



## INDEPENDENT AUDITOR'S REPORT

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

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 2013, the statement of comprehensive income, statement of changes in equity, 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.

### Opinion

In my opinion the financial statements:

- give a true and fair view of the financial position of the Network as at 30 June 2013, and of its financial performance and its 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.

### Other Matter

I qualified my opinion on the financial statements for the year ended 30 June 2012. The basis for the qualified opinion was a limitation of scope regarding completeness of donations and bequests revenue. In that year, the Network, like many other entities that have donations and fundraising as sources of revenue, found it impracticable to maintain an effective system of internal controls over donation and bequest revenue until they were recorded in the financial records.

### 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 the 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 the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Network's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Network's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Network or the consolidated entity
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its 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.



Renee Meimaroglou  
Director, Financial Audit Division

19 September 2013  
SYDNEY

**Certification of the Parent/Consolidated Financial Statements  
for the year ended 30 June 2013**

Pursuant to Section 45F of the *Public Finance and Audit Act 1983*:

- 1) The financial statements of The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) for the year ended 30 June 2013 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.



Elizabeth Koff  
**Chief Executive**

19 September 2013



Lis Wilson  
**Director of Finance and Corporate Services**

19 September 2013



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

Statement of Financial Position as at 30 June 2013

PARENT			CONSOLIDATION				
Actual	Budget Unaudited	Actual	Notes	Actual	Budget Unaudited	Actual	
2013	2013	2012		2013	2013	2012	
\$000	\$000	\$000		\$000	\$000	\$000	
<b>ASSETS</b>							
<b>Current Assets</b>							
92,126	27,130	35,788	Cash and Cash Equivalents	18	92,126	27,130	35,788
25,051	15,697	15,642	Receivables	19	25,051	15,697	15,642
6,212	6,028	6,007	Inventories	20	6,212	6,028	6,007
19,215	77,570	77,570	Financial Assets at Fair Value	21	19,215	77,570	77,570
<b>142,604</b>	<b>126,425</b>	<b>135,007</b>	<b>Total Current Assets</b>		<b>142,604</b>	<b>126,425</b>	<b>135,007</b>
<b>Non-Current Assets</b>							
42,002	39,064	34,064	Financial Assets at Fair Value	21	42,002	39,064	34,064
<b>Property, Plant and Equipment</b>							
411,889	416,714	407,228	- Land and Buildings	22	411,889	416,714	407,228
40,791	38,309	37,791	- Plant and Equipment	22	40,791	38,309	37,791
37,915	37,655	39,198	- Infrastructure Systems	22	37,915	37,655	39,198
490,595	492,678	484,217	<b>Total Property, Plant and Equipment</b>		490,595	492,678	484,217
1,054	1,054	1,615	Intangible Assets	23	1,054	1,054	1,615
<b>533,651</b>	<b>532,796</b>	<b>519,896</b>	<b>Total Non-Current Assets</b>		<b>533,651</b>	<b>532,796</b>	<b>519,896</b>
<b>676,255</b>	<b>659,221</b>	<b>654,903</b>	<b>Total Assets</b>		<b>676,255</b>	<b>659,221</b>	<b>654,903</b>
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
45,676	42,429	42,054	Payables	25	45,676	42,429	42,054
67,164	69,055	69,446	Provisions	26	67,164	69,055	69,446
1,218	814	814	Other	27	1,218	814	814
114,058	112,298	112,314	<b>Total Current Liabilities</b>		114,058	112,298	112,314
<b>Non-Current Liabilities</b>							
390	1,592	404	Provisions	26	390	1,592	404
<b>390</b>	<b>1,592</b>	<b>404</b>	<b>Total Non-Current Liabilities</b>		<b>390</b>	<b>1,592</b>	<b>404</b>
<b>114,448</b>	<b>113,890</b>	<b>112,718</b>	<b>Total Liabilities</b>		<b>114,448</b>	<b>113,890</b>	<b>112,718</b>
<b>561,807</b>	<b>545,331</b>	<b>542,185</b>	<b>Net Assets</b>		<b>561,807</b>	<b>545,331</b>	<b>542,185</b>
<b>EQUITY</b>							
230,668	229,288	229,288	Reserves		230,668	229,288	229,288
331,139	316,043	312,897	Accumulated Funds		331,139	316,043	312,897
<b>561,807</b>	<b>545,331</b>	<b>542,185</b>	<b>Total Equity</b>		<b>561,807</b>	<b>545,331</b>	<b>542,185</b>

The accompanying notes form part of these financial statements.

**The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)**  
**Statement of Changes in Equity for the year ended 30 June 2013**

PARENT AND CONSOLIDATION	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
<b>Balance at 1 July 2012</b>		312,897	229,288	542,185
<b>Total Equity at 1 July 2012</b>		<u>312,897</u>	<u>229,288</u>	<u>542,185</u>
<b>Net Result for the year</b>		17,322		17,322
<b>Other Comprehensive Income:</b>				
Net Increase/(Decrease) in Property, Plant & Equipment		----	1,380	1,380
<b>Total Other Comprehensive Income</b>		----	1,380	1,380
<b>Total Comprehensive Income for the year</b>		<u>17,322</u>	<u>1,380</u>	<u>18,702</u>
<b>Transactions With Owners In Their Capacity As Owners</b>				
Increase/(Decrease) in Net Assets From Equity Transfers	35	920	----	920
<b>Balance at 30 June 2013</b>		<u>331,139</u>	<u>230,668</u>	<u>561,807</u>
<b>Balance at 1 July 2011</b>		311,491	210,581	522,072
<b>Total Equity at 1 July 2011</b>		<u>311,491</u>	<u>210,581</u>	<u>522,072</u>
<b>Net Result for the year</b>		1,238		1,238
<b>Other Comprehensive Income:</b>				
Net Increase/(Decrease) in Property, Plant & Equipment		----	18,707	18,707
<b>Total Other Comprehensive Income</b>		----	18,707	18,707
<b>Total Comprehensive Income for the year</b>		<u>1,238</u>	<u>18,707</u>	<u>19,945</u>
<b>Transactions With Owners In Their Capacity As Owners</b>				
Increase/(Decrease) in Net Assets From Equity Transfers	35	168	----	168
<b>Balance at 30 June 2012</b>		<u>312,897</u>	<u>229,288</u>	<u>542,185</u>

The accompanying notes form part of these financial statements.

**The Sydney Children's Hospitals Network (Randwick and Westmead) (Incorporating The Royal Alexandra Hospital for Children)**  
**Statement of Cash Flows for the year ended 30 June 2013**

PARENT			CONSOLIDATION			
Actual	Budget Unaudited	Actual		Actual	Budget Unaudited	Actual
2013	2013	2012	Notes	2013	2013	2012
\$000	\$000	\$000		\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
----	----	----	Employee Related	(422,217)	(418,291)	(398,997)
(2,801)	(2,176)	(2,409)	Grants and Subsidies	(2,801)	(2,176)	(2,409)
(602,879)	(596,106)	(553,298)	Other	(180,662)	(177,815)	(154,301)
<u>(605,680)</u>	<u>(598,282)</u>	<u>(555,707)</u>	<b>Total Payments</b>	<u>(605,680)</u>	<u>(598,282)</u>	<u>(555,707)</u>
<b>Receipts</b>						
452,721	452,562	427,625	NSW Ministry of Health Recurrent Allocations	452,721	452,562	427,625
6,056	8,287	16,381	NSW Ministry of Health Capital Allocations	6,056	8,287	16,381
6,022	6,022	5,530	Reimbursements from the Crown Entity	6,022	6,022	5,530
66,959	64,157	71,050	Sale of Goods and Services	66,959	64,157	71,050
1,318	382	1,146	Interest Received	1,318	382	1,146
79,047	65,908	51,959	Grants and Contributions	79,047	65,908	51,959
28,092	29,269	27,633	Other	28,092	29,269	27,633
<u>640,215</u>	<u>626,587</u>	<u>601,324</u>	<b>Total Receipts</b>	<u>640,215</u>	<u>626,587</u>	<u>601,324</u>
<u>34,535</u>	<u>28,305</u>	<u>45,617</u>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>34,535</u>	<u>28,305</u>	<u>45,617</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
220	----	34	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	220	----	34
80,733	80,733	----	Proceeds from Sale of Investments	80,733	80,733	----
(28,834)	(31,962)	(23,228)	Purchases of Land and Buildings, Plant and Equipment Infrastructure Systems and Intangibles	(28,834)	(31,962)	(23,228)
(30,316)	(85,733)	(4,987)	Purchases of Investments	(30,316)	(85,733)	(4,987)
<u>21,803</u>	<u>(36,962)</u>	<u>(28,181)</u>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>21,803</u>	<u>(36,962)</u>	<u>(28,181)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
----	(1)	(37)	Repayment of Borrowings and Advances	----	(1)	(37)
----	(1)	(37)	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	----	(1)	(37)
56,338	(8,658)	17,399	<b>NET INCREASE / (DECREASE) IN CASH</b>	56,338	(8,658)	17,399
35,788	35,788	18,389	Opening Cash and Cash Equivalents	35,788	35,788	18,389
<u>92,126</u>	<u>27,130</u>	<u>35,788</u>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<u>92,126</u>	<u>27,130</u>	<u>35,788</u>

The accompanying notes form part of these financial statements.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)  
Service Group Statements  
for the year ended 30 June 2013

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		Total				
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013		
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Expenses excluding losses																							
Operating Expenses																							
Employee Related	16,511	16,745	511	521	77,021	78,372	37,560	38,268	206,918	210,913	16,500	16,820	9,637	9,584	16,920	17,245	41,393	40,788			422,971	429,256	
Visiting Medical Officers	9	8	2	1	1,231	1,244	184	186	8,020	8,112	80	81	21	20	492	498	179	169			10,217	10,319	
Other Operating Expenses	2,441	2,215	55	46	40,638	34,753	5,762	4,933	73,699	62,648	5,138	4,366	3,179	3,092	7,558	6,427	16,376	16,202			154,846	194,682	
Depreciation and Amortisation	386	397	23	22	5,757	5,842	1,387	1,407	12,317	12,479	703	712	379	401	1,273	1,230	1,403	1,322			23,628	24,072	
Grants and Subsidies	87	62	(1)	—	150	107	24	17	46	35	263	353	502	526	42	54	1,396	995			2,509	2,149	
Finance Costs				1																		1	
<b>Total Expenses excluding losses</b>	<b>19,434</b>	<b>19,427</b>	<b>590</b>	<b>591</b>	<b>124,797</b>	<b>120,318</b>	<b>44,917</b>	<b>44,811</b>	<b>301,000</b>	<b>294,187</b>	<b>22,684</b>	<b>22,332</b>	<b>13,718</b>	<b>13,623</b>	<b>26,285</b>	<b>25,514</b>	<b>60,746</b>	<b>59,575</b>			<b>614,171</b>	<b>600,479</b>	
Revenue																							
NSW Ministry of Health Recurrent Allocations **																							
NSW Ministry of Health Capital Allocations **																							
Acceptance by the Crown Entity																							
of Employee Benefits and Other Liabilities	318	1,013	10	35	1,568	5,043	787	2,537	4,540	14,658	240	774	141	423	354	1,142	504	1,433			8,462	27,058	
Sale of Goods and Services	619	554	15	14	5,747	5,717	2,051	2,026	44,137	44,024	1,691	1,686	1,354	1,299	2,875	2,808	8,341	7,863			66,830	65,991	
Investment Revenue	1,050	221	23	4	422	175	395	112	1,300	1,017	43	18	863	182	1,037	219	7,671	1,610			12,804	3,558	
Grants and Contributions	6,259	3,957	137	87	2,387	1,597	2,308	1,489	6,763	5,075	244	163	5,144	3,252	6,184	3,911	47,160	30,279			76,586	49,810	
Other Revenue	433	879	13	24	697	1,074	364	608	2,121	3,175	114	169	342	703	425	863	2,642	5,684			7,151	13,179	
<b>Total Revenue</b>	<b>8,679</b>	<b>6,624</b>	<b>198</b>	<b>164</b>	<b>10,821</b>	<b>13,606</b>	<b>5,905</b>	<b>6,772</b>	<b>58,861</b>	<b>67,949</b>	<b>2,332</b>	<b>2,810</b>	<b>7,844</b>	<b>5,859</b>	<b>10,875</b>	<b>8,943</b>	<b>66,318</b>	<b>46,869</b>			<b>630,510</b>	<b>603,602</b>	
Gain / (Loss) on Disposal	(151)	(13)	—	—	(188)	(20)	(1)	(2)	7	(340)	15	(22)	(2)	(5)	(41)	(25)	(16)	(113)			(377)	(540)	
Other Gains / (Losses)	—	(15)	(1)	—	(3)	(2)	(13)	7	1,568	(1,469)	—	(1)	(141)	119	(52)	34	(98)	(18)			1,260	(1,345)	
<b>Net Result</b>	<b>(10,906)</b>	<b>(12,831)</b>	<b>(393)</b>	<b>(427)</b>	<b>(114,167)</b>	<b>(106,734)</b>	<b>(39,026)</b>	<b>(38,034)</b>	<b>(240,564)</b>	<b>(228,047)</b>	<b>(20,337)</b>	<b>(19,545)</b>	<b>(6,017)</b>	<b>(7,650)</b>	<b>(15,503)</b>	<b>(16,562)</b>	<b>5,458</b>	<b>(12,938)</b>			<b>458,777</b>	<b>444,006</b>	
Other Comprehensive Income																							
Increase/(Decrease) in Revaluation Surplus	23	629	2	38	338	3,425	81	1,435	723	9,903	41	733	22	440	75	606	75	1,498			1,380	18,707	
<b>Total Other Comprehensive Income</b>	<b>23</b>	<b>629</b>	<b>2</b>	<b>38</b>	<b>338</b>	<b>3,425</b>	<b>81</b>	<b>1,435</b>	<b>723</b>	<b>9,903</b>	<b>41</b>	<b>733</b>	<b>22</b>	<b>440</b>	<b>75</b>	<b>606</b>	<b>75</b>	<b>1,498</b>			<b>1,380</b>	<b>18,707</b>	
<b>Total Comprehensive Income</b>	<b>(10,883)</b>	<b>(12,202)</b>	<b>(391)</b>	<b>(389)</b>	<b>(113,829)</b>	<b>(103,309)</b>	<b>(38,945)</b>	<b>(36,599)</b>	<b>(239,841)</b>	<b>(218,144)</b>	<b>(20,296)</b>	<b>(18,812)</b>	<b>(5,995)</b>	<b>(7,210)</b>	<b>(15,428)</b>	<b>(15,956)</b>	<b>5,533</b>	<b>(11,440)</b>			<b>458,777</b>	<b>444,006</b>	
																						<b>16,702</b>	<b>19,945</b>

Service Group Statements focus on the key measures of service delivery performance, refer note 2z.

\* The name and 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 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 2013

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 6.1 * Teaching And Research		Not Attributable		Total			
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>ASSETS</b>																								
Current Assets																								
Cash and Cash Equivalents	2,399	1,187	77	38	15,950	7,244	2,812	5,754	38,771	18,874	2,995	1,006	1,560	844	3,397	1,555	21,223	2,228	92,126	35,788				
Receivables	232	131	7	4	2,154	1,355	480	769	16,544	10,435	634	400	507	308	1,078	665	3,126	1,864	25,051	15,642				
Inventories	98	99	2	1	1,630	1,550	231	220	2,957	2,794	206	195	128	138	303	287	657	723	6,212	6,007				
Financial Assets at Fair Value	482	1,909	15	60	3,203	11,650	1,155	4,522	7,786	30,354	602	1,619	313	1,358	682	2,500	4,977	23,598	19,215	77,570				
<b>Total Current Assets</b>	<b>3,211</b>	<b>3,326</b>	<b>101</b>	<b>103</b>	<b>22,937</b>	<b>21,799</b>	<b>7,909</b>	<b>8,034</b>	<b>66,058</b>	<b>62,457</b>	<b>4,437</b>	<b>3,220</b>	<b>2,508</b>	<b>2,548</b>	<b>5,460</b>	<b>5,007</b>	<b>29,983</b>	<b>28,413</b>	<b>142,604</b>	<b>135,007</b>				
Non-Current Assets																								
Financial Assets at Fair Value	1,053	825	33	26	7,001	5,036	2,526	1,955	17,019	13,123	1,315	700	665	587	1,491	1,081	10,879	10,731	42,002	34,064				
Property, Plant and Equipment	6,595	6,591	374	368	98,454	97,018	23,727	23,366	210,650	207,245	12,022	11,827	6,487	6,665	21,774	21,423	31,806	32,725	411,889	407,228				
- Land and Buildings	669	632	39	35	9,990	9,299	2,408	2,240	21,375	19,863	1,220	1,134	658	639	2,209	2,053	2,223	1,896	40,791	37,791				
- Plant and Equipment	608	638	34	35	9,074	9,366	2,187	2,261	19,414	20,051	1,108	1,144	598	645	2,007	2,073	2,885	2,965	37,915	39,138				
- Infrastructure Systems	17	27	1	1	257	392	62	94	549	837	31	48	17	27	57	87	63	102	1,054	1,615				
Intangible Assets	8,942	8,713	481	465	124,776	121,131	30,910	29,916	269,007	261,119	15,696	14,853	8,445	8,563	27,538	26,717	47,856	48,419	533,651	519,896				
<b>Total Non-Current Assets</b>	<b>12,153</b>	<b>12,039</b>	<b>582</b>	<b>568</b>	<b>147,713</b>	<b>142,930</b>	<b>38,819</b>	<b>37,950</b>	<b>335,065</b>	<b>323,576</b>	<b>20,133</b>	<b>18,073</b>	<b>10,953</b>	<b>11,211</b>	<b>32,998</b>	<b>31,724</b>	<b>77,839</b>	<b>76,832</b>	<b>676,255</b>	<b>654,903</b>				
<b>TOTAL ASSETS</b>																								
LIABILITIES																								
Current Liabilities																								
Payables	720	692	15	15	11,987	10,851	1,700	1,540	21,739	19,561	1,516	1,363	938	966	2,230	2,007	4,831	5,059	45,676	42,054				
Provisions	2,622	2,709	81	84	12,230	12,679	5,964	6,191	32,857	34,122	2,620	2,721	1,530	1,551	2,687	2,790	6,573	6,599	67,164	69,446				
Other	39	26	2	1	247	163	89	61	597	399	45	30	27	18	52	35	120	81	1,218	814				
<b>Total Current Liabilities</b>	<b>3,381</b>	<b>3,427</b>	<b>98</b>	<b>100</b>	<b>24,464</b>	<b>23,693</b>	<b>7,753</b>	<b>7,792</b>	<b>55,193</b>	<b>54,082</b>	<b>4,181</b>	<b>4,114</b>	<b>2,495</b>	<b>2,535</b>	<b>4,969</b>	<b>4,832</b>	<b>11,524</b>	<b>11,739</b>	<b>114,058</b>	<b>112,314</b>				
Non-Current Liabilities																								
Provisions	15	16			71	74	35	36	191	199	15	16	9	9	16	16	38	38	390	404				
<b>Total Non-Current Liabilities</b>	<b>15</b>	<b>16</b>			<b>71</b>	<b>74</b>	<b>35</b>	<b>36</b>	<b>191</b>	<b>199</b>	<b>15</b>	<b>16</b>	<b>9</b>	<b>9</b>	<b>16</b>	<b>16</b>	<b>38</b>	<b>38</b>	<b>390</b>	<b>404</b>				
<b>TOTAL LIABILITIES</b>	<b>3,396</b>	<b>3,443</b>	<b>98</b>	<b>100</b>	<b>24,535</b>	<b>23,767</b>	<b>7,788</b>	<b>7,828</b>	<b>55,384</b>	<b>54,281</b>	<b>4,196</b>	<b>4,130</b>	<b>2,504</b>	<b>2,544</b>	<b>4,985</b>	<b>4,848</b>	<b>11,562</b>	<b>11,777</b>	<b>114,448</b>	<b>112,718</b>				
<b>NET ASSETS</b>	<b>8,757</b>	<b>8,596</b>	<b>484</b>	<b>468</b>	<b>123,178</b>	<b>119,163</b>	<b>31,031</b>	<b>30,122</b>	<b>279,681</b>	<b>269,295</b>	<b>15,937</b>	<b>13,943</b>	<b>8,449</b>	<b>8,667</b>	<b>28,013</b>	<b>26,876</b>	<b>66,277</b>	<b>65,055</b>	<b>561,807</b>	<b>542,185</b>				

\* 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(z), 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.

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

\* The parent entity, comprises all the operating activities of the Hospital facilities and the NSW Newborn and Paediatric Emergency Transport Services (NETS), the Pregnancy and Newborn Service Network (PSN) and the Children's Court Clinic (CCC) under its control. It also encompasses the 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 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 on 1 July 2010 in accordance with the Public Sector Employment and Management Act 2002 and the Health Services Act 1997. This Division provides personnel services to enable the Network to exercise its functions.

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

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 2013 have been authorised for issue by the Chief Executive on 19 September 2013.

## 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 NSW Treasurer's Directions. 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(y).

Notwithstanding the consolidated entity has a working capital surplus of \$28.5m (2012 surplus of \$22.7m) and in recognition that a significant portion of current annual leave entitlements are not expected to be settled in the next 12 months, the financial statements of the Network have been prepared on a going concern basis.

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

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2013

Other mitigating circumstances why the going concern is appropriate include:

- \* Appropriated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.
- \* The Network has the capacity to review timing of subsidy cashflows to ensure that 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. Benefits from the EIP are retained by the Network and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.

Property, plant and equipment, investment property and financial assets at "fair value through profit and loss" 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.

#### **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. The comparative period is a twelve month period.

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 14.9% are applied to the value of leave payable at 30 June 2013, such on-costs being based on actuarial assessment (Comparable on-costs for 30 June 2012 were 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 described as 'Acceptance by the Crown Entity of employee benefits and other liabilities'.

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the Network as shown in Note 26.

Long Service Leave is measured at present value in accordance with AASB 119, Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 12/06) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The Network's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity.

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

**iii) Other Provisions**

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

**b) Insurance**

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

**c) Finance Costs**

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

**d) Income Recognition**

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

*Sale of Goods*

Revenue from the sale of goods is recognised as revenue when the 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. Revenue is recognised on an accrual basis, when the service has been provided to the patient.

#### *High Cost Drugs*

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

#### *Motor Accident Authority Third Party*

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

#### *Investment Revenue*

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

#### *Rental Revenue*

Rental revenue from operating leases is recognised in accordance with AASB 117, Leases on a straight line basis over the lease term.

#### *Royalty Revenue*

Royalty revenue is recognised in accordance with AASB 118 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**

From 1 July 2012, interstate patient flows are funded through the state pool, based on activity and consistent with the price determined in the service level agreement. The funding is recognised as recurrent allocation.

In the previous year, the Network recognised the value of inflows for acute inpatient treatment provided to residents from other states and territories as revenue 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 requirements of other Australian Accounting Standards.

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

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 and intangibles are capitalised where their cost is \$10,000 or above.

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

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Network. Land is not a depreciable asset. Artworks are not depreciated as it is not possible to estimate its economic useful life. 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 AASB 116, Property, Plant and Equipment and AASB 140, Investment Property.

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.

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 in the year ended 30 June 2012 and was based on an independent assessment.

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

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

The Network also revalues its artwork collection at minimum every three years. The last revaluation of the artwork collection by the Network was completed in the year ended 30 June 2013 and was based on an assessment made by The Royal Alexandra Hospital for Children Art Gallery curator, who is also a current sitting member of the Network Board. Artwork that is valued at or over \$10,000 each is capitalised.

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

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

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

Where an asset that has previously been revalued is disposed of, any balance remaining in the 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.

This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are regarded as material. Selling costs are regarded as immaterial.

**l) Restoration Costs**

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

**m) Intangible Assets**

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

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

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

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

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

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



**n) Maintenance**

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

**o) Leased Assets**

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

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

Operating lease payments are charged to the Statement of Comprehensive Income in the periods in which they are incurred.

**p) Inventories**

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

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

**q) Loans and Receivables**

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

**r) Investments**

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The 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.

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 Network's key management personnel.

The risk management strategy of the Network has been developed consistent with the investment powers granted under the provision of the Public Authorities (Financial Arrangements) Act 1987.

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.

**s) Impairment of financial assets**

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the 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.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

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

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

\* where substantially all the risks and rewards have been transferred; or

\* where the Network has not transferred substantially all the risks and rewards, if the Network has not retained control.

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

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

**u) Payables**

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

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

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

**v) Equity Transfers**

The transfer of net assets between entity as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector entities is designated or required by Accounting Standards to be treated as contributions by owners and is recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004, Contributions and Australian 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 entity does not recognise that asset.

**w) Equity and Reserves**

**(i) Revaluation Surplus**

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

**(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.

**x) Trust Funds**

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

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

**y) 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".

**z) Service Group Statements Allocation Methodology**

The NSW Ministry of Health, in conjunction with all health entities, undertook an analysis of service group statements to ensure that the National Health Funding reforms definitions are consistently applied to 2011/12 and 2012/13 financial statements. Using the statistical data for twelve months ending 30 June 2012, new percentages were derived which resulted in variances in several service groups for the 2011/12 comparative year, which have been restated.

The data is then adjusted for any material change in service delivery or funding distribution, occurring in the 2012/13 year. 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 the 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.

**aa) New Australian Accounting Standards Issued but not Effective**

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

AASB 9 and AASB 2010-7, Financial Instruments have mandatory application from 1 July 2015 and comprise changes to improve and simplify the approach for classification and measurement of financial assets. The change is not expected to materially impact the financial statements.

AASB 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 a material impact.

AASB 13, AASB 2011-8 and AASB 2012-1, Fair Value Measurement have mandatory application from 1 July 2013 and address, inter alia, the assumptions 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 2013/14 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 policy of NSW Treasury.

AASB 1055, Budgetary Reporting, has application from 1 July 2014. Any changes in future disclosures will be determined by the policies adopted by NSW Treasury for whole of government reporting.

AASB 2010-10 regarding removal of fixed dates for first time adopters, has mandatory application from 1 July 2013 and, based on current activities, 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 policy of NSW 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 of 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 exemption is not expected to have a material impact.

AASB 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. For not-for-profits, the changes have application from 1 July 2014 but are assessed as having no material effect.

AASB 2011-10, Amendments to Australian Accounting Standards arising from AASB 119, applicable from 1 July 2013 assessed as having no material impact.

AASB 2011-11, Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements, applicable from 1 July 2013 assessed as having no material impact.

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The following have application for reporting periods starting on or after 1 January 2013, however, any future changes in relation to these standards will depend on the policies to be determined by NSW Treasury.

AASB 2012-1, Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements. Sets out reduced disclosure requirements as a consequence of the issuance of AASB 13, having application from 1 July 2013.

AASB 2012-2, Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities, has application for reporting periods starting on or after 1 January 2013 and seeks to address some of the offsetting criteria of AASB 7.

AASB 2012-3, Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities, has application from 1 January 2014 and seeks to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.

AASB 2012-4, Amendments to Australian Accounting Standards – Government Loans (Amendments to AASB 1 'First-time Adoption of International Financial Reporting Standards'). Applicable to reporting periods on or after 1 January 2013.

AASB 2012-5 regarding annual improvements 2009 to 2011 cycle applicable to reporting periods on or after 1 January 2013.

AASB 2012-7, Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements. Applicable to reporting periods on or after 1 July 2013.

AASB 2012-9, Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039. Applicable to reporting periods on or after 1 January 2013.

AASB 2012-10, Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments. Applicable to reporting periods on or after 1 January 2013.

AASB 2012-11, Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments, having application from 1 July 2013.

AASB 2013-1, Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements, having application from 1 July 2014.

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PARENT			CONSOLIDATION	
2013	2012		2013	2012
\$000	\$000		\$000	\$000
<b>3. Employee Related</b>				
Employee related expenses comprise the following:				
----	----	Salaries and Wages	297,190	286,484
----	----	Overtime	11,601	10,776
----	----	Penalties	22,100	21,240
----	----	Superannuation - Defined Benefit Plans	5,201	5,643
----	----	Superannuation - Defined Contribution Plans	30,416	28,762
----	----	Long Service Leave	2,997	24,916
----	----	Annual Leave	35,857	35,937
----	----	Sick Leave and Other Leave	14,035	12,862
----	----	Redundancies	678	171
----	----	Workers' Compensation Insurance	2,854	2,453
----	----	Payroll Tax and Fringe Benefits Tax	42	12
-----	-----		<b>422,971</b>	<b>429,256</b>
<b>4. Personnel Services</b>				
Personnel Services comprise the purchase of the following:				
297,190	286,484	Salaries and Wages	----	----
11,601	10,776	Overtime	----	----
22,100	21,240	Penalties	----	----
30,416	28,762	Superannuation - Defined Contribution Plans	----	----
(263)	3,500	Long Service Leave	----	----
35,857	35,937	Annual Leave	----	----
14,035	12,862	Sick Leave and Other Leave	----	----
678	171	Redundancies	----	----
2,854	2,453	Workers' Compensation Insurance	----	----
42	12	Payroll Tax and Fringe Benefits Tax	----	----
-----	-----		-----	-----
<b>414,509</b>	<b>402,198</b>			
<b>5. Other Operating Expenses</b>				
9,349	7,989	Blood and Blood Products	9,349	7,989
65	17	Capital Project Expense	65	17
4,284	4,384	Domestic Supplies and Services	4,284	4,384
28,744	24,268	Drug Supplies	28,744	24,268
6,684	4,331	Food Supplies	6,684	4,331
4,266	3,693	Fuel, Light and Power	4,266	3,693
10,439	9,162	General Expenses (See (b) below)	10,439	9,162
4,905	4,505	Hospital Ambulance Transport Costs	4,905	4,505
7,642	5,632	Information Management Expenses	7,642	5,632
538	685	Insurance	538	685
Maintenance (See (c) below)				
4,666	3,369	Maintenance Contracts	4,666	3,369
5,314	3,546	New/Replacement Equipment under \$10,000	5,314	3,546
3,650	2,946	Repairs Maintenance/Non Contract	3,650	2,946
1,084	1,411	Other	1,084	1,411
27,234	26,201	Medical and Surgical Supplies	27,234	26,201
375	339	Motor Vehicle Expenses	375	339
2,002	2,165	Postal and Telephone Costs	2,002	2,165
2,424	2,071	Printing and Stationery	2,424	2,071
1,025	612	Rates and Charges	1,025	612
826	407	Rental	826	407
18,578	16,074	Special Service Departments	18,578	16,074
4,709	4,904	Staff Related Costs	4,709	4,904
51	60	Sundry Operating Expenses (See (a) below)	51	60
5,992	5,911	Travel Related Costs	5,992	5,911
-----	-----		-----	-----
<b>154,846</b>	<b>134,682</b>		<b>154,846</b>	<b>134,682</b>

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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
		<b>(a) Sundry Operating Expenses comprise :</b>		
51	60	Contract for Patient Services	51	60
<u>51</u>	<u>60</u>		<u>51</u>	<u>60</u>
		<b>(b) General Expenses Include :-</b>		
394	510	Advertising	394	510
150	141	Auditor's Remuneration - External Audit	150	141
504	497	Books, Magazines and Journals	504	497
		Consultancies		
		- Operating Activities	938	1,181
938	1,181	Corporate Support Services	1,486	1,602
1,486	1,602	Courier and Freight	554	484
554	484	Data Recording and Storage	377	222
377	222	Legal Services	83	150
83	150	Membership/Professional Fees	355	368
355	368	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	314	241
314	241	Public Private Partnership	----	2
----	2	Other Operating Lease Expense - Minimum Lease Payments	160	126
160	126	Payroll Services	45	48
45	48	Quality Assurance/Accreditation	124	168
124	168	Security Services	66	80
66	80	Translator Services	661	601
661	601	Other	4,228	2,741
<u>4,228</u>	<u>2,741</u>		<u>4,228</u>	<u>2,741</u>
<u>10,439</u>	<u>9,162</u>		<u>10,439</u>	<u>9,162</u>
		<b>(c) Reconciliation of Total Maintenance</b>		
14,714	11,272	Maintenance Expense - Contracted Labour and Other (Non-Employee Related), included in Note 5	14,714	11,272
415	297	Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	415	297
<u>15,129</u>	<u>11,569</u>	Total Maintenance Expenses included in Notes 3, 4 and 5	<u>15,129</u>	<u>11,569</u>

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<b>PARENT</b>			<b>CONSOLIDATION</b>	
<b>2013</b>	<b>2012</b>		<b>2013</b>	<b>2012</b>
<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
<b>6. Depreciation and Amortisation</b>				
13,970	13,525	Depreciation - Buildings	13,970	13,525
130	126	Amortisation - Leased Buildings	130	126
7,425	8,279	Depreciation - Plant and Equipment	7,425	8,279
1,542	1,576	Depreciation - Infrastructure Systems	1,542	1,576
561	566	Amortisation - Intangible Assets	561	566
<b>23,628</b>	<b>24,072</b>		<b>23,628</b>	<b>24,072</b>
<b>7. Grants and Subsidies</b>				
372	356	Non-Government Organisations	372	356
466	210	Grants to Research Orgs	466	210
51	1	Promotion of Research	51	1
154	402	Budget Sector Other Grants	154	402
1,466	1,180	Other Grants	1,466	1,180
<b>2,509</b>	<b>2,149</b>		<b>2,509</b>	<b>2,149</b>
<b>8. Finance Costs</b>				
----	1	Interest on Loans	----	1
----	<b>1</b>	Total Finance Costs	----	<b>1</b>



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PARENT			CONSOLIDATION	
2013	2012		2013	2012
\$000	\$000		\$000	\$000
<b>9. Sale of Goods and Services</b>				
(a) Sale of Goods comprise the following:-				
2,930	2,923	Sale of Prosthesis	2,930	2,923
228	502	Other	228	502
585	362	Pharmacy Sales	585	362
(b) Rendering of Services comprise the following:-				
		Patient Fees [see note 2(d)]		
24,114	18,904	- Inpatient Fees	24,114	18,904
893	868	- Non Inpatient Fees	893	868
349	299	Staff-Meals and Accommodation	349	299
13,539	13,275	Infrastructure Fees - Monthly Facility Charge [see note 2(d)]	13,539	13,275
3,299	2,352	- Annual Charge	3,299	2,352
98	2,019	Cafeteria/Kiosk	98	2,019
2,420	2,354	Car Parking	2,420	2,354
767	731	Child Care Fees	767	731
163	129	Clinical Services (excluding Clinical Drug Trials)	163	129
1,605	729	Commercial Activities	1,605	729
27	39	Fees for Medical Records	27	39
1	----	Information Retrieval	1	----
4,592	4,500	High Cost Drugs	4,592	4,500
2,856	1,400	Motor Accident Authority Third Party	2,856	1,400
----	6,460	Patient Inflows from Interstate*	----	6,460
5,372	4,943	Patient Transport Fees	5,372	4,943
103	55	Private Use of Motor Vehicles	103	55
190	229	Salary Packaging Fee	190	229
354	929	Services Provided to Non NSW Health Organisations	354	929
2,345	1,989	Other	2,345	1,989
<b>66,830</b>	<b>65,991</b>		<b>66,830</b>	<b>65,991</b>

\*From 1 July 2012, interstate patient flows are paid through the state pool account. As a result, these funds are now recognised through recurrent allocation. Refer note 2(f).

**10. Investment Revenue**

		Interest		
1,318	1,146	- Other	1,318	1,146
5	16	Royalties	5	16
11,481	2,396	Other	11,481	2,396
<b>12,804</b>	<b>3,558</b>		<b>12,804</b>	<b>3,558</b>

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PARENT			CONSOLIDATION	
2013	2012		2013	2012
\$000	\$000		\$000	\$000
<b>11. Grants and Contributions</b>				
1,579	1,900	Clinical Drug Trials	1,579	1,900
6,601	5,505	Commonwealth Government Grants	6,601	5,505
2,119	2,293	Commonwealth Teaching Hospital Grants	2,119	2,293
35,894	25,530	Industry Contributions/Donations	35,894	25,530
424	865	Cancer Institute Grants	424	865
1,082	171	NSW Government Grants	1,082	171
5,566	5,803	Research Grants	5,566	5,803
23,321	7,743	Other Grants	23,321	7,743
<b>76,586</b>	<b>49,810</b>		<b>76,586</b>	<b>49,810</b>
<b>12. Acceptance by the Crown Entity of employee benefits</b>				
The following liabilities and expenses have been assumed by the Crown Entity:				
-----	-----	Superannuation-defined benefit	5,201	5,643
-----	-----	Long Service Leave	3,261	21,415
-----	-----		<b>8,462</b>	<b>27,058</b>
<b>13. Other Revenue</b>				
Other Revenue comprises the following:-				
2	18	Bad Debts Recovered	2	18
175	194	Commissions	175	194
2,761	2,119	Conference and Training Fees	2,761	2,119
51	33	Discounts	51	33
4	-----	Insurance Refunds	4	-----
672	670	Lease and Rental Income	672	670
247	5,647	Property not Previously Recognised	247	5,647
148	56	Sale of Merchandise, Old Wares and Books	148	56
195	253	Sponsorship Income	195	253
978	1,216	Treasury Managed Fund Hindsight Adjustment	978	1,216
1,918	2,973	Other	1,918	2,973
<b>7,151</b>	<b>13,179</b>		<b>7,151</b>	<b>13,179</b>
<b>14. Gain / (Loss) on Disposal</b>				
8,161	2,720	Property, Plant and Equipment	8,161	2,720
7,564	2,146	Less: Accumulated Depreciation	7,564	2,146
<b>597</b>	<b>574</b>	<b>Written Down Value</b>	<b>597</b>	<b>574</b>
220	34	Less: Proceeds from Disposal	220	34
<b>(377)</b>	<b>(540)</b>	<b>Gain/(Loss) on Disposal of Property, Plant and Equipment</b>	<b>(377)</b>	<b>(540)</b>
<b>(377)</b>	<b>(540)</b>	<b>Total Gain/(Loss) on Disposal</b>	<b>(377)</b>	<b>(540)</b>
<b>15. Other Gains / (Losses)</b>				
1,260	(1,345)	Impairment of Receivables	1,260	(1,345)
<b>1,260</b>	<b>(1,345)</b>		<b>1,260</b>	<b>(1,345)</b>

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**PARENT & CONSOLIDATION**

**16. Conditions on Contributions**

	<b>Purchase of Assets</b>	<b>Health Promotion, Education and Research</b>	<b>Other</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at balance date	2,296	31,188	3,299	36,783
Contributions recognised in previous years which were not expended in the current reporting period	6,044	86,427	6,173	98,644
Total amount of unexpended contributions as at balance date	<u>8,340</u>	<u>117,615</u>	<u>9,472</u>	<u>135,427</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 claims in a home or community setting
- reduced rate of avoidable hospital admissions for conditions identified in the State Plan that can be appropriately treated in the community

### Service Group 1.2 - Aboriginal Health Services

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

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

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

### Service Group 1.3 - Outpatient Services

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

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

### Service Group 2.1 - Emergency Services

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

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

### Service Group 2.2 - Inpatient Hospital Services

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

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

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

**Service Group 3.1 - Mental Health Services**

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

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

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

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

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

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

**Service Group 5.1 - Population Health Services**

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

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

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

**Service Group 6.1 - Teaching and Research**

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

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

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

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PARENT			CONSOLIDATION	
2013	2012		2013	2012
\$000	\$000		\$000	\$000
<b>18. Cash and Cash Equivalents</b>				
17,126	35,788	Cash at Bank and On Hand	17,126	35,788
75,000	-----	Short Term Deposits	75,000	-----
<b>92,126</b>	<b>35,788</b>		<b>92,126</b>	<b>35,788</b>
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:				
92,126	35,788	Cash and Cash Equivalents (per Statement of Financial Position)	92,126	35,788
<b>92,126</b>	<b>35,788</b>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<b>92,126</b>	<b>35,788</b>

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

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PARENT			CONSOLIDATION	
2013	2012		2013	2012
\$000	\$000		\$000	\$000
<b>19. Receivables</b>				
<b>Current</b>				
12,108	11,203	Sale of Goods and Services	12,108	11,203
4,717	2,978	Intra Health Receivables	4,717	2,978
1,862	1,464	Goods and Services Tax	1,862	1,464
<u>5,980</u>	<u>1,436</u>	Other Debtors	<u>5,980</u>	<u>1,436</u>
24,667	17,081	<b>Sub Total</b>	24,667	17,081
<u>(666)</u>	<u>(2,211)</u>	Less Allowance for Impairment	<u>(666)</u>	<u>(2,211)</u>
24,001	14,870	<b>Sub Total</b>	24,001	14,870
1,050	772	Prepayments	1,050	772
<u><b>25,051</b></u>	<u><b>15,642</b></u>		<u><b>25,051</b></u>	<u><b>15,642</b></u>
(a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
-----	-----	Balance at Commencement of Reporting Period	(1,607)	(482)
(1,607)	(482)	Amounts written off during the year	280	(46)
280	(46)	Amounts recovered during the year	-----	(18)
-----	(18)	(Increase)/decrease in Allowance Recognised in		
1,147	(1,061)	Result for the Year	<u>1,147</u>	<u>(1,061)</u>
<u>(180)</u>	<u>(1,607)</u>	Balance at 30 June	<u>(180)</u>	<u>(1,607)</u>
(b) Movement in the Allowance for Impairment				
Other Debtors				
(604)	(498)	Balance at Commencement of Reporting Period	(604)	(498)
5	178	Amounts written off during the year	5	178
-----	-----	Amounts recovered during the year	-----	-----
113	(284)	(Increase)/decrease in Allowance Recognised in		
<u>(486)</u>	<u>(604)</u>	Result for the Year	<u>113</u>	<u>(284)</u>
		Balance at 30 June	<u>(486)</u>	<u>(604)</u>
<u><b>(666)</b></u>	<u><b>(2,211)</b></u>		<u><b>(666)</b></u>	<u><b>(2,211)</b></u>
(c) Patient Fee Receivables				
440	632	Patient Fees - Compensable	440	632
2,470	1,017	Patient Fees - Ineligible	2,470	1,017
<u>3,273</u>	<u>3,640</u>	Patient Fees - Other	<u>3,273</u>	<u>3,640</u>
<u><b>6,183</b></u>	<u><b>5,289</b></u>		<u><b>6,183</b></u>	<u><b>5,289</b></u>

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

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

Notes to and forming part of the Financial Statements  
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<b>PARENT</b>			<b>CONSOLIDATION</b>	
<b>2013</b>	<b>2012</b>		<b>2013</b>	<b>2012</b>
<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
<b>20. Inventories - Current - Held for Distribution</b>				
1,833	1,634	Drugs	1,833	1,634
3,444	3,339	Medical and Surgical Supplies	3,444	3,339
-----	33	Food and Hotel Supplies	-----	33
102	143	Engineering Supplies	102	143
<u>833</u>	<u>858</u>	Other Including Goods in Transit	<u>833</u>	<u>858</u>
<b><u>6,212</u></b>	<b><u>6,007</u></b>		<b><u>6,212</u></b>	<b><u>6,007</u></b>



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Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
		<b>21. Financial Assets at Fair Value</b>		
		<b>Current</b>		
<u>19,215</u>	<u>77,570</u>	Treasury Corporation - Hour-Glass Investment Facilities	<u>19,215</u>	<u>77,570</u>
<b><u>19,215</u></b>	<b><u>77,570</u></b>		<b><u>19,215</u></b>	<b><u>77,570</u></b>
		<b>Non Current</b>		
<u>42,002</u>	<u>34,064</u>	Treasury Corporation - Hour-Glass Investment Facilities	<u>42,002</u>	<u>34,064</u>
<b><u>42,002</u></b>	<b><u>34,064</u></b>		<b><u>42,002</u></b>	<b><u>34,064</u></b>

Refer to Note 36 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)  
Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
<b>22. Property, Plant and Equipment</b>				
<b>Land and Buildings - Fair Value</b>				
618,214	599,453	Gross Carrying Amount	618,214	599,453
<u>206,325</u>	<u>192,225</u>	Less: Accumulated Depreciation and Impairment	<u>206,325</u>	<u>192,225</u>
<b><u>411,889</u></b>	<b><u>407,228</u></b>	Net Carrying Amount	<b><u>411,889</u></b>	<b><u>407,228</u></b>
<b>Plant and Equipment - Fair Value</b>				
131,141	129,265	Gross Carrying Amount	131,141	129,265
<u>90,350</u>	<u>91,474</u>	Less: Accumulated Depreciation and Impairment	<u>90,350</u>	<u>91,474</u>
<b><u>40,791</u></b>	<b><u>37,791</u></b>	Net Carrying Amount	<b><u>40,791</u></b>	<b><u>37,791</u></b>
<b>Infrastructure Systems - Fair Value</b>				
61,788	61,529	Gross Carrying Amount	61,788	61,529
<u>23,873</u>	<u>22,331</u>	Less: Accumulated Depreciation and Impairment	<u>23,873</u>	<u>22,331</u>
<b><u>37,915</u></b>	<b><u>39,198</u></b>	Net Carrying Amount	<b><u>37,915</u></b>	<b><u>39,198</u></b>
<b><u>490,595</u></b>	<b><u>484,217</u></b>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<b><u>490,595</u></b>	<b><u>484,217</u></b>

**PARENT & 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
<b>2013</b>							
Net Carrying Amount at Start of Year	26,150	364,556	12,781	3,741	37,791	39,198	484,217
Additions	----	----	19,013	----	9,799	22	28,834
Disposals	----	----	----	----	(597)	----	(597)
Administrative Restructures - Transfers In/(Out)	----	----	----	----	(172)	----	(172)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	----	----	----	----	1,380	----	1,380
Depreciation Expense	----	(13,970)	----	(130)	(7,425)	(1,542)	(23,067)
Reclassifications	----	3,373	(3,625)	----	15	237	----
Net Carrying Amount at End of Year	26,150	353,959	28,169	3,611	40,791	37,915	490,595

	Land	Buildings	Work In Progress	Leased Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2012</b>							
Net Carrying Amount at Start of Year	27,464	353,740	2,481	3,662	38,260	40,692	466,299
Additions	----	10	14,897	----	8,420	----	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	12,781	3,741	37,791	39,198	484,217

(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 in the 2011-12 financial year by Mr Shane Aniag, Registered Valuer No. 17535, Mr. Theron Russell, Registered Valuer No. 26104 and Mr. Con Vafeas, Registered Valuer No. 23211 and for the Randwick facility by Mr Bradley Humphreys AAPI, Registered Valuer No. 19372, independent valuers and members of a team of valuers from the Land and Property Information, a division of NSW Department of Finance and Services, in accordance with note 2(i).

Mr Shane Aniag, Registered Valuer No. 17535, Mr. Theron Russell, Registered Valuer No. 26104 and Mr. Con Vafeas, Registered Valuer No. 23211 and for the Randwick facility by Mr Bradley Humphreys AAPI, Registered Valuer No. 19372, independent valuers and members of a team of valuers from the Land and Property Information, a division of NSW Department of Finance and Services, is not an employee of the Network.

(iii) Indices provided by Land and Property Information, a division of NSW Department of Finance and Services were not applied as immaterial.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)  
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<b>PARENT</b>			<b>CONSOLIDATION</b>	
<b>2013</b>	<b>2012</b>		<b>2013</b>	<b>2012</b>
<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
		<b>23. Intangible Assets</b>		
		<b>Software</b>		
7,976	8,504	Cost (Gross Carrying Amount)	7,976	8,504
<u>6,922</u>	<u>6,889</u>	Less Accumulated Amortisation and Impairment	<u>6,922</u>	<u>6,889</u>
<b><u>1,054</u></b>	<b><u>1,615</u></b>	<b>Net Carrying Amount</b>	<b><u>1,054</u></b>	<b><u>1,615</u></b>
<b><u>1,054</u></b>	<b><u>1,615</u></b>	<b>Total Intangible Assets at Net Carrying Amount</b>	<b><u>1,054</u></b>	<b><u>1,615</u></b>

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

Notes to and forming part of the Financial Statements  
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**PARENT & CONSOLIDATION**

**23. Intangibles - Reconciliation**

	Software \$000	Total \$000
<b>2013</b>		
Net Carrying Amount at Start of Year	1,615	1,615
Amortisation (Recognised in Depreciation and Amortisation)	(561)	(561)
<b>Net Carrying Amount at End of Year</b>	<b>1,054</b>	<b>1,054</b>

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

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**PARENT**

**CONSOLIDATION**

<b>2013</b>	<b>2012</b>		<b>2013</b>	<b>2012</b>
<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>

**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**

78,381	59,883	Specific Purposes	78,381	59,883
9,731	7,023	Perpetually Invested Funds	9,731	7,023
37,717	34,440	Research Grants	37,717	34,440
9,598	9,587	Private Practice Funds	9,598	9,587
<hr/> <b>135,427</b> <hr/>	<hr/> <b>110,933</b> <hr/>		<hr/> <b>135,427</b> <hr/>	<hr/> <b>110,933</b> <hr/>

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)  
Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2013	2012		2013	2012
\$000	\$000		\$000	\$000
		<b>25. Payables</b>		
		<b>Current</b>		
		Accrued Salaries, Wages and On-Costs	6,563	6,030
		Taxation and Payroll Deductions	3,822	3,654
10,385	9,684	Accrued Liability - Purchase of Personnel Services	-----	-----
14,080	12,332	Creditors	14,080	12,332
		Other Creditors		
17,741	16,947	- Intra Health Liability	17,741	16,947
3,470	3,091	- Other	3,470	3,091
<u>45,676</u>	<u>42,054</u>		<u>45,676</u>	<u>42,054</u>

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

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)  
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<b>PARENT</b>			<b>CONSOLIDATION</b>	
<b>2013</b>	<b>2012</b>		<b>2013</b>	<b>2012</b>
<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
<b>26. Provisions</b>				
-----	-----	Annual Leave - Short Term Benefit	37,113	30,375
-----	-----	Annual Leave - Long Term Benefit	22,634	31,403
-----	-----	Long Service Leave On-Costs	7,417	7,668
67,164	69,446	Provision for Personnel Services Liability	-----	-----
<b>67,164</b>	<b>69,446</b>	<b>Total Current Provisions</b>	<b>67,164</b>	<b>69,446</b>
<b>Non-Current Employee Benefits and Related On-Costs</b>				
-----	-----	Long Service Leave On-Costs	390	404
390	404	Provision for Personnel Services Liability	-----	-----
<b>390</b>	<b>404</b>	<b>Total Non-Current Provisions</b>	<b>390</b>	<b>404</b>
<b>Aggregate Employee Benefits and Related On-Costs</b>				
-----	-----	Provisions - Current	67,164	69,446
-----	-----	Provisions - Non-Current	390	404
-----	-----	Accrued Salaries, Wages and On-Costs (Note 25)	10,385	9,664
77,939	79,534	Liability - Purchase of Personnel Services	-----	-----
<b>77,939</b>	<b>79,534</b>		<b>77,939</b>	<b>79,534</b>



The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)  
 Notes to and forming part of the Financial Statements  
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<b>PARENT</b>			<b>CONSOLIDATION</b>	
<b>2013</b>	<b>2012</b>		<b>2013</b>	<b>2012</b>
<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
		<b>27. Other Liabilities</b>		
		<b>Current</b>		
		Income in Advance		
1,218	814		1,218	814
<b>1,218</b>	<b>814</b>		<b>1,218</b>	<b>814</b>

Income In Advance represents fees received in advance from customers or students for which services are rendered after 30 June 2013.

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)  
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PARENT		CONSOLIDATION	
2013 \$000	2012 \$000	2013 \$000	2012 \$000
	<b>28. Commitments for Expenditure</b>		
	(a) <b>Capital Commitments</b>		
	Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure and intangible assets, contracted for at balance date and not provided for:		
2,438	Not later than one year	2,438	3,152
----	Later than one year and not later than five years	-----	283
<u>2,438</u>	<b>Total Capital Expenditure Commitments (Including GST)</b>	<u>2,438</u>	<u>3,435</u>
	Of the commitments reported at 30 June 2013 it is expected that \$1,075,680 will be met from locally generated moneys.		
	(b) <b>Operating Lease Commitments</b>		
	Future non-cancellable operating lease rentals not provided for and payable:		
448	Not later than one year	448	471
142	Later than one year and not later than five years	142	377
<u>590</u>	<b>Total Operating Lease Commitments (Including GST)</b>	<u>590</u>	<u>848</u>
	The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.		
	(c) <b>Contingent Asset Related to Commitments for Expenditure</b>		
	The total of 'Commitments for Expenditure' above, i.e. \$3.03M million as at 30 June 2013 includes input tax credits of \$0.28M that are expected to be recoverable from the Australian Taxation Office (2012 \$0.39M).		

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

Notes to and forming part of the Financial Statements  
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**PARENT AND CONSOLIDATION**

**29. Trust Funds**

The Network holds trust fund moneys of \$972 thousand which are used for the safe keeping of patients' monies, deposits on hired items of equipment and 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.

	<b>Private Practice Trust Funds</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Cash Balance at the beginning of the financial year	<b>693</b>	<b>4,680</b>	<b>693</b>	<b>4,680</b>
Receipts	<b>25,912</b>	<b>24,385</b>	<b>25,912</b>	<b>24,385</b>
Expenditure	<b>(25,633)</b>	<b>(28,372)</b>	<b>(25,633)</b>	<b>(28,372)</b>
Cash Balance at the end of the financial year	<b>972</b>	<b>693</b>	<b>972</b>	<b>693</b>

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

Notes to and forming part of the Financial Statements  
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**PARENT AND CONSOLIDATED**

**30. 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 2006/07 fund year and an interim adjustment for the 2008/09 fund year were not calculated until 2012/13.

As a result, the 2007/08 final and 2009/10 pertaining to the hospitals and community services now forming part of the Network will be paid in 2013/14. It is not possible for the Network to reliably quantify the benefit to be received or amount payable.

**b) Contingent Assets**

The Network estimates the value of contingent assets that the Network may come to possess in the next reporting period depending on the outcome of legal matters awaiting financial settlements at approximately \$1.9M.

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	PARENT		CONSOLIDATION	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
<b>31. Reconciliation of Cash Flows from Operating Activities to Net Result</b>				
Net Cash Flows from Operating Activities	34,535	45,617	34,535	45,617
Depreciation	(23,628)	(24,072)	(23,628)	(24,072)
Allowance for Impairment	1,260	1,345	1,260	1,345
(Increase)/ Decrease Income in Advance	(404)	(341)	(404)	(341)
(Increase)/ Decrease in Provisions	1,170	(8,055)	1,170	(8,055)
Increase / (Decrease) in Prepayments and Other Assets	8,676	(5,262)	8,676	(5,262)
(Increase)/ Decrease in Creditors	(3,910)	(7,454)	(3,910)	(7,454)
Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(377)	(540)	(377)	(540)
<b>Net Result</b>	<b>17,322</b>	<b>1,238</b>	<b>17,322</b>	<b>1,238</b>

**32. 2012/13 Voluntary Services**

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

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

**PARENT AND CONSOLIDATED**

**33. Unclaimed Moneys**

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

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

**34. Budget Review - Parent and Consolidated**

**Net Result**

The actual Net Result was higher than budget by \$15.1M, primarily due to:

Total revenue was higher than budget by \$19.1M which was partially offset by higher than budget expenditure of \$5.4M. The major contributors to the higher than budget revenue were Grants and Contributions, Investment Revenue and Sale of Goods and Services of \$13.1M, \$4.0M and \$3.5M respectively, partially offset by shortfall of \$2.2M in Capital Allocations compared to budget. The variance in actual expenditure to budget was mainly due to higher than budgeted expenditure of \$5.1M on Other Operating Expenses while the Other Gains or losses were \$1.4M under budget.

**Assets and Liabilities**

The current assets were higher than budget by \$16.2M. This variance comprised of \$9.4M on account of receivables and \$6.6M for combined net balance of cash and cash equivalents and financial assets at fair value.

The non-current assets were marginally higher than budget by \$0.9M. This was mainly due to higher than budgeted value of financial assets of \$2.9M partially offset by \$2.1M lower than budgeted value of Property, Plant and Equipment.

**Cash Flows**

Cashflows were higher than budget by \$65.0M. This was due to increase of \$6.2M in the net cash flows from operating activities compared to budget and higher than budgeted inflows of \$58.8M from investing activities.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 24 June 2012 are as follows:

		<b>\$000</b>
Initial Allocation		418,070
Award Increases		16,617
Special Projects:	Keep Them Safe Budget for ISLHN MH_Drug & Alcohol	(1,544)
	Aboriginal Health Enhancement	950
	Managed Fund Insurance	839
	Pain Management	585
	Mental Health Enhancement - IMMS	528
Others:	National Specialty Centres - Pancreas Transplants	6,208
	Transfer of Children's Mental Health Services to the Network	3,124
	High Cost Patient Pool & Blood Products	945
	Health Workforce Australia - an Interdisciplinary Clinical Training Network	833
	Nurse/Midwife Strategy	804
	Others	4,225
Balance as per Statement of Comprehensive Income		<u>452,562</u>

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)  
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**35. Increase/(Decrease) in Net Assets from Equity Transfers**

Equity transfers effected in the 2011/12 year were:

An increase in net assets of \$168K comprised of \$ 109K relating to the Network's assumption of responsibilities upon dissolution of Health Reforms Transitional Organisation - Southern with effect from 01 January 2012 and net assets of \$59K transferred from South Eastern Sydney Local Health District during the year.

Equity transfers effected in the 2012/13 year were:

Liability for On-costs on Annual Leave of \$1125 thousand transferred to the Crown Entity.

Net assets of \$206 thousand transferred to HealthShare.

Net assets of \$1 thousand transferred from South Eastern Sydney Local Health District.

	<b>2013</b>	<b>2012</b>
Equity transfers effected comprised:	<b>\$000</b>	<b>\$000</b>
Crown Entity	1,125	-----
HealthShare	(206)	-----
Health Reform Transitional Organisation - Southern	-----	109
South Eastern Sydney Local Health District	1	59
	<b>920</b>	<b>168</b>

Assets and Liabilities transferred are as follows:

	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
<b>Assets</b>		
<i>Current Assets</i>		
Receivables	-----	107
Stock on Hand	(33)	-----
<i>Non-Current Assets</i>		
Property, Plant & Equipment	(172)	65
<b>Liabilities</b>		
<i>Current Liabilities</i>		
Payables	-----	(4)
Provisions - On-costs on annual leave	1,125	-----
<b>Increase/(Decrease) in Net Assets From Equity Transfers</b>	<b>920</b>	<b>168</b>

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal  
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### 36. Financial Instruments

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

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

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

#### (a) Financial Instrument Categories

<b>PARENT AND CONSOLIDATION</b>		<b>Carrying Amount 2013 \$000</b>	<b>Carrying Amount 2012 \$000</b>
<b>Class:</b>	<b>Category</b>		
<b>Financial Assets</b>			
Cash and Cash Equivalents (note 18)	N/A	92,126	35,788
Receivables (note 19)*	Loans and receivables (at amortised cost)	22,139	13,406
Financial Assets at Fair Value (note 21)	At fair value through profit or loss (designated as such upon initial recognition)	61,217	111,634
<b>Total Financial Assets</b>		<b><u>175,482</u></b>	<b><u>160,828</u></b>
<b>Financial Liabilities</b>			
Payables (note 25)**	Financial liabilities measured at amortised cost	41,854	38,400
<b>Total Financial Liabilities</b>		<b><u>41,854</u></b>	<b><u>38,400</u></b>

Notes

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

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



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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 within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 3.32% in 2012/13 compared to 4.28% in the previous year.

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

**Receivables - trade debtors**

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

The Network is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2013:\$10.8M; 2012: \$6.8M) and not more than 3 months past due (2013: \$1.5M; 2012:\$1.3M) are not considered impaired and together these represent 83.5% 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.

2013	Total <sup>1,2</sup>	Past due but not impaired <sup>1,2</sup>	Considered impaired <sup>1,2</sup>
	\$000	\$000	\$000
<3 months overdue	1,538	1,530	8
3 months - 6 months overdue	871	778	93
> 6 months overdue	1,564	998	566
<b>2012</b>			
<3 months overdue	1,268	1,268	-----
3 months - 6 months overdue	1,210	-----	1,210
> 6 months overdue	1,178	-----	1,178

**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.

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### Authority Deposits

The Network has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed "at call" or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 2.55% (2012 - 4.03%), while over the year the weighted average interest rate was 3.68% (2012 - 4.89%) on a weighted average balance during the year of \$21,998,865 (2012 - \$15,199,197). None of these assets are past due or impaired.

### (c) Liquidity Risk

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

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

During the current and prior years, there were no defaults of loans payable. No assets have been pledged as collateral. The Network has exposure to liquidity risk.

However, the risk is minimised by the service agreement, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the Network fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 2).

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

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

For other suppliers, where settlement cannot be effected in accordance with the above, 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  
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*Maturity Analysis and interest rate exposure of financial liabilities*

	<b>Maturity Dates</b>		
	<b>Nominal Amount <sup>1</sup></b>	<b>Non - Interest Bearing</b>	<b>&lt; 1 Yr</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>2013</b>			
Payables:			
- Accrued Salaries Wages, On-Costs and Payroll Deductions	6,563	6,563	6,563
- Creditors	35,291	35,291	35,291
	41,854	41,854	41,854
<b>2012</b>			
Payables:			
- Accrued Salaries Wages, On-Costs and Payroll Deductions	6,030	6,030	6,030
- Creditors	32,370	32,370	32,370
	38,400	38,400	38,400

Notes:

<sup>1</sup> The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Network can be required to pay.

The tables include both interest and principal cash flows and therefore will not reconcile to the Statement Of Financial Position.

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

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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 2012. 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 \$'000	-1% Profit	Equity	+1% Profit	Equity
<b>2013</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	92,126	(389)	(389)	389	389
Receivables	22,139	----	----	----	----
Financial Assets at Fair Value	61,217	5,439	5,439	(5,439)	(5,439)
<b>Financial Liabilities</b>					
Payables	41,854	----	----	----	----
<b>2012</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	35,788	(358)	(358)	358	358
Receivables	13,406	----	----	----	----
Financial Assets at Fair Value	111,634	3,178	3,178	(3,178)	(3,178)
<b>Financial Liabilities</b>					
Payables	38,400	----	----	----	----

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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	2013 \$'000	2012 \$'000
Cash facility	Cash, money market instruments	Up to 1.5 years	16,861	17,453
Strategic cash facility	Cash, money market and other interest rate instruments	1.5 years to 3 years	2,354	60,117
Long-term growth facility	Cash, money market instruments, Australian bonds listed property, Australian and International shares	7 years and over	42,002	34,064

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).

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).

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	Impact on profit/loss		
	Change in unit price	2013 \$'000	2012 \$'000
Hour-Glass Investment - Cash facility	+/- 1%	169	175
Hour-Glass Investment - Strategic cash facility	+/- 1%	24	601
Hour-Glass Investment - Long-term growth facility	+/- 22.4%	9,412	7,598

**(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	2013 Total \$'000
TCorp Hour-Glass Invnt.Facility	-----	61,217	-----	61,217

(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 2013.

**Note 37 Events after the Reporting Period**

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

END OF AUDITED FINANCIAL STATEMENTS