



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 the Nepean Blue Mountains Local Health District (the District), which comprise the Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, 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 2020, 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 (including Independence Standards)' (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 39. 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.

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.

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. The description forms part of my auditor's report.

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

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



Dominika Ryan
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

11 September 2020
SYDNEY

Nepean Blue Mountains Local Health District

Certification of the Financial Statements

for the year ended 30 June 2020



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 2020 have been prepared in accordance with:
 - a. Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
 - b. the requirements of the *Public Finance and Audit Act 1983* (the Act), the *Public Finance and Audit Regulation 2015*; and
 - c. NSW Treasurer's Directions issued under the Act.
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.

A handwritten signature in black ink, appearing to read "Kay Hyman".

Kay Hyman
Chief Executive
08/09/2020

A handwritten signature in black ink, appearing to read "Rebecca Beech".

Rebecca Beech
Executive Director, Finance & Corporate Services
08/09/2020

Nepean Blue Mountains Local Health District
Statement of Comprehensive Income for the year ended 30 June 2020

		Consolidated Actual 2020 \$000	Consolidated Budget ¹ 2020 \$000	Consolidated Actual 2019 \$000	Parent Actual 2020 \$000	Parent Actual 2019 \$000
	Notes					
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	573,827	560,894	543,145	-	-
Personnel services	3	-	-	-	546,781	507,997
Visiting medical officers	4	45,561	39,075	42,286	45,561	42,286
Other expenses	5	278,175	274,496	273,326	278,175	273,326
Depreciation and amortisation	6	32,012	31,297	25,720	32,012	25,720
Grants and subsidies	7	4,773	5,227	5,104	4,773	5,104
Finance costs	8	436	336	8	436	8
Payments to Affiliated Health Organisations	9	-	-	1,500	-	1,500
Total expenses excluding losses		934,784	911,325	891,089	907,738	855,941
Revenue						
NSW Ministry of Health recurrent allocations	11	786,912	777,096	728,608	786,912	728,608
NSW Ministry of Health capital allocations	11	192,315	193,084	70,910	192,315	70,910
Acceptance by the Crown Entity of employee benefits	15	27,046	27,022	35,148	-	-
Sale of goods and services	12	-	-	83,921	-	83,921
Sale of goods and services from contracts with customers	12	76,304	84,405	-	76,304	-
Investment revenue	13	673	964	1,131	673	1,131
Grants and other contributions	14	11,440	7,652	7,642	11,440	7,642
Other income	16	4,666	3,624	8,298	4,666	8,298
Total revenue		1,099,356	1,093,847	935,658	1,072,310	900,510
Operating result		164,572	182,522	44,569	164,572	44,569
Gains / (losses) on disposal	17	(16)	(225)	(24)	(16)	(24)
Impairment losses on financial assets	20	(1,432)	(299)	(396)	(1,432)	(396)
Net result from continuing operations	37	163,124	181,998	44,149	163,124	44,149
Net result from discontinued operations		-	-	-	-	-
Net result		163,124	181,998	44,149	163,124	44,149
Other comprehensive income						
<i>Items that will not be reclassified to net result in subsequent periods</i>						
Changes in revaluation surplus of property, plant and equipment	24	-	-	(49)	-	(49)
Total other comprehensive income		-	-	(49)	-	(49)
TOTAL COMPREHENSIVE INCOME		163,124	181,998	44,100	163,124	44,100

¹ Unaudited adjusted budget, see Note 39.

The accompanying notes form part of these financial statements.

Nepean Blue Mountains Local Health District
Statement of Financial Position as at 30 June 2020

	Notes	Consolidated Actual 2020 \$000	Consolidated Budget ¹ 2020 \$000	Consolidated Actual 2019 \$000	Parent Actual 2020 \$000	Parent Actual 2019 \$000
ASSETS						
Current assets						
Cash and cash equivalents	19	41,573	50,675	48,638	41,573	48,638
Receivables	20	19,356	27,130	27,340	19,356	27,340
Inventories	21	4,337	3,530	3,530	4,337	3,530
		65,266	81,335	79,508	65,266	79,508
Total current assets		65,266	81,335	79,508	65,266	79,508
Non-current assets						
Receivables	20	59,975	59,975	893	59,975	893
Property, plant & equipment	24					
- Land and buildings		667,096	672,686	553,487	667,096	553,487
- Plant and equipment		40,941	35,997	41,404	40,941	41,404
- Infrastructure systems		5,880	5,875	5,876	5,880	5,876
Total property, plant & equipment		713,917	714,558	600,767	713,917	600,767
Right-of-use assets	25	24,077	24,789	-	24,077	-
Intangible assets	26	431	525	525	431	525
Total non-current assets		798,400	799,847	602,185	798,400	602,185
Total assets		863,666	881,182	681,693	863,666	681,693

Nepean Blue Mountains Local Health District
Statement of Financial Position as at 30 June 2020 (continued)

		Consolidated	Consolidated	Consolidated	Parent	Parent
		Actual	Budget ¹	Actual	Actual	Actual
		2020	2020	2019	2020	2019
	Notes	\$000	\$000	\$000	\$000	\$000
LIABILITIES						
Current liabilities						
Payables	29	55,710	58,869	68,611	55,710	68,611
Contract liabilities	30	27	-	-	27	-
Borrowings	31	5,311	3,952	-	5,311	-
Provisions	32	88,451	81,319	79,078	88,451	79,078
Other current liabilities	33	681	250	74	681	74
Total current liabilities		150,180	144,390	147,763	150,180	147,763
Non-current liabilities						
Borrowings	31	19,085	21,118	-	19,085	-
Provisions	32	1,264	1,265	1,133	1,264	1,133
Other non-current liabilities	33	4,043	-	-	4,043	-
Total non-current liabilities		24,392	22,383	1,133	24,392	1,133
Total liabilities		174,572	166,773	148,896	174,572	148,896
Net assets		689,094	714,409	532,797	689,094	532,797
EQUITY						
Reserves		63,579	63,579	63,579	63,579	63,579
Accumulated funds		625,515	650,830	469,218	625,515	469,218
Total Equity		689,094	714,409	532,797	689,094	532,797

¹ Unaudited adjusted budget, see Note 39.

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 2020

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation \$000	Total \$000
Balance at 1 July 2019		469,218	63,579	532,797
Changes in accounting policy	1(g)	(6,827)	-	(6,827)
Balance at 1 July 2019		462,391	63,579	525,970
Net result for the year		163,124	-	163,124
Other comprehensive income:				
Total comprehensive income for the year		163,124	-	163,124
Transactions with owners in their capacity as owners				
Balance at 30 June 2020		625,515	63,579	689,094

	Notes	Accumulated Funds \$000	Asset Revaluation \$000	Total \$000
Balance at 1 July 2018		421,651	64,030	485,681
Changes in accounting policy (AASB 9)		390	-	390
Balance at 1 July 2018		422,041	64,030	486,071
Net result for the year		44,149	-	44,149
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	24	-	(49)	(49)
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		402	(402)	-
Total other comprehensive income		402	(451)	(49)
Total Comprehensive Income for the Year		44,551	(451)	44,100
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	40	2,626	-	2,626
Balance at 30 June 2019		469,218	63,579	532,797

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 2020

	Notes	Consolidated Actual 2020 \$000	Consolidated Budget ¹ 2020 \$000	Consolidated Actual 2019 \$000	Parent Actual 2020 \$000	Parent Actual 2019 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(544,232)	(540,641)	(507,945)	-	-
Suppliers for goods and services		(420,743)	(407,216)	(335,184)	(420,743)	(335,184)
Grants and subsidies		(5,168)	(5,622)	(7,280)	(5,168)	(7,280)
Finance costs		(436)	(336)	(8)	(436)	(8)
Personnel services		-	-	-	(544,232)	(507,945)
Total payments		(970,579)	(953,815)	(850,417)	(970,579)	(850,417)
Receipts						
NSW Ministry of Health recurrent allocations		786,912	777,096	728,608	786,912	728,608
NSW Ministry of Health capital allocations		192,315	193,084	70,910	192,315	70,910
Asset sale proceeds transferred to the NSW Ministry of Health		-	-	7,252	-	7,252
Sale of goods and services		78,273	85,810	88,359	78,273	88,359
Interest received		673	963	1,131	673	1,131
Grants and other contributions		9,585	8,196	8,282	9,585	8,282
Other		31,665	26,879	32,460	31,665	32,460
Total receipts		1,108,279	1,100,884	937,002	1,108,279	937,002
NET CASH FLOWS FROM OPERATING ACTIVITIES	37	137,700	147,069	86,585	137,700	86,585
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		11	-	643	11	643
Purchases of property, plant and equipment and intangibles		(139,790)	(140,724)	(85,486)	(139,790)	(85,486)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(139,779)	(140,724)	(84,843)	(139,779)	(84,843)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment of borrowings and advances		-	-	(176)	-	(176)
Payment of principal portion of lease liabilities		(4,986)	(4,308)	-	(4,986)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		(4,986)	(4,308)	(176)	(4,986)	(176)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(7,065)	2,037	1,566	(7,065)	1,566
Opening cash and cash equivalents	19	48,638	48,638	47,072	48,638	47,072
CLOSING CASH AND CASH EQUIVALENTS	19	41,573	50,675	48,638	41,573	48,638

¹ Unaudited adjusted budget, see Note 39.

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 2020

1. Statement of Significant Accounting Policies

a) 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 28), 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 2020 have been authorised for issue by the Chief Executive on 08/09/2020.

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 (AAS) (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 (the Act) and the Public Finance and Audit Regulation 2015, and the NSW Treasurer's Directions issued under the Act. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities.

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

In alignment with the approach of other States and Territories, and following a recommendation by the National Cabinet of Commonwealth, the 2020-21 NSW Budget has been deferred until 17 November 2020. On this basis, the Secretary of NSW Health, the Chair of Nepean Blue Mountains Local Health District Board and the Chief Executive, through an interim Service Agreement, have agreed to service and funding levels for the forward financial year. The interim Service Agreement provides for 48 per cent of the LHD's annual funding.

When the NSW Budget is handed down in November 2020-21, the interim Service Agreement and funding arrangements will be replaced with a full-year 2020-21 Service Agreement and budget. 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 performance standards, the NSW Ministry of Health as the state manager will take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the NSW Ministry of Health

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

1. Statement of Significant Accounting Policies

Following the Novel Coronavirus (COVID-19) pandemic in late February 2020, NBMLHD has seen a decline in normal hospital activities. Restrictions were imposed by the Australian Government resulting in the suspension of non-urgent elective surgeries to ensure increased capacity across the health system. Critical resources were reassigned to plan and prepare for possible surges as a result of the outbreak. The unprecedented measures undertaken by both the Australian and State governments to contain the spread of COVID-19, have resulted in significant impacts to the economy and within the health sector.

Despite the impact of COVID-19, the going concern assumption remains appropriate. Reasons for this include:

- * Allocated funds, combined with other revenues earned, are adequate to pay debts as and when they become due and payable.
- * NBMLHD has the capacity to review the timing of NSW Ministry of Health allocation cash flows 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.
- * The Commonwealth has entered a National Partnership Agreement, in response to the COVID-19 pandemic, with States and Territories, including NSW. The Agreement will deliver funding to public hospitals and provide stability and certainty of funding while ensuring access to new life saving therapies in public hospitals. NBMLHD is subject to additional NSW Ministry of Health recurrent and capital allocations to provide for costs incurred related to COVID-19 activities and to ensure debts can be paid as and when they become due and payable.

Property, plant and equipment, assets held for sale and certain financial assets and liabilities 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, which is NBMLHD's presentation and functional currency.

c) Statement of Compliance

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

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

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

- * amount of GST incurred by 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.

e) Foreign currency translation

Transactions in foreign currencies are recorded using the spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the end of the reporting date.

Differences arising on settlement or translation of monetary items are recognised in net result.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

1. Statement of Significant Accounting Policies

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or net results are also recognised in other comprehensive income or net results, respectively).

f) 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.

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

(i) Effective for the first time in 2019-20

The accounting policies applied in 2019-20 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:

NBMLHD applied AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities, and AASB 16 Leases for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019-20, but do not have an impact on the financial statements of NBMLHD.

AASB 15 Revenue from Contracts with Customers (AASB 15)

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which NBMLHD expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires NBMLHD to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

In accordance with the transition provisions in AASB 15, NBMLHD has adopted AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, i.e. 1 July 2019. NBMLHD has used the transitional practical expedient permitted by the standard to reflect the aggregate effect of all of the modifications that occur before 1 July 2018 when:

- * identifying the satisfied and unsatisfied performance obligations;
- * determining the transaction price; and
- * allocating the transaction price to the satisfied and unsatisfied performance obligations.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

1. Statement of Significant Accounting Policies

The impact of applying the above practical expedients is not expected to significantly affect the financial statements.

The effect of adopting AASB 15 is as follows:

PARENT AND CONSOLIDATED

Impact on the Statement of Comprehensive Income (increase / (decrease)):

		30 June 2020 AASB 15	30 June 2020 Without adoption of AASB 15	30 June 2020 Impact of AASB 15
	Notes	\$'000	\$'000	\$'000
Revenue				
Sale of goods and services from contracts with customers		-	-	-
Grants and other contributions	(a)(b)	5,691	5,691	-
Operating result		5,691	5,691	-
Net Result		5,691	5,691	-

Impact on the Statement of Financial Position (increase / (decrease)):

PARENT AND CONSOLIDATED

		30 June 2020 AASB 15	30 June 2020 Without adoption of AASB 15	30 June 2020 Impact of AASB 15
	Notes	\$'000	\$'000	\$'000
Liabilities				
Contract liabilities	(b)	27	27	-
Other liabilities		-	-	-
Total liabilities		27	27	-
Equity				
Accumulated funds		(27)	(27)	-
Total adjustments to equity		(27)	(27)	-

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

1. Statement of Significant Accounting Policies

The adoption of AASB 15 did not have an impact on Other Comprehensive Income and the Statement of Cash Flows for the financial year.

The nature of these adjustments is described below:

- (a) Income from grants were previously recognised upon receipt of cash. Under the new revenue recognition requirements of AASB 15, income should be recognised when a performance obligation, by transferring a promised good or service, is satisfied. This may be at a point in time or over time. This has led to the accrual of grant income where the entity has satisfied its obligations promised in the contract with the customer.

- (b) Income from grants were previously recognised upon receipt of cash. Under the new revenue recognition requirements of AASB 15, income should be recognised when a performance obligation, by transferring a promised good or service, is satisfied. This may be at a point in time or over time. This has led to a deferral of grant income where the entity has not yet satisfied its obligations promised in the contract with the customer.

The reason for the changes in grants and other contributions is due to the non-recurring nature of grants and contributions received and varying nature of performance obligations across grant contracts resulting in different timing of revenue received.

AASB 1058 Income of Not-for-Profit Entities (AASB 1058)

AASB 1058 replaces most of the existing requirements in AASB 1004 Contributions. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of a contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services. AASB 1058 adopts a residual approach, meaning that entities first apply other applicable Australian Accounting Standards (e.g. AASB 1004, AASB 15, AASB 16, AASB 9, AASB 137) to a transaction before recognising income.

Not-for-profit entities need to determine whether a transaction is/contains a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15).

AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other Australian Accounting Standards, as income:

- * when the obligations under the transfer is satisfied, for transfers to enable an entity to acquire or construct a recognisable non-financial asset that will be controlled by NBMLHD.
- * immediately, for all other income within the scope of AASB 1058.

In accordance with the transition provisions in AASB 1058, NBMLHD has adopted AASB 1058 retrospectively with the cumulative effect of initially applying the standard at the date of initial application, i.e. 1 July 2019. NBMLHD has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable NBMLHD to further its objectives, are not restated to their fair value.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

1. Statement of Significant Accounting Policies

The effect of adopting AASB 1058 is as follows:

PARENT AND CONSOLIDATED

Impact on the Statement of Comprehensive Income (increase / (decrease)):

		30 June 2020 AASB 1058	30 June 2020 Without adoption of AASB 1058	30 June 2020 Impact of AASB 1058
	Notes	\$'000	\$'000	\$'000
Revenue				
Grants and other contributions	(a)(b)	5,748	3,137	2,611
Operating result		5,748	3,137	2,611
Net Result		5,748	3,137	2,611

Impact on the Statement of Financial Position (increase / (decrease)):

PARENT AND CONSOLIDATED

		30 June 2020 AASB 1058	30 June 2020 Without adoption of AASB 1058	30 June 2020 Impact of AASB 1058
	Notes	\$'000	\$'000	\$'000
Liabilities				
Other liabilities	(b)	4,218	-	4,218
Total liabilities		4,218	-	4,218
Equity				
Accumulated funds		(4,218)	-	(4,218)
Total adjustments to equity		(4,218)	-	(4,218)

The adoption of AASB 1058 did have an impact on Other Comprehensive Income and the Statement of Cash Flows for the financial year.

The nature of these adjustments is described below:

- Income from grants to construct non-financial assets to be controlled by the entity were previously recognised upon receipt of cash. Under the new revenue recognition requirements of AASB 1058, income should have been recognised over time as the non-financial assets are being constructed. This has led to the accrual of grant income where the entity has satisfied its obligations to construct the assets.
- Income from grants to construct non-financial assets to be controlled by the entity were previously recognised upon receipt of cash. Under the new revenue recognition requirements of AASB 1058, income should have been recognised over time as the non-financial assets are being constructed. This has led to the deferral of grant income where the entity has not yet satisfied its obligations to construct the assets.

The reason for the changes in grants and other contributions is due to the timing of revenue received to construct non-financial assets to be controlled by the entity.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

1. Statement of Significant Accounting Policies

AASB 16 Leases

AASB 16 supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Statement of Financial Position.

Lessor accounting

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have a significant impact for leases where the entity is the lessor.

Lessee accounting

AASB 16 requires NBMLHD to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. As the lessee, NBMLHD recognises a lease liability and right-of-use asset at the inception of the lease. The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding right-of-use asset is measured at the value of the lease liability adjusted for lease payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.

NBMLHD has adopted the partial retrospective option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated.

In relation to leases that had previously been classified as 'operating leases' under AASB 117, a lease liability is recognised at 1 July 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 1.42%.

The corresponding right-of-use asset is initially recorded on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position as at 30 June 2019.

For leases previously classified as finance leases NBMLHD recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

NBMLHD elected to use the practical expedient to expense lease payments for lease contracts that, at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at \$10,000 or under when new (low-value assets).

In applying AASB 16 for the first time, NBMLHD has used the following practical expedients permitted by the standard:

- * not reassess whether a contract is, or contains, a lease at 1 July 2019, for those contracts previously assessed under AASB 117 and Interpretation 4;
- * applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- * relying on its previous assessment on whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
- * not recognise a lease liability and right-of-use-asset for short-term leases that end within 12 months of the date of initial application;
- * excluding the initial direct costs from the measurement of the right-of- use asset at the date of initial application; and
- * using hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

1. Statement of Significant Accounting Policies

The effect of adopting AASB 16 on the Statement of Financial Position as at 1 July 2019 (increase / (decrease)) is, as follows:

PARENT AND CONSOLIDATED

	1 July 2019 \$'000
Assets	
Receivables	
Right-of-use assets	21,190
Total assets	21,190
Liabilities	
Borrowings	21,190
Total liabilities	21,190
Equity	-

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

PARENT AND CONSOLIDATED

	1 July 2019 \$'000
Operating lease commitments as at 30 June 2019 (GST included)	29,668
(Less): GST included in operating lease commitments	2,697
Operating lease commitments as at 30 June 2019 (GST excluded)	26,971
Weighted average incremental borrowing rate as at 1 July 2019	1.42%
Discounted operating lease commitments as at 1 July 2019	25,992
(Less): commitments relating to short-term leases	1,562
Add / (Less) : contracts re-assessed as lease contracts	2,546
Add: Lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	2,716
Add / (Less): Other adjustments	(8,502)
Lease liabilities as at 1 July 2019	21,190

The difference between the operating lease commitments disclosed in applying AASB 117 at the end of the annual reporting period immediately preceding the date of initial application (i.e. 30 June 2019), discounted using the incremental borrowing rate at the date of initial application; and lease liabilities recognised in the Statement of Financial Position at the date of initial application (i.e 1 July 2019) is the result of over estimation of commitments as at 1 July 2019 and noted in above table as 'Other adjustments'

(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:

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

1. Statement of Significant Accounting Policies

AASB 1059 Service Concession Arrangements

AASB 1059 Service Concession Arrangements is applicable to public sector entities only and is effective for annual periods beginning on or after 1 January 2020. This standard 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

NBMLHD has completed its impact assessment of AASB 1059 by reviewing all material arrangements where the private sector is performing any services on behalf of NBMLHD. Any identified arrangements have been assessed whether it falls within the scope of AASB 1059. If it does meet the scoping guidelines of AASB 1059, financial impacts were calculated.

Upon review, NBMLHD has identified the following arrangements impacted by AASB 1059:

- e) Hawkesbury Hospital

Financial Impact estimated as follows:

	1 July 2020
	Increase / (decrease)
	\$'000
Service Concession Assets	40,449
Property, Plant and Equipment	(40,449)
Increase / (decrease) in accumulated funds	-

Application Date

NBMLHD plans to adopt the new accounting 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 2020

2. Employee related expenses

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Salaries and wages (including annual leave and ADO)	494,415	458,435	-	-
Superannuation - defined benefit plans	2,485	2,860	-	-
Superannuation - defined contribution plans	44,094	41,025	-	-
Long service leave	26,205	34,909	-	-
Redundancies	1,299	163	-	-
Workers' compensation insurance	5,308	5,737	-	-
Fringe benefits tax	21	16	-	-
	573,827	543,145	-	-

Employee related costs of \$Nil (2019: \$Nil) have been capitalised in property, plant and equipment and intangible assets and are therefore excluded from the above.

3. Personnel services

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Salaries and wages (including annual leave and ADO)	-	-	494,415	458,435
Superannuation - defined contribution plans	-	-	44,094	41,025
Long service leave	-	-	1,644	2,621
Redundancies	-	-	1,299	163
Workers' compensation insurance	-	-	5,308	5,737
Fringe benefits tax	-	-	21	16
	-	-	546,781	507,997

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

Personnel services of \$Nil (2019: \$Nil) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

4. Visiting medical officers

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing speciality input in a number of disciplines throughout NBMLHD's hospitals. VMO expenses of \$45,561 thousand (2019: \$42,286 thousand) represent part of the day-to-day running costs incurred in the normal operations of NBMLHD. These costs are expensed as incurred.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

5. Other expenses

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Advertising	65	70	65	70
Auditor's remuneration - audit of financial statements	99	165	99	165
Blood and blood products	3,603	4,366	3,603	4,366
Consultancies	1,445	738	1,445	738
Contractors	1,037	2,103	1,037	2,103
Domestic supplies and services	7,708	7,409	7,708	7,409
Drug supplies	25,924	28,833	25,924	28,833
Food supplies	14,039	13,425	14,039	13,425
Fuel, light and power	4,493	5,244	4,493	5,244
Patient transport costs	7,631	6,547	7,631	6,547
Information management expenses	17,091	17,842	17,091	17,842
Insurance	932	725	932	725
Maintenance (see Note 5(b))	17,213	14,672	17,213	14,672
Medical and surgical supplies	42,100	42,944	42,100	42,944
Motor vehicle expenses	839	746	839	746
Postal and telephone costs	1,055	1,159	1,055	1,159
Printing and stationery	2,196	2,467	2,196	2,467
Rates and charges	739	909	739	909
Rental	-	2,767	-	2,767
Hosted services purchased from entities controlled by the immediate parent	36	-	36	-
Specialised services (dental, radiology, pathology and allied health)	28,470	26,409	28,470	26,409
Staff related costs	2,997	3,549	2,997	3,549
Travel related costs	1,673	2,662	1,673	2,662
Other (see Note 5(a))	96,790	87,575	96,790	87,575
	278,175	273,326	278,175	273,326

The majority of the costs in relation to drug supplies and medical and surgical supplies expenses relate to the consumption of inventory held by NBMLHD. Total Auditor's remuneration should read \$166,000. Accrual omitted at June 2020.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

5. Other expenses (continued)

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
(a) Other				
Contract for patient services	79,315	69,038	79,315	69,038
Corporate support services	4,512	4,611	4,512	4,611
Courier and freight	224	248	224	248
Isolated patient travel and accommodation assistance scheme	135	108	135	108
Legal services	199	173	199	173
Membership/professional fees	230	350	230	350
Quality assurance / accreditation	33	1	33	1
Security services	1,468	1,339	1,468	1,339
Motor vehicle operating lease expense - minimum lease payments	-	936	-	936
Other operating lease expense - minimum lease payments	-	3,812	-	3,812
Expenses relating to short-term leases	1,127	-	1,127	-
Expenses relating to leases of low-value assets	74	-	74	-
Variable lease payments, not included in lease liabilities	1	-	1	-
Other miscellaneous	9,472	6,959	9,472	6,959
	96,790	87,575	96,790	87,575
(b) Reconciliation of total maintenance				
Maintenance contracts	6,668	5,009	6,668	5,009
New / replacement equipment under \$10,000	5,748	4,276	5,748	4,276
Repairs maintenance / non contract	4,789	5,371	4,789	5,371
Other	8	16	8	16
Maintenance expense - contracted labour and other (non-employee related) in Note 5	17,213	14,672	17,213	14,672
Employee related/personnel services maintenance	2,565	2,544	2,565	2,544
	19,778	17,216	19,778	17,216

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

5. Other expenses (continued)

Recognition and Measurement

Maintenance expense

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

Operating expenses

Operating expenses generally represent the day-to-day running costs incurred in the normal operations of NBMLHD. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 29.

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 NSW Self Insurance Corporation (SiCorp), a controlled entity of the ultimate parent.

Lease expense

Lease expense (up to 30 June 2019)

Operating leases

Up to 30 June 2019, operating lease payments are recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. An operating lease is a lease other than a finance lease.

Lease expense (from 1 July 2019)

From 1 July 2019, NBMLHD recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

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

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

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

6. Depreciation and amortisation

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Depreciation - buildings	20,161	19,331	20,161	19,331
Depreciation - plant and equipment	6,001	5,845	6,001	5,845
Depreciation - infrastructure systems	451	449	451	449
Depreciation - right-of-use buildings	1,612	-	1,612	-
Depreciation - right-of-use plant and equipment	3,693	-	3,693	-
Amortisation - intangible assets	94	95	94	95
	32,012	25,720	32,012	25,720

Refer to Note 24 Property, plant and equipment, Note 25 Leases, and Note 26 Intangible assets for recognition and measurement policies on depreciation and amortisation.

7. Grants and subsidies

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Non-government organisations	2,942	3,234	2,942	3,234
Grants to research organisations	15	34	15	34
Grants paid to entities controlled by the immediate parent	238	232	238	232
Other grants	1,578	1,604	1,578	1,604
	4,773	5,104	4,773	5,104

Recognition and Measurement

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

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

8. Finance costs

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Interest expense from lease liabilities	436	-	436	-
Interest expense from financial liabilities at amortised cost	-	8	-	8
	436	8	436	8

Recognition and Measurement

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

9. Payments to Affiliated Health Organisations

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
(b) Capital sourced				
Penrith Aboriginal Health Care Centre	-	1,500	-	1,500
	-	1,500	-	1,500
	-	1,500	-	1,500

Recognition and Measurement

Payments to non-government affiliated health organisations generally comprise contributions in cash or in kind. Non-government affiliated health organisations support the NSW Ministry of Health's role of 'system manager' in relation to the NSW public health system. The payments are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

10. Revenue

Recognition and Measurement

Until 30 June 2019, income is recognised in accordance with AASB 111 Construction Contracts, AASB 118 Revenue and AASB 1004 Contributions.

From 1 July 2019, income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers (AASB 15) or AASB 1058 Income of Not-for-Profit Entities (AASB 1058), dependent on whether there is a contract with a customer defined by AASB 15.

Under the GSF Act 2018, NBMLHD's own source revenue (which includes but is not limited to receipts from NSW Ministry of Health recurrent and capital allocations, patient fees, non-patient fees, grants and other contributions, other ancillary services and proceeds from the sale of property, plant and equipment) meets the definition of deemed appropriation money under the GSF Act (Section 4.7).

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

11. NSW Ministry of Health allocations

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

NBMLHD recognised additional NSW Ministry of Health recurrent allocations of \$12,018 thousand and NSW Ministry of Health capital allocations of \$1,498 thousand to cover costs incurred with preparation, diagnosis and treatment of COVID-19 patients.

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

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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

(a) Sale of goods comprise the following:

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Pharmacy sales	64	49	64	49
Sale of prosthesis	2,047	2,329	2,047	2,329
Other	8	16	8	16
	2,119	2,394	2,119	2,394

(b) Rendering of services comprise the following:

Patients

Patient Fees:

- Inpatient fees	25,744	29,643	25,744	29,643
- Nursing home fees	749	755	749	755
- Non inpatient fees	1,464	1,547	1,464	1,547
Department of Veterans' Affairs	7,736	7,843	7,736	7,843
Highly specialised drugs	12,396	15,071	12,396	15,071
Motor Accident Authority third party	3,162	3,305	3,162	3,305
Enteral nutrition	1	1	1	1

Staff

Private use of motor vehicles	12	16	12	16
Salary packaging fee	267	262	267	262
Meals and accommodation	20	26	20	26
Child care fees	1,425	1,506	1,425	1,506

General community

Cafeteria / kiosk	-	12	-	12
Car parking	4,163	4,332	4,163	4,332
Clinical services (excluding clinical drug trials)	302	368	302	368
Commercial activities	(37)	(33)	(37)	(33)
Fees for conferences and training	130	181	130	181
Fees for medical records	92	87	92	87
Information retrieval	2	4	2	4
Services to other organisations	1,323	1,162	1,323	1,162

Entities controlled by the immediate parent

Hosted service revenues	3	-	3	-
Shared corporate service revenues	48	8	48	8

Entities controlled by the ultimate parent

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

Other				
Infrastructure fees - annual charge	3,486	3,434	3,486	3,434
Infrastructure fees - monthly facility charge	10,646	11,536	10,646	11,536
Other	1,051	461	1,051	461
	74,185	81,527	74,185	81,527
	76,304	83,921	76,304	83,921

Recognition and Measurement

Sale of goods (until 30 June 2019)

Revenue from the sale of goods is recognised when NBMLHD transfers the significant risks and rewards of ownership of the goods, usually on delivery of the goods.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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

Recognition and Measurement (continued)

Sale of goods from contracts with customers (from 1 July 2019)

Revenue from the sale of goods is recognised when NBMLHD satisfies a performance obligation by transferring the promised goods. Sale of goods comprises of pharmacy sales, sale of prosthesis and other items. NBMLHD typically satisfies its performance obligations when the control of goods is transferred to the customer. The payments are typically due when invoiced.

Revenue from these sales is recognised based on the price specified in the contract, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.

Rendering of services (until 30 June 2019)

Revenue is recognised when the service is provided or by reference to the type and stage of services provided to date.

Rendering of services from contracts with customers (from 1 July 2019)

Revenue from rendering of services is recognised when NBMLHD satisfies the performance obligation by transferring the promised services. Revenue is typically recognised as follows:

i. 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.

ii. 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.

iii. 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 admitted day patients, non admitted patients or patients on discharge. Revenue is recognised when the drugs have been provided to the patient.

iv. 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 accrual basis from the time the patient is treated or admitted into hospital.

v. 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.

Revenue is measured at the transaction price agreed under various contracts. No element of financing is deemed present as payments are due when the service is provided.

Refer to Note 30 for the disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and when NBMLHD expects to recognise the unsatisfied portion as revenue.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

13. Investment revenue

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Interest income from financial assets at amortised cost	673	1,131	673	1,131
	673	1,131	673	1,131

Recognition and Measurement

Interest income

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

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

14. Grants and other contributions

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Clinical drug trials	-	383	-	383
Commonwealth government grants	-	3,441	-	3,441
Cancer Institute grants received from an entity controlled by the immediate parent	-	821	-	821
Grants & contributions received from entities controlled by the ultimate parent	-	1,380	-	1,380
Grants & contributions received from entities controlled by the immediate parent	-	211	-	211
Research grants	-	266	-	266
University commission grants	-	-	-	-
Other grants	-	459	-	459
Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity				
Grants to acquire / construct non-financial asset	1,571	-	1,571	-
Other grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	702	-	702	-
Clinical trials and research grants	1,010	-	1,010	-
Commonwealth government grants received for community based services	2,601	-	2,601	-
Grants from entities controlled by the ultimate parent	323	-	323	-
Other grants	653	-	653	-
Grants without specific performance obligations				
Commonwealth government grants other	3,277	-	3,277	-
Other grants from entities controlled by the immediate parent	135	-	135	-
Donations	1,168	681	1,168	681
	11,440	7,642	11,440	7,642

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

14. Grants and other contributions

Recognition and Measurement

Grants and other contributions (until 30 June 2019)

Income from grants (other than contributions by owners) is recognised when the entity obtains control over the contribution. NBMLHD is deemed to have assumed control when the grant is received or receivable.

Contributions are recognised at their fair value. Contributions of services are recognised when and only when a fair value of those services can be reliably determined and the services would be purchased if not donated.

Grants and other contributions (from 1 July 2019)

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

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

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

Refer to Note 30 for the transaction price allocated to the performance obligations that have not been satisfied at the end of the year and when it is expected to be recognised as revenue.

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

Volunteer services

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

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

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

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

15. Acceptance by the Crown Entity of employee benefits

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

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Superannuation - defined benefit plans	2,485	2,860	-	-
Long service leave provision	24,561	32,288	-	-
	27,046	35,148	-	-

16. Other income

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Other income comprises the following:				
Commissions	80	163	80	163
Discounts	1,645	2,088	1,645	2,088
Insurance refunds	(147)	509	(147)	509
Rental income				
- other rental income	850	558	850	558
Sponsorship	88	29	88	29
Treasury Managed Fund hindsight adjustment	-	1,124	-	1,124
Other	2,150	3,827	2,150	3,827
	4,666	8,298	4,666	8,298

Recognition and Measurement

Other Income

Other income includes rental income arising from operating leases which is accounted for on a straight-line basis over the lease term under AASB 16 Leases. The rental income is incidental to the purpose for holding the property.

Forgiveness of liabilities

The gross amount of a liability forgiven by a credit provider is recognised by the borrower as other income.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

17. Gains / (losses) on disposal

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Property, plant and equipment	4,279	541	4,279	541
<i>Less: accumulated depreciation</i>	4,252	434	4,252	434
Written down value	27	107	27	107
<i>Less: proceeds from disposal</i>	11	117	11	117
Gain / (Loss) on disposal of property, plant and equipment	(16)	10	(16)	10
Right-of-use assets	212	-	212	-
<i>Less: accumulated depreciation</i>	22	-	22	-
Written down value	190	-	190	-
<i>Less: lease liabilities extinguished</i>	190	-	190	-
Assets held for sale	-	560	-	560
<i>Less: proceeds from disposal</i>	-	526	-	526
Gain / (loss) on disposal of assets held for sale	-	(34)	-	(34)
Total gains / (losses) on disposal	(16)	(24)	(16)	(24)

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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

NBMLHD receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. NBMLHD determines the grantor / donor expectations in determining the externally imposed restrictions and discloses them in accordance with different types of restrictions. The types of restrictions and income earned with restrictions are detailed in Note 28 Restricted assets.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

19. Cash and cash equivalents

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Cash at bank and on hand	41,573	48,638	41,573	48,638
	41,573	48,638	41,573	48,638

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

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

Cash and cash equivalents (per Statement of Financial Position)	41,573	48,638	41,573	48,638
Closing cash and cash equivalents (per Statement of Cash Flows)	41,573	48,638	41,573	48,638

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

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

HealthShare NSW, a controlled entity of the immediate parent makes all payments to employees and most payments to suppliers of goods and services and grants and subsidies on behalf of NBMLHD. These payments are reported as expenses and operating cash outflows in the financial statements of NBMLHD.

HealthShare NSW receives payments directly from the NSW Ministry of Health on behalf of NBMLHD to fund these payments. These payments are reported as revenue (NSW Ministry of Health recurrent allocations) and operating cash inflows in the financial statements of NBMLHD when HealthShare NSW makes these payments on behalf of NBMLHD.

Health Infrastructure, a controlled entity of the immediate parent makes most payments to purchase property, plant and equipment on behalf of NBMLHD. These payments are reported as additions to property, plant and equipment and investing cash outflows in the financial statements of NBMLHD.

Health Infrastructure receives payments directly from the NSW Ministry of Health on behalf of NBMLHD to fund these payments. These payments are reported as revenue (NSW Ministry of Health capital allocations) and operating cash inflows in the financial statements of NBMLHD.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

20. Receivables

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Trade receivables from contracts with customers	7,081	-	7,081	-
Sale of goods and services	-	9,353	-	9,353
Intra health receivables	2,347	2,059	2,347	2,059
Goods and Services Tax	2,987	3,987	2,987	3,987
Other receivables	6,899	10,299	6,899	10,299
Sub total	19,314	25,698	19,314	25,698
Less: Allowance for expected credit losses*				
- Trade receivables from contracts with customers	(960)	-	(960)	-
- Sale of goods and services	-	(1,209)	-	(1,209)
- Other receivables	4	-	4	-
Sub total	18,358	24,489	18,358	24,489
Prepayments	998	2,851	998	2,851
	19,356	27,340	19,356	27,340

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

Trade receivables from contracts with customers				
Balance at the beginning of the year	(1,209)	-	(1,209)	-
Amounts written off during the year	1,672	-	1,672	-
(Increase) / decrease in allowance recognised in the net result ¹	(1,423)	-	(1,423)	-
Balance at the end of the year	(960)	-	(960)	-
Sale of goods and services				
Balance at the beginning of the year	-	453	-	453
Amounts written off during the year	-	(1,661)	-	(1,661)
Balance at the end of the year	-	(1,209)	-	(1,209)
Other receivables				
Balance at the beginning of the year	-	(63)	-	(63)
Amounts written off during the year	12	72	12	72
(Increase) / decrease in allowance recognised in the net result	(8)	(10)	(8)	(10)
Balance at the end of the year	4	-	4	-
	(956)	(1,209)	(956)	(1,209)

20. Receivables (continued)

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Prepayments	59,975	893	59,975	893
	59,975	893	59,975	893

¹ Includes impairment loss of \$1,423 thousand (2019: \$446 thousand) recognised on receivables from contracts with customers.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

20. Receivables (continued)

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

Current and non-current include:

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Patient fees - compensable	465	637	465	637
Patient fees - ineligible	1,022	1,707	1,022	1,707
Patient fees - inpatient & other	3,301	4,776	3,301	4,776
	4,788	7,120	4,788	7,120

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 41.

	Consolidated 2020 \$000	Parent 2020 \$000
Contract receivables (included in Note 20)	9,667	9,667
	9,667	9,667

Recognition and Measurement

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

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

Subsequent measurement

Financial assets at amortised cost

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

Impairment

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

In response to the COVID-19 pandemic, NBMLHD has changed the terms and conditions with its counterparties to offer deferred payment terms to receive rental income from tenants, for a period of 6 months from 27 March 2020. NBMLHD has a rental receivables balance amount of \$100 thousand as at 30 June 2020. The expected impacts on the recoverability of these receivables is not considered significant.

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

For lease receivables, NBMLHD applies the simplified approach permitted by AASB 9 Financial Instruments, where the loss allowance is based on lifetime ECLs.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

21. Inventories

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Drug supplies	4,337	3,530	4,337	3,530
	4,337	3,530	4,337	3,530

The increase in medical and surgical supplies is a result of NBMLHD preparing for an increase in COVID-19 patients. Inventories held for distribution for COVID-19 are also consumed in the normal services provided by NBMLHD.

Recognition and Measurement

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount. 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.

Market demand has increased the weighted average cost of inventories in medical and surgical supplies due to the outbreak of COVID-19. Market demand for these items is expected to continue and as a result the carrying amount and current replacement cost are aligned. At the 30 June 2020, NBMLHD has determined that it plans to use the remaining medical and surgical supplies inventory in a relatively short time period, well before expiry, and there is no available alternative that is more efficient or effective nor a likelihood of an alternative being on the market in the foreseeable future.

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

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

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

22. Financial assets at fair value

Recognition and Measurement

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

Classification and measurement

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

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

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

23. Other financial assets

Recognition and Measurement

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

Other financial assets are initially measured at fair value plus any transaction costs. Other financial assets include intra health loans and deposits with a maturity of three months or more.

Subsequent measurement

Financial assets at amortised cost

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows solely representing payments of principal and interest. Impairment losses are presented as a separate line item in the Statement of Comprehensive Income. Any gain or loss arising on derecognition is recognised directly in net results and presented in other gains / (losses) together with foreign exchange gains and losses.

Impairment

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

ECLs are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, ECLs are based on default events possible within the next 12-months (i.e. a 12-month ECL). If there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (i.e. a lifetime ECL). In addition, NBMLHD considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

NBMLHD term deposits are issued by financial institutions that have strong credit ratings and therefore considered to be low credit risk investments. Hence, NBMLHD measures the loss allowance for term deposits at an amount equal to a 12-month ECL. However, when there is a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

NBMLHD uses the ratings from external credit rating agencies both to determine whether there has been a significant increase in credit risk on the deposits and to estimate ECLs. These estimates are performed at every reporting date.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Property, plant and equipment

(a) Total property, plant and equipment

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2020				
Gross carrying amount	1,084,100	96,283	20,007	1,200,390
<i>Less: accumulated depreciation and impairment</i>	417,004	55,342	14,127	486,473
Net carrying amount	667,096	40,941	5,880	713,917
	Land and Buildings \$000	Plant and Equipment ¹ \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2019				
Gross carrying amount	950,330	94,997	19,552	1,064,879
<i>Less: accumulated depreciation and impairment</i>	396,843	53,593	13,676	464,112
Net carrying amount	553,487	41,404	5,876	600,767

¹ 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.

The net carrying amount of privately financed project (PFP) assets included in land and buildings and infrastructure is \$Nil as at 30 June 2020 (30 June 2019: \$Nil).

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Property, plant and equipment (continued)

(a) Total property, plant and equipment - reconciliation

PARENT AND CONSOLIDATION

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
Year ended 30 June 2020				
Net carrying amount at beginning of year	553,487	41,404	5,876	600,767
Adjusted net carrying amount at beginning of year	553,487	41,404	5,876	600,767
Additions	133,724	5,862	204	139,790
Disposals	-	(27)	-	(27)
Depreciation expense	(20,161)	(6,001)	(451)	(26,613)
Reclassifications	46	(297)	251	-
Net carrying amount at end of year	667,096	40,941	5,880	713,917

* This does not include finance lease assets that relate to privately financed projects according to TPP06-08. AASB 16 does not apply to these assets in 2019-20

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 27.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Property, plant and equipment (continued)

(a) Total property, plant and equipment - reconciliation (continued)

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2019				
Net carrying amount at beginning of year	494,779	38,857	5,423	539,059
Additions	74,181	11,271	33	85,485
Reclassification to assets held for sale	(560)	-	-	(560)
Disposals	(53)	(54)	-	(107)
Equity transfers - transfers in / (out)	2,564	-	-	2,564
Net revaluation increments less revaluation decrements	(49)	-	-	(49)
Depreciation expense	(19,331)	(5,845)	(449)	(25,625)
Reclassifications	1,956	(2,825)	869	-
Net carrying amount at end of year	553,487	41,404	5,876	600,767

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 27.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Property, plant and equipment (continued)

(b) Property, plant and equipment held and used by NBMLHD

PARENT AND CONSOLIDATION

NBMLHD has no property, plant and equipment where it is the lessor under operating leases. All property, plant and equipment balances are for items held and used by NBMLHD.

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2020				
Gross carrying amount	1,084,100	96,283	20,007	1,200,390
Less: accumulated depreciation and impairment	417,004	55,342	14,127	486,473
Net carrying amount	667,096	40,941	5,880	713,917
	Land and Buildings \$000	Plant and Equipment' \$000	Infrastructure Systems \$000	Total \$000
As at 30 June 2019				
Gross carrying amount	950,330	94,997	19,552	1,064,879
Less: accumulated depreciation and impairment	396,843	53,593	13,676	464,112
Net carrying amount	553,487	41,404	5,876	600,767

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Property, plant and equipment (continued)

(b) Property, plant and equipment held and used by NBMLHD - reconciliation

PARENT AND CONSOLIDATION

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

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year ended 30 June 2020				
Net carrying amount at beginning of year	553,487	41,404	5,875	600,766
Adjusted net carrying amount at beginning of year	553,487	41,404	5,875	600,766
Additions	133,724	5,861	204	139,789
Disposals	-	(26)	-	(26)
Depreciation expense	(20,161)	(6,001)	(451)	(26,613)
Reclassifications	46	(297)	251	-
Net carrying amount at end of year	667,096	40,941	5,879	713,916

* This does not include finance lease assets that relate to privately financed projects according to TPP06-08. AASB 16 does not apply to these assets in 2019-20

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 27.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Property, plant and equipment (continued)

Recognition and Measurement

Acquisition of property, plant and equipment

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

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

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

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

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer - Note 40).

Land and buildings are owned by the Health Administration Corporation. 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.

Capitalisation thresholds

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

Major inspection costs

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

Restoration costs

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

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Property, plant and equipment (continued)

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:

	Useful lives
Buildings	40 years
Buildings - leasehold improvements	3-10 years
Plant and equipment	4-20 years
Infrastructure Systems	40 years

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

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

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

Finance leases acquired by lessees (Under AASB 117 until 30 June 2019)

Until 30 June 2019, AASB 117 Leases (AASB 117) distinguished between finance leases that 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 does not transfer substantially all the risks and rewards.

Property, plant and equipment at 30 June 2019 includes non-current assets acquired under finance leases only. The assets are recognised at fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. Property, plant and equipment does not include amounts in respect of operating leases.

Property, plant and equipment acquired under finance leases are depreciated over the asset's useful life. However, if there is no reasonable certainty that the lessee entity will obtain ownership at the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Right-of-use assets acquired by lessees (under AASB 16 from 1 July 2019)

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. NBMLHD has elected to present right-of-use assets separately in the Statement of Financial Position.

Therefore, at that date property, plant and equipment recognised under leases previously treated as finance leases under AASB 117 are derecognised. The right-of-use assets arising from these leases are recognised and included in the separate line item together with those arising from leases previously treated as operating leases under AASB 117.

Further information on leases is contained in Note 25.

Subsequent to the adoption of AASB 16, NBMLHD, as a lessee, recognises a right-of-use asset at cost and a corresponding lease liability at the lease commencement date. Right-of-use assets that do not meet the definition of investment properties are included in Property, Plant and Equipment under the corresponding asset categories. Further information on right-of-use assets is contained in Note 25.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

24. Property, plant and equipment (continued)

Privately financed project (PFP) assets accounted for under AASB 117 (until 30 June 2020)

NBMLHD has adopted the option to not apply AASB 16 to assets that would be classified as service concession assets in accordance with AASB 1059 Service Concession Arrangements: Grantors. NBMLHD continues to apply its existing accounting policy to these assets until AASB 1059 is applied. In a privately financed project (PFP), a public-sector entity (the grantor) arranges for the private sector (the operator) to design, finance and build infrastructure and provide associated operational or management services for an agreed period (the service period). They are currently accounted for under TPP 06-8 Privately Financed Projects. Some PFP assets are acquired under a finance lease and accounted for following the principles of AASB 117 according to TPP 06-8.

Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 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 participant's that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and takes into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 27 for further information regarding fair value.

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

The last comprehensive revaluation was completed on 31 December 2017 and was based on an independent assessment.

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value.

An interim management revaluation was completed on 31 December 2019 as a result of a cumulative decrease in indicators of 0% for land and buildings and 0% for infrastructure. NBMLHD used an external professionally qualified valuer to conduct the interim revaluation. Indicators provided by AON Valuation Services were not applied as they were deemed immaterial.

Due to the COVID-19 pandemic in early 2020, NBMLHD management performed an additional assessment to determine if the fair value of its property plant and equipment as at 30 June 2020 materially differed from the carrying value. Management concluded that there is no definitive or conclusive market evidence to support any material adjustments. While three valuation approaches are utilised (market, income or cost), the cost approach is applied most routinely at NBMLHD where fair value would reflect the amount required to replace the service capacity of the asset and to this extent, no adjustments were applied.

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

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

Nepean Blue Mountains Local Health District

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for the year ended 30 June 2020

24. Property, plant and equipment (continued)

Revaluation of property, plant and equipment (continued)

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

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

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

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

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

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

Impairment of property, plant and equipment

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

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

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

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

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

Derecognition of property, plant and equipment

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

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

25. Leases

(a) Entity as a lessee

NBMLHD leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 10 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes. NBMLHD does not provide residual value guarantees in relation to leases.

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

Potential future cash outflows of \$542.376 thousand have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extensions and termination options was an increase in recognised lease liabilities and right-of-use assets of \$Nil.

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset and a corresponding lease liability for most leases.

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

Right-of-use assets under leases

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

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	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
2020			
Balance at 1 July 2019	10,660	10,530	21,190
Additions	228	8,154	8,382
Disposals	-	(190)	(190)
Depreciation expense	(1,612)	(3,693)	(5,305)
Balance at 30 June 2020	9,276	14,801	24,077

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

25. Leases (continued)

(a) Entity as a lessee (continued)

Lease liabilities

The following table presents liabilities under leases.

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	Total \$'000
2020	
Balance at 1 July 2019	21,190
Additions	8,382
Interest expenses	437
Payments	(5,423)
Terminations	(190)
Balance at 30 June 2020	24,396

The following amounts were recognised in the Statement of Comprehensive Income for the year ended 30 June 2020 in respect of leases where NBMLHD is the lessee:

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	Total \$'000
2020	
Depreciation expense of right-of-use assets	5,305
Interest expense on lease liabilities	436
Expenses relating to short-term leases	1,127
Expenses relating to leases of low-value assets	74
Variable lease payments not included in the measurement of lease liabilities	1
(Gains) / losses on disposal	(1)
Total amount recognised in the statement of comprehensive income	6,942

NBMLHD had total cash outflows for leases of \$5,423 thousand for the year ended 30 June 2020.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

25. Leases (continued)

(a) Entity as a lessee (continued)

Future minimum lease payments under non-cancellable leases as at 30 June 2019 are, as follows:

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	Operating leases 2019 \$'000	Finance leases 2019 \$'000
Within one year	6,429	-
Later than one year and not later than five years	17,322	-
Later than five years	5,917	-
Total (including GST)	29,668	-
Less: GST recoverable from the Australian Taxation Office	2,697	-
Total (excluding GST)	26,971	-

The reconciliation between the total future minimum lease payments for finance leases and their present value as at 30 June 2019 are, as follows:

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

NBMLHD entered into a number of leases, with lease terms ranging from ongoing contracts with various various local councils for the use of community health buildings. The contract specifies lease payments of \$Nil per annum. The leased premise is be used by NBMLHD to provide different community health services. The community health buildings account for a small portion of the similar assets NBMLHD is using for the purpose of providing community services. Therefore it does not have a significant impact on NBMLHD's operations.

Recognition and Measurement (under AASB 16 from 1 July 2019)

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

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

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

25. Leases (continued)

(a) Entity as a lessee (continued)

i. Right-of-use assets

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

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

	Useful lives
Buildings	1 to 10 years
Plant and equipment	1 to 10 years
Motor vehicles and other equipment	1 to 10 years

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

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

Refer to Note for the subsequent measurement of right-of-use assets that meet the definition of investment properties.

ii. Lease liabilities

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

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

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

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

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

25. Leases (continued)

(a) Entity as a lessee (continued)

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

NBMLHD's lease liabilities are included in borrowings in Note 31.

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

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

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

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

Recognition and measurement (under AASB 117 until 30 June 2019)

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Until 30 June 2019, a lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to NBMLHD was classified as a finance lease.

Where a non-current asset was acquired by means of a finance lease, at the commencement of the lease, the asset was recognised at its fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability was established at the same amount. Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognised in finance costs in the Statement of Comprehensive Income.

Property, plant and equipment acquired under finance leases was depreciated over the useful life of the asset. However, if there is no reasonable certainty that NBMLHD will obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments were recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

26. Intangible assets

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Cost (gross carrying amount)	1,028	1,027	1,028	1,027
Less: accumulated amortisation and impairment	597	502	597	502
Net carrying amount	431	525	431	525

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A reconciliation of the carrying amount of intangibles at the beginning and end of the current reporting year is set out below:

	2020 \$000	2019 \$000
Year ended 30 June 2020		
Net carrying amount at beginning of year	525	620
Amortisation (recognised in depreciation and amortisation)	(94)	(95)
Net carrying amount at end of year	431	525

Recognition and Measurement

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

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

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

NBMLHD's intangible assets are amortised using the straight-line method over a period of four years.

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

Intangible assets 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.

Nepean Blue Mountains Local Health District

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for the year ended 30 June 2020

27. Fair value measurement of non-financial assets

PARENT AND CONSOLIDATION

Fair value measurement and hierarchy

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

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

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

(a) Fair value hierarchy

	Level 1	Level 2	Level 3	Total Fair Value
2020	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 24)				
- Land and buildings	-	-	475,284	475,284
- Infrastructure systems	-	-	5,880	5,880
	-	-	481,164	481,164

There were no transfers between level 1 and 2 during the year ended 30 June 2020.

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 24.

	Level 1	Level 2	Level 3	Total Fair Value
2019	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 24)				
- Land and buildings	-	-	460,100	460,100
- Infrastructure systems	-	-	5,876	5,876
	-	-	465,976	465,976

There were no transfers between level 1 and 2 during the year ended 30 June 2019.

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 24.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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

(b) Valuation techniques, inputs and processes

For land, buildings and infrastructure systems NBMLHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by AON Valuation Services for the 2017/2018 financial year. AON Valuation Services is an independent entity and is not an associated entity of NBMLHD.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices (refer Note 24 reconciliation).

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

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

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

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

For buildings and infrastructure, many assets are of a specialised nature or use, 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 the lower of its fair value less cost to sell or its carrying amount. These assets are categorised as level 2.

The property market is being impacted by the significant uncertainty that the COVID-19 outbreak has caused. Sales evidence have been utilised across NBMLHD to assess the land and non-specialised properties, in line with the valuation by the valuers made on a market approach.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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

(c) Reconciliation of recurring Level 3 fair value measurements

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2020	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2019	460,100	5,876	-	465,976
Adjusted fair value as at 1 July 2019	460,100	5,876	-	465,976
Additions	35,345	455	-	35,800
Depreciation expense	(20,161)	(451)	-	(20,612)
Fair value as at 30 June 2020	475,284	5,880	-	481,164

There were no transfers between level 1 or 2 during the year ended 30 June 2020.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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

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

PARENT AND CONSOLIDATION

2019	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2018	473,000	5,423	-	478,423
Additions	4,528	902	-	5,430
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 24)	(48)	-	-	(48)
Transfers from Level 2	2,080	-	-	2,080
Disposals	(613)	-	-	(613)
Depreciation expense	(19,331)	(449)	-	(19,780)
Equity transfers - transfers in / (out)	484	-	-	484
Fair value as at 30 June 2019	460,100	5,876	-	465,976

There were no transfers between level 1 or 2 during the year ended 30 June 2019.

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for the year ended 30 June 2020

28. Restricted assets

PARENT AND CONSOLIDATION

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. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2020.

Category	1 July 2019 Opening \$000	Revenue \$000	Expense \$000	2020 Closing \$000
Facility improvements	8,661	1,650	4,020	6,290
Patient welfare	5,584	258	1,842	3,999
Private practice disbursements (No.2 Accounts)	26,900	3,846	3,431	27,315
Public contributions	769	133	358	544
Research	928	294	303	919
Staff welfare	1,416	292	89	1,619
Training and education including conferences	1,969	191	879	1,282
	46,227	6,664	10,922	41,969

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 amenity improvements.
Training and education including conferences	Professional training, education and conferences.
Other	Does not meet the definition of any of the above categories.

Unclaimed monies

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

Nepean Blue Mountains Local Health District

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for the year ended 30 June 2020

29. Payables

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Accrued salaries, wages and on-costs	16,850	13,235	-	-
Taxation and payroll deductions	1,857	3,072	-	-
Accrued liability - purchase of personnel services	-	-	18,707	16,307
Creditors	17,931	28,156	17,931	28,156
- Payables to entities controlled by the immediate parent	6,367	6,892	6,367	6,892
- Other	12,705	17,256	12,705	17,256
	55,710	68,611	55,710	68,611

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

Recognition and Measurement

These amounts represent liabilities for goods and services provided to NBMLHD and other amounts. Payables are recognised initially at fair value, net of directly attributable transaction costs.

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. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

30. Contract liabilities

	Consolidated 2020 \$000	Consolidated 1 July 2019 adjusted for AASB 15 \$000	Parent 2020 \$000	Parent 1 July 2019 adjusted for AASB 15 \$000
Current				
Contract liabilities	27	75	27	75
	27	75	27	75

Recognition and Measurement

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities at the 30 June 2020 was impacted by the timing of payments received for grants and other contributions. The satisfaction of the specific performance obligations within the contract hadn't been met at the 30 June 2020. Revenue from the contract liabilities will be recognised when the specific performance obligations have been met.

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

	Consolidated 2020 \$000	Parent 2020 \$000
Revenue recognised that was included in the contract liability balance (adjusted for AASB 15) at the beginning of the year	75	75
Revenue recognised from performance obligations satisfied in previous periods	75	75

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

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

31. Borrowings

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Lease liability (see Note 25)	5,311	-	5,311	-
	5,311	-	5,311	-
Non-current				
Lease liability (see Note 25)	19,085	-	19,085	-
	19,085	-	19,085	-

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

Other loans still to be extinguished represent monies to be repaid to the Health Administration Corporation, an entity controlled by the immediate parent; the immediate parent itself; and the NSW Treasury, which is controlled by the ultimate parent.

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

Recognition and Measurement

Financial liabilities at amortised cost

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

Finance lease liabilities are determined in accordance with AASB 117 Leases until 30 June 2019. From 1 July 2019, lease liabilities are determined in accordance with AASB 16.

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

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

31. Borrowings (continued)

Changes in liabilities arising from financing activities

PARENT AND CONSOLIDATION

	Other loans and deposits	Leases	Total liabilities from financing activities
	\$000	\$000	\$000
1 July 2018	176	-	176
Cash flows	(176)	-	(176)
30 June 2019	-	-	-
Recognised on adoption of AASB 16	-	21,190	21,190
1 July 2019	-	21,190	21,190
Cash flows	-	(4,986)	(4,986)
New leases	-	8,192	8,192
30 June 2020	-	24,396	24,396

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

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

32. Provisions

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Employee benefits and related on-costs				
Annual leave - short term benefit	52,611	50,739	-	-
Annual leave - long term benefit	18,180	13,452	-	-
Long service leave consequential on-costs	14,544	13,032	-	-
Provision for other employee benefits	3,116	1,855	-	-
Provision for personnel services liability	-	-	88,451	79,078
Total current provisions	88,451	79,078	88,451	79,078
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	1,264	1,133	-	-
Total non-current provisions	1,264	1,133	1,264	1,133
Aggregate employee benefits and related on-costs				
Provisions - current	88,451	79,078	-	-
Provisions - non-current	1,264	1,133	-	-
Accrued salaries, wages and on-costs, taxation and payroll deductions (Note 29)	18,707	16,307	-	-
Liability - purchase of personnel services	-	-	108,422	96,518
	108,422	96,518	108,422	96,518

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

32. Provisions (continued)

Recognition and Measurement

Employee benefits and other provisions

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

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

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

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 18.26% are applied to the value of leave payable at 30 June 2020 (comparable on-costs for 30 June 2019 were 18.1%). 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 NBMLHD does not expect to settle the liability within 12 months as NBMLHD 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.

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.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

32. Provisions (continued)

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

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and 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.

Consequential on-costs

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

Other provisions

Other provisions are recognised when: 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. When NBMLHD expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive

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

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

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

33. Other liabilities

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Current				
Unearned revenue	90	74	90	74
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	175	-	175	-
Other	416	-	416	-
	681	74	681	74
Non-current				
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	4,043	-	4,043	-
	4,043	-	4,043	-

PARENT AND CONSOLIDATION

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

	2020 \$'000
Opening balance of liabilities arising from transfers to acquire/construct non-financial assets to be controlled by the entity	-
<i>Add:</i> adjustments upon initial application of AASB 1058	6,829
Adjusted opening balance	6,829
<i>Add:</i> receipt of cash during the financial year	(1,040)
<i>Less:</i> income recognised during the financial year	1,571
Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	4,218

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

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

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

34. Commitments

(a) Capital commitments

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

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Within one year	204,209	27,373	204,209	27,373
Later than one year and not later than five years	55,856	4,648	55,856	4,648
Total (including GST)	260,065	32,021	260,065	32,021

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of \$260.06M million as at 30 June 2020 includes input tax credits of \$23.64M million that are expected to be recoverable from the Australian Taxation Office (2019 \$5.34M).

35. Contingent liabilities and assets

PARENT AND CONSOLIDATION

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

(a) Contingent liabilities

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

(b) Contingent assets

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

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

36. Trust funds

PARENT AND CONSOLIDATION

NBMLHD holds trust funds of \$3.3 million (2019: \$2.1 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.

Category	1 July 2019 Opening equity \$'000	Revenue \$000	Expense \$000	30 June 2020 Closing equity \$'000
Patient Trust	318	4	(3)	319
Refundable Deposits	894	38	-	932
Private Patient Trust Funds	371	6,815	(6,319)	867
Third Party Funds	562	19,623	(19,027)	1,158
Total trust funds	2,145	26,480	(25,349)	3,276

Category	1 July 2018 Opening equity \$'000	Revenue \$000	Expense \$000	30 June 2019 Closing equity \$'000
Patient Trust	318	3	(3)	318
Refundable Deposits	905	25	(36)	894
Private Patient Trust Funds	378	6,801	(6,808)	371
Third Party Funds	793	17,530	(17,761)	562
Total trust funds	2,394	24,359	(24,608)	2,145

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

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

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

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

37. Reconciliation of cash flows from operating activities to net result

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Net cash used on operating activities	137,700	86,585	137,700	86,585
Depreciation and amortisation expense	(32,012)	(25,720)	(32,012)	(25,720)
Allowance for impairment	(1,432)	(396)	(1,432)	(396)
(Increase) / decrease in unearned revenue	2,523	46	2,523	46
Decrease / (increase) in provisions	(9,506)	(5,955)	(9,506)	(5,955)
Increase / (decrease) in prepayments and other assets	53,545	1,951	53,545	1,951
Decrease / (increase) in payables	12,274	(12,338)	12,274	(12,338)
Decrease / (increase) in contract liabilities	48	-	48	-
Net gain / (loss) on sale of property, plant and equipment	(16)	(24)	(16)	(24)
Net result	163,124	44,149	163,124	44,149

38. Non-cash financing and investing activities

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Property, plant and equipment acquired by a lease	8,382	-	8,382	-
	8,382	-	8,382	-

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

39. Adjusted budget review

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). 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 budget entries in the financial statements are unaudited.

PARENT AND CONSOLIDATION

Net result

The actual Net Result was lower than adjusted budget by \$19 million, primarily due to:

Unfavourability within the expense and other (gain/loss and doubtful debts) lines of \$23.459mill and \$0.924 mill respectively, and revenue favourability of \$5.509mill.

The total revenue position includes favourability of \$9.047mill in Ministry allocations offset by \$3.562mill unfavourability in Own Source Revenues.

Employee Related Expense unfavourability of \$12.933mill in conjunction with Visiting Medical Officer payment unfavourability of \$6.486mill were primary contributors to the overall expense position. Repairs, Maintenance & Renewals, also, reflected unfavourability at \$5.527mill

Assets and liabilities

Total Assets moved \$181.973mill during the year reflecting increases due to Nepean redevelopment and Accounting Standard changes (AASB16 - Leasing). These were offset in small part by reductions in Receivables and Cash on Hand

Total Liabilities increased \$25.676mill with Accounting Standard changes impacting on Lease Liabilities (AASB 16 Leases) and Unearned Revenue (AASB 1058 Income of Not-for-Profit Entities).

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 2019 are as follows:

	\$000
Initial Allocation, 1 July 2019	708,751
Award increases	16,467
Growth	10,319
2019/20 Budget Relief	3,380
2019/20 Budget Relief - COVID-19 Response (May 2020)	2,778
2019/20 Creditors Adjustment	9,953
National Partnership Agreement on Adult Public Dental Services	2,700
Other Adjustments	1,726
2019/20 Budget Relief – Covid-19 Response (April 2020 2.1)	2,113
2019/20 Budget Relief – Covid-19 Response (June 2020 #2)	4,629
2019/20 Budget Relief – Covid-19 Response (June 2020)	2,498
2019/20 Budget Relief (April 2020)	3,551
FY19/20 Financial Impact to NBMLHD of HDHS	3,568
Budget Supplement for 2019/20 Nurse Strategy Reserve Funding to LHD/N	714
Out of Home Care Health Pathway Program	347
Other Enhancements	3,602
Balance as per Statement of Comprehensive Income	777,096

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

40. Equity

Accumulated Funds

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

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 24.

Separate Reserves

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

Equity transfers effected in the 2019/20 year were:

- (a) Nil

Equity transfers effected in the 2018/19 year were:

- (b) An equity transfer was made between NSW Health entities to realign the annual leave liability to the current legal employer as held in the payroll system (StaffLink) for various employment arrangements, including staff on rotation and secondment. This has resulted in an increase in net assets of \$62 thousand relating to the transfer of Annual Leave provision balances to other NSW Health entities.

Equity transfers effected comprised:

	2020 \$000	2019 \$000
(a) Annual Leave Provision - Transfer of Annual Leave Provisions between NSW Health		62
(b) Transfer of Ambulance Land and Buildings in Penrith to NBMLHD		2,564
	-	2,626

Assets and Liabilities transferred are as follows:

	2020 \$000	2019 \$000
Assets		
(a) Transfer of Ambulance Land and Buildings in Penrith to NBMLHD	-	2,564
Liabilities		
(b) Annual Leave Provision	-	62
Increase / (Decrease) in Net Assets From Equity Transfers	-	2,626

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

40. Equity (continued)

Recognition and Measurement

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.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

41. 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

PARENT AND CONSOLIDATION

Class	Category	Carrying Amount 2020 \$000	Carrying Amount 2019 \$000
Financial Assets			
Cash and cash equivalents (Note 19)	Amortised cost	41,573	48,638
Receivables (Note 20) ¹	Amortised cost	15,371	20,502
Total Financial Assets		56,944	69,140
Financial Liabilities			
Borrowings (Note 31)	Financial liabilities measured at amortised cost	24,396	-
Payables (Note 29) ²	Financial liabilities measured at amortised cost	53,853	65,539
Other Liabilities (Note 33)	Financial liabilities measured at amortised cost	416	-
Total Financial Liabilities		78,665	65,539

Notes

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

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

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

(b) Derecognition of financial assets and financial liabilities

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

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

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

41. Financial instruments (continued)

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

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

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

(c) Offsetting financial instruments

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

(d) Financial risk

i. Credit risk

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

Credit risk arises from financial assets of 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.

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

Cash and cash equivalents

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 0.00% (Restricted Funds Bank balance: 1.10%) in 2019-20 compared to 0.00% (Restricted Funds Bank balance: 2.35%) in the previous year. The TCorpIM Funds cash facility is discussed in market risk below.

Accounting policy for impairment of trade receivables and other financial assets

Receivables - trade receivables, other receivables and contract assets

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

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

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

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

41. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

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

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

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

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

The loss allowance for trade receivables, other receivables and contract assets as at 30 June 2020 and 30 June 2019 was determined as follows:

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2020						
Expected credit loss rate	2.85%	28.95%	40.95%	5.88%	39.52%	6.84%
Estimated total gross carrying amount ¹	11,584	554	220	789	833	13,980
Expected credit loss	330	160	90	46	329	956
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2019 ²						
Expected credit loss rate	1.06%	19.09%	22.53%	26.89%	42.21%	6.15%
Estimated total gross carrying amount ¹	16,570	806	303	139	1,833	19,652
Expected credit loss	175	154	68	37	774	1,209

Notes

¹ The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 20 and the contract assets total in Note .

² Prior year balances have been restated to include other receivables and contract assets

NBMLHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2020.

Other Financial Assets - Authority Deposits

NBMLHD has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. These deposits are considered to be low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. NBMLHD didn't recognise a provision for expected credit losses on its other financial assets as at 30 June 2020 (2019: \$Nil).

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

41. Financial instruments (continued)

(d) Financial risk (continued)

ii. 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 the use of overdrafts, loans and other advances.

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

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

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).

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Until the 30 June 2019, 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 5 days from the date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than 30 days from the date of receipt of a correctly rendered invoice or a statement is received. From 1 July 2019, 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. For all suppliers, that has a correctly rendered invoice, that has a matched purchase order and where goods have been received, an immediate payment is made irrespective of current contract payment terms.

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

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

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

41. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

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

Maturity Analysis and interest rate exposure of financial liabilities

	EIR ³ %	Nominal Amount ¹ \$000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
2020								
Payables:								
- Creditors ²		53,853	-	-	53,853	53,853	-	-
Borrowings:								
- Lease liabilities	1.90	25,860	25,860	-	-	5,655	13,815	6,390
		79,713	25,860	-	53,853	59,508	13,815	6,390
2019								
Payables:								
- Creditors ²		65,539	-	-	65,539	65,539	-	-
		65,539	-	-	65,539	65,539	-	-

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).

³ Weighted Average Effective Interest Rate (EIR).

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

41. Financial instruments (continued)

iii. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. 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 Hour Glass 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 as for 2019. The analysis assumes that all other variables remain constant.

Interest Rate Risk

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

However, 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.

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

	2020		2019	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	(168)	168	(486)	486
Equity	(168)	168	(486)	486

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

41. Financial instruments (continued)

(e) Fair value measurement

i. Fair value compared to carrying amount

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

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

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

ii. Fair value recognised in the Statement of Financial Position

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

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

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

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

There were no transfers between level 1 and 2 during the period ended 30 June 2020.

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

42. Related party transactions

PARENT AND CONSOLIDATION

(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2020	2019
	\$000	\$000
Short-term employee benefits	679	652
Post-employment benefits	51	58
	730	710

During the financial year, Nepean Blue Mountains Local Health District obtained key management personnel services from the immediate parent and incurred \$386 thousand (2019: \$368 thousand) for these services. This amount does not form part of the key management personnel compensation disclosed above.

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

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

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

There were no transactions with key management personnel and their close family members (2019: \$Nil).

(c) Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2019: \$Nil).

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

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

The following operating expenses were incurred with entities controlled by the [immediate/senior] parent:

- Health Administration Corporation provides shared services for the majority of patient transport services, information management services, domestic supplies and services, food supplies and corporate support services.
- Health Administration Corporation provides some specialised services which includes pathology related costs.
- Various grants and subsidies towards research and other projects

Nepean Blue Mountains Local Health District

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

42. Related party transactions

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

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

- Payroll and fringe benefits taxes
- Audit of the statutory financial statements
- Legal and consultancy services
- Utilities, including electricity, gas and water expenses
- Motor vehicle toll expenses
- Insurance costs

The following operating expenses were incurred with entities controlled by the ultimate parent: (continued)

- Rental costs for Property NSW leased properties
- Various grants and subsidies towards research and other projects

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

- Revenue from recurrent and capital allocations
- Various grants and contributions towards research and other projects

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

- Motor Accident Authority third party revenue received from the State Insurance Regulatory Authority (SIRA)
- Various grants and other contributions towards research and other projects
- Motor vehicle rebates
- Insurance refunds
- Revenue from acceptance of long service leave liabilities and defined benefit

Assets and liabilities as follows:

- Receivables and payables in respect of the above noted related party revenue and expense transactions
- Energy Efficient Government Program loans are held with the Crown Finance Entity
- Intra-health loans and advances
- The majority of the construction of property, plant and equipment is managed and overseen by Health Administration Corporation
- The majority of capital commitments contracted but not provided for related to capital works overseen by the Health Administration Corporation.

43. Events after the reporting period

No other matters have arisen subsequent to balance date that would require these financial statements to be amended. COVID-19 had an impact on both the operational and financial position of NBMLHD. As at 30 June 2020, incremental costs of \$10.866 million and base (absorbed/redeployed) costs of \$5.483 million had been incurred. In addition to this \$5.261 million in impacted Own Source Revenue and \$1.498 million Capital Expenditure incurred were also experienced. Assessments of Asset/Liability revaluation impacts were also undertaken. At an operational level reduced activity compared to prior year was evidenced, noting increased costs were largely transferred into preparedness and testing.

END OF AUDITED FINANCIAL STATEMENTS