

**Nepean  
Blue Mountains  
Local Health District**

**Financial Statements**  
for the year ended 30 June 2018





## INDEPENDENT AUDITOR'S REPORT

### Nepean Blue Mountains Local Health District

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Nepean Blue Mountains Local Health District (the District), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, 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 District and the consolidated entity. The consolidated entity comprises the District and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the District and the consolidated entity as at 30 June 2018, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

#### Basis for Opinion

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

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

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

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

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

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

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

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

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

## **Other information – Certification of the Financial Statements**

Other information comprises the information included in the District's annual report for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The Chief Executive of the District is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Certification of the Financial Statements.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the District or the consolidated entity carried out their activities effectively, efficiently and economically
- 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.

A handwritten signature in black ink, appearing to read "R Meimaroglou". The signature is written in a cursive style with a period at the end.

Renee Meimaroglou  
Director, Financial Audit Services

10 September 2018  
SYDNEY

**Nepean Blue Mountains Local Health District  
Certification of the Financial Statements  
for the year ended 30 June 2018**

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

- 1) The financial statements of Nepean Blue Mountains Local Health District for the year ended 30 June 2018 have been prepared in accordance with:
  - a) Australian Accounting Standards (which include Australian Accounting Interpretations);
  - b) the requirements of the *Public Finance and Audit Act 1983 (PFAA)*, the *Public Finance and Audit Regulation 2015 (Regulation)*; and
  - c) Financial Reporting Directions mandated by the Treasurer.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of Nepean Blue Mountains Local Health District; and
- 3) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Kay Hyman  
**Chief Executive**  
5 September 2018



Rebecca Beech (for)  
**Director, Finance**  
5 September 2018



Nepean Blue Mountains Local Health District  
Statement of Financial Position as at 30 June 2018

PARENT								CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual				Notes	Actual	Adjusted Budget Unaudited	Actual	
2018	2018	2017					2018	2018	2017	
\$000	\$000	\$000					\$000	\$000	\$000	
<b>ASSETS</b>										
<b>Current Assets</b>										
47,072	37,167	44,208	Cash and Cash Equivalents		15	47,072	37,167	44,208		
23,679	22,009	22,009	Receivables		16	23,679	22,009	22,009		
4,653	5,301	5,324	Inventories		17	4,653	5,301	5,324		
<u>75,404</u>	<u>64,477</u>	<u>71,541</u>	<b>Total Current Assets</b>			<u>75,404</u>	<u>64,477</u>	<u>71,541</u>		
<b>Non-Current Assets</b>										
1,182	1,156	-----	Receivables		16	1,182	1,156	-----		
<b>Property, Plant &amp; Equipment</b>										
494,777	476,684	464,710	- Land and Buildings		18	494,777	476,684	464,710		
38,856	30,127	29,901	- Plant and Equipment		18(2)	38,856	30,127	29,901		
5,423	3,887	3,887	- Infrastructure Systems		18(2)	5,423	3,887	3,887		
-----	(1,006)	-----	- Leasehold Improvements		18(2)	-----	(1,006)	-----		
<u>539,056</u>	<u>509,692</u>	<u>498,498</u>	<b>Total Property, Plant &amp; Equipment</b>			<u>539,056</u>	<u>509,692</u>	<u>498,498</u>		
621	576	576	Intangible Assets		19	621	576	576		
<u>540,859</u>	<u>511,424</u>	<u>499,074</u>	<b>Total Non-Current Assets</b>			<u>540,859</u>	<u>511,424</u>	<u>499,074</u>		
<u>616,263</u>	<u>575,901</u>	<u>570,615</u>	<b>Total Assets</b>			<u>616,263</u>	<u>575,901</u>	<u>570,615</u>		
<b>LIABILITIES</b>										
<b>Current Liabilities</b>										
55,966	56,664	55,664	Payables		22	55,966	56,664	55,664		
176	-----	604	Borrowings		23	176	-----	604		
73,395	68,204	66,809	Provisions		24	73,395	68,204	66,809		
122	271	271	Other		25	122	271	271		
<u>129,659</u>	<u>125,139</u>	<u>123,348</u>	<b>Total Current Liabilities</b>			<u>129,659</u>	<u>125,139</u>	<u>123,348</u>		
<b>Non-Current Liabilities</b>										
-----	10	177	Borrowings		23	-----	10	177		
924	924	768	Provisions		24	924	924	768		
<u>924</u>	<u>934</u>	<u>945</u>	<b>Total Non-Current Liabilities</b>			<u>924</u>	<u>934</u>	<u>945</u>		
<u>130,583</u>	<u>126,073</u>	<u>124,293</u>	<b>Total Liabilities</b>			<u>130,583</u>	<u>126,073</u>	<u>124,293</u>		
<u>485,680</u>	<u>449,828</u>	<u>446,322</u>	<b>Net Assets</b>			<u>485,680</u>	<u>449,828</u>	<u>446,322</u>		
<b>EQUITY</b>										
64,029	30,372	30,374	Reserves			64,029	30,372	30,374		
421,651	419,456	415,948	Accumulated Funds			421,651	419,456	415,948		
<u>485,680</u>	<u>449,828</u>	<u>446,322</u>	<b>Total Equity</b>			<u>485,680</u>	<u>449,828</u>	<u>446,322</u>		

The accompanying notes form part of these financial statements.



Nepean Blue Mountains Local Health District  
Statement of Changes in Equity for the year ended 30 June 2018

PARENT AND CONSOLIDATION	Notes	Accumulated Funds \$000	Revaluation Surplus \$000	Total \$000
Balance at 1 July 2017		415,948	30,374	446,322
<b>Total Equity at 1 July 2017</b>		<b>415,948</b>	<b>30,374</b>	<b>446,322</b>
Net Result for the year		5,783	-----	5,783
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equip	18	-----	33,575	33,575
Available for Sale Financial Assets:				
Transfers on Disposal		(80)	80	-----
<b>Total Other Comprehensive Income</b>		<b>(80)</b>	<b>33,655</b>	<b>33,575</b>
<b>Total Comprehensive Income for the year</b>		<b>5,703</b>	<b>33,655</b>	<b>39,358</b>
<b>Balance at 30 June 2018</b>		<b>421,651</b>	<b>64,029</b>	<b>485,680</b>
Balance at 1 July 2016		433,535	30,885	464,420
<b>Total Equity at 1 July 2016</b>		<b>433,535</b>	<b>30,885</b>	<b>464,420</b>
Net Result for the year		(18,098)	-----	(18,098)
Other Comprehensive Income:				
Available for Sale Financial Assets:				
Transfers on Disposal		511	(511)	-----
<b>Total Other Comprehensive Income</b>		<b>511</b>	<b>(511)</b>	<b>-----</b>
<b>Total Comprehensive Income for the year</b>		<b>(17,587)</b>	<b>(511)</b>	<b>(18,098)</b>
<b>Balance at 30 June 2017</b>		<b>415,948</b>	<b>30,374</b>	<b>446,322</b>

The accompanying notes form part of these financial statements.

Nepean Blue Mountains Local Health District  
Statement of Cash Flows for the year ended 30 June 2018

PARENT								CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual		Notes	Actual	Adjusted Budget Unaudited	Actual			
2018	2018	2017			2018	2018	2017			
\$000	\$000	\$000			\$000	\$000	\$000			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
<b>Payments</b>										
-----	-----	-----	Employee Related		(481,294)	(481,801)	(453,132)			
(331,142)	(331,180)	(318,019)	Suppliers for Goods and Services		(331,142)	(331,180)	(318,019)			
(3,786)	(3,774)	(3,652)	Grants and Subsidies		(3,786)	(3,774)	(3,652)			
(23)	(44)	(44)	Finance Costs		(23)	(44)	(44)			
(481,294)	(481,801)	(453,132)	Other		-----	-----	-----			
<u>(816,245)</u>	<u>(816,799)</u>	<u>(774,847)</u>	<b>Total Payments</b>		<u>(816,245)</u>	<u>(816,799)</u>	<u>(774,847)</u>			
<b>Receipts</b>										
684,574	673,863	638,264	NSW Ministry of Health Recurrent Allocations		684,574	673,863	638,264			
23,401	26,320	9,897	NSW Ministry of Health Capital Allocations		23,401	26,320	9,897			
7,716	7,716	7,082	Reimbursements from the Crown Entity		7,716	7,716	7,082			
88,527	100,076	89,948	Sale of Goods and Services		88,527	100,076	89,948			
961	963	965	Interest Received		961	963	965			
12,993	7,562	7,781	Grants and Other Contributions		12,993	7,562	7,781			
33,216	29,565	36,661	Other		33,216	29,565	36,661			
<u>851,388</u>	<u>846,065</u>	<u>790,598</u>	<b>Total Receipts</b>		<u>851,388</u>	<u>846,065</u>	<u>790,598</u>			
<u><b>35,143</b></u>	<u><b>29,266</b></u>	<u><b>15,751</b></u>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	29	<u><b>35,143</b></u>	<u><b>29,266</b></u>	<u><b>15,751</b></u>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
93	-----	656	Proceeds from Sale of Property, Plant & Equipment and Intangibles		93	-----	656			
(31,768)	(35,537)	(13,302)	Purchases of Property, Plant & Equipment and Intangibles		(31,768)	(35,537)	(13,302)			
<u>(31,675)</u>	<u>(35,537)</u>	<u>(12,646)</u>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<u>(31,675)</u>	<u>(35,537)</u>	<u>(12,646)</u>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
(604)	(770)	(879)	Repayment of Borrowings and Advances		(604)	(770)	(879)			
<u>(604)</u>	<u>(770)</u>	<u>(879)</u>	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<u>(604)</u>	<u>(770)</u>	<u>(879)</u>			
2,864	(7,041)	2,226	<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		2,864	(7,041)	2,226			
44,208	44,208	41,982	Opening Cash and Cash Equivalents	15	44,208	44,208	41,982			
<u><b>47,072</b></u>	<u><b>37,167</b></u>	<u><b>44,208</b></u>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	15	<u><b>47,072</b></u>	<u><b>37,167</b></u>	<u><b>44,208</b></u>			

The accompanying notes form part of these financial statements.

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

**1. Statement of Significant Accounting Policies**

**a) The Reporting Entity**

Nepean Blue Mountains Local Health District (NBMLHD) was established under the provisions of the Health Services Act 1997 with effect from 1 January 2011.

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

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

- \* The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in Note 21), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- \* Nepean Blue Mountains Local Health District Special Purpose Service Entity, which was established as a Division of the NBMLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable NBMLHD to exercise its functions.

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

These consolidated financial statements for the year ended 30 June 2018 have been authorised for issue by the Chief Executive on 5 September 2018.

**b) Basis of Preparation**

NBMLHD's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and the Public Finance and Audit Regulation 2015, and Financial Reporting Directions mandated by the Treasurer. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities. Further information on the adjusted budget figures can be found at Note 1(ah).

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

The Secretary of NSW Health, the Chair of Nepean Blue Mountains Local Health District Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under NBMLHD'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 NBMLHD fails to meet Service Agreement Service standards, the NSW Ministry of Health as the state manager can take action in accordance with annual Service framework requirements, including financial support and increased management interaction by the NSW Ministry of Health.

Other circumstances why the going concern assumption is appropriate include:

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

Property, plant and equipment, assets (or disposal groups) held for sale and financial assets at 'fair value through profit and loss' are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

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

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

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

**1. Statement of Significant Accounting Policies**

**c) Comparative Information**

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

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

**d) Statement of Compliance**

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

**e) Employee Benefits and Other Provisions**

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

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

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

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 17.3% are applied to the value of leave payable at 30 June 2018 (comparable on-costs for 30 June 2017 were 17.2%). NBMLHD has assessed the actuarial advice based on the NBMLHD's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the consolidated entity does not expect to settle the liability within 12 months as the consolidated entity does not have an unconditional right to defer settlement.

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

**ii) Long Service Leave and Superannuation**

NBMLHD's liability for Long Service Leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity, which is a controlled entity of the ultimate parent.

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

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

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

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

**iii) Consequential On-Costs**

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

**iv) Other Provisions**

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

**f) Insurance**

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

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

1. **Statement of Significant Accounting Policies**

g) **Grants and Subsidies**

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

h) **Finance Costs**

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

i) **Income Recognition**

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

*Sale of Goods*

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

*Rendering of Services*

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

*Grants and Other Contributions*

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

*Patient Fees*

Patient fees are derived from chargeable inpatients and non-inpatients on the basis of rates specified by the NSW Ministry of Health. Revenue is recognised on an accrual basis when the service has been provided to the patient.

*Highly Specialised Drugs*

Revenue for highly specialised drugs is paid by the Commonwealth in accordance with the terms of the Commonwealth agreement through Medicare and reflects the recoupment of costs incurred under Section 100 of the *National Health Act 1953* for highly specialised drugs. The agreement provides for the provision of medicines for the treatment of chronic conditions where specific criteria are met in respect of day admitted patients, non admitted patients or patients on discharge. Revenue is recognised when the drugs have been provided to the patient.

*Motor Accident Authority Third Party*

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

*Department of Veterans' Affairs*

An agreement is in place with the Commonwealth Department of Veterans' Affairs through which direct funding is provided for the provision of health services to entitled veterans. For inpatient services, revenue is recognised by NBMLHD on an accrual basis by reference to patient admissions. Non admitted patients are recognised by the NSW Ministry of Health in the form of a block grant.

*Investment Revenue*

Interest revenue is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

*Debt Forgiveness*

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

*Use of Hospital Facilities*

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

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

**1. Statement of Significant Accounting Policies**

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

Refer to Note 8 (b) for further details.

*Use of Outside Facilities*

NBMLHD uses a number of facilities owned and maintained by the local authorities in the area to deliver community health services for which no charges are raised by the authorities.

Where material, the cost method of accounting is used for the initial recording of all such services. Cost is determined as the fair value of the services given and is then recognised as revenue with a matching expense.

*NSW Ministry of Health Allocations*

Payments are made by the immediate parent on the basis of the allocation for NBMLHD as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects.

This allocation is included in the Statement of Comprehensive Income before arriving at the "Net Result" on the basis that the allocation is earned in return for the health services provided on behalf of the NSW Ministry of Health. Allocations are normally recognised upon the receipt of cash.

General operating expenses/revenues of Hawkesbury District Health Service (operated by St John of God) have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisation concerned. NBMLHD is not deemed to own or control the various assets/liabilities of the aforementioned Health Organisation and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

**j) Accounting for the Goods & Services Tax (GST)**

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

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

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

**k) Interstate Patient Flows**

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

**l) Acquisition of Property, Plant and Equipment**

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

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

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.

Refer to Note 1(ae) for assets transferred as a result of equity transfer.

Land and buildings are owned by the Health Administration Corporation, an entity controlled by the immediate parent. Land and buildings which are operated/occupied by NBMLHD are deemed to be controlled by NBMLHD and are reflected as such in the financial statements.

**m) Capitalisation Thresholds**

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

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

1. **Statement of Significant Accounting Policies**

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

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

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

Artwork	5.0%
Buildings	2.5%
Infrastructure Systems	2.5%
Plant and Equipment	
- Computer Equipment	20.0%
- Electro Medical Equipment	
* Costing less than \$200,000	10.0%
* Costing more than or equal to \$200,000	12.5%
- Furniture, Fittings and Furnishings	5.0%
- Linen	25.0%
- Motor Vehicle Sedans	12.5%
- Motor Vehicles, Trucks & Vans	20.0%
- Office Equipment	10.0%
- Plant and Machinery	10.0%
Intangibles	10.0%

"Infrastructure Systems" means assets that comprise public facilities and which provide essential services and enhance the productive capacity of the economy including roads, bridges, water infrastructure and distribution works, sewerage treatment plants, seawalls and water reticulation systems.

Depreciation rates are subsequently varied where changes occur in the assessment of the remaining useful life of the assets reported.

o) **Revaluation of Non-Current Assets**

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

Property, plant and equipment is measured at the highest and best use by market 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 Note 18 and Note 20 for further information regarding fair value.

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

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

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated.

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

Revaluation increments are credited directly to the revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as 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 for the year, except that, to the extent that a credit balance exists in the revaluation surplus in respect of the same class of assets, they are debited directly to the revaluation surplus.

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

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

**1. Statement of Significant Accounting Policies**

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

**p) Impairment of Property, Plant and Equipment**

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 Impairment of Assets modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

**r) Restoration Costs**

On initial recognition, 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.

**s) Non-Current Assets (or disposal groups) Held for Sale**

NBMLHD has certain non-current assets (or disposal groups) classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use.

Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount and fair value less costs of disposal. These assets are not depreciated while they are classified as held for sale.

**t) Intangible Assets**

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

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

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

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

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

Computer software developed or acquired by NBMLHD are recognised as intangible assets and are amortised over ten years using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions. Most computer software is acquired from the Health Administration Corporation, a controlled entity of the immediate parent.

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

**u) Maintenance**

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



Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

**1. Statement of Significant Accounting Policies**

**v) Leased Assets**

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

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

**w) Inventories**

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

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

**x) Loans and Receivables**

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

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

**y) Investments**

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

\* NBMLHD subsequently measures investments classified as 'held for trading' or designated upon initial recognition "at fair value through profit or loss" at fair value.

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

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

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

TCorpIM Funds investment are made in an effort to improve interest returns on cash balances otherwise available whilst also providing secure investments.

The movement in the fair value of the TCorpIM Funds investment incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

\* Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturity that NBMLHD has the positive intention and ability to hold to maturity are classified as 'held-to-maturity'.

These investments are measured at amortised cost using the effective interest method. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

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

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

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

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

**1. Statement of Significant Accounting Policies**

**z) Impairment of Financial Assets**

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

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

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

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

**aa) De-recognition of Financial Assets and Financial Liabilities**

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

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

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

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

**ab) Payables**

These amounts represent liabilities for goods and services provided to NBMLHD and other amounts. Payables are recognised initially at fair value.

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

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

**ac) Borrowings**

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

Borrowings include finance lease liabilities. The finance lease liability is determined in accordance with AASB 117 Leases.

**ad) Fair Value Hierarchy**

A number of NBMLHD's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13 Fair Value Measurement, NBMLHD categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- \* Level 1 – quoted 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).

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

Refer to Note 20 for further disclosures regarding fair value measurements of non-financial and financial assets.

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

**1. Statement of Significant Accounting Policies**

**ae) Equity Transfers**

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

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

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

**af) Equity and Reserves**

**(i) Accumulated Funds**

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

**(ii) Revaluation Surplus**

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with NBMLHD's policy on the revaluation of property, plant and equipment as discussed in Note 1(o).

**(iii) Separate Reserves**

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

**ag) Trust Funds**

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

As NBMLHD performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of NBMLHD's own objectives, these funds are not recognised in the financial statements.

**ah) Adjusted Budget Amounts**

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

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

a) Changes in Accounting Policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2017-18

The accounting policies applied in 2017-18 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows applies to annual periods beginning on or after 1 January 2017. The standard amends AASB 107 Statement of Cash Flows to require additional disclosures for financing activities in the Statement of Cash Flows. A reconciliation of liabilities arising from financing activities has been added to Note 31 of these financial statements.

(ii) Issued but not yet effective

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

AASB 9 Financial Instruments applies to annual periods beginning on or after 1 January 2018. AASB 9 Financial Instruments will replace AASB 139 Financial Instruments: Recognition and Measurement and establishes new principles for the financial reporting of financial assets, financial liabilities and hedge accounting. AASB 9 Financial Instruments also introduces a forward-looking 'expected credit losses' impairment model, which may impact the timing and amount of impairment recognition.

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

The lease expense recognition pattern for leases will generally be accelerated as compared to today. Some key balance sheet metrics may also be impacted. Also, the statement of cash flows for lessees will be affected as payments for the principal portion of the lease liability will be presented within financing activities.

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

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

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

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

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

## 1. Statement of Significant Accounting Policies

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

### Overview of Assessment Activities

NSW Health designed a project roadmap to implement the above five new accounting standards by its application date. The project consists of 4 phases: Scoping, Data gathering, In Depth Analysis and Implementation. Scoping phase was completed and data gathering has begun. An external project consultant and project manager will be appointed, and various steering committees and project teams will be internally formed as part of the implementation project. Central high level estimates on the impact of the new accounting standards were also calculated and reported to NSW Treasury by the central team at the NSW Ministry of Health. Further details are available in the NSW Ministry of Health's consolidated financial statements.

We are continuously analysing and assessing the impact of the new accounting standards. This includes changes to our accounting policies, internal and external reporting requirements, IT systems, business processes and associated internal controls with the objectives of quantifying the expected first time adoption impacts as well as supporting ongoing compliance with the new accounting requirements.

### Potential Impact on NBMLHD's Financial Report

While the consolidated entity is yet to undertake a detailed assessment of the classification and measurement of all of the accounting standards, the following general impacts are expected from the work conducted so far:

#### *Leases*

- \* The total assets and liabilities on the balance sheet will increase. Net total assets are expected to decrease due to a reduction of the capitalised asset being on a straight line basis whilst the liability reduces the principal amount of repayments. Net current assets will also show a decrease due to an element of the liability being disclosed as current liability.
- \* Interest expenses will increase due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a lease life due to the higher principal value causing profit variability over the course of the lease life. This effect may be partially mitigated due to the number of leases held in the entity at different stages of their lease terms.
- \* Depreciation expense will be booked on Right of Use assets, which will be on a straight-line basis.
- \* Operating cash flows will be higher as repayment of the principal portion of all lease liabilities will be classified as financing activities.

#### *Revenue and Income of Not-for-Profit Entities*

- \* The deferral of some revenues of NBMLHD.
- \* Impact on the estimates and judgements involved in the unbilled revenue process.
- \* Specific quantitative and qualitative disclosures may be required under AASB 15 Revenue from Contracts with Customers.

#### *Financial Instruments*

- \* The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred impairment losses. This may result in earlier recognition of credit loss provisions.

#### *Service Concession Arrangements*

- \* No significant impact expected on NBMLHD.

### Application Date

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

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
<b>2. Employee Related Expenses</b>				
-----	-----	Salaries and Wages (including annual leave and ADO)	436,585	412,553
-----	-----	Superannuation - Defined Benefit Plans	3,079	3,295
-----	-----	Superannuation - Defined Contribution Plans	38,665	36,067
-----	-----	Long Service Leave	19,065	9,229
-----	-----	Redundancies	44	186
-----	-----	Workers' Compensation Insurance	4,613	3,777
-----	-----	Fringe Benefits Tax	56	22
<u>-----</u>	<u>-----</u>		<u>502,107</u>	<u>465,129</u>
<u>-----</u>	<u>-----</u>			
<b>3. Personnel Services</b>				
436,585	412,553	Salaries and Wages	-----	-----
-----	(19)	Superannuation - Defined Benefit Plans	-----	-----
38,665	36,067	Superannuation - Defined Contribution Plans	-----	-----
1,941	174	Long Service Leave	-----	-----
44	186	Redundancies	-----	-----
4,613	3,777	Workers' Compensation Insurance	-----	-----
56	22	Fringe Benefits Tax	-----	-----
<u>481,904</u>	<u>452,760</u>		<u>-----</u>	<u>-----</u>
<u>-----</u>	<u>-----</u>			

Personnel services of Nepean Blue Mountains Local Health District was provided by its controlled entity, Nepean Blue Mountains Local Health District Special Purpose Service Entity.

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>4. Other Expenses</b>				
88	153	Advertising	88	153
160	214	Auditor's Remuneration - Audit of Financial Statements	160	214
4,315	3,761	Blood and Blood Products	4,315	3,761
679	560	Consultancies	679	560
99	211	Contractors	99	211
6,719	7,225	Domestic Supplies and Services	6,719	7,225
36,114	43,227	Drug Supplies	36,114	43,227
13,022	11,941	Food Supplies	13,022	11,941
4,643	3,473	Fuel, Light and Power	4,643	3,473
5,909	3,726	Patient Transport Costs	5,909	3,726
14,707	12,827	Information Management Expenses	14,707	12,827
697	613	Insurance	697	613
11,653	13,664	Maintenance (See 4(b) below)	11,653	13,664
40,269	40,645	Medical and Surgical Supplies	40,269	40,645
962	910	Motor Vehicle Expenses	962	910
1,013	1,370	Postal and Telephone Costs	1,013	1,370
2,491	2,235	Printing and Stationery	2,491	2,235
681	630	Rates and Charges	681	630
2,789	1,296	Rental	2,789	1,296
25,603	25,804	Specialised Services (Dental, Radiology, Pathology, Allied Health )	25,603	25,804
3,430	3,393	Staff Related Costs	3,430	3,393
2,118	2,199	Travel Related Costs	2,118	2,199
81,483	73,995	Other (See 4(a) below)	81,483	73,995
<u>259,644</u>	<u>254,072</u>		<u>259,644</u>	<u>254,072</u>

Nepean Blue Mountains Local Health District  
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>4. Other Expenses</b>				
<b>a) Other Includes:</b>				
64,985	56,470	Contract for Patient Services	64,985	56,470
4,859	5,239	Corporate Support Services	4,859	5,239
223	278	Courier and Freight	223	278
90	109	Isolated Patient Travel and Accommodation Assistance Scheme	90	109
447	239	Legal Services	447	239
172	141	Membership/Professional Fees	172	141
1,116	1,283	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,116	1,283
3,822	3,681	Other Operating Lease Expense - Minimum Lease Payments	3,822	3,681
29	7	Quality Assurance/Accreditation	29	7
772	638	Security Services	772	638
4,968	5,910	Other Miscellaneous	4,968	5,910
<u>81,483</u>	<u>73,995</u>		<u>81,483</u>	<u>73,995</u>
<b>b) Reconciliation of Total Maintenance</b>				
4,946	4,757	Maintenance Contracts	4,946	4,757
3,374	5,257	New/Replacement Equipment under \$10,000	3,374	5,257
3,305	3,542	Repairs Maintenance/Non Contract	3,305	3,542
28	108	Other	28	108
<u>11,653</u>	<u>13,664</u>	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	<u>11,653</u>	<u>13,664</u>
2,499	2,493	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	2,499	2,493
<u>14,152</u>	<u>16,157</u>		<u>14,152</u>	<u>16,157</u>

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

'Patient Transport Costs' were paid to Health Administration Corporation, which is an entity controlled by the immediate parent.

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

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

The majority of 'Specialised Service' expenses were paid to the Health Administration Corporation, an entity controlled by the immediate parent.

Some 'Rental' and 'Staff Related costs' expenses were paid to entities controlled by the immediate parent.

Some 'Legal expenses' were paid to the Crown Solicitors Office, an entity controlled by the ultimate parent.



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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>5. Depreciation and Amortisation</b>				
18,710	18,210	Depreciation - Buildings	18,710	18,210
5,260	5,764	Depreciation - Plant and Equipment	5,260	5,764
355	234	Depreciation - Infrastructure Systems	355	234
97	68	Amortisation - Intangible Assets	97	68
<u>24,422</u>	<u>24,276</u>		<u>24,422</u>	<u>24,276</u>
<b>6. Grants and Subsidies</b>				
3,047	2,889	Non-Government Organisations	3,047	2,889
260	218	Grants paid to entities controlled by the immediate parent	260	218
148	193	Other Grants	148	193
<u>3,455</u>	<u>3,300</u>		<u>3,455</u>	<u>3,300</u>
<b>7. Finance Costs</b>				
23	44	Interest on Loans	23	44
<u>23</u>	<u>44</u>		<u>23</u>	<u>44</u>

Nepean Blue Mountains Local Health District  
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>8. Sale of Goods and Services</b>				
a) Sale of Goods comprise the following:-				
46	47	Pharmacy Sales	46	47
2,334	2,616	Sale of Prosthesis	2,334	2,616
21	24	Other	21	24
b) Rendering of Services comprise the following:-				
		Patient Fees		
27,160	25,591	- Inpatient Fees	27,160	25,591
699	778	- Nursing Home Fees	699	778
1,357	1,184	- Non Inpatient Fees	1,357	1,184
9,168	8,623	Department of Veterans' Affairs	9,168	8,623
36	33	Staff-Meals and Accommodation	36	33
11,012	9,813	Infrastructure Fees - Monthly Facility Charge	11,012	9,813
3,230	2,204	Infrastructure Fees - Annual Charge	3,230	2,204
3,825	3,932	Car Parking	3,825	3,932
1,400	1,162	Child Care Fees	1,400	1,162
252	262	Clinical Services (excluding Clinical Drug Trials)	252	262
116	-----	Commercial Activities	116	-----
1	-----	Enteral Nutrition	1	-----
89	87	Fees for Medical Records	89	87
3	2	Information Retrieval	3	2
22,307	30,708	Highly Specialised Drugs	22,307	30,708
2,960	2,623	Motor Accident Authority Third Party	2,960	2,623
(7)	6	Patient Transport Fees	(7)	6
28	35	Private Use of Motor Vehicles	28	35
296	286	Salary Packaging Fee	296	286
165	-----	Hosted Services Provided to entities controlled by immediate parent	165	-----
873	1,246	Services Provided to Non NSW Health Organisations	873	1,246
461	596	Other	461	596
<b>87,832</b>	<b>91,858</b>		<b>87,832</b>	<b>91,858</b>
<b>9. Investment Revenue</b>				
961	965	Interest	961	965
<b>961</b>	<b>965</b>		<b>961</b>	<b>965</b>

Nepean Blue Mountains Local Health District  
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>10. Grants and Other Contributions</b>				
592	388	Clinical Drug Trials	592	388
3,501	3,652	Commonwealth Government Grants	3,501	3,652
5,026	583	Industry Contributions/Donations	5,026	583
767	817	Cancer Institute Grants	767	817
270	563	Grants & Contributions received from entities controlled by the ultimate parent	270	563
874	332	Grants & Contributions received from entities controlled by the immediate parent	874	332
391	253	Research Grants	391	253
1,394	577	Other Grants	1,394	577
<u>12,815</u>	<u>7,165</u>		<u>12,815</u>	<u>7,165</u>

The Cancer Institute is an entity controlled by the immediate parent.

The majority of grants that were received from entities controlled by the ultimate parent were received from Dept of Aging and Disability, Dept of Education and Dept of Community Services.

The majority of grants that were received from entities controlled by the immediate parent were received from eHealth for ICT enhancements.

**11. Acceptance by the Crown Entity of Employee Benefits**

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

-----	-----	Superannuation-defined benefit	3,079	3,314
-----	-----	Long Service Leave	17,124	9,054
<u>-----</u>	<u>-----</u>		<u>20,203</u>	<u>12,368</u>

**12. Other Income**

Other Income comprises the following:-

(3)	3	Bad Debts Recovered	(3)	3
167	264	Commissions	167	264
81	120	Conference and Training Fees	81	120
2,141	185	Discounts received	2,141	185
115	363	Insurance Refunds	115	363
680	738	Lease and Rental	680	738
44	3	Sponsorship	44	3
1,535	1,856	Treasury Managed Fund Hindsight Adjustment	1,535	1,856
1,790	2,810	Other	1,790	2,810
<u>6,550</u>	<u>6,342</u>		<u>6,550</u>	<u>6,342</u>

Some 'Lease and Rental' revenue was received from entities controlled by the immediate parent.

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>13. Gain / (Loss) on Disposal</b>				
7,250	1,809	Property, Plant and Equipment	7,250	1,809
<u>(6,442)</u>	<u>(1,701)</u>	Accumulated Depreciation	<u>(6,442)</u>	<u>(1,701)</u>
<b>808</b>	<b>108</b>	<b>Written Down Value</b>	<b>808</b>	<b>108</b>
93	69	Proceeds from Disposal	93	69
<hr/>				
<b>(715)</b>	<b>(39)</b>	<b>Gain/(Loss) on Disposal of Property, Plant and Equipment</b>	<b>(715)</b>	<b>(39)</b>
<hr/>				
-----	473	Assets Held for Sale	-----	473
<u>-----</u>	<u>294</u>	Proceeds from Disposal	<u>-----</u>	<u>294</u>
<hr/>				
<u>-----</u>	<u>(179)</u>	<b>Gain/(Loss) on Disposal of Assets Held for Sale</b>	<u>-----</u>	<u>(179)</u>
<hr/>				
<u>(715)</u>	<u>(218)</u>	<b>Total Gain/(Loss) on Disposal</b>	<u>(715)</u>	<u>(218)</u>
<hr/>				
<b>14. Other Gains / (Losses)</b>				
<u>(1,327)</u>	<u>(750)</u>	Impairment of Receivables	<u>(1,327)</u>	<u>(750)</u>
<hr/>				
<u>(1,327)</u>	<u>(750)</u>		<u>(1,327)</u>	<u>(750)</u>

Nepean Blue Mountains Local Health District  
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>15. Cash and Cash Equivalents</b>				
47,072	44,208	Cash at Bank and On Hand	47,072	44,208
47,072	44,208		47,072	44,208
<p>For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand, short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value, and net of outstanding bank overdraft.</p> <p>Cash &amp; 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:</p>				
47,072	44,208	Cash and Cash Equivalents (per Statement of Financial Position)	47,072	44,208
47,072	44,208	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	47,072	44,208

Refer to Note 35 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>16. Receivables</b>				
<b>Current</b>				
8,677	7,678	Sale of Goods and Services	8,677	7,678
5,572	6,992	Intra Health Receivables	5,572	6,992
3,562	3,129	Goods and Services Tax	3,562	3,129
6,938	4,571	Other Debtors	6,938	4,571
24,749	22,370	<b>Sub Total</b>	24,749	22,370
(1,959)	(1,314)	Less Allowance for Impairment	(1,959)	(1,314)
<u>22,790</u>	<u>21,056</u>	<b>Sub Total</b>	<u>22,790</u>	<u>21,056</u>
889	953	Prepayments	889	953
<u><u>23,679</u></u>	<u><u>22,009</u></u>		<u><u>23,679</u></u>	<u><u>22,009</u></u>
<p>Intra Health Receivables include amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from eHealth, Western Sydney Local Health District and Ministry of Health</p>				
a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(1,091)	-----	Balance at Commencement of Reporting Period	(1,091)	-----
714	(1,091)	Amounts written off during the year	714	(1,091)
(1,581)	-----	(Increase)/decrease in Allowance Recognised in the Net Result	(1,581)	-----
<u>(1,959)</u>	<u>(1,090)</u>	Balance at 30 June 2018	<u>(1,959)</u>	<u>(1,090)</u>
b) Movement in the Allowance for Impairment				
Other Debtors				
(224)	-----	Balance at Commencement of Reporting Period	(224)	-----
(31)	(224)	Amounts written off during the year	(31)	(224)
255	-----	(Increase)/decrease in Allowance Recognised in the Net Result	255	-----
<u>-----</u>	<u>(224)</u>	Balance at 30 June 2018	<u>-----</u>	<u>(224)</u>
<u><u>(1,959)</u></u>	<u><u>(1,314)</u></u>		<u><u>(1,959)</u></u>	<u><u>(1,314)</u></u>
<b>Non-Current</b>				
1,182	-----	Prepayments	1,182	-----
<u><u>1,182</u></u>	<u><u>-----</u></u>		<u><u>1,182</u></u>	<u><u>-----</u></u>
c) The current and non-current sale of goods and services balances above include the following patient fee receivables:				
(Current and Non-Current) include:				
449	428	Patient Fees - Compensable	449	428
2,019	1,595	Patient Fees - Ineligible	2,019	1,595
4,643	3,454	Patient Fees - Inpatient & Other	4,643	3,454
<u><u>7,111</u></u>	<u><u>5,477</u></u>		<u><u>7,111</u></u>	<u><u>5,477</u></u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 35.

Nepean Blue Mountains Local Health District  
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		<b>17. Inventories</b>		
4,653	5,324	Drugs	4,653	5,324
<u>4,653</u>	<u>5,324</u>		<u>4,653</u>	<u>5,324</u>

Nepean Blue Mountains Local Health District  
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>18. Property, Plant and Equipment</b>				
<b>Land and Buildings - Fair Value</b>				
869,940	787,427	Gross Carrying Amount	869,940	787,427
375,163	322,717	Less: Accumulated Depreciation and Impairment	375,163	322,717
<u>494,777</u>	<u>464,710</u>	Net Carrying Amount	<u>494,777</u>	<u>464,710</u>
<b>Plant and Equipment - Fair Value*</b>				
87,037	79,233	Gross Carrying Amount	87,037	79,233
48,181	49,332	Less: Accumulated Depreciation and Impairment	48,181	49,332
<u>38,856</u>	<u>29,901</u>	Net Carrying Amount	<u>38,856</u>	<u>29,901</u>
<b>Infrastructure Systems - Fair Value</b>				
18,650	10,582	Gross Carrying Amount	18,650	10,582
13,227	6,695	Less: Accumulated Depreciation and Impairment	13,227	6,695
<u>5,423</u>	<u>3,887</u>	Net Carrying Amount	<u>5,423</u>	<u>3,887</u>
<u>539,056</u>	<u>498,498</u>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<u>539,056</u>	<u>498,498</u>

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



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**PARENT & CONSOLIDATION**

**18(2). Property, Plant and Equipment - Reconciliation**

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

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>2018</b>				
Net carrying amount at start of year	464,710	29,901	3,887	498,498
Additions	25,265	6,500	----	31,765
Reclassifications to Intangibles	----	(142)	----	(142)
Disposals	----	(808)	----	(808)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	493	----	493
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	31,748	----	1,827	33,575
Depreciation Expense	(18,710)	(5,260)	(355)	(24,325)
Reclassifications	(8,236)	8,172	64	----
<b>Net carrying amount at end of year</b>	<b>494,777</b>	<b>38,856</b>	<b>5,423</b>	<b>539,056</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>2017</b>				
Net carrying amount at start of year	481,094	27,406	2,228	510,728
Additions	6,870	6,140	----	13,010
Reclassifications to Intangibles	----	(451)	----	(451)
Recognition of Assets Held for Sale	(473)	----	----	(473)
Disposals	(31)	(77)	----	(108)
Depreciation Expense	(18,210)	(5,764)	(234)	(24,208)
Reclassifications	(4,540)	2,647	1,893	----
<b>Net carrying amount at end of year</b>	<b>464,710</b>	<b>29,901</b>	<b>3,887</b>	<b>498,498</b>

20.

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

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		<b>19. Intangible Assets</b>		
		<b>Intangibles</b>		
1,028	886	Cost (Gross Carrying Amount)	1,028	886
407	310	Less Accumulated Amortisation and Impairment	407	310
<u>621</u>	<u>576</u>	Net Carrying Amount	<u>621</u>	<u>576</u>
<u>621</u>	<u>576</u>	Total Intangible Assets at Net Carrying Amount	<u>621</u>	<u>576</u>

**PARENT & CONSOLIDATION**

**19. Intangible Assets - Reconciliation**

	Total \$000
<b>2018</b>	
Net carrying amount at start of year	576
Reclassifications from Plant & Equipment	142
Amortisation (Recognised in Depreciation and Amortisation)	(97)
<b>Net carrying amount at end of year</b>	<b>621</b>

	Total \$000
<b>2017</b>	
Net carrying amount at start of year	193
Reclassifications from Plant & Equipment	451
Amortisation (Recognised in Depreciation and Amortisation)	(68)
<b>Net carrying amount at end of year</b>	<b>576</b>

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**PARENT & CONSOLIDATION**

**20. Fair Value Measurement of Non-Financial Assets**

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels.

**a) Fair Value Hierarchy**

2018	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 18)			
- Land and Buildings	643	473,000	473,643
- Infrastructure Systems	----	5,423	5,423
	<u>643</u>	<u>478,423</u>	<u>479,066</u>

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

Work in Progress and Newly Completed Projects are carried at cost, therefore excluded from figures above and as a result will not agree to Note 11.

2017	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 18)			
- Land and Buildings	----	460,059	460,059
- Infrastructure Systems	----	3,887	3,887
	<u>----</u>	<u>463,946</u>	<u>463,946</u>

There were no transfers between level 1 and 2 during the period ended 30 June 2017.

Work in Progress and Newly Completed Projects are carried at cost, therefore excluded from figures above and as a result will not agree to Note 11.

**b) Valuation Techniques, Inputs and Processes**

For land, buildings and infrastructure systems the NBMLHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by AON Valuation Services for the FY 2017/18 financial year. AON Valuation Services is an independent entity and is not an associated entity of NBMLHD.

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 valuers 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.

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

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

Non-Current Assets Held for Sale is a non-recurring item that is measured at fair value less cost to sell, which is less than its carrying amount. These assets are categorised as level 2.

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**PARENT & CONSOLIDATION**

**20. Fair Value Measurement of Non-Financial Assets**

**c) Reconciliation of Recurring Level 3 Fair Value Measurements**

2018	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2017	460,059	3,887	463,946
Additions	546	64	610
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment'	31,748	1,827	33,575
Transfers to Level 2	(643)	-----	(643)
Depreciation	(18,710)	(355)	(19,065)
Fair value as at 30 June 2018	<u>473,000</u>	<u>5,423</u>	<u>478,423</u>

There were no transfers between Level 1 or 2 during the periods.

2017	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2016	478,757	2,228	480,985
Additions	-----	1,893	1,893
Disposals	(504)	-----	(504)
Depreciation	(18,210)	(234)	(18,444)
OTHER - Disposal cost of demountable at Penrith Public school	16	-----	16
Fair value as at 30 June 2017	<u>460,059</u>	<u>3,887</u>	<u>463,946</u>

There were no transfers between Level 1 or 2 during the periods.

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**PARENT & CONSOLIDATION**

**21. Restricted Assets**

NBMLHD'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.

Category	Opening Equity 1 July 2017 \$000	Expense 2018 \$000	Revenue 2018 \$000	Closing Equity 30 June 2018 \$000
Facility Improvements	6,410	1,204	3,038	8,244
Patient Welfare	1,514	258	4,222	5,478
Private Practice Disbursements (No.2 Accounts)	28,436	1,751	3,830	30,516
Public Contributions	1,557	983	164	739
Research	870	496	9	383
Staff Welfare	1,586	241	45	1,390
Training and Education incl. Conferences	1,796	47	154	1,903
	<b>42,170</b>	<b>4,980</b>	<b>11,462</b>	<b>48,653</b>

Restricted Financial Asset categories have been expanded in the 2017/18 financial year to provide more clarity to the users of the financial statements. As a result, comparative figures have been adjusted to conform to the current year's presentation.

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.
Staff Welfare	Staff benefits such as staff recognition awards, functions and staff amenities improvements.
Training and Education incl. Conferences	Professional training, education and conferences.
Other	Doesn't meet the definition of any of the above categories.

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		<b>22. Payables</b>		
		<b>Current</b>		
-----	-----	Accrued Salaries, Wages and On-Costs	11,534	9,957
-----	-----	Taxation and Payroll Deductions	2,819	2,497
14,353	12,454	Accrued Liability - Purchase of Personnel Services	-----	-----
28,553	30,630	Creditors	28,553	30,630
		Other Creditors		
4,584	3,808	- Payables to entities controlled by the immediate parent	4,584	3,808
8,476	8,772	- Other	8,476	8,772
<u>55,966</u>	<u>55,664</u>		<u>55,966</u>	<u>55,664</u>

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

The majority of 'Payables to entities controlled by the immediate parent' relate to balances payable to the Health Administration Corporation, an entity controlled by the immediate parent.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 35.

		<b>23. Borrowings</b>		
		<b>Current</b>		
<u>176</u>	<u>604</u>	Other Loans and Deposits	<u>176</u>	<u>604</u>
<u>176</u>	<u>604</u>		<u>176</u>	<u>604</u>
		<b>Non-Current</b>		
-----	177	Other Loans and Deposits	-----	177
-----	<u>177</u>		-----	<u>177</u>

'Other Loans and Deposits' include some balances due to entities controlled by the immediate parent. All balances represent SEDA loan.

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

Final Repayment of loan is scheduled for 30 June 2019

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 35.

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PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		<b>24. Provisions</b>		
		<b>Current</b>		
----	----	Annual Leave - Short Term Benefit	48,068	44,601
----	----	Annual Leave - Long Term Benefit	13,218	12,523
----	----	Long Service Leave Consequential On-Costs	10,620	8,835
----	----	Provision for Other Employee Benefits	1,489	850
73,395	66,809	Provision for Personnel Services Liability	-----	-----
<u>73,395</u>	<u>66,809</u>		<u>73,395</u>	<u>66,809</u>
		ADO liabilities have been reclassified from 'Other' to 'Provision for Other Employee Benefits'. Prior year comparatives have been restated as a result.		
		<b>Non-Current</b>		
----	----	Long Service Leave Consequential On-Costs	924	768
924	768	Provision for Personnel Services Liability	-----	-----
<u>924</u>	<u>768</u>		<u>924</u>	<u>768</u>
		<b>Aggregate Employee Benefits and Related On-Costs</b>		
----	----	Provisions - Current	73,395	66,809
----	----	Provisions - Non-Current	924	768
----	----	Accrued Salaries, Wages and On-Costs (Note 22)	14,353	12,454
88,672	80,031	Liability - Purchase of Personnel Services	-----	-----
<u>88,672</u>	<u>80,031</u>		<u>88,672</u>	<u>80,031</u>
		<b>25. Other Liabilities</b>		
		<b>Current</b>		
122	271	Income in Advance	122	271
<u>122</u>	<u>271</u>		<u>122</u>	<u>271</u>

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>26. Commitments for Expenditure</b>				
<b>a) Capital Commitments</b>				
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:				
67,386	18,738	Within one year	67,386	18,738
33,306	3,521	Later than one year and not later than five years	33,306	3,521
-----	653	Later than five years	-----	653
<u>100,692</u>	<u>22,912</u>	<b>Total Capital Expenditure Commitments (Including GST)</b>	<u>100,692</u>	<u>22,912</u>

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

<b>b) Operating Lease Commitments</b>				
Future non-cancellable operating lease rentals not provided for and payable:				
6,463	7,796	Within one year	6,463	7,796
19,010	27,632	Later than one year and not later than five years	19,010	27,632
6,606	6,666	Later than five years	6,606	6,666
<u>32,079</u>	<u>42,094</u>	<b>Total Operating Lease Commitments (Including GST)</b>	<u>32,079</u>	<u>42,094</u>

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

- c) Contingent Asset Related to Commitments for Expenditure**  
The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments' of \$132.771 million as at 30 June 2018 includes input tax credits of \$12.070 mill that are expected to be recoverable from the Australian Taxation Office (2017 \$5.910 mill).



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**PARENT & CONSOLIDATION**

**27. Trust Funds**

NBMLHD holds trust funds of \$2.4 million which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Third Party Funds		Unclassified		Total	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Balance at the beginning of the financial year	336	333	902	321	11,444	11,344	-----	-----	-----	-----	12,682	11,998
Revenue	2	7	19	2,133	768	132,870	17,946	-----	-----	-----	18,735	135,010
Expenses	(20)	(4)	(16)	(1,552)	(11,835)	(132,770)	(17,152)	-----	-----	-----	(29,022)	(134,326)
Balance at the end of the financial year	<b>318</b>	<b>336</b>	<b>905</b>	<b>902</b>	<b>378</b>	<b>11,444</b>	<b>793</b>	-----	-----	-----	<b>2,395</b>	<b>12,682</b>

Trust Fund categories have been expanded in the 2017/18 financial year to provide more clarity to the users of the financial statements. As a result, comparative figures have been adjusted to conform to the current year's presentation.

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 Deposit	A sum of money held in trust as a security deposit.
Private Practice Trusts	The revenue derived from private patient and other billable services provided by Staff Specialists.
Third Party Funds	A sum of money held in trust on behalf of external parties, e.g. external foundations, volunteer groups and auxiliaries.
Unclassified	Further information required before the funds can be categorised into an appropriate trust.

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**PARENT AND CONSOLIDATED**

**28. Contingent Liabilities and Assets**

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

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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
<b>29. Reconciliation of Cash Flows from Operating Activities to Net Result</b>				
35,143	15,751	Net Cash Flows from Operating Activities	35,143	15,751
(24,422)	(24,276)	Depreciation and Amortisation	(24,422)	(24,276)
(1,327)	(750)	Impairment of Receivables	(1,327)	(750)
149	(69)	(Increase)/ Decrease Income in Advance	149	(69)
(6,741)	(4,983)	(Increase)/ Decrease in Provisions	(6,741)	(4,983)
3,633	944	Increase / (Decrease) in Prepayments and Other Assets	3,633	944
(430)	(4,497)	(Increase)/ Decrease in Payables from Operating Activities	(430)	(4,497)
(715)	(218)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(715)	(218)
493	-----	Assets donated or brought to account for the first time	493	-----
<u>5,783</u>	<u>(18,098)</u>	<b>Net Result</b>	<u>5,783</u>	<u>(18,098)</u>
<b>30. Non-Cash Financing and Investing Activities</b>				
493	-----	Assets Received by Donation	493	-----
<u>493</u>	-----		<u>493</u>	-----

**PARENT & CONSOLIDATION**

**31. Changes in Liabilities arising from Financing Activities**

	2017	Cash Flow	Non-cash Changes Other	2018
	\$000	\$000	\$000	\$000
Borrowings and Advances	781	(604)	(1)	176

**32. 2017/18 Voluntary Services**

It is considered impracticable and immaterial to quantify the monetary value of voluntary services provided to NBMLHD from a Financial Accounting perspective. Services provided include:

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

**33. Unclaimed Monies**

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

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

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**PARENT AND CONSOLIDATION**

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

**Net Result**

The Consolidated Net Result reflects unfavourability of \$2.275mill with unfavourability in the expense lines and favourability within revenue.

The total revenue position of \$7.749mill favourable included cash assistance of \$10.710mill and a Patient Fees shortfall of \$3.484mill.

Employee Related Expenses, as a result of increased FTE's and a revised leave actuarial methodology, and Visiting Medical Officer Payments were the primary contributors to the \$3.957mill expense unfavourability

A further deficit of \$1.517mill due to additional provision for doubtful debts and loss on sale of assets also contributed to the Net Result noted above.

**Assets and Liabilities**

A revaluation of Land & Buildings and Infrastructure assets (approx \$33.5 mill) occurred in association with other broad movements in Leave Provisions and Cash.

**Cash Flows**

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 01 July 2017 are as follows:

	<b>\$000</b>
Initial Allocation, 01 July 2017	622,862
Other Escalations	15,634
New initiatives (Growth, NWAU initiatives)	27,725
Other adjustments	1,106
Winter 2017 Activity	931
Reversal of Year 2 Drug & Alcohol Package budget	(258)
Integrated Care Initiative	910
Nurse/Midwife Strategy Reserves	722
Keep Them Safe Funding Allocations 2017-18	312
Supplementation for Winter Funding	252
NSW Mental Health Reform Tranche 2 funding 2017-18	670
Resolve Social Impact Investment	200
Rural Doctors Obstetric and Anaesthetic Incentive Grants	149
Workplace Culture and Safety	200
2017/18 for Hospital In Home Services	200
Nursing and Midwifery Enhancements	165
National Disability Insurance Scheme (NDIS)-Aids and Equipment Program	(621)
Nepean Blue Mountains LHD-Hawkesbury District Health Service	1,900
Other Enhancements	808
Approved Line Transfers	(3)
	673,864
Balance as per Statement of Comprehensive Income	673,864

Nepean Blue Mountains Local Health District  
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**35. Financial Instruments**

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

NBMLHD's main risks arising from financial instruments are outlined below, together with NBMLHD'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 NBMLHD, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

**(a) Financial Instrument Categories**

Financial Assets Class:	Category	Carrying Amount	
		2018 \$000	2017 \$000
Cash and Cash Equivalents (note 15)	N/A	47,072	44,208
Receivables (note 16)*	Loans and receivables (at amortised cost)	19,228	17,927
		66,300	62,135
<b>Financial Liabilities</b>			
Borrowings (note 23)	Financial liabilities measured at amortised cost	176	781
Payables (note 22)**	Financial liabilities measured at amortised cost	55,966	55,664
		56,142	56,445

Notes

\* Excludes statutory receivables and prepayments (i.e. not within scope of AASB7 Financial Instruments Disclosures).

\*\*Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures). Prior year comparatives have been restated to include Accrued Salaries, Wages and On-Costs.

**PARENT AND CONSOLIDATION**

Financial Assets Class:	Category	Carrying Amount	
		2018 \$000	2017 \$000
Cash and Cash Equivalents (note 15)	N/A	47,072	44,208
Receivables (note 16)*	Loans and receivables (at amortised cost)	19,228	17,927
		66,300	62,135
<b>Financial Liabilities</b>			
Borrowings (note 23)	Financial liabilities measured at amortised cost	176	781
Payables (note 22)**	Financial liabilities measured at amortised cost	53,147	53,167
		53,323	53,948

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**35. Financial Instruments**

Notes

\* Excludes statutory receivables and prepayments (i.e. not within scope of AASB7 Financial Instruments Disclosures).

\*\*Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures). Prior year comparatives have been restated to include Accrued Salaries, Wages and On-Costs.

**(b) 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 NBMLHD. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

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

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

**Cash**

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 2.35% in 2017/18 compared to 2.38% in the previous year.

**Receivables - trade debtors**

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

NBMLHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due are not considered impaired.

In addition Patient Fees Compensables are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of NBMLHD's Compensable debtors are health insurance companies or compensation insurers settling claims in respect of inpatient treatments.

Financial assets that are past due or impaired could be either 'Sales of Goods and Services' or 'Other Debtors' in the 'Receivables' category of the Statement of Financial Position. Patient Fees Ineligibles represent the majority of financial assets that are past due or impaired.

	2018	2017
	\$000	\$000
Neither past due nor impaired	18,098	16,841
Past due but not impaired <sup>1,2</sup>		
< 3 months overdue	589	515
3 - 6 months overdue	219	196
> 6 months overdue	322	374
Impaired <sup>1,2</sup>		
< 3 months overdue	551	146
3 - 6 months overdue	569	402
> 6 months overdue	838	766
<b>Total</b> <sup>1,2</sup>	<b>21,187</b>	<b>19,241</b>

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**35. Financial Instruments**

**Notes**

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

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 Financial Instruments Disclosures. Therefore, the "total" will not reconcile to the receivables total recognised in the statement of financial position.

**(c) Liquidity Risk**

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

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

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

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

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

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

For other suppliers, where settlement cannot be effected in accordance with the above, 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.

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35. Financial Instruments

The table below summarises the maturity profile of NBMLHD's financial liabilities together with the interest

*Maturity Analysis and interest rate exposure of financial liabilities*

	Interest Rate Exposure			Maturity Dates	
	Nominal Amount <sup>1</sup>	Fixed Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr
	\$000	\$000	\$000	\$000	\$000
<b>2018</b>					
Payables:					
- Creditors <sup>2</sup>	53,147	-----	53,147	53,147	-----
Borrowings:					
- Loans and Deposits	176	176	-----	176	-----
	<u>53,323</u>	<u>176</u>	<u>53,147</u>	<u>53,323</u>	<u>-----</u>
<b>2017</b>					
Payables:					
- Creditors <sup>2</sup>	53,167	-----	53,167	53,167	-----
Borrowings:					
- Loans and Deposits	779	779	-----	603	176
	<u>53,946</u>	<u>779</u>	<u>53,167</u>	<u>53,770</u>	<u>176</u>

Notes:

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

2 Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures). Prior year comparatives have been restated to include Accrued Salaries Wages, On-Costs and Payroll Deductions.



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35. Financial Instruments

(d) 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. NBMLHD's exposures to market risk are primarily through interest rate risk on NBMLHD's borrowings and other price risks associated with the movement in the unit price of the TCorpIM Funds investment facilities. NBMLHD 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 NBMLHD operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2017. The analysis assumes that all other variables remain constant.

*Interest rate risk*

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

However, NBMLHD is not permitted to borrow external to the NSW Ministry of Health (except energy loans which are negotiated through NSW Treasury).

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

A reasonably possible change of +/-1% is used consistent with current trends in interest rates (based on official RBA 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.

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

	Carrying Amount	-1% Net Result	Equity	+1% Net Result	Equity
	\$000	\$000	\$000	\$000	\$000
<b>2018</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	47,072	(471)	(471)	471	471
Receivables	19,228	----	----	----	----
<b>Financial Liabilities</b>					
Payables*	53,147	----	----	----	----
Borrowings	176	2	2	(2)	(2)
<b>2017</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	44,208	(442)	(442)	442	442
Receivables	17,927	----	----	----	----
<b>Financial Liabilities</b>					
Payables*	53,167	----	----	----	----
Borrowings	781	8	8	(8)	(8)

\*Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures). Prior year comparatives have been restated to include Accrued Salaries Wages, On-Costs and Payroll Deductions.

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**36. Related Party Transactions**

**PARENT AND CONSOLIDATION**

Key management personnel compensation is as follows:

	2018	2017
	\$000	\$000
Short-term employee benefits	561	430
Post-employment benefits	46	29
	<u>607</u>	<u>459</u>

During the financial year, Nepean Blue Mountains Local Health District obtained key management personnel services from the immediate parent and incurred \$400K (2017: \$360K) for these services.

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

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

**Transactions with key management personnel and their close family members**

There were no transactions with key management personnel and their close family members (2017: \$Nil).

**Transactions with ultimate parent**

There were no transactions with the ultimate parent during the financial year (2017: \$Nil).

**37. Events After the Reporting Period**

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

**END OF AUDITED FINANCIAL STATEMENTS**