



## INDEPENDENT AUDITOR'S REPORT

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

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating the Royal Alexandra Hospital for Children (the Network)), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the Network and the consolidated entity. The consolidated entity comprises the Network and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- present fairly the financial position, financial performance and cash flows of the Network and the consolidated entity.

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

#### Basis for Opinion

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

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

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

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

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

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

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

## **Emphasis of Matter - Presentation of Budget Information**

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 37. The note states that AASB 1055 'Budgetary Reporting' is not applicable to the Network. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the Network's financial statements present adjusted budget information.

## **Chief Executive's Responsibilities for the Financial Statements**

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the GSF Act, GSF Regulation and Treasurer's Directions. The Chief Executive's responsibility also includes such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing the ability of the Network and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

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



Cathy Wu  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

11 October 2023  
SYDNEY

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

**Statement by the Accountable Authority**

for the year ended 30 June 2023

We state, pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* ('GSF Act'):

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 2023 have been prepared in accordance with:
  - a. Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
  - b. applicable requirements of the GSF Act, the *Government Sector Finance Regulation 2018*; and
  - c. Treasurer's Directions issued under the GSF Act.
2. The financial statements present fairly The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)'s financial position as at 30 June 2023 and the financial performance and cash flows for the year then ended; and
3. We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



.....  
**Cathryn Cox PSM**  
Chief Executive



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Sayeed Zia  
**Director of Finance and Corporate Services**

**Date:** 10 October 2023

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

Statement of Comprehensive Income for the year ended 30 June 2023

		Consolidated Actual 2023 \$000	Consolidated Budget <sup>1</sup> 2023 \$000	Consolidated Actual Restated 2022 \$000	Parent Actual 2023 \$000	Parent Actual Restated 2022 \$000
	Notes					
<b>Continuing operations</b>						
<b>Expenses excluding losses</b>						
Employee related expenses	2	703,953	685,326	664,445	-	-
Personnel services	3	-	-	-	684,438	669,806
Visiting medical officers	4	23,615	19,817	22,382	23,615	22,382
Operating expenses	5	311,310	314,314	269,035	311,310	269,035
Depreciation and amortisation	6	44,719	44,502	41,589	44,719	41,589
Grants and subsidies	7	7,943	3,778	8,340	7,943	8,340
Finance costs	8	35	25	42	35	42
<b>Total expenses excluding losses</b>		<b>1,091,575</b>	<b>1,067,762</b>	<b>1,005,833</b>	<b>1,072,060</b>	<b>1,011,194</b>
<b>Revenue</b>						
Ministry of Health recurrent allocations	11	799,107	779,245	744,152	799,107	744,152
Ministry of Health capital allocations	11	189,836	188,687	86,194	189,836	86,194
Acceptance by the Crown <sup>2</sup> of employee benefits	15	19,515	19,669	(5,361)	-	-
Sale of goods and services from contracts with customers	12	161,404	162,241	118,772	161,404	118,772
Investment revenue	13	7,571	5,318	(2,522)	7,571	(2,522)
Grants and other contributions	14	101,946	58,505	78,113	101,946	78,113
Other income	16	2,228	8,572	1,771	2,228	1,771
<b>Total revenue</b>		<b>1,281,607</b>	<b>1,222,237</b>	<b>1,021,119</b>	<b>1,262,092</b>	<b>1,026,480</b>
<b>Operating result</b>		<b>190,032</b>	<b>154,475</b>	<b>15,286</b>	<b>190,032</b>	<b>15,286</b>
Gains / (losses) on disposal	17	(26)	-	(46)	(26)	(46)
Impairment losses on financial assets	22	(79)	(554)	(322)	(79)	(322)
Other gains / (losses)	18	(126)	(107)	(101)	(126)	(101)
<b>Net result</b>		<b>189,801</b>	<b>153,814</b>	<b>14,817</b>	<b>189,801</b>	<b>14,817</b>
<b>Other comprehensive income</b>						
<i>Items that will not be reclassified to net result in subsequent periods</i>						
Changes in revaluation surplus of property, plant and equipment	25	27,087	-	33,685	27,087	33,685
<b>Total other comprehensive income</b>		<b>27,087</b>	<b>-</b>	<b>33,685</b>	<b>27,087</b>	<b>33,685</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>216,888</b>	<b>153,814</b>	<b>48,502</b>	<b>216,888</b>	<b>48,502</b>

<sup>1</sup> Unaudited adjusted budget, see Note 37.

<sup>2</sup> Crown represents 'The Crown in right of the State of New South Wales'

See Note 20 for details regarding restated prior year balances for the Network.

The accompanying notes form part of these financial statements.

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

Statement of Financial Position as at 30 June 2023

		Consolidated Actual	Consolidated Budget <sup>1</sup>	Consolidated Actual Restated	Consolidated Actual Restated	Parent Actual	Parent Actual Restated	Parent Actual Restated
	Notes	2023 \$000	2023 \$000	2022 \$000	1 July 2021 \$000	2023 \$000	2022 \$000	1 July 2021 \$000
<b>ASSETS</b>								
<b>Current assets</b>								
Cash and cash equivalents	21	147,128	111,370	135,373	42,916	147,128	135,373	42,916
Receivables	22	79,208	64,318	33,597	24,523	79,208	33,597	24,523
Inventories	23	10,787	9,055	9,056	8,287	10,787	9,056	8,287
Financial assets at fair value	24	32,853	29,864	29,864	86,259	32,853	29,864	86,259
<b>Total current assets</b>		<b>269,976</b>	<b>214,607</b>	<b>207,890</b>	<b>161,985</b>	<b>269,976</b>	<b>207,890</b>	<b>161,985</b>
<b>Non-current assets</b>								
Receivables	22	10	11	11	2	10	11	2
Financial assets at fair value	24	-	-	-	32,122	-	-	32,122
Property, plant & equipment	25							
- Land and buildings		786,360	762,881	619,302	541,771	786,360	619,302	541,771
- Plant and equipment		70,229	70,777	70,670	67,353	70,229	70,670	67,353
- Infrastructure systems		34,923	32,944	35,173	34,419	34,923	35,173	34,419
Total property, plant & equipment		891,512	866,602	725,145	643,543	891,512	725,145	643,543
Right-of-use assets	26	119,177	119,403	122,890	126,353	119,177	122,890	126,353
Intangible assets	27	13,080	12,746	15,774	18,742	13,080	15,774	18,742
<b>Total non-current assets</b>		<b>1,023,779</b>	<b>998,762</b>	<b>863,820</b>	<b>820,762</b>	<b>1,023,779</b>	<b>863,820</b>	<b>820,762</b>
<b>Total assets</b>		<b>1,293,755</b>	<b>1,213,369</b>	<b>1,071,710</b>	<b>982,747</b>	<b>1,293,755</b>	<b>1,071,710</b>	<b>982,747</b>

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

Statement of Financial Position as at 30 June 2023 (continued)

		Consolidated Actual 2023 \$000	Consolidated Budget <sup>1</sup> 2023 \$000	Consolidated Actual Restated 2022 \$000	Consolidated Actual Restated 1 July 2021 \$000	Parent Actual 2023 \$000	Parent Actual Restated 2022 \$000	Parent Actual Restated 1 July 2021 \$000
<b>LIABILITIES</b>								
<b>Current liabilities</b>								
Payables	30	58,721	47,664	46,075	32,516	58,721	46,075	32,516
Contract liabilities	31	8,037	7,153	7,153	4,952	8,037	7,153	4,952
Borrowings	32	591	622	617	539	591	617	539
Provisions	33	132,932	128,883	142,220	119,215	132,932	142,220	119,215
Other current liabilities	34	3,512	2,151	2,151	-	3,512	2,151	-
<b>Total current liabilities</b>		<b>203,793</b>	<b>186,473</b>	<b>198,216</b>	<b>157,222</b>	<b>203,793</b>	<b>198,216</b>	<b>157,222</b>
<b>Non-current liabilities</b>								
Borrowings	32	731	739	1,227	1,536	731	1,227	1,536
Provisions	33	2,124	2,124	2,048	2,272	2,124	2,048	2,272
<b>Total non-current liabilities</b>		<b>2,855</b>	<b>2,863</b>	<b>3,275</b>	<b>3,808</b>	<b>2,855</b>	<b>3,275</b>	<b>3,808</b>
<b>Total liabilities</b>		<b>206,648</b>	<b>189,336</b>	<b>201,491</b>	<b>161,030</b>	<b>206,648</b>	<b>201,491</b>	<b>161,030</b>
<b>Net assets</b>		<b>1,087,107</b>	<b>1,024,033</b>	<b>870,219</b>	<b>821,717</b>	<b>1,087,107</b>	<b>870,219</b>	<b>821,717</b>
<b>EQUITY</b>								
Reserves		418,537	391,452	391,450	358,257	418,537	391,450	358,257
Accumulated funds		668,570	632,581	478,769	463,460	668,570	478,769	463,460
<b>Total Equity</b>		<b>1,087,107</b>	<b>1,024,033</b>	<b>870,219</b>	<b>821,717</b>	<b>1,087,107</b>	<b>870,219</b>	<b>821,717</b>

<sup>1</sup> Unaudited adjusted budget, see Note 37.

See Note 20 for details regarding restated prior year balances for the Network.

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 2023

## PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
<b>Balance at 1 July 2022</b>		<b>479,589</b>	<b>391,450</b>	<b>871,039</b>
Correction of error - long service leave calculations	20	(820)	-	(820)
<b>Restated balance at 1 July 2022</b>		<b>478,769</b>	<b>391,450</b>	<b>870,219</b>
<b>Net result for the year</b>		<b>189,801</b>	<b>-</b>	<b>189,801</b>
<b>Other comprehensive income:</b>				
Net change in revaluation surplus of property, plant and equipment	25	-	27,087	27,087
<b>Total other comprehensive income</b>		<b>-</b>	<b>27,087</b>	<b>27,087</b>
<b>Total comprehensive income for the year</b>		<b>189,801</b>	<b>27,087</b>	<b>216,888</b>
<b>Balance at 30 June 2023</b>		<b>668,570</b>	<b>418,537</b>	<b>1,087,107</b>

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
<b>Balance at 1 July 2021</b>		<b>464,414</b>	<b>358,257</b>	<b>822,671</b>
Correction of error - long service leave calculations	20	(954)	-	(954)
<b>Restated balance at 1 July 2021</b>		<b>463,460</b>	<b>358,257</b>	<b>821,717</b>
<b>Restated net result for the year</b>		<b>14,817</b>	<b>-</b>	<b>14,817</b>
<b>Other comprehensive income:</b>				
Net change in revaluation surplus of property, plant and equipment	25	-	33,685	33,685
<b>Total other comprehensive income</b>		<b>-</b>	<b>33,685</b>	<b>33,685</b>
<b>Restated total comprehensive income for the year</b>		<b>14,817</b>	<b>33,685</b>	<b>48,502</b>
Transfer of asset revaluation surplus to accumulated funds on disposal of assets		492	(492)	-
<b>Restated balance at 30 June 2022</b>		<b>478,769</b>	<b>391,450</b>	<b>870,219</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 Cash Flows for the year ended 30 June 2023

	Notes	Consolidated Actual 2023 \$000	Consolidated Budget <sup>1</sup> 2023 \$000	Consolidated Actual 2022 \$000	Parent Actual 2023 \$000	Parent Actual 2022 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee related		(702,783)	(688,372)	(659,324)	-	-
Suppliers for goods and services		(346,350)	(354,786)	(297,541)	(346,350)	(297,541)
Grants and subsidies		(8,302)	(4,138)	(8,346)	(8,302)	(8,346)
Finance costs		(35)	(24)	(42)	(35)	(42)
Personnel services		-	-	-	(702,783)	(659,324)
<b>Total payments</b>		<b>(1,057,470)</b>	<b>(1,047,320)</b>	<b>(965,253)</b>	<b>(1,057,470)</b>	<b>(965,253)</b>
<b>Receipts</b>						
Ministry of Health recurrent allocations		799,107	779,245	744,152	799,107	744,152
Ministry of Health capital allocations		189,836	188,687	86,194	189,836	86,194
Reimbursements from the Crown <sup>2</sup>		11,535	11,535	9,886	11,535	9,886
Sale of goods and services		158,993	162,544	121,922	158,993	121,922
Interest received		4,560	310	1,037	4,560	1,037
Grants and other contributions		96,121	60,979	76,171	96,121	76,171
Other		20,504	29,221	15,425	20,504	15,425
<b>Total receipts</b>		<b>1,280,656</b>	<b>1,232,521</b>	<b>1,054,787</b>	<b>1,280,656</b>	<b>1,054,787</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	38	<b>223,186</b>	<b>185,201</b>	<b>89,534</b>	<b>223,186</b>	<b>89,534</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from sale of property, plant and equipment		85	-	41	85	41
Proceeds from sale of financial assets		-	-	85,654	-	85,654
Purchases of property, plant and equipment and intangibles		(210,889)	(208,606)	(81,288)	(210,889)	(81,288)
Purchases of financial assets		-	-	(886)	-	(886)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(210,804)</b>	<b>(208,606)</b>	<b>3,521</b>	<b>(210,804)</b>	<b>3,521</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Payment of principal portion of lease liabilities		(627)	(598)	(598)	(627)	(598)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(627)</b>	<b>(598)</b>	<b>(598)</b>	<b>(627)</b>	<b>(598)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
Opening cash and cash equivalents	21	135,373	135,373	42,916	135,373	42,916
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	21	<b>147,128</b>	<b>111,370</b>	<b>135,373</b>	<b>147,128</b>	<b>135,373</b>

<sup>1</sup> Unaudited adjusted budget, see Note 37.

<sup>2</sup> Crown represents 'The Crown in right of the State of New South Wales'

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)

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 1. Statement of Significant Accounting Policies

#### a) Reporting entity

The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) (the Network), as a reporting entity, was established under the provisions of the Health Services Act 1997 with effect from 1 July 2010. The reporting entity is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units.

The Network is a NSW Government entity and is controlled by the Ministry of Health, which is the immediate parent. The Ministry of Health is controlled by the State of New South Wales (and is consolidated as part of the NSW Total State Sector Accounts), which is the ultimate parent.

The Network is also a parent entity in its own right, as it controls the operations of the:

- \* Hospital facilities and of the NSW Newborn and Paediatric Emergency Transport Services (NETS) and the Children's Court Clinic (CCC); and
- \* The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) Special Purpose Service Entity which provides personnel services to the Network to exercise its functions and was established under the provisions of the Health Services Act 1997 with effect from 1 July 2010.

The consolidated entity includes the Network as a parent entity and the Network Special Purpose Service Entity. The consolidated financial statements disclose balances for the parent entity and the consolidated entity.

In preparing the consolidated financial statements, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

These consolidated financial statements for the year ended 30 June 2023 have been authorised for issue by the Chief Executive on 10 October 2023.

# 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 2023

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### 1. Statement of Significant Accounting Policies

#### b) Basis of preparation

The Network's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with:

- \* applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
- \* the requirements of the *Government Sector Finance Act 2018* ('GSF Act'); and
- \* Treasurer's Directions issued under the GSF Act.

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

Each year the Secretary of NSW Health, the Chair of The Sydney Children's Hospitals Network (Randwick and Westmead)(incorporating The Royal Alexandra Hospital for Children) Board and the Chief Executive, through the Service Agreement agree to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under the Network's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the Network fails to meet Service Agreement performance standards, the Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction. The deferral of the NSW 2023-24 Budget until 19 September 2023 has necessitated a staged approach to the service agreements and budget allocation for the financial year 2023-24. The Sydney Children's Hospitals Network (Randwick and Westmead)(incorporating The Royal Alexandra Hospital for Children) has received, from the Ministry of Health, interim funding allocation for the first quarter of 2023-24, initial full year activity targets, key performance indicators and performance deliverables for the year and a commitment to receive and execute the final 2023-24 Service agreement in September 2023.

Other circumstances why the going concern assumption is appropriate include:

- \* Allocated funds, combined with other revenues earned, are adequate to pay debts as and when they become due and payable.
- \* The Network has the capacity to review the timing of Ministry of Health allocation cash flows to ensure debts can be paid when they become due and payable.
- \* The Network has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the Network and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Ministry of Health throughout the financial year.

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

# 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 2023

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### 1. Statement of Significant Accounting Policies

The Network has determined that it is not probable a liability arises to pay superannuation on annual leave loading. This position has been formed based on current inquiries, other information currently available to management, and after considering the facts from a decision in the Federal Court of Australia: Finance Sector Union of Australia v Commonwealth Bank of Australia [2022] FedCFamC2G 409. That decision confirmed that, in relation to the industrial agreement considered in that case, annual leave loading did not form part of ordinary time earnings and therefore, did not require superannuation contributions to be made under superannuation guarantee legislation because the obligation to pay annual leave loading was not referable to ordinary hours of work or to ordinary rates of pay. Rather, it was paid by reference to the period of annual leave, and for the purpose of compensating employees for their loss of opportunity to work additional hours at higher rates during this period.

This position will be re-assessed in future periods as new information comes to light on this matter.

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

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

### c) Statement of Compliance

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

### d) Accounting for the Goods & Services Tax (GST)

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

- \* amount of GST incurred by the Network as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- \* receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

### e) Comparative Information

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

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

# 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 2023

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### 1. Statement of Significant Accounting Policies

#### f) Changes in estimates

##### (i) Componentisation

During 2023, the Network conducted a review of the useful lives of its specialised buildings. As part of the review, new depreciation useful lives were determined for each of the four major specialised building components, which previously were all depreciated over 40 years. As a result, the Network has revised the accounting policy for the useful lives for specialised buildings, effective from 1 July 2022. The new useful lives were determined as follows:

	Useful lives 2023	Useful lives 2022
Structure / shell / building fabric	70 years	40 years
Fit out	30 years	40 years
Combined fit out and trunk reticulated building systems	30 years	40 years
Site engineering services / central plant	55 years	40 years

The net effect of the change in useful lives on actual and expected depreciation expense (increase / (decrease)), included in the Statement of Comprehensive Income is as follows:

#### PARENT AND CONSOLIDATED

	2023 Actual \$'000	Future years Expected \$'000
<b>Expenses</b>		
Depreciation and amortisation	1,510	1,706

#### g) Changes in accounting policy, including new or revised Australian Accounting Standards

##### (i) Effective for the first time in 2022-23

Several amendments and interpretations apply for the first time in 2022-23. The Network has assessed the new and amended standards and interpretations that are effective for the first time and have determined they are unlikely to have a material impact on the financial statements of the Network.

##### (ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless NSW Treasury determines otherwise.

# **The 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 2023

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### **1. Statement of Significant Accounting Policies**

#### **h) Impact of COVID-19 on Financial Reporting for 2022-23**

The COVID-19 pandemic has resulted in significant changes in the Network activity and in the way the services are being delivered. The pandemic has also impacted financial reporting in 2022-23 and increased disclosures are presented in the following notes:

- \* Note 5 Operating expenses
- \* Note 7 Grants and subsidies
- \* Note 11 Ministry of Health allocations
- \* Note 14 Grants and other contributions
- \* Note 18 Other gains / (losses)
- \* Note 23 Inventories
- \* Note 33 Provisions
- \* Note 37 Adjusted budget review

# 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 2023

## 2. Employee related expenses

	Consolidated 2023 \$000	Consolidated <sup>1</sup> 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Salaries and wages (including annual leave and allocated days off)	616,151	611,244	-	-
Superannuation - defined benefit plans	1,859	2,193	-	-
Superannuation - defined contribution plans	62,169	57,402	-	-
Long service leave	18,501	(10,038)	-	-
Redundancies	812	347	-	-
Workers' compensation insurance	4,450	3,279	-	-
Fringe benefits tax	11	18	-	-
	<b>703,953</b>	<b>664,445</b>	<b>-</b>	<b>-</b>

<sup>1</sup> 'Long service leave' costs has been restated to be lower by \$1.08 million in the prior year for the consolidated entity. Refer to Note 20 for further details regarding restatement as a result of an error.

Refer to Note 33 for further details on recognition and measurement of employee related expenses.

Employee related costs of \$0.94 million (2022: \$1.17 million) have been capitalised in property, plant and equipment and intangible assets and are therefore excluded from the above.

The long service leave in 2022 was impacted by significant changes in actuarial factors decreasing the employee benefit liabilities assumed by the Crown.

## 3. Personnel services

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent <sup>1</sup> 2022 \$000
Salaries and wages (including annual leave and allocated days off)	-	-	616,151	611,244
Superannuation - defined contribution plans	-	-	62,169	57,402
Long service leave	-	-	845	(2,484)
Redundancies	-	-	812	347
Workers' compensation insurance	-	-	4,450	3,279
Fringe benefits tax	-	-	11	18
	<b>-</b>	<b>-</b>	<b>684,438</b>	<b>669,806</b>

<sup>1</sup> 'Long service leave' costs has been restated to be lower by \$0.13 million in the prior year for the parent entity. Refer to Note 20 for further details regarding restatement as a result of an error.

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

Personnel services of \$0.94 million (2022: \$1.17 million) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

# **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 2023

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### **4. Visiting medical officers**

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing specialty input in a number of disciplines throughout the Network's hospitals. VMO expenses of \$23.62 million (2022: \$22.38 million) represent part of the day-to-day running costs incurred in the normal operations of the Network. These costs are expensed as incurred.



# 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 2023

## 5. Operating expenses

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Advertising	138	69	138	69
Auditor's remuneration - audit of financial statements	215	214	215	214
Blood and blood products	7,866	7,900	7,866	7,900
Consultancies	576	271	576	271
Contractors	1,324	1,077	1,324	1,077
Domestic supplies and services	5,696	5,146	5,696	5,146
Drug supplies*	125,049	95,691	125,049	95,691
Food supplies	9,509	8,353	9,509	8,353
Fuel, light and power	5,470	4,329	5,470	4,329
Patient transport costs	7,098	6,138	7,098	6,138
Information management expenses	18,497	17,374	18,497	17,374
Insurance	1,094	996	1,094	996
Maintenance (see Note 5 (b))	21,905	17,602	21,905	17,602
Medical and surgical supplies	45,264	41,788	45,264	41,788
Motor vehicle expenses	492	393	492	393
Occupancy agreement expenses - Property NSW	71	-	71	-
Postal and telephone costs	2,278	2,473	2,278	2,473
Printing and stationery	1,625	1,639	1,625	1,639
Rates and charges	972	841	972	841
Hosted services purchased from entities controlled by the immediate parent	12	(1)	12	(1)
Specialised services (dental, radiology, pathology and allied health)	26,911	32,261	26,911	32,261
Staff related costs	4,897	5,429	4,897	5,429
Travel related costs	6,199	1,940	6,199	1,940
Other (see Note 5 (a))	18,152	17,112	18,152	17,112
	<b>311,310</b>	<b>269,035</b>	<b>311,310</b>	<b>269,035</b>

\* Drug supplies includes \$0.01 million (2022: \$1.43 million) of COVID-19 vaccinations administered by vaccination hubs within the Network. Refer to Note 23 for further details on COVID-19 vaccines.

The majority of the costs in relation to drug supplies and medical and surgical supplies expenses relate to the consumption of inventory held by the Network.

# 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 2023

## 5. Operating expenses (continued)

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>(a) Other</b>				
Contract for patient services*	4,193	2,712	4,193	2,712
Corporate support services	2,903	2,800	2,903	2,800
Courier and freight	730	726	730	726
Legal services	336	354	336	354
Membership/professional fees	1,497	873	1,497	873
Quality assurance / accreditation	119	280	119	280
Security services	395	801	395	801
Expenses relating to short-term leases	332	370	332	370
Expenses relating to leases of low-value assets	337	558	337	558
Other management services	2,143	1,808	2,143	1,808
Intrahealth other expenses	979	888	979	888
Fundraising expenses	133	91	133	91
G&S Other	2,041	1,866	2,041	1,866
Translator Services	207	219	207	219
Human Resource Services	373	352	373	352
Data Records & Storage	227	448	227	448
Other miscellaneous	1,207	1,966	1,207	1,966
	<b>18,152</b>	<b>17,112</b>	<b>18,152</b>	<b>17,112</b>

\* Includes payments to private hospitals for collaborative care model.

## (b) Reconciliation of total maintenance expense

Maintenance contracts	6,568	6,001	6,568	6,001
New / replacement equipment under \$10,000	9,819	5,826	9,819	5,826
Repairs maintenance / non contract	3,745	3,645	3,745	3,645
Other	1,773	2,130	1,773	2,130
Maintenance expense - contracted labour and other (non-employee related) in Note 5	<b>21,905</b>	<b>17,602</b>	<b>21,905</b>	<b>17,602</b>
Employee related/personnel services maintenance expense included in Notes 2 and 3*	667	841	667	841
	<b>22,572</b>	<b>18,443</b>	<b>22,572</b>	<b>18,443</b>

\* This balance consists of employees who have been classified as providing maintenance services for the Network and the expense is included in employee related expenses / personnel services in Notes 2 and 3.

# 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 2023

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## 5. Operating expenses (continued)

### Recognition and Measurement

Operating expenses includes non-employee costs incurred in delivering the services provided by the Network. These expenses are recognised in the reporting period in which they are incurred.

### *Maintenance expense*

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

### *Insurance*

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

### *Lease expense*

The Network recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

- Leases that meet the definition of short-term, i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
- Leases of assets that are valued at \$10,000 or under when new.

Variable lease payments are not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

# 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 2023

## 6. Depreciation and amortisation

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Depreciation - buildings	24,145	20,847	24,145	20,847
Depreciation - plant and equipment	11,497	11,832	11,497	11,832
Depreciation - infrastructure systems	2,230	2,052	2,230	2,052
Depreciation - right-of-use land and buildings	3,538	3,550	3,538	3,550
Depreciation - right-of-use plant and equipment	281	280	281	280
Amortisation - intangible assets	3,028	3,028	3,028	3,028
	<b>44,719</b>	<b>41,589</b>	<b>44,719</b>	<b>41,589</b>

Depreciation - buildings is higher by \$1.51 million in 2023 due to a change in the useful lives for specialised buildings. Refer to Note 1(f) for further details.

Refer to Note 25 Property, plant and equipment, Note 26 Leases, and Note 27 Intangible assets for recognition and measurement policies on depreciation and amortisation.

## 7. Grants and subsidies

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Non-government organisations	473	686	473	686
Grants to research organisations	4,002	4,758	4,002	4,758
Grants to entities controlled by the immediate parent*	3,177	2,349	3,177	2,349
Other grants*	291	547	291	547
	<b>7,943</b>	<b>8,340</b>	<b>7,943</b>	<b>8,340</b>

\* The Network granted COVID-19 vaccines to other NSW Health entities and to third parties for nil consideration at current replacement cost. Refer to Note 23 for further details on COVID-19 vaccines. The total value of COVID-19 vaccines provided as a grant under grants to entities controlled by the immediate parent (NSW Health entities) was \$Nil (2022: \$0.47 million) and under other grants (external third parties) was \$Nil (2022: \$Nil).

### Recognition and Measurement

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

# 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 2023

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### 8. Finance costs

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Interest expense from lease liabilities	35	42	35	42
	<b>35</b>	<b>42</b>	<b>35</b>	<b>42</b>

#### Recognition and Measurement

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

# 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 2023

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### 9. Revenue

#### Recognition and Measurement

Income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers (AASB 15) or AASB 1058 Income of Not-for-Profit Entities (AASB 1058), dependent on whether there is a contract with a customer defined by AASB 15. Comments regarding the accounting policies for the recognition of income are discussed below.

Under the GSF Act 2018, the Network's own source revenue (which includes but is not limited to receipts from operating activities and proceeds from the sale of minor property, plant and equipment) meets the definition of deemed appropriation money under the GSF Act.

Deemed appropriation money is money received directly by the Network which forms part of the consolidated fund and is not appropriated to the Network by an Act.

### 10. Summary of compliance

The *Appropriation Act 2022* (Appropriations Act) (and the subsequent variations, if applicable) appropriates the sum of \$18.7 billion to the Minister for Health out of the Consolidated Fund for the services of the Ministry of Health for the year 2022-23. The spending authority of the Minister from the Appropriations Act has been delegated or subdelegated to officers of the Ministry of Health and entities that it is administratively responsible for, including the Network.

The Treasury and Energy Legislation Amendment Act 2022 made some amendments to sections 4.7 and 4.9 of the Government Sector Finance Act 2018 (the GSF Act). These amendments commenced on 14 November 2022 and are applied retrospectively. As a result, the lead Minister for the Network, being the Minister for Health, is taken to have been given an appropriation out of the Consolidated Fund under the authority section 4.7 of the GSF Act, at the time the Network receives or recovers any deemed appropriation money, for an amount equivalent to the money that is received or recovered by the Network. These deemed appropriations are taken to have been given for the services of the Ministry of Health.

In addition, government money that the Network receives or recovers, from another GSF agency, of a kind prescribed by the GSF regulations that forms part of the Consolidated Fund, is now capable of giving rise to deemed appropriations where the receiving agency has a different lead Minister to the agency making the payment, or one or both of the agencies is a special office (as defined in section 4.7(8)).

On 16 June 2023, the GSF Amendment (Deemed Appropriations) Regulation 2023 was approved to bring the GSF regulations in line with the above deemed appropriation amendments to the GSF Act.

A summary of compliance is disclosed in the financial statements of the Annual Report of the Ministry of Health. It has been prepared by aggregating the spending authorities of the Minister for Health for the services of the Ministry of Health. It reflects the status at the point in time this disclosure statement is being made. The Network's spending authority and expenditure is included in the summary of compliance.

# 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 2023

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The delegation / sub-delegations for FY2022-23 and FY2021-22, authorising officers of the Network to spend Consolidated Fund money, impose limits on the amounts of individual transactions, but not the overall expenditure of the Network. However, as they relate to expenditure in reliance on a sum appropriated by legislation, the delegation/sub-delegations are subject to the overall authority of the Ministry of Health to spend monies under relevant legislation. The individual transaction limits have been properly observed. The information in relation to the aggregate expenditure limit from the Appropriations Act and other sources is disclosed in the summary of compliance table included in the financial statements of the Annual Report of the Ministry of Health.

The State Budget and related Appropriation Bill for year commencing 1 July 2023 has been delayed and is anticipated to be tabled in September 2023. Pursuant to section 4.10 of the GSF Act, the Treasurer has authorised the payment of specified sums out of the Consolidated Fund to meet the requirements of this period. The authorisation is current from 1 July 2023 until the earlier of 30 September 2023 or enactment of the 2022-23 annual Appropriations Act.

### 11. Ministry of Health allocations

Payments are made by the immediate parent as per the Service Agreement to the Network and adjusted for approved supplementations, mostly for salary agreements and approved enhancement projects. The Service Agreement between the immediate parent and the Network does not contain sufficiently specific enforceable performance obligations as defined by AASB 15 and are therefore recognised upon the receipt of cash, in accordance with AASB 1058.

The Network recognised additional Ministry of Health recurrent allocations of \$20.00 million (2022: \$40.00 million) and Ministry of Health capital allocations of \$Nil (2022: \$0.62 million) to cover costs incurred for the testing, diagnosis, treatment and vaccination of COVID-19 patients.

Interstate patient flows are funded through the NSW State Pool Account, based on activity and consistent with the price determined in cross border agreements. The funding is also recognised as part of the Ministry of Health recurrent allocation from the immediate parent.



# 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 2023

## 12. Sale of goods and services from contracts with customers

### (a) Sale of goods comprise the following:

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Sale and recovery of pharmaceutical supplies	89,494	58,025	89,494	58,025
Sale of prostheses	2,111	1,980	2,111	1,980
Other	435	465	435	465
	<b>92,040</b>	<b>60,470</b>	<b>92,040</b>	<b>60,470</b>

### (b) Rendering of services comprise the following:

#### **Patients**

#### Patient Fees:

- Inpatient fees	25,569	19,922	25,569	19,922
- Non inpatient fees	521	416	521	416
Motor Accident Authority third party	3,602	3,329	3,602	3,329
Patient transport fees	9,270	7,639	9,270	7,639

#### **Staff**

Private use of motor vehicles	12	29	12	29
Salary packaging fee	180	251	180	251
Meals and accommodation	138	104	138	104
Child care fees	984	941	984	941

#### **General community**

Cafeteria / kiosk	2	3	2	3
Car parking	1,665	1,393	1,665	1,393
Clinical services (excluding clinical drug trials)	6	7	6	7
Commercial activities	6,602	6,090	6,602	6,090
Fees for conferences and training	2,871	3,655	2,871	3,655
Fees for medical records	95	47	95	47
Information retrieval	6	6	6	6

#### **Non-NSW Health entities**

Services to other organisations	86	475	86	475
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#### **Other**

Infrastructure fees - annual charge	3,097	968	3,097	968
Infrastructure fees - monthly facility charge	13,955	12,506	13,955	12,506
Other	703	521	703	521

	<b>69,364</b>	<b>58,302</b>	<b>69,364</b>	<b>58,302</b>
	<b>161,404</b>	<b>118,772</b>	<b>161,404</b>	<b>118,772</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

for the year ended 30 June 2023

### 12. Sale of goods and services from contracts with customers (continued)

#### Recognition and Measurement

##### Sale of goods

Revenue from the sale of goods is recognised when the Network satisfies a performance obligation by transferring the promised goods.

Type of good	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Sale and recovery of pharmaceutical supplies	The performance obligation of transferring pharmaceutical products is typically satisfied at the point in time when the products are dispensed to customers, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.
Sale of prostheses	Relates to revenue generated for surgically implanted prostheses and medical devices. The performance obligation of transferring these products is typically satisfied at the point in time when the products are implanted in the body of the patient, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.
Other	Relates to sale of various products including the sale of low value medical equipment, schedule 3 medical equipment, sale of publications, old wares and refuse and other general goods. The performance obligation of transferring these products is typically satisfied at the point in time when the products are purchased by the customer and takes delivery, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.

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

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### 12. Sale of goods and services from contracts with customers (continued)

#### Recognition and Measurement (continued)

##### Rendering of services

Revenue from rendering of services is recognised when the Network satisfies the performance obligation by transferring the promised services.

<b>Type of service</b>	<b>Nature of timing of satisfaction of performance obligations, including significant payment terms</b>	<b>Revenue recognition policies</b>
Patient services - Inpatient fees, Nursing home fees, Non inpatient fees, Department of Veterans' Affairs, Motor Accident Authority third party	The performance obligations in relation to patient services are typically satisfied as the health services are delivered to the chargeable inpatients and non-inpatients. Public patients are not charged for health services provided at public hospitals. Chargeable patients, including Medicare ineligible patients, privately insured patients, eligible veterans and compensable patients are billed for health services provided under various contractual arrangements. Billings are typically performed upon patient discharge and are based on the rates specified by the Ministry of Health. The payments are typically due within 30 days after the invoice date.	Revenue is recognised on an accrual basis when the service has been provided to the patient. In limited circumstances the price is not fully recovered, e.g. due to inadequate insurance policies, overseas patients returning to their home country before paying, etc. The likelihood of their occurrences is considered on a case by case basis. In most instances revenue is initially recognised at full amounts and subsequently adjusted when more information is provided. No element of financing is deemed present as majority of the services are made with a short credit term.
Non-Patient services provided to staff, General community, Non-NSW Health entities and Entities controlled by the immediate parent	Various non-patient related services are provided to the members of staff, general community, non-NSW health entities and entities controlled by the immediate parent. The performance obligations for these services are typically satisfied by transferring the promised services to its respective customers. The payments are typically due within 30 days after the invoice date.	Revenue is recognised when promised services are delivered. No element of financing is deemed present as the services are made with a short credit term.

# 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 2023

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### 12. Sale of goods and services from contracts with customers (continued)

#### Recognition and Measurement (continued)

#### Rendering of services (continued)

<b>Type of service</b>	<b>Nature of timing of satisfaction of performance obligations, including significant payment terms</b>	<b>Revenue recognition policies</b>
Infrastructure fees	Specialist doctors with rights of private practice are subject to an infrastructure charge, including service charges where applicable for the use of hospital facilities at rates determined by the Ministry of Health. The performance obligations for these services are typically satisfied when the hospital facilities are made available and used by the doctors and staff specialists. The payments are typically due when monies are collected from patient billings for services provided under the arrangement.	Revenue is recognised when promised services are delivered. No element of financing is deemed present as the services are made with a short credit term.

Refer to Note 31 for the disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and when the Network expects to recognise the unsatisfied portion as revenue.

# 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 2023

## 13. Investment revenue

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Interest income from financial assets at amortised cost	4,560	158	4,560	158
Net gain / (loss) from TCorpIM Funds measured at fair value through profit or loss	2,989	(2,870)	2,989	(2,870)
Royalties	22	190	22	190
	<b>7,571</b>	<b>(2,522)</b>	<b>7,571</b>	<b>(2,522)</b>

### Recognition and Measurement

#### *Interest income*

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

#### *Net gain / (loss) from TCorpIM Funds measured at fair value through profit or loss*

Net gain / (loss) from TCorpIM Funds measured at fair value through profit or loss includes distributions received as well as movements in the fair value.

#### *Royalties*

Royalties are usually recognised when the underlying performance obligation is satisfied. It is recognised at the estimated amount if the consideration is variable.

# 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 2023

## 14. Grants and other contributions

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity</b>				
Grants to acquire / construct non-financial asset	3,500	-	3,500	-
<b>Other grants with sufficiently specific performance obligations</b>				
Cancer Institute grants received from an entity controlled by the immediate parent	443	418	443	418
Clinical trials and research grants	10,763	11,850	10,763	11,850
Commonwealth government grants other	18,307	11,519	18,307	11,519
Grants from entities controlled by the ultimate parent	262	288	262	288
Other grants from entities controlled by the immediate parent	1,370	-	1,370	-
Other grants	1,540	1,920	1,540	1,920
<b>Grants without specific performance obligations</b>				
Clinical trial and research grants	7,692	7,269	7,692	7,269
Commonwealth government grants other*	1,002	1,671	1,002	1,671
Grants from entities controlled by the ultimate parent	2,398	40	2,398	40
Other grants from entities controlled by the immediate parent*	219	586	219	586
Other grants**	53,367	40,154	53,367	40,154
<b>Donations</b>				
Donations	1,083	2,398	1,083	2,398
	<b>101,946</b>	<b>78,113</b>	<b>101,946</b>	<b>78,113</b>

\* The Network received the majority of COVID-19 vaccines directly from the Commonwealth government and the remainder were received from other NSW Health entities and external third parties. All COVID-19 vaccines were received for nil consideration and recorded at current replacement cost at the time of receipt. Refer to Note 23 for further details on COVID-19 vaccines. The total value of COVID-19 vaccines received under Commonwealth government grants other (Commonwealth government) was \$0.12 million (2022: \$1.67 million), under other grants from entities controlled by the immediate parent (NSW Health entities) was \$Nil (2022: \$0.34 million) and under other grants (external third parties) was \$0.00 million (2022: \$0.01 million).

\*\* Other grants also include grants from the Sydney Children's Hospitals Foundation of \$48.3 million (2022: \$37.6 million)

# 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 2023

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### 14. Grants and other contributions

#### Recognition and Measurement

##### *Grants and other contributions*

Income from grants to acquire / construct a recognisable non-financial asset to be controlled by the Network are recognised when the Network satisfies its obligations under the transfer. The Network satisfies the performance obligation under the transfer over time as the non-financial assets are being constructed. The percentage of cost incurred is used to recognise income, because this most closely reflects the progress to completion.

Revenue from grants with sufficiently specific performance obligations are recognised when the Network satisfies a performance obligation by transferring the promised goods or services. The Network typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. The Network uses various methods to recognise revenue over time, depending on the nature and terms and conditions of the grant contract. The payments are typically based on an agreed timetable or on achievement of different milestones in the contract.

Revenue from these grants is recognised based on the grant amount specified in the funding agreement / funding approval, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

Refer to Note 31 for the transaction price allocated to the performance obligations that have not been satisfied at the end of the year and when it is expected to be recognised as revenue.

Income from grants without sufficiently specific performance obligations is recognised when the Network obtains control over the granted assets (e.g. cash).

##### **Volunteer services**

Receipt of volunteer services is recognised when and only when the fair value of those services can be reliably determined and the services would have been purchased if not donated. Volunteer services recognised are measured at fair value. The Network receives volunteer services for the below activities:

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

Receipt of these services, while important, is not recognised because typically such services would not have been purchased if not donated.



# 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 2023

### 15. Acceptance by The Crown in right of the State of New South Wales (Crown) of employee benefits

The following liabilities and / or expenses have been assumed by the Crown:

	Consolidated 2023 \$000	Consolidated <sup>1</sup> 2022 \$000	Parent 2023 \$000	Parent <sup>1</sup> 2022 \$000
Superannuation - defined benefit plans	1,859	2,193	-	-
Long service leave provision	17,656	(7,554)	-	-
	<b>19,515</b>	<b>(5,361)</b>	<b>-</b>	<b>-</b>

<sup>1</sup> 'Long service leave provision' revenue has been restated to be lower by \$0.95 million in the prior year for the consolidated and parent entity. Refer to Note 20 for further details regarding restatement as a result of an error.

### 16. Other income

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Other income comprises the following:				
Commissions	90	76	90	76
Discounts	41	9	41	9
Insurance refunds	95	21	95	21
Rental income				
- other rental income	510	556	510	556
Sponsorship	29	19	29	19
Other	1,463	1,090	1,463	1,090
	<b>2,228</b>	<b>1,771</b>	<b>2,228</b>	<b>1,771</b>

### Recognition and Measurement

#### **Insurance refunds**

Insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self insurance for Government entities. Insurance refunds are recognised when TMF accepts the insurance claim.

#### **Rental income**

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term. The rental income is incidental to the purpose for holding the property.

#### **Other income**

Other income arises from varying arrangements. Income is generally recognised on an accrual basis and/or when the right to receive the income has been established in accordance with the substance of the relevant agreement.

# 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 2023

### 17. Gains / (losses) on disposal

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Gains / (losses) on disposals of:</b>				
<b>Property, plant and equipment</b>				
Written down value of assets disposed	111	87	111	87
Less: proceeds from disposal	85	41	85	41
<b>Net gains / (losses) on disposal</b>	<b>(26)</b>	<b>(46)</b>	<b>(26)</b>	<b>(46)</b>
<b>Right-of-use assets</b>				
Written down value of assets disposed	10	95	10	95
Less: lease liabilities extinguished	10	95	10	95
<b>Net gains / (losses) on disposal*</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial assets</b>				
Written down value of assets disposed	-	85,654	-	85,654
Less: proceeds from disposal	-	85,654	-	85,654
<b>Net gains / (losses) on disposal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total gains / (losses) on disposal</b>	<b>(26)</b>	<b>(46)</b>	<b>(26)</b>	<b>(46)</b>

\* As at 30 June 2022, \$Nil of the net gains / (losses) on disposal is a result of the derecognition of the right-of-use asset of \$0.10 million and the lease liability of \$0.10 million with Property NSW, an entity of the ultimate parent. Please refer to Note 26 for further details on the derecognition.

# 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 2023

### 18. Other gains / (losses)

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Inventory write down*	(107)	(98)	(107)	(98)
Foreign exchange gains / (losses)	(19)	(3)	(19)	(3)
	<b>(126)</b>	<b>(101)</b>	<b>(126)</b>	<b>(101)</b>

\* Inventory write down relates to COVID-19 vaccine wastage of \$0.11 million (2022: \$0.10 million). Refer to Note 23 for further details on COVID-19 vaccines.

### Recognition and Measurement

#### *Impairment losses on non-financial assets*

Impairment losses may arise on non-financial assets held by the entity from time to time. Accounting for impairment losses is dependent upon the individual asset (or group of assets) subject to impairment. Accounting policies and events giving rise to impairment losses are disclosed in the following notes:

- Note 22 Receivables
- Note 23 Inventories
- Note 25 Property, plant and equipment
- Note 26 Leases
- Note 27 Intangible assets

### 19. Conditions and restrictions on income of not-for-profit entities

The Network receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. The Network determines the grantor / donor expectations in determining the externally imposed restrictions and discloses them in accordance with different types of restrictions. The types of restrictions and income earned with restrictions are detailed in Note 29 Restricted assets.

# 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 2023

### 20. Prior period error

During the year it was identified that the long service leave entitlement for certain employees had not been correctly calculated and recognised. The issue only impacted employees who had a period of part time service under certain awards during their employment. It was identified that the accrual for enhanced entitlement did not start on the completion of first 10 years of service by the employee, rather it started upon the completion of full-time equivalency of 10 years of service. This has resulted in an under accrual and / or underpayment of long service leave entitlements for such employees in current and prior years.

The Network's liability for long service leave are assumed by The Crown in right of the State of New South Wales. 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 of employee benefits'. Specific on-costs relating to long service leave assumed by The Crown in right of the State of New South Wales are borne by the Network.

The incorrect calculation of long service leave entitlements has resulted in lower 'Employee related expenses' and lower 'Acceptance by the Crown of employee benefits' revenue in the Statement of Comprehensive Income in prior years. Any consequential on-costs has resulted in lower 'Provisions' liability in the Statement of Financial Position and lower 'Employee related expenses' in the Statement of Comprehensive Income. The error has been corrected during the year, with retrospective adjustments made in the prior periods.

The impact to the Statement of Comprehensive Income and Statement of Financial Position from restating the balances in the prior year due to the above matter are shown below.

#### Statement of Comprehensive Income for the year ended 30 June 2022 (extract)

		Consolidated Actual 2022 \$000	Consolidated Adjustment 2022 \$000	Consolidated Restated 2022 \$000	Parent Actual 2022 \$000	Parent Adjustment 2022 \$000	Parent Restated 2022 \$000
	Notes						
<b>Continuing operations</b>							
<b>Expenses excluding losses</b>							
Employee related expenses	2	665,526	(1,081)	664,445	-	-	-
Personnel services	3	-	-	-	669,940	(134)	669,806
<b>Total expenses excluding</b>		<b>1,006,914</b>	<b>(1,081)</b>	<b>1,005,833</b>	<b>1,011,328</b>	<b>(134)</b>	<b>1,011,194</b>
<b>Revenue</b>							
Acceptance by the Crown of employee benefits	15	(4,414)	(947)	(5,361)	-	-	-
<b>Total revenue</b>		<b>1,022,066</b>	<b>(947)</b>	<b>1,021,119</b>	<b>1,026,480</b>	<b>-</b>	<b>1,026,480</b>
<b>Operating result</b>		<b>15,152</b>	<b>134</b>	<b>15,286</b>	<b>15,152</b>	<b>134</b>	<b>15,286</b>
<b>Net result</b>		<b>14,683</b>	<b>134</b>	<b>14,817</b>	<b>14,683</b>	<b>134</b>	<b>14,817</b>
<b>Total other comprehensive income</b>		<b>33,685</b>	<b>-</b>	<b>33,685</b>	<b>33,685</b>	<b>-</b>	<b>33,685</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>48,368</b>	<b>134</b>	<b>48,502</b>	<b>48,368</b>	<b>134</b>	<b>48,502</b>

Note: The above table is an extract only, showing only those financial statement line items affected by the correction of error.

# 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 2023

## 20. Prior period error (continued)

### Statement of Financial Position as at 1 July 2021 (extract)

		Consolidated Actual 1 July 2021	Consolidated Adjustment 1 July 2021	Consolidated Restated 1 July 2021	Parent Actual 1 July 2021	Parent Adjustment 1 July 2021	Parent Restated 1 July 2021
	Notes	\$000	\$000	\$000	\$000	\$000	\$000
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Provisions	33	118,341	874	119,215	118,341	874	119,215
<b>Total current liabilities</b>		<b>156,348</b>	<b>874</b>	<b>157,222</b>	<b>156,348</b>	<b>874</b>	<b>157,222</b>
<b>Non-current liabilities</b>							
Provisions	33	2,192	80	2,272	2,192	80	2,272
<b>Total non-current liabilities</b>		<b>3,728</b>	<b>80</b>	<b>3,808</b>	<b>3,728</b>	<b>80</b>	<b>3,808</b>
<b>Total liabilities</b>		<b>160,076</b>	<b>954</b>	<b>161,030</b>	<b>160,076</b>	<b>954</b>	<b>161,030</b>
<b>Net assets</b>		<b>822,671</b>	<b>(954)</b>	<b>821,717</b>	<b>822,671</b>	<b>(954)</b>	<b>821,717</b>
<b>EQUITY</b>							
Accumulated funds		464,414	(954)	463,460	464,414	(954)	463,460
<b>Total Equity</b>		<b>822,671</b>	<b>(954)</b>	<b>821,717</b>	<b>822,671</b>	<b>(954)</b>	<b>821,717</b>

Note: The above table is an extract only, showing only those financial statement line items affected by the correction of error.

### Statement of Financial Position as at 30 June 2022 (extract)

		Consolidated Actual 2022	Consolidated Adjustment 2022	Consolidated Restated 2022	Parent Actual 2022	Parent Adjustment 2022	Parent Restated 2022
	Notes	\$000	\$000	\$000	\$000	\$000	\$000
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Provisions	33	141,468	752	142,220	141,468	752	142,220
<b>Total current liabilities</b>		<b>197,464</b>	<b>752</b>	<b>198,216</b>	<b>197,464</b>	<b>752</b>	<b>198,216</b>
<b>Non-current liabilities</b>							
Provisions	33	1,980	68	2,048	1,980	68	2,048
<b>Total non-current liabilities</b>		<b>3,207</b>	<b>68</b>	<b>3,275</b>	<b>3,207</b>	<b>68</b>	<b>3,275</b>
<b>Total liabilities</b>		<b>200,671</b>	<b>820</b>	<b>201,491</b>	<b>200,671</b>	<b>820</b>	<b>201,491</b>
<b>Net assets</b>		<b>871,039</b>	<b>(820)</b>	<b>870,219</b>	<b>871,039</b>	<b>(820)</b>	<b>870,219</b>
<b>EQUITY</b>							
Accumulated funds		479,589	(820)	478,769	479,589	(820)	478,769
<b>Total Equity</b>		<b>871,039</b>	<b>(820)</b>	<b>870,219</b>	<b>871,039</b>	<b>(820)</b>	<b>870,219</b>

Note: The above table is an extract only, showing only those financial statement line items affected by the correction of error.

There is no impact on the total operating, investing or financing cash flows for the year ended 30 June 2022.

# 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 2023

### 21. Cash and cash equivalents

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Cash at bank and on hand	147,128	135,373	147,128	135,373
	<b>147,128</b>	<b>135,373</b>	<b>147,128</b>	<b>135,373</b>

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

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

Cash and cash equivalents (per Statement of Financial Position)	147,128	135,373	147,128	135,373
	<b>147,128</b>	<b>135,373</b>	<b>147,128</b>	<b>135,373</b>

Refer to Note 41 for details regarding credit risk and market risk arising from financial instruments.

Most cash and cash equivalents held by the Network are restricted assets and are not held for operating and capital expenditure.

HealthShare NSW, a controlled entity of the immediate parent manages accounts payable and employee related payments on behalf of the Network for payments to suppliers and employees. HealthShare NSW makes payments after the Network has reviewed and approved the invoices and employee rosters. The Network's approval of invoices and employee rosters provides authority to HealthShare NSW to make payments. These payments are reported as expenditures and cash outflows in the financial statements of the Network.

HealthShare NSW receives payments directly from the Ministry of Health on behalf of the Network to fund these payments. Upon payment, they are reported as revenue (Ministry of Health recurrent and capital allocations) and cash inflows in the financial statements of the Network.

# 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 2023

### 22. Receivables

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Current</b>				
Trade receivables from contracts with customers	28,517	17,886	28,517	17,886
Intra health receivables	5,439	4,148	5,439	4,148
Goods and Services Tax	1,606	3,048	1,606	3,048
Other receivables	2,313	1,998	2,313	1,998
<b>Sub total</b>	<b>37,875</b>	<b>27,080</b>	<b>37,875</b>	<b>27,080</b>
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(336)	(321)	(336)	(321)
<b>Sub total</b>	<b>37,539</b>	<b>26,759</b>	<b>37,539</b>	<b>26,759</b>
Prepayments	41,669	6,838	41,669	6,838
	<b>79,208</b>	<b>33,597</b>	<b>79,208</b>	<b>33,597</b>

#### (a) \* Movement in the allowance for expected credit losses

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Trade receivables from contracts with customers</b>				
Balance at the beginning of the year	(321)	(208)	(321)	(208)
Amounts written off during the year	62	186	62	186
(Increase) / decrease in allowance recognised in the net result <sup>1</sup>	(78)	(299)	(78)	(299)
<b>Balance at the end of the year</b>	<b>(336)</b>	<b>(321)</b>	<b>(336)</b>	<b>(321)</b>
<b>Other receivables</b>				
Amounts written off during the year	1	22	1	22
(Increase) / decrease in allowance recognised in the net result	(1)	(22)	(1)	(22)
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>(336)</b>	<b>(321)</b>	<b>(336)</b>	<b>(321)</b>

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Non-current</b>				
Prepayments	10	11	10	11
	<b>10</b>	<b>11</b>	<b>10</b>	<b>11</b>

<sup>1</sup> Includes total impairment loss of \$0.08 million (2022: \$0.3 million) recognised on receivables from contracts with customers.



# 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 2023

### 22. Receivables (continued)

(b) The current and non-current trade receivables from contracts with customers balances above include the following patient fee receivables:

Current and non-current include:

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Patient fees - compensable	302	77	302	77
Patient fees - ineligible	3,883	3,225	3,883	3,225
Patient fees - inpatient & other	4,960	3,346	4,960	3,346
	<b>9,145</b>	<b>6,648</b>	<b>9,145</b>	<b>6,648</b>

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 41.

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Contract receivables (included in Note 22)	33,956	22,034	33,956	22,034
<b>Total contract receivables</b>	<b>33,956</b>	<b>22,034</b>	<b>33,956</b>	<b>22,034</b>

### Recognition and Measurement

The Network recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. To determine when the agency becomes a party to the contractual provisions of the instrument, the Network considers:

- Whether the Network has a legal right to receive cash (financial asset) or a legal obligation to pay cash (financial liability); or
- Whether at least one of the parties has performed under the agreement.

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

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

### Subsequent measurement

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

### Impairment

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

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

# 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 2023

## 23. Inventories

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Current</b>				
<b>Held-for-distribution</b>				
Drug supplies	3,855	2,468	3,855	2,468
Medical and surgical supplies	5,754	5,128	5,754	5,128
Engineering supplies	318	317	318	317
Other including goods in transit	860	1,143	860	1,143
	<b>10,787</b>	<b>9,056</b>	<b>10,787</b>	<b>9,056</b>

### Recognition and Measurement

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount or any loss of operating capacity due to obsolescence. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

In 2021, the Commonwealth government's COVID-19 vaccine program began, with the aim of offering free vaccines to all Australians. The Network played a key role in the rollout within NSW, including in relation to logistics, vaccination delivery, safety and reporting. The Commonwealth assumes the responsibility for procuring and distributing vaccines to all states and territories. COVID-19 vaccines were received for nil consideration and were provided to the public free of charge. On the basis that the Network controls the inventory once it is received from the Commonwealth, the value of the inventory received, administered / granted and wasted were recognised by the Network.

The value attributable to the COVID-19 vaccines received was measured at its fair value based on replacement cost. The Network was unsuccessful in obtaining cost information from the Commonwealth because of non-disclosure agreements signed by the Commonwealth and the pharmaceutical companies supplying the COVID-19 vaccines. An internal valuation was undertaken based on publicly available information to estimate the replacement cost of the COVID-19 vaccines received by the Network.

The value of the COVID-19 vaccines received and administered / granted as at 30 June 2023, was \$0.12 million (2022: \$2.01 million) and \$0.01 million (2022: \$1.9 million), respectively. \$0.11 million (2022: \$0.1 million) of COVID-19 vaccines were written-off and \$Nil allowance for impairment was reversed (2022: An allowance for impairment was provided for \$Nil). COVID-19 vaccine closing inventory balance as at 30 June 2023, was \$0.03 million (2022: \$0.02 million) which is included as part of the inventory drug supplies.

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement cost is the cost the Network would incur to acquire the asset. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Obsolete items are disposed of in accordance with instructions issued by the 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 2023

### 24. Financial assets at fair value

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Current</b>				
TCorpIM Funds Investment Facilities	32,853	29,864	32,853	29,864
	<b>32,853</b>	<b>29,864</b>	<b>32,853</b>	<b>29,864</b>

Refer to Note 41 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

#### Recognition and Measurement

The Network recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. To determine when the agency becomes a party to the contractual provisions of the instrument, the Network considers:

- Whether the Network has a legal right to receive cash (financial asset) or a legal obligation to pay cash (financial liability); or
- Whether at least one of the parties has performed under the agreement.

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

#### *Classification and measurement*

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

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

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value under AASB 9.

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

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

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

# 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 2023

## 25. Property, plant and equipment

### (a) Total property, plant and equipment

#### PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2021 - fair value</b>				
Gross carrying amount	986,232	162,284	82,067	1,230,583
Less: accumulated depreciation and impairment	444,461	94,931	47,648	587,040
<b>Net carrying amount</b>	<b>541,771</b>	<b>67,353</b>	<b>34,419</b>	<b>643,543</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2022</b>				
Net carrying amount at beginning of year	541,771	67,353	34,419	643,543
Additions	67,499	15,251	-	82,750
Disposals	-	(87)	-	(87)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	(15)	-	(15)
Net revaluation increments less revaluation decrements	30,879	-	2,806	33,685
Depreciation expense	(20,847)	(11,832)	(2,052)	(34,731)
<b>Net carrying amount at end of year</b>	<b>619,302</b>	<b>70,670</b>	<b>35,173</b>	<b>725,145</b>

<sup>1</sup> For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 21-09.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 28.

# 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 2023

## 25. Property, plant and equipment (continued)

### (a) Total property, plant and equipment (continued)

#### PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2022 - fair value</b>				
Gross carrying amount	1,121,443	168,586	89,182	1,379,211
Less: accumulated depreciation and impairment	502,141	97,916	54,009	654,066
<b>Net carrying amount</b>	<b>619,302</b>	<b>70,670</b>	<b>35,173</b>	<b>725,145</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2023</b>				
Net carrying amount at beginning of year	619,302	70,670	35,173	725,145
Additions	166,136	9,757	-	175,893
Disposals	-	(111)	-	(111)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	1,370	-	1,370
Net revaluation increments less revaluation decrements	25,107	-	1,980	27,087
Depreciation expense	(24,145)	(11,497)	(2,230)	(37,872)
Reclassifications	(40)	40	-	-
<b>Net carrying amount at end of year</b>	<b>786,360</b>	<b>70,229</b>	<b>34,923</b>	<b>891,512</b>

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 30 June 2023 - fair value</b>				
Gross carrying amount	1,344,486	177,987	94,541	1,617,014
Less: accumulated depreciation and impairment	558,126	107,758	59,618	725,502
<b>Net carrying amount</b>	<b>786,360</b>	<b>70,229</b>	<b>34,923</b>	<b>891,512</b>

<sup>1</sup> For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 21-09.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 28.

# 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 2023

## 25. Property, plant and equipment (continued)

### (b) Property, plant and equipment held and used by the Network

#### PARENT AND CONSOLIDATION

#### PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2021 - fair value</b>				
Gross carrying amount	980,762	162,284	82,067	1,225,113
Less: accumulated depreciation and impairment	441,384	94,931	47,648	583,963
<b>Net carrying amount</b>	<b>539,378</b>	<b>67,353</b>	<b>34,419</b>	<b>641,150</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2022</b>				
Net carrying amount at beginning of year	539,378	67,353	34,419	641,150
Additions	67,499	15,251	-	82,750
Disposals	-	(87)	-	(87)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	(15)	-	(15)
Net revaluation increment less revaluation decrements	30,705	-	2,806	33,511
Depreciation expense	(20,725)	(11,832)	(2,052)	(34,609)
Reclassifications	266	-	-	266
<b>Net carrying amount at end of year</b>	<b>617,123</b>	<b>70,670</b>	<b>35,173</b>	<b>722,966</b>

<sup>1</sup> For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 21-09.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 28.

# 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 2023

## 25. Property, plant and equipment (continued)

### (b) Property, plant and equipment held and used by the Network (continued)

#### PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2022 - fair value</b>				
Gross carrying amount	1,116,160	168,586	89,182	1,373,928
Less: accumulated depreciation and impairment	499,037	97,916	54,009	650,962
<b>Net carrying amount</b>	<b>617,123</b>	<b>70,670</b>	<b>35,173</b>	<b>722,966</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2023</b>				
Net carrying amount at beginning of year	617,123	70,670	35,173	722,966
Additions	166,136	9,757	-	175,893
Disposals	-	(111)	-	(111)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	1,370	-	1,370
Net revaluation increments less revaluation decrements	25,015	-	1,980	26,995
Depreciation expense	(24,023)	(11,497)	(2,230)	(37,750)
Reclassifications	(40)	40	-	-
<b>Net carrying amount at end of year</b>	<b>784,211</b>	<b>70,229</b>	<b>34,923</b>	<b>889,363</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>At 30 June 2023 - fair value</b>				
Gross carrying amount	1,338,939	177,987	94,541	1,611,467
Less: accumulated depreciation and impairment	554,728	107,758	59,618	722,104
<b>Net carrying amount</b>	<b>784,211</b>	<b>70,229</b>	<b>34,923</b>	<b>889,363</b>

<sup>1</sup> For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 21-09.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 28.

# 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 2023

## 25. Property, plant and equipment (continued)

### (c) Property, plant and equipment where the Network is the lessor under operating leases

#### PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2021 - fair value</b>				
Gross carrying amount	5,470	-	-	5,470
Less: accumulated depreciation and impairment	3,077	-	-	3,077
<b>Net carrying amount</b>	<b>2,393</b>	<b>-</b>	<b>-</b>	<b>2,393</b>
	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2022</b>				
Net carrying amount at beginning of year	2,393	-	-	2,393
Net revaluation increment less revaluation decrements	174	-	-	174
Depreciation expense	(122)	-	-	(122)
Reclassifications	(266)	-	-	(266)
<b>Net carrying amount at end of year</b>	<b>2,179</b>	<b>-</b>	<b>-</b>	<b>2,179</b>

<sup>1</sup> For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 21-09.



# 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 2023

### 25. Property, plant and equipment (continued)

#### (c) Property, plant and equipment where the Network is the lessor under operating leases (continued)

##### PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2022 - fair value</b>				
Gross carrying amount	5,283	-	-	5,283
Less: accumulated depreciation and impairment	3,104	-	-	3,104
<b>Net carrying amount</b>	<b>2,179</b>	<b>-</b>	<b>-</b>	<b>2,179</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2023</b>				
Net carrying amount at beginning of year	2,179	-	-	2,179
Net revaluation increments less revaluation decrements	92	-	-	92
Depreciation expense	(122)	-	-	(122)
<b>Net carrying amount at end of year</b>	<b>2,149</b>	<b>-</b>	<b>-</b>	<b>2,149</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>At 30 June 2023 - fair value</b>				
Gross carrying amount	5,547	-	-	5,547
Less: accumulated depreciation and impairment	3,398	-	-	3,398
<b>Net carrying amount</b>	<b>2,149</b>	<b>-</b>	<b>-</b>	<b>2,149</b>

<sup>1</sup> For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 21-09.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 28.

# 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 2023

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### 25. Property, plant and equipment (continued)

#### Recognition and Measurement

##### *Acquisition of property, plant and equipment*

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

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

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted over the period of credit.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

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

##### *Capitalisation thresholds*

Property, plant and equipment assets costing \$10,000 and above individually (or forming part of a network costing more than \$10,000) and Intangible assets costing \$50,000 and above individually (or forming part of a network costing more than \$50,000) are capitalised.

##### *Major inspection costs*

When a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

##### *Restoration costs*

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

# 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 2023

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## 25. Property, plant and equipment (continued)

### *Depreciation of property, plant and equipment*

Except for certain non-depreciable assets, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Network.

All material identifiable components of assets are depreciated separately over their useful life.

Land is not a depreciable asset. Certain heritage assets including original artworks and collections and heritage buildings may not have a limited useful life because appropriate curatorial and preservation policies are adopted. Such assets are not subject to depreciation. The decision not to recognise depreciation for these assets is reviewed annually.

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

	Useful lives 2023	Useful lives 2022
Buildings	30-70 years	40 years
Buildings - leasehold improvements	3-40 years	3-40 years
Plant and equipment	4-20 years	4-20 years
Infrastructure Systems	40 years	40 years

'Plant and equipment' comprises, among others, medical, computer and office equipment, motor vehicles, furniture and fittings and PODS (a detachable or self-contained unit on ambulances used for patient treatment).

'Infrastructure Systems' comprises public facilities 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.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period and adjusted if appropriate.

In 2023, the estimated useful lives for buildings were revised. Refer Note 1 (f) for further details regarding the change and the impacts.

### *Right-of-use assets acquired by lessees*

AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The Network has elected to present right-of-use assets separately in the Statement of Financial Position.

Further information on leases is contained in Note 26.

# 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 2023

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### 25. Property, plant and equipment (continued)

#### *Revaluation of property, plant and equipment*

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 21-09) and Treasurer's Direction, 'Valuation of Physical Non-Current Assets at Fair Value' (TD 21-05). TPP 21-09 and TD 21-05 adopt fair value in accordance with AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 28 for further information regarding fair value.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The Network conducts a comprehensive revaluation at least every three years for its land and buildings and infrastructure. Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value. The Network uses an independent professionally qualified valuer for such interim revaluations.

The last comprehensive revaluation was completed on 31 December 2020 and was based on an independent assessment.

Indices were subsequently obtained from external professionally qualified valuers since the last comprehensive revaluation. Indices obtained indicated a cumulative increase of 7.70% in market prices for land and material increases in construction and labour costs of 15.20% for buildings and 15.20% for infrastructure. Management has applied these indices to perform an interim revaluation and has recognised the resulting revaluation increment for land, buildings and infrastructure in 2022 and 2023.

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

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

# 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 2023

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### 25. Property, plant and equipment (continued)

#### ***Revaluation of property, plant and equipment (continued)***

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

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

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

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated. Where the income approach or market approach is used, accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Where an asset that has previously been revalued is disposed of, any balance remaining in the revaluation surplus in respect of that asset is transferred to accumulated funds.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted if appropriate.

#### ***Impairment of property, plant and equipment***

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material.

The Network assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Network estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Specialised assets held for continuing use of their service capacity are rarely sold and their cost of disposal is typically negligible. Their recoverable amount is expected to be materially the same as fair value, where they are regularly revalued under AASB 13.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. The reversal is recognised in other comprehensive income and is treated as a revaluation increase, except to the extent that an impairment loss on the same class of asset was previously recognised in net result, where a reversal of that impairment loss is also recognised in net result.

#### ***Derecognition of property, plant and equipment***

Property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated Statement of Comprehensive Income.

# 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 2023

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### 26. Leases

#### (a) Entity as a lessee

The Network leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 40 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes. The Network does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Network and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Potential future cash outflows of \$NIL have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset and a corresponding lease liability for most leases.

The Network has elected to recognise payments for short-term leases and low value leases as expenses on a straight line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of \$10,000 or less when new and comprise mainly of small office and medical equipment items.

During the financial year ended 30 June 2022, the Network derecognised all leases with Property NSW (PNSW), an entity of the ultimate parent. A new 'substitution right' clause was added to the lease arrangements with PNSW, providing PNSW with a substantive substitution right to relocate the Network during the term of the agreement. As a result of this new clause, those agreements were no longer accounted for as a lease within the scope of AASB 16.

The corresponding right-of-use assets and lease liabilities have been derecognised on 30 June 2022, the effective date of the new clause. The net impact of the derecognition is recognised in 'Gains/(Losses) on disposal' (refer to Note 17). From 1 July 2022, the accommodation charges are recognised as 'occupancy agreement expenses - Property NSW (refer to Note 5) when incurred over the agreement duration.

The Network continues to carry the responsibility to make good, and to control the fit-out during the remaining occupancy period as the Network receives the economic benefits via using the fit-out or expected compensation from PNSW upon relocation. Therefore, the Network's accounting treatment for make-good provision and fit-out costs in relation to the relevant accommodation remains unchanged.

# 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 2023

## 26. Leases (continued)

### (a) Entity as a lessee (continued)

#### Right-of-use assets under leases

The following table presents right-of-use assets. There are no right-of-use assets that meet the definition of investment property.

#### PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2022	122,239	651	122,890
Additions	-	81	81
Reassessments	22	13	35
Disposals	(10)	-	(10)
Depreciation expense	(3,538)	(281)	(3,819)
<b>Balance at 30 June 2023</b>	<b>118,713</b>	<b>464</b>	<b>119,177</b>

#### PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2021	125,609	744	126,353
Additions	258	173	431
Reassessments	17	14	31
Disposals*	(95)	-	(95)
Depreciation expense	(3,550)	(280)	(3,830)
<b>Balance at 30 June 2022</b>	<b>122,239</b>	<b>651</b>	<b>122,890</b>

\* 30 June 2022 disposals include the derecognition of the right-of-use assets of \$0.10 million with Property NSW.

# 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 2023

## 26. Leases (continued)

### (a) Entity as a lessee (continued)

#### Lease liabilities

The following table presents liabilities under leases.

#### PARENT AND CONSOLIDATION

	2023 \$000	2022 \$000
Balance at 1 July	1,844	2,074
Additions	81	431
Interest expenses	35	42
Payments	(662)	(640)
Terminations / derecognition*	(10)	(95)
Other adjustments	34	32
<b>Balance at 30 June</b>	<b>1,322</b>	<b>1,844</b>

\* 30 June 2022 terminations / derecognition includes the derecognition of lease liabilities of \$0.10 million with Property NSW.

The following amounts were recognised in the Statement of Comprehensive Income during the period in respect of leases where the Network is the lessee:

#### PARENT AND CONSOLIDATION

	2023 \$000	2022 \$000
Depreciation expense of right-of-use assets	3,819	3,830
Interest expense on lease liabilities	35	42
Expenses relating to short-term leases	332	370
Expenses relating to leases of low-value assets	337	558
<b>Total amount recognised in the statement of comprehensive income</b>	<b>4,523</b>	<b>4,800</b>

The Network had total cash outflows for leases of \$1.33 million for the year ended 30 June 2023 (2022: \$1.57 million).



# 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 2023

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### 26. Leases (continued)

#### (a) Entity as a lessee (continued)

##### **Leases at significantly below market terms and conditions principally to enable the entity to further its objectives**

The Network holds a lease for a piece of land from a not-for-profit organisation, where the Network has exercised the option to extend the lease for another 20 years upon expiry of the initial 20 years term. The contract specifies lease payments of \$1 per annum. The leased premise is used by the Network to provide palliative care services to very sick kids. The leased asset accounts for a small portion of assets the Network uses for the purpose of providing health services. Therefore it does not have a significant impact on the Network's operations.

##### **Recognition and Measurement**

The Network assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Network recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

# 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 2023

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### 26. Leases (continued)

#### (a) Entity as a lessee (continued)

##### *i. Right-of-use assets*

The Network recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer (ii) below), adjusted by any lease payments made at or before the commencement date, lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	<b>Useful lives</b>
Buildings	1 to 40 years
Plant and equipment	1 to 5 years
Motor vehicles and other equipment	1 to 5 years

If ownership of the leased asset transfers to the Network at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The Network assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Network estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

##### *ii. Lease liabilities*

At the commencement date of the lease, the Network recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase option reasonably certain to be exercised by the Network; and
- payments of penalties for terminating the lease, if the lease term reflects the Network exercising the option to terminate.

# 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 2023

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### 26. Leases (continued)

#### (a) Entity as a lessee (continued)

##### ii. Lease liabilities (continued)

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for real estate leases, the incremental borrowing rate is used. The Network does not borrow funds in the market. Instead they receive an allocation of the appropriations from the Crown and where the Crown needs additional funding, Treasury Corporation (TCorp) goes to the market to obtain these funds. As a result, the Network is using TCorp rates as their incremental borrowing rates. These rates are published by NSW Treasury on a regular basis.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Network's lease liabilities are included in borrowings in Note 32.

##### iii. Short-term leases and leases of low-value assets

The Network applies the short-term lease recognition exemption to its short-term leases of buildings, machinery, motor vehicles and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

##### iv. Leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives

The initial and subsequent measurement of right-of-use assets under leases at significantly below-market terms and conditions that are entered into principally to enable the Network to further its objectives is the same as normal right-of-use assets. They are measured at cost, subject to impairment.

# **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 2023

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### **26. Leases (continued)**

#### **(b) Entity as a lessor**

The Network leases some retail spaces located within the hospital precincts under operating leases with rental payable monthly. Lease payments generally contain uplift clauses to align to the market conditions.

Although the Network is exposed to changes in the residual value at the end of the current lease, the Network typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

#### **Recognition and Measurement**

##### **Lessor for operating leases**

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Statement of Comprehensive Income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

# 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 2023

## 27. Intangible assets

### PARENT AND CONSOLIDATION

	Software \$000	Total \$000
<b>At 1 July 2021</b>		
Cost (gross carrying amount)	38,281	38,281
Less: accumulated amortisation and impairment	19,539	19,539
<b>Net carrying amount</b>	<b>18,742</b>	<b>18,742</b>

	Software \$000	Total \$000
<b>Year ended 30 June 2022</b>		
Net carrying amount at beginning of year	18,742	18,742
Additions - acquired separately	60	60
Amortisation (recognised in depreciation and amortisation)	(3,028)	(3,028)
<b>Net carrying amount at end of year</b>	<b>15,774</b>	<b>15,774</b>

	Software \$000	Total \$000
<b>At 1 July 2022</b>		
Cost (gross carrying amount)	38,023	38,023
Less: accumulated amortisation and impairment	22,249	22,249
<b>Net carrying amount</b>	<b>15,774</b>	<b>15,774</b>

	Software \$000	Total \$000
<b>Year ended 30 June 2023</b>		
Net carrying amount at beginning of year	15,774	15,774
Additions - acquired separately	334	334
Amortisation (recognised in depreciation and amortisation)	(3,028)	(3,028)
<b>Net carrying amount at end of year</b>	<b>13,080</b>	<b>13,080</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  
for the year ended 30 June 2023

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## 27. Intangible assets (continued)

### PARENT AND CONSOLIDATION

	Software \$000	Total \$000
<b>At 30 June 2023</b>		
Cost (gross carrying amount)	34,820	34,820
Less: accumulated amortisation and impairment	21,740	21,740
<b>Net carrying amount</b>	<b>13,080</b>	<b>13,080</b>

### Recognition and Measurement

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

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

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

The Network's intangible assets are amortised using the straight-line method over a period of ten years.

Computer software developed or acquired by the Network are recognised as intangible assets. Most computer software is acquired from eHealth NSW, a controlled entity of the immediate parent. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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.

# 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 2023

## 28. Fair value measurement of non-financial assets

### PARENT AND CONSOLIDATION

#### Fair value measurement and hierarchy

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

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13 Fair Value Measurement, the Network categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

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

#### (a) Fair value hierarchy

	Level 1	Level 2	Level 3	Total Fair Value
2023	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 25)				
- Land and buildings	-	-	468,388	468,388
- Infrastructure systems	-	-	34,923	34,923
Artworks	-	2,412	-	2,412
	-	2,412	503,311	505,723

There were no transfers between level 1 and 2 during the year ended 30 June 2023.

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 25.

	Level 1	Level 2	Level 3	Total Fair Value
2022	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 25)				
- Land and buildings	-	-	467,165	467,165
- Infrastructure systems	-	-	35,173	35,173
Artworks	-	2,422	-	2,422
	-	2,422	502,338	504,760

There were no transfers between level 1 and 2 during the year ended 30 June 2022.

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 25.

# 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 2023

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### 28. Fair value measurement of non-financial assets (continued)

#### (b) Valuation techniques, inputs and processes

For land, buildings and infrastructure systems the Network obtains external valuations by independent valuers at least every three years. The last revaluation was performed by CBRE Valuations Pty Limited for the FY20-21 financial year. CBRE Valuations Pty Limited is an independent entity and is not an associated entity of the Network.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices (refer Note 25).

For Artworks, the Network obtains independent external valuations every three years. The last revaluation was performed in the 2020-21 financial year by an independent valuer, Ms. Adrienne Carlson, an approved valuer under the Commonwealth Government Cultural Gifts Program, not an employee of the Network.

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

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

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

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

- For buildings and infrastructure, many assets are of a specialised nature or use, including some modified residential properties and thus the most appropriate valuation method is depreciated replacement cost. These assets are included as level 3 as these assets have a high level of unobservable inputs. However some residential properties are valued on a market approach and included in level 2.
- Non-current assets held for sale is a non-recurring item that is measured at the lower of its fair value less cost to sell or its carrying amount. These assets are categorised as level 2.
- For artworks, the valuation is made on a market approach, comparing the current pricings of comparable works, auction sales records particularly in relation to works by senior artists or those who have an established secondary market presence and information gathered from primary art dealers, dependent on particular circumstances. These valuations have been included in Level 2.



# 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 2023

## 28. Fair value measurement of non-financial assets (continued)

### (c) Reconciliation of recurring Level 3 fair value measurements

#### PARENT AND CONSOLIDATION

2023	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
<b>Fair value as at 1 July 2022</b>	467,165	35,173	502,338
Additions*	12	-	12
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 25)	25,107	1,980	27,087
Depreciation expense	(23,896)	(2,230)	(26,126)
<b>Fair value as at 30 June 2023</b>	<b>468,388</b>	<b>34,923</b>	<b>503,311</b>

\* Additions include assets previously carried at cost which have been revalued under the level 3 fair value hierarchy for the first time as a result of a comprehensive revaluation or an interim desktop revaluation.

There were no transfers between level 2 or 3 during the year ended 30 June 2023.

2022	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
<b>Fair value as at 1 July 2021</b>	456,348	34,419	490,767
Additions*	344	-	344
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 25)	30,879	2,806	33,685
Transfers from Level 2	193	-	193
Depreciation expense	(20,599)	(2,052)	(22,651)
<b>Fair value as at 30 June 2022</b>	<b>467,165</b>	<b>35,173</b>	<b>502,338</b>

\* Additions include assets previously carried at cost which have been revalued under the level 3 fair value hierarchy for the first time as a result of a comprehensive revaluation or an interim desktop revaluation.

There were no transfers between level 2 or 3 during the year ended 30 June 2022.

# 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 2023

### 29. Restricted assets

#### PARENT AND CONSOLIDATION

The Network's financial statements include the following assets which are restricted for stipulated purposes and / or by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2023.

Category	1 July 2022	Revenue	Expense	30 June 2023
	Opening			Closing
	\$000	\$000	\$000	\$000
Community welfare	2,227	17,086	13,951	5,362
Facility improvements	28,935	16,543	25,915	19,563
Holds funds in perpetuity	11,039	2	-	11,041
Patient welfare	32,339	20,821	11,268	41,892
Private practice disbursements (No.2 Accounts)	13,887	3,416	2,523	14,780
Public contributions	456	665	144	977
Research	52,292	35,630	29,495	58,427
Staff welfare	37	1	1	37
Training and education including conferences	10,099	3,270	2,814	10,555
	<b>151,311</b>	<b>97,434</b>	<b>86,111</b>	<b>162,634</b>

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

Category	Purpose
Community welfare	Improvements to service access, health literacy, public and preventative health care.
Facility improvements	Repairs, maintenance, renovations and/or new equipment or building related expenditure.
Holds funds in perpetuity	Donor has explicitly requested funds be invested permanently and not otherwise expended.
Patient welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Private practice disbursements (No.2 Accounts)	Staff specialists' private practice arrangements to improve the level of clinical services provided.
Public contributions	Donations or legacies received without any donor-specified conditions as to its use.
Research	Research to gain knowledge, understanding and insight.
Section 19(2) exemption funds	Improving access to primary care in rural and remote areas.
Staff welfare	Staff benefits such as staff recognition awards, functions and staff amenity improvements.
Training and education including conferences	Professional training, education and conferences.
Other	Does not meet the definition of any of the above categories.

# 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 2023

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### 29. Restricted assets

#### *Unclaimed monies*

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

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

# 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 2023

## 30. Payables

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Current</b>				
Accrued salaries, wages and on-costs	8,399	6,419	-	-
Salaries and wages deductions	157	221	-	-
Payroll and fringe benefits tax	(12)	18	-	-
Accrued liability - purchase of personnel services	-	-	8,544	6,658
Creditors <sup>1</sup>	27,101	21,251	27,101	21,251
Other creditors				
- Payables to entities controlled by the immediate parent	22,957	18,096	22,957	18,096
- Other <sup>1</sup>	119	70	119	70
	<b>58,721</b>	<b>46,075</b>	<b>58,721</b>	<b>46,075</b>

<sup>1</sup> Manual creditors has been reclassified from 'Other creditors - other' to 'Creditors' in the current year. The prior period 'Other creditors - other' has been restated lower by \$7.690 million and 'Creditors' has been restated higher by \$7.690 million to reflect this change.

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 41.

### Recognition and Measurement

Payables represent liabilities for goods and services provided to the Network and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

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

# 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 2023

## 31. Contract liabilities

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Current</b>				
Contract liabilities	8,037	7,153	8,037	7,153
	<b>8,037</b>	<b>7,153</b>	<b>8,037</b>	<b>7,153</b>

### Recognition and Measurement

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities at 30 June 2023 was impacted by the timing of payments received for grants and other contributions. The satisfaction of the specific performance obligations within the contract had not been met at the 30 June 2023. Revenue from the contract liabilities will be recognised when the specific performance obligations have been met.

The contract liability balance has increased during the year because of the timing of payments received.

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Revenue recognised that was included in the contract liability balance at the beginning of the year	7,153	4,952	7,153	4,952
Revenue recognised from performance obligations satisfied in previous periods	3,148	1,290	3,148	1,290
Transaction price allocated to the remaining performance obligations from contracts with customers	5,115	26,319	5,115	26,319

The transaction price allocated to the remaining performance obligations relates to the following revenue classes and is expected to be recognised as follows:

Specific revenue class	2024 \$'000	2025 \$'000	2026 \$'000	≥ 2027 \$'000
Grants and other contributions	4,473	620	21	2
	<b>4,473</b>	<b>620</b>	<b>21</b>	<b>2</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

for the year ended 30 June 2023

### 32. Borrowings

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Current</b>				
Lease liabilities (see Note 26)	591	617	591	617
	<b>591</b>	<b>617</b>	<b>591</b>	<b>617</b>
<b>Non-current</b>				
Lease liabilities (see Note 26)	731	1,227	731	1,227
	<b>731</b>	<b>1,227</b>	<b>731</b>	<b>1,227</b>

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

Details regarding liquidity risk, including a maturity analysis of the above borrowings are disclosed in Note 41.

# 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 2023

### 32. Borrowings (continued)

#### Recognition and Measurement

##### *Financial liabilities at amortised cost*

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

Borrowings are classified as current liabilities unless the Network has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 41 (b) for derecognition policy.

##### *Financial liabilities at fair value through profit or loss*

The Network has not designated any financial liability as at fair value through profit or loss.

#### Changes in liabilities arising from financing activities

#### PARENT AND CONSOLIDATION

	Leases \$000	Total liabilities from financing activities \$000
<b>1 July 2021</b>	<b>2,075</b>	<b>2,075</b>
Cash flows	(598)	(598)
New leases	431	431
Lease terminations*	(95)	(95)
Lease reassessments	31	31
<b>30 June 2022</b>	<b>1,844</b>	<b>1,844</b>
<b>1 July 2022</b>	<b>1,844</b>	<b>1,844</b>
Cash flows	(627)	(627)
New leases	81	81
Lease terminations	(10)	(10)
Lease reassessments	34	34
<b>30 June 2023</b>	<b>1,322</b>	<b>1,322</b>

\* Lease terminations include the derecognition of lease liabilities of \$0.1 million with Property NSW as at the 30 June 2022. Please refer to Note 26 for further details on the derecognition.

# 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 2023

## 33. Provisions

	Consolidated 2023 \$000	Consolidated <sup>1</sup> 2022 \$000	Parent 2023 \$000	Parent <sup>1</sup> 2022 \$000
<b>Current</b>				
<b>Employee benefits and related on-costs</b>				
Annual leave - obligations expected to be settled within 12 months	70,526	62,774	-	-
Annual leave - obligations expected to be settled after 12 months	38,810	40,899	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	1,373	1,168	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	19,188	18,624	-	-
Provision for other employee benefits*	2,711	17,567	-	-
Provision for personnel services liability	-	-	132,608	141,032
	<b>132,608</b>	<b>141,032</b>	<b>132,608</b>	<b>141,032</b>
<b>Other Provisions</b>				
Other	324	1,188	324	1,188
	<b>324</b>	<b>1,188</b>	<b>324</b>	<b>1,188</b>
<b>Total current provisions</b>	<b>132,932</b>	<b>142,220</b>	<b>132,932</b>	<b>142,220</b>
<b>Non-current</b>				
<b>Employee benefits and related on-costs</b>				
Long service leave consequential on-costs	2,027	1,951	-	-
Provision for personnel services liability	-	-	2,027	1,951
	<b>2,027</b>	<b>1,951</b>	<b>2,027</b>	<b>1,951</b>
<b>Other Provisions</b>				
Restoration costs	97	97	97	97
	<b>97</b>	<b>97</b>	<b>97</b>	<b>97</b>
<b>Total non-current provisions</b>	<b>2,124</b>	<b>2,048</b>	<b>2,124</b>	<b>2,048</b>
<b>Aggregate employee benefits and related on-costs</b>				
Provisions - current	132,608	141,032	-	-
Provisions - non-current	2,027	1,951	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 30)	8,556	6,640	-	-
Liability - purchase of personnel services	-	-	143,191	149,623
	<b>143,191</b>	<b>149,623</b>	<b>143,191</b>	<b>149,623</b>

<sup>1</sup> Long service leave consequential on-costs has been restated to be higher by \$0.82 million in the prior year for the consolidated entity. Provision for personnel services liability has been restated to be higher by \$0.82 million in the prior year for the parent entity. Refer to Note 20 for further details regarding restatement as a result of an error.

\* Provision for other employee benefits in 2022 included a one-off payment to employees of \$14.87 million for the recognition of service during the COVID-19 pandemic.



# 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 2023

## 33. Provisions (continued)

### Movements in provisions (other than employee benefits)

Movements in other provisions during the financial year, other than employee benefits, are set out below:

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Restoration costs</b>				
Carrying amount at beginning of period	97	97	97	97
<b>Carrying amount at end of period</b>	<b>97</b>	<b>97</b>	<b>97</b>	<b>97</b>

The majority of 'restoration costs' represent the expected cost to restore a leased asset at the end of the lease term. Lease end dates vary across the Network's lease portfolio and therefore the timing of the payments to restore the leased asset at the end of the term will vary. The majority of the 'restoration cost' provision is as per the lease contracts.

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Other</b>				
Carrying amount at beginning of period	1,188	437	1,188	437
- Additional provisions recognised*	63	768	63	768
- Amounts used	(927)	(17)	(927)	(17)
<b>Carrying amount at end of period</b>	<b>324</b>	<b>1,188</b>	<b>324</b>	<b>1,188</b>

\* Additional provisions recognised in 2022 included a one-off payment of \$0.77 million to visiting medical officers for the recognition of service during the COVID-19 pandemic.

The majority of the 'other' provision represent various contractual related obligations. The Network has recognised the provision amount by taking into consideration all available information at the reporting date and making best management estimation of the obligation. The timing of the payments will vary for each contractual related obligations.

# 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 2023

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### Recognition and Measurement

#### *Employee benefits and other provisions*

##### *Salaries and wages, annual leave, sick leave, allocated days off (ADO) and on-costs*

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

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

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 20.48% are applied to the value of leave payable at 30 June 2023 (comparable on-costs for 30 June 2022 were 19.90%). The Network has assessed the actuarial advice based on the Network's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the Network does not expect to settle the liability within 12 months as the Network does not have an unconditional right to defer settlement.

# 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 2023

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### 33. Provisions (continued)

#### **Recognition and Measurement (continued)**

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 majority of employee benefits and related on-cost balances have increased since the beginning of the COVID-19 pandemic. Management of the COVID-19 pandemic, along with state and international border closures at different times have adversely impacted the provision balance.

#### **Long service leave and superannuation**

The Network's liability for long service leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by The Crown in right of the State of New South Wales. 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 of employee benefits'.

Specific on-costs relating to long service leave assumed by The Crown in right of the State of New South Wales are borne by the Network.

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

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

#### **Consequential on-costs**

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

#### **Other provisions**

Other provisions are recognised when: the Network has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the Network expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

Any provisions for restructuring are recognised only when the Network has a detailed formal plan, and the Network has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost.

# 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 2023

## 34. Other liabilities

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
<b>Current</b>				
Unearned revenue	3,512	651	3,512	651
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	-	1,500	-	1,500
	<b>3,512</b>	<b>2,151</b>	<b>3,512</b>	<b>2,151</b>

Unearned revenue was derived from the following:

\$3.5m relates to funding received from a philanthropic organisation towards the cost of Children's Cancer Care Centre project at Randwick, which is anticipated to be paid out once terms of agreement with the organisation are finalised.

## PARENT AND CONSOLIDATION

**Reconciliation of financial assets and corresponding liabilities arising from transfers to acquire or construct non-financial assets to be controlled by the Network.**

	2023 \$'000	2022 \$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	1,500	-
<i>Add:</i> receipt of cash during the financial year	2,000	1,500
<i>Deduct:</i> income recognised during the financial year	3,500	-
<b>Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity</b>	<b>-</b>	<b>1,500</b>

Refer to Note 14 for a description of the Network's obligations under transfers received to acquire or construct non-financial assets to be controlled by the Network.

The Network expects to recognise as income any liability for unsatisfied obligations as at the end of the reporting period evenly in the next 1-5 financial years, as the related asset(s) are constructed / acquired.

# 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 2023

### 35. Commitments

#### (a) Capital commitments

Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Within one year	386,598	285,235	386,598	285,235
Later than one year and not later than five years	266,288	501,019	266,288	501,019
<b>Total (including GST)</b>	<b>652,886</b>	<b>786,254</b>	<b>652,886</b>	<b>786,254</b>

Capital commitments mainly relate to construction contracts for Westmead and Randwick redevelopment projects which are managed by Health Infrastructure, an entity of the immediate parent.

#### (b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$652.89 million as at 30 June 2023 includes input tax credits of \$59.35 million that are expected to be recoverable from the Australian Taxation Office (2022: \$786.25 million including input tax credits of \$71.48 million).

### 36. Contingent liabilities and contingent assets

#### PARENT AND CONSOLIDATION

The Network is not aware of any contingent liabilities or assets which would have a material effect on the disclosures in these financial statements.

#### (a) Contingent liabilities

Liability may arise for the Network at the expiry of extended lease term of twenty years, for restoration or make good expenses relating to the piece of land that the Network holds as a lessee under a lease at significantly below market terms. However, the amounts cannot be reliably estimated as the event is too far in the future and there is a high possibility that the building erected on the land will vest to the lessor at the end of the lease term. It is estimated that the building itself would be fully depreciated by such time.

#### (b) Contingent assets

The Network is not aware of any contingent assets which would have a material effect on the disclosures in these financial statements.

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

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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### 37. Adjusted budget review

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). The Network's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 Budgetary Reporting to present original budget information, the Network's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the Network and the Ministry of Health at the beginning of the financial year, as well as any adjustments for the effects of additional supplementation provided in accordance with delegations to derive a final budget at year end (i.e. adjusted budget). The budget amounts are not subject to audit and, accordingly, the relevant budget entries in the financial statements are unaudited.

### PARENT AND CONSOLIDATION

#### Net result

The actual Net Result was higher than adjusted budget by \$36 million, primarily due to:

Higher than budget revenue of \$59 million, offset by higher than budget expenditure of \$23 million.

The variance in expenditure of \$23 million was contributed mainly by Employee related expenses of \$19 million, \$4 million relating to Grants and subsidies and \$4 million for Visiting Medical Officers; partially offset by \$3 million lower than budget Operating expenses.

The revenue variance of \$59 million was contributed mainly by \$43 million in Grants and contributions revenue; \$21 million in NSW Ministry of Health allocations and \$2 million of higher than budget Investment revenue; this was partially offset by lower than budget Other income of \$6 million.

#### Assets and liabilities

The Net Assets were higher than adjusted budget by \$76 million comprising of higher than budget total assets of \$93 million and higher than budget liabilities of \$17 million.

The variance of \$93 million in assets compared to adjusted budget was mainly on account of higher than budget Property, plant and equipment of \$38 million which was primarily the result of \$40 million of interim revaluation increment, \$36 million higher than budget Cash and cash equivalents, \$15 million higher than budget Receivables and \$5 million relating to Inventories and Financial assets combined.

The variance of \$17 million relating to higher than budget liabilities comprised of \$11 million in payables; \$4 million in provisions and \$2 million each in contract liabilities and other liabilities combined.

#### Cash flows

The balance of cash and cash equivalents was \$36 million higher than adjusted budget. Of this \$34 million was contributed by higher than budget net cashflows from operating activities while the balance \$2 million was due to lower than budget Purchases of property, plant and equipment and intangibles.

The cashflows from operating activities were contributed mainly by higher than budget Grants and contributions income of \$35 million, cash allocations from the Ministry of \$21 million and \$4 million from interest received. This was partially offset by \$9 million and \$4 million lower than budget other receipts and sale of goods and services revenue respectively. While on the payments side, payments for employee related expenses was \$14 million higher than budget.

# 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 2023

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## 37. Adjusted budget review (continued)

Movements in the level of the Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 01 July 2022 are as follows:

	<b>\$000</b>
<b>Initial allocation, 1 July 2022</b>	671,515
<b>Award increases</b>	16,958
<b>Special projects:</b>	
COVID-19	18,954
Newborn Emergency Transport Sservice	7,497
Office of Health and Medical Research (OHMR) funding - GMP certification - Stage 1 Viral Vector Manufacturing Facility (VVMF) project	3,920
Highly Specialised Therapies	1,846
Cell and Gene therapies	936
Tranche 2: Safeguards Team	840
Nurse and Midwifery Strategy Reserve	568
Drug and Alcohol Services	500
State- Wide Tertiary Intellectual Disability and Mental Health Hub	426
Enhancing end of life care	300
Perinatal Child and Youth budget (tfr Service to Ministry of Health)	(4,158)
Other Special Projects	739
<b>Others:</b>	
Workforce Bonus	15,642
Recovery and Resilience	11,133
Nationally Funded Centres (NFC) Program	7,759
Additional activity	5,316
Deferred Care Elective Surgery	3,564
VirtualKIDS	2,929
New Gas Contract	2,195
Intra Health Technology Expense	1,157
Opportunistic child immunisation services	1,148
Infrastructure OPEX Uplift	1,001
Treasury Managed Fund	883
High Cost Patient Pool	780
Voluntary Redundancy Reimbursement	745
Staff Car Parking Fee	677
Model of Care Post COVID	670
Queen's Memorial Public Holiday	566
High Cost Blood Products	531
Workforce Resilience	526
Commonwealth National Partnership Agreements (NPA)	342
Others	840

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**Balance as per Statement of Comprehensive Income**

**779,245**

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# 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 2023

### 38. Reconciliation of cash flows from operating activities to net result

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of Comprehensive Income as follows:

	Consolidated 2023 \$000	Consolidated <sup>1,2</sup> 2022 \$000	Parent 2023 \$000	Parent <sup>1,2</sup> 2022 \$000
Net cash used on operating activities	223,186	89,534	223,186	89,534
Depreciation and amortisation expense	(44,719)	(41,589)	(44,719)	(41,589)
Allowance for impairment	(186)	(420)	(186)	(420)
(Increase) / decrease in other liabilities	(1,361)	(2,151)	(1,361)	(2,151)
Decrease / (increase) in provisions	9,213	(22,781)	9,213	(22,781)
Increase / (decrease) in inventory	1,838	867	1,838	867
Increase / (decrease) in prepayments and other assets	11,984	8,473	11,984	8,473
Decrease / (increase) in payables	(13,662)	(12,627)	(13,662)	(12,627)
Decrease / (increase) in contract liabilities	(884)	(2,201)	(884)	(2,201)
Increase / (decrease) in financial instruments at fair value	2,989	(3,749)	2,989	(3,749)
Net gain / (loss) on sale of property, plant and equipment	(26)	(46)	(26)	(46)
Assets donated or brought to account (Note 39)	1,429	1,507	1,429	1,507
<b>Net result</b>	<b>189,801</b>	<b>14,817</b>	<b>189,801</b>	<b>14,817</b>

<sup>1</sup> 'Decrease / (increase) in provisions' has been restated to be lower by \$0.13 million in the prior year for the consolidated and parent entity. Refer to Note 20 for further details regarding restatement as a result of an error.

<sup>2</sup> Inventory write down has been reclassified from 'Increase / (decrease) in prepayments and other assets' to 'Increase / (decrease) in Inventory' in the current year. The prior period comparatives have been restated to reflect this change.

### 39. Non-cash financing and investing activities

	Consolidated 2023 \$000	Consolidated 2022 \$000	Parent 2023 \$000	Parent 2022 \$000
Assets donated or brought to account	1,429	1,507	1,429	1,507
Property, plant and equipment acquired by a lease	81	431	81	431
	<b>1,510</b>	<b>1,938</b>	<b>1,510</b>	<b>1,938</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

for the year ended 30 June 2023

### 40. Trust funds

#### PARENT AND CONSOLIDATION

The Network holds trust funds of \$171 thousand (2022: \$205 thousand) which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Patient Trusts.

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

Category	1 July 2022			30 June 2023
	Opening equity \$'000	Revenue \$000	Expense \$000	Closing equity \$'000
Private Patient Trust Funds	-	22,984	(22,984)	-
Third Party Funds	205	22	(56)	171
<b>Total trust funds</b>	<b>205</b>	<b>23,006</b>	<b>(23,040)</b>	<b>171</b>

Category	1 July 2021			30 June 2022
	Opening equity \$'000	Revenue \$000	Expense \$000	Closing equity \$'000
Private Patient Trust Funds	-	19,750	(19,750)	-
Third Party Funds	218	48	(61)	205
<b>Total trust funds</b>	<b>218</b>	<b>19,798</b>	<b>(19,811)</b>	<b>205</b>

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

Category	Purpose
Patient Trust	The safe custody of patients' valuables including monies.
Refundable Deposits	A sum of money held in trust as a security deposit.
Private Patient Trust Funds	The revenue derived from private patient and other billable services provided by Staff Specialists.
Third Party Funds	A sum of money held in trust on behalf of external parties, e.g. external foundations, volunteer groups and auxiliaries.

Any amounts drawn down from trust funds under the private practice arrangements are not included in the key management personnel compensation amounts or disclosed as a related party transaction in Note 42.

# 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 2023

### 41. Financial instruments

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

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

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

#### (a) Financial instrument categories

##### PARENT AND CONSOLIDATION

Class	Category	Carrying Amount	Carrying Amount
		2023	2022
		\$000	\$000
<b>Financial assets</b>			
Cash and cash equivalents (Note 21)	Amortised cost	147,128	135,373
Receivables (Note 22) <sup>1</sup>	Amortised cost	35,933	23,711
Financial assets at fair value (Note 24)	Fair value through profit or loss - mandatory classification	32,853	29,864
<b>Total financial assets</b>		<b>215,914</b>	<b>188,948</b>
<b>Financial liabilities</b>			
Borrowings (Note 32)	Financial liabilities measured at amortised cost	1,322	1,844
Payables (Note 30) <sup>2</sup>	Financial liabilities measured at amortised cost	58,733	46,057
<b>Total financial liabilities</b>		<b>60,055</b>	<b>47,901</b>

#### Notes

<sup>1</sup> Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

<sup>2</sup> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

The Network determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

#### (b) Derecognition of financial assets and financial liabilities

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

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

# 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 2023

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### 41. Financial instruments (continued)

#### (b) Derecognition of financial assets and financial liabilities (continued)

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Network could be required to repay.

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

#### (c) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### (d) Financial risk

##### i. Credit risk

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

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

Credit risk associated with the Network's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the State.

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

##### Cash and cash equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned daily on restricted financial asset cash on hand and bank balances only. The TCorpIM Cash Fund is discussed in market risk below.

##### Accounting policy for impairment of trade receivables and other financial assets

##### Receivables - trade receivables, other receivables and contract assets

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

The Network applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, other receivables and contract assets.

# 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 2023

### 41. Financial instruments (continued)

#### (d) Financial risk (continued)

##### i. Credit risk (continued)

#### Accounting policy for impairment of trade receivables and other financial assets (continued)

#### Receivables - trade receivables, other receivables and contract assets (continued)

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

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Network has identified relevant factors, and accordingly has adjusted the historical loss rates based on expected changes in these factors.

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

The loss allowance for trade receivables, other receivables and contract assets as at 30 June 2023 and 30 June 2022 was determined as follows:

#### PARENT AND CONSOLIDATION

	Current \$'000	<30 days \$'000	30-60 days \$'000	61-90 days \$'000	>91 days \$'000	Total \$'000
<b>30 June 2023</b>						
Expected credit loss rate	0.38%	0.41%	0.28%	3.65%	7.70%	1.09%
Estimated total gross carrying amount <sup>1</sup>	22,892	2,582	2,148	372	2,835	30,830
Expected credit loss	88	11	6	14	218	336
<b>30 June 2022</b>						
Expected credit loss rate	0.35%	0.71%	3.72%	7.30%	10.27%	1.61%
Estimated total gross carrying amount <sup>1</sup>	14,361	2,658	457	411	1,997	19,884
Expected credit loss	50	19	17	30	205	321

#### Notes

<sup>1</sup> The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB 7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 22.

The Network is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2023 and 30 June 2022.

##### ii. Liquidity risk

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

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

During the current and prior year, there were no defaults of loans payable. No assets have been pledged as collateral. The Network's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

# 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 2023

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### 41. Financial instruments (continued)

#### (d) Financial risk (continued)

##### ii. Liquidity risk (continued)

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

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. For all suppliers, that have a correctly rendered invoice, a matched purchase order and where goods have been received, an immediate payment is made irrespective of current contract payment terms.

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 affected in accordance with the above, e.g. due to short term liquidity constraints, contact is made with creditors and terms of payment are negotiated to the satisfaction of both parties.

# 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 2023

## 41. Financial instruments (continued)

### (d) Financial risk (continued)

#### ii. Liquidity risk (continued)

#### PARENT AND CONSOLIDATION

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

#### Maturity Analysis and interest rate exposure of financial liabilities

	EIR <sup>3</sup> %	Nominal Amount <sup>1</sup> \$000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
<b>2023</b>								
Payables:								
- Creditors <sup>2</sup>		58,733	-	-	58,733	58,733	-	-
Borrowings:								
- Lease liabilities	2.36%	1,364	1,364	-	-	613	728	23
		<b>60,097</b>	<b>1,364</b>	<b>-</b>	<b>58,733</b>	<b>59,346</b>	<b>728</b>	<b>23</b>
<b>2022</b>								
Payables:								
- Creditors <sup>2</sup>		46,057	-	-	46,057	46,057	-	-
Borrowings:								
- Lease liabilities	2.07%	1,897	1,897	-	-	634	1,233	30
		<b>47,954</b>	<b>1,897</b>	<b>-</b>	<b>46,057</b>	<b>46,691</b>	<b>1,233</b>	<b>30</b>

#### 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.

<sup>2</sup> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

<sup>3</sup> Weighted Average Effective Interest Rate (EIR).

# 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 2023

### 41. Financial instruments (continued)

#### iii. Market risk

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

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Network operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis as for 2022. The analysis assumes that all other variables remain constant.

#### *Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the Network's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The Network does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income. Therefore, for these financial instruments, a change in interest rates would not affect the carrying value or interest paid/earned. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official Reserve Bank of Australia interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

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

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

#### **PARENT AND CONSOLIDATION**

	2023		2022	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	(1,787)	1,787	(1,634)	1,634
Equity	(1,787)	1,787	(1,634)	1,634

# 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 2023

### 41. Financial instruments (continued)

#### iii. Market risk (continued)

##### *Other price risk - TCorpIM Funds*

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

Facility	Investment Sectors	Investment Horizon	2023 \$000	2022 \$000
TCorpIM Long Term Growth Fund	Cash and fixed income, credit, equities, alternative assets and real assets	7 years and over	32,853	29,864

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

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

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

TCorp provides sensitivity analysis information for each of the investment facilities, which is used to demonstrate the impact on the funds' net assets as a result of changes in unit price. This impact is based on a sensitivity rate of 10%, multiplied by the redemption value as at the 30 June each year for each facility (balance from TCorpIM Funds statement). Actual movements in the price risk variables may differ to the sensitivity rates used due to a number of factors. TCorpIM Funds are measured at fair value through profit or loss and therefore any change in unit price impacts directly on net results.

	Change in unit price		Impact on net result	
	2023 %	2022 %	2023 \$000	2022 \$000
TCorpIM Long Term Growth Fund	10%	10%	3,285	2,986



# 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 2023

## 41. Financial instruments (continued)

### (e) Fair value measurement

#### i. Fair value compared to carrying amount

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

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

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

#### ii. Fair value recognised in the Statement of Financial Position

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

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the Network categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2023 Total \$'000
<b>Financial assets at fair value</b>				
TCorpIM Funds	-	32,853	-	32,853
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2022 Total \$'000
<b>Financial assets at fair value</b>				
TCorpIM Funds	-	29,864	-	29,864

*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, 2 or 3 during the year ended 30 June 2023.

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

# 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 2023

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## 42. Related party disclosures

### PARENT AND CONSOLIDATION

#### (a) Key management personnel compensation

Key management personnel compensation is as follows:

	2023 \$000	2022 \$000
Short-term employee benefits	338	427
Post-employment benefits	34	43
	<b>372</b>	<b>470</b>

During the financial year, The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children) obtained key management personnel services from the immediate parent and incurred \$0.49 million (2022: \$0.45 million) for these services. This amount does not form part of the key management personnel compensation disclosed above.

The Network's key management personnel comprise its board members and chief executive (or acting chief executive) from time to time during the year.

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

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

#### (b) Transactions with key management personnel and their close family members

There were no transactions with key management personnel and their close family members (2022: \$Nil).

#### (c) Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2022: \$Nil).

#### (d) Transactions the Network had with government related entities during the financial year

During the financial year and comparative year, the Network entered into the various transactions with other entities consolidated as part of the Ministry of Health (the immediate parent) and the NSW Total State Sector (the ultimate parent) within the normal course of business.

*The following operating expenses were incurred with entities controlled by the immediate parent:*

- Health Administration Corporation (includes Ambulance Service of NSW, eHealth NSW, Health Infrastructure, Health System Support Group, HealthShare NSW and NSW Health Pathology) provides shared services for the majority of patient transport services, information management services, domestic supplies and services, food supplies and corporate support services.
- Health Administration Corporation provides some specialised services which includes pathology related costs.
- Various grants and subsidies towards research and other projects

# 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 2023

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### 42. Related party disclosures (continued)

#### (d) Transactions the Network had with government related entities during the financial year (continued)

*The following operating expenses were incurred with entities controlled by the ultimate parent:*

- Audit of the statutory financial statements
- Utilities, including electricity, gas and water expenses
- Insurance costs
- Occupancy agreement expenses for Property NSW properties
- Various grants and subsidies towards research and other projects

*The following revenues were earned from entities controlled by the immediate parent:*

- Revenue from recurrent and capital allocations
- Various grants and contributions towards research and other projects
- Commercial activities revenue in respect of pathology services
- Patient transport services

*The following revenues were earned from entities controlled by the ultimate parent:*

- Motor Accident Authority third party revenue received from the State Insurance Regulatory Authority (SIRA)
- Various grants and other contributions towards research and other projects
- Interest income on TCorpIM Funds Investment facilities
- Insurance refunds
- Revenue from acceptance of long service leave liabilities and defined benefit

*Assets and liabilities as follows:*

- Receivables and payables in respect of the above noted related party revenue and expense transactions
- Some term deposits are invested with TCorpIM Funds Investment facilities
- The majority of the construction of property, plant and equipment is managed and overseen by Health Administration Corporation
- The majority of capital commitments contracted but not provided for related to capital works overseen by the Health Administration Corporation.

### 43. Events after the reporting period

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

**END OF AUDITED FINANCIAL STATEMENTS**