \$1.0M in the balances of long term investments and intangible assets respectively compared to budget.

Current liabilities were \$10.7M higher compared with budget largely due to increase of \$6.9M in payables and of \$3.8M in the balance of provisions and other liabilities at the end of June 2012.

Non-current liabilities were \$1.2m lower compared with budget due to decrease in provisions.

Cash Flows

Cash flows were almost \$21.9M better than budget. This was primarily contributed by \$17.0M increase in cash flows from operating activities and increase in cashflows from investing activities of \$4.9M compared to budget.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 16 September 2011 are as follows:

	\$000
Initial Allocation	405,314
Award Increases	9,048
Special Projects:	
Connecting Care Program Supplementary Funding	1,180
National Specialist Centres	2,917
Transfer of COAG Budget 2011/12	771
Treasury Managed Fund 2011_12 Allocation Adjustment	478
Keep Them Safe Initiative - Getting On Track In Time (GOT IT)	120
Mental Health	209
Others:	
Pregnancy & New Born Services Network	3,289
Paediatric Cochlear Implantation	1,330
Child Health Network	1,161
2011/12 Leap Year Costs	793
Health Workforce Australia Simulated Learning Environments	710
Others	748
	<hr/>
Balance as per Statement of Comprehensive Income	428,067
	<hr/>

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to the Financial Statements
for the Year Ended 30 June 2012

36. Increase in Net Assets from Equity Transfers

Net assets of \$0.11M were transferred from the former Health Reform Transitional Organisation - Southern with effect from 1 January 2012 commensurate with the responsibilities for health services assumed by the Network on that date in accordance with the provisions of the *Health Services Act 1997*.

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

Other equity transfers effected in 2011/12 were:

Net assets of \$0.06M were transferred from South Eastern Sydney Local Health District during the year.

	2012
	\$000
Equity transfers effected in 2011/12 comprised:	
Health Reform Transitional Organisation - Southern	109
South Eastern Sydney Local Health District	59
	<u>168</u>

Assets and Liabilities transferred are as follows:

Assets

Current Assets

Receivables	107
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Non-Current Assets

Property, Plant & Equipment	65
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Liabilities

Current Liabilities

Payables	-4
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Increase in Net Assets From Equity Transfers	<u><u>168</u></u>
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The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal
Alexandra Hospital for Children)
Notes to the Financial Statements
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37. Financial Instruments

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

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

The 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

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Financial Assets Class:	Category	Carrying Amount	Carrying Amount
		2012 \$000	2011 \$000
Cash and Cash Equivalents (note 18)	N/A	35,788	18,389
Receivables (note 19) ¹	Loans and receivables (at amortised cost)	13,406	17,322
Financial Assets at Fair Value (note 21)	At fair value through profit or loss (designated as such upon initial recognition)	111,634	106,647
Total Financial Assets		160,828	142,358
Financial Liabilities			
Borrowings (note 26)	Financial liabilities measured at	-	36
Payables (note 25) ²	amortised cost	42,050	34,731
Total Financial Liabilities		42,050	34,767

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)

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
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(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 Network's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the State.

Cash

Cash comprises cash on hand and bank balances deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates of approximately 4.28% in 2011/12 compared to 4.4% in the previous year. The 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 Ministry of Health Accounting Manual for Public Health Organisations and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the Network will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The Network is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2012:\$6.8M; 2011: \$9.3M) and not more than 3 months past due (2012: \$1.3M; 2011:\$1.7M) are not considered impaired and together these represent 71% of the total trade debtors. In addition Patient Fees Compensables are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the Network's debtors are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments.

Financial assets that are past due or impaired could be either 'sales of goods and services' or 'Other Debtors' in the 'receivables' category of the Statement of Financial Position. Patient Fees Ineligibles represent the majority of financial assets that are past due or impaired.

	\$000		
2012	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
<3 months overdue	1,268	1,268	-
3 months - 6 months overdue	1,210	-	1,210
> 6 months overdue	1,178	-	1,178
2011			
<3 months overdue	1,736	1,736	-
3 months - 6 months overdue	475	-	475
> 6 months overdue	506	-	506

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.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to the Financial Statements
for the Year Ended 30 June 2012

Authority Deposits

The Network has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed "at call" or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 4.03% (2011 - 5.41%), while over the year the weighted average interest rate was 4.89% (2011 - 5.38%) on a weighted average balance during the year of \$15,199,197 (2011 - \$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 Ministry of Health or 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 Ministry 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 liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the NSW Ministry of Health. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

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

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

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

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

Notes to the Financial Statements
for the Year Ended 30 June 2012

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	Non - Interest Bearing	
	%	\$000	\$000	\$000	< 1 Yr
2012					
Payables:					
Accrued Salaries Wages, On-Costs and Payroll Deductions		9,577	-	9,577	9,577
Creditors		32,477	-	32,477	32,477
		42,054	-	42,054	42,054
2011					
Payables:					
Accrued Salaries Wages, On-Costs and Payroll Deductions		7,965	-	7,965	7,965
Creditors		26,766	-	26,766	26,766
Borrowings:					
Other Loans and Deposits	6.08	-	36	-	36
		34,731	36	34,731	34,767

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.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to the Financial Statements
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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 2011. 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, Network is not permitted to borrow external to the NSW Ministry of Health (energy loans which are negotiated through Treasury excepted).

Both Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. The Network does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change of interest rates would not affect profit or loss or equity. A reasonably possible change of +/-1% is used consistent with current trends in interest rates. 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%	
	\$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2012					
Financial Assets					
Cash and Cash Equivalents	35,788	(358)	(358)	358	358
Financial Assets at Fair Value	111,634	3,178	3,178	(3,178)	(3,178)
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)

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to the Financial Statements
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Other price risk - TCorp Hour-Glass facilities

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

Facility	Investment Sectors	Investment Horizon	2012 \$'000	2011 \$'000
Cash facility	Cash, money market instruments	Up to 1.5 years	17,453	10,590
Strategic cash facility	Cash, money market and other interest rate instruments	1.5 years to 3 years	60,117	60,121
Long-term growth facility	Cash, money market instruments, Australian and International bonds, listed property, Australian and International shares	7 years and over	13,332	13,430
Australian Shares facility	Australian shares	7 years and over	20,732	22,506

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, TCorp has appointed external managers to manage the performance and risk of each facility in accordance with a mandate agreed by the parties. However, 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 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).

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Notes to the Financial Statements
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A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from Hour-Glass Statement).

	Change in unit price	Impact on Net Results	
		2012 \$'000	2011 \$'000
Hour-Glass Investment - Cash facility	+/- 1%	175	106
Hour-Glass Investment - Strategic cash facility	+/- 1%	601	601
Hour-Glass Investment - Medium-term growth facility	+/- 15%	2,000	2,015
Hour-Glass Investment - Long-term growth facility	+/- 26%	5,598	5,852

(e) **Fair Value compared to Carrying Amount**

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities, which are measured at fair value. 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	2012 Total \$000
TCorp Hour-Glass Invt.Facility	-	111,634	-	111,634

(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 2012.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
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38. Events after the Reporting Period

A national approach to activity based funding (ABF) commences from 1 July 2012 and will make public hospital funding more transparent and help to drive efficiency in the delivery of hospital services. Through ABF, public hospitals will be funded according to the numbers and kinds of services they provide.

As the efficient price of delivering services increases, the Commonwealth Government will meet 45, then 50% of that increase. As more services are delivered, the Commonwealth Government will meet 45, then 50% of the efficient price of every additional service, for as many additional services as are delivered. The national efficient price of public hospital services will be determined by the Independent Hospital Pricing Authority.

ABF will provide incentives to hospitals to treat more patients more efficiently and will provide incentives for hospitals and governments to ensure patients are treated in the most appropriate setting.

Commonwealth and State government contributions for public hospital funding will be transparent with both amounts to be provided to Local Health Districts through the National Health Funding Pool. For small hospitals where ABF would not be appropriate, funding will continue to be provided through block grants

END OF AUDITED FINANCIAL STATEMENTS

