

Agency for Clinical Innovation (ACI)

Financial Statements

for the year ended 30 June 2016



INDEPENDENT AUDITOR'S REPORT

Agency for Clinical Innovation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Agency for Clinical Innovation (the Agency), which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows, and service group statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Agency and the consolidated entity. The consolidated entity comprises the Agency 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 Agency and the consolidated entity as at 30 June 2016, 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 *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 those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report.

I am independent of the Agency and the consolidated entity in accordance with the auditor independence requirements of:

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

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further 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, but precluding the provision of 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

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

The Board's Responsibility for the Financial Statements

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

In preparing the financial statements, the Board must assess the ability of the Agency and the consolidated entity to continue as a going concern unless operations will cease as a result of an administrative restructure. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility 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, and
- 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 further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Agency 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.



Renee Meimaroglou
Director, Financial Audit Services

23 September 2016
SYDNEY

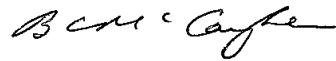
**Agency for Clinical Innovation
Certification of the Financial Statements
for the year ended 30 June 2016**

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

- 1) The financial statements of Agency for Clinical Innovation for the year ended 30 June 2016 have been prepared in accordance with:
 - a) Australian Accounting Standards (which include Australian Accounting Interpretations);
 - b) the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* and the Treasurer's Directions;
 - c) the Financial Reporting Code for NSW General Government Sector Entities.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of Agency for Clinical Innovation; and
- 3) I am not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Nigel Lyons
Chief Executive
23 September 2016



Professor Brian McCaughan
Chair - ACI Board
23 September 2016

Agency for Clinical Innovation
Statement of Financial Position as at 30 June 2016

PARENT							CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual		Notes	Actual	Adjusted Budget Unaudited	Actual		
2016 \$000	2016 \$000	2015 \$000			2016 \$000	2016 \$000	2015 \$000		
			ASSETS						
			Current Assets						
854	(543)	12,256		15	854	(543)	12,256		
420	507	508		16	420	507	508		
1,274	(36)	12,764			1,274	(36)	12,764		
			Non-Current Assets						
			Property, Plant & Equipment						
600	454	574		17	600	454	574		
195	345	134		17	195	345	134		
795	799	708			795	799	708		
795	799	708			795	799	708		
2,069	763	13,472			2,069	763	13,472		
			LIABILITIES						
			Current Liabilities						
2,405	2,519	2,804		19	2,405	2,519	2,804		
2,681	2,439	2,368		20	2,681	2,439	2,368		
10	----	----		21	10	----	----		
5,096	4,958	5,172			5,096	4,958	5,172		
			Non-Current Liabilities						
41	41	35		20	41	41	35		
41	41	35			41	41	35		
5,137	4,999	5,207			5,137	4,999	5,207		
(3,068)	(4,236)	8,265			(3,068)	(4,236)	8,265		
			Net Assets						
			EQUITY						
(3,068)	(4,236)	8,265			(3,068)	(4,236)	8,265		
(3,068)	(4,236)	8,265			(3,068)	(4,236)	8,265		

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation
Statement of Cash Flows for the year ended 30 June 2016

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2016	2016	2015		2016	2016	2015
\$000	\$000	\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
---	---	---	Employee Related	(17,409)	(18,862)	(16,218)
(2,500)	(3,723)	(3,740)	Grants and Subsidies	(2,500)	(3,723)	(3,740)
(29,948)	(29,540)	(25,802)	Other	(12,539)	(10,678)	(9,584)
<u>(32,448)</u>	<u>(33,263)</u>	<u>(29,542)</u>	Total Payments	<u>(32,448)</u>	<u>(33,263)</u>	<u>(29,542)</u>
Receipts						
18,816	18,816	29,990	NSW Ministry of Health Recurrent Allocations	18,816	18,816	29,990
85	85	88	NSW Ministry of Health Capital Allocations	85	85	88
335	335	385	Reimbursements from the Crown Entity	335	335	385
125	3	50	Sale of Goods and Services	125	3	50
4	---	420	Interest Received	4	---	420
487	109	625	Grants and Contributions	487	109	625
1,402	1,328	1,409	Other	1,402	1,328	1,409
<u>21,254</u>	<u>20,676</u>	<u>32,967</u>	Total Receipts	<u>21,254</u>	<u>20,676</u>	<u>32,967</u>
<u>(11,194)</u>	<u>(12,587)</u>	<u>3,425</u>	NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>24 (11,194)</u>	<u>(12,587)</u>	<u>3,425</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
20	---	55	Proceeds from Sale of Property, Plant & Equipment	20	---	55
---	---	6,000	Proceeds from Sale of Investments	---	---	6,000
(228)	(212)	(104)	Purchases of Property, Plant & Equipment	(228)	(212)	(104)
---	---	(6,000)	Purchases of Investments	---	---	(6,000)
<u>(208)</u>	<u>(212)</u>	<u>(49)</u>	NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(208)</u>	<u>(212)</u>	<u>(49)</u>
(11,402)	(12,799)	3,376	NET INCREASE / (DECREASE) IN CASH	(11,402)	(12,799)	3,376
12,256	12,256	8,880	Opening Cash and Cash Equivalents	15 12,256	12,256	8,880
<u>854</u>	<u>(543)</u>	<u>12,256</u>	CLOSING CASH AND CASH EQUIVALENTS	<u>15 854</u>	<u>(543)</u>	<u>12,256</u>

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation
Statement of Changes in Equity for the year ended 30 June 2016

PARENT AND CONSOLIDATION	Notes	Accumulated Funds	Total
		\$000	\$000
Total Equity at 1 July 2015		8,265	8,265
Total Comprehensive Income for the year		(11,333)	(11,333)
Balance at 30 June 2016		(3,068)	(3,068)
Total Equity at 1 July 2014		5,659	5,659
Total Comprehensive Income for the year		2,606	2,606
Balance at 30 June 2015		8,265	8,265

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation
Service Group Statements
for the year ended 30 June 2016

	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total		
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Expenses Excluding Losses																							
Operating Expenses																							
Employee Related	4,607	2,576	990	860	6,295	2,697	3,101	2,336	2,696	8,038	117	----	270	429	151	----	213	240	----	----	18,440	17,176	
Other Operating Expenses	3,164	3,002	760	567	3,494	1,620	1,786	769	1,379	2,938	76	----	186	156	167	----	399	101	----	----	11,411	9,153	
Depreciation and Amortisation	28	23	5	1	48	17	13	3	18	66	1	----	1	1	1	----	2	1	----	----	117	112	
Grants and Subsidies	678	1,257	84	----	968	206	259	89	221	1,847	9	----	21	----	14	----	27	27	----	----	2,281	3,426	
Total Expenses Excluding Losses	8,477	6,858	1,839	1,428	10,805	4,540	5,159	3,197	4,314	12,889	203	----	478	586	333	----	641	369	----	----	32,249	29,867	
Revenue																							
NSW Ministry of Health Recurrent Allocations **																					18,816	29,990	
NSW Ministry of Health Capital Allocations **																					85	88	
Acceptance by the Crown Entity of Employee Benefits	145	152	37	104	290	237	126	129	757	670	----	23	16	----	----	----	17	19	----	----	1,388	1,334	
Sale of Goods and Services	13	5	1	----	22	6	3	----	54	19	----	----	1	----	----	----	1	----	----	----	95	30	
Investment Revenue	----	63	----	14	1	118	----	67	3	152	----	----	----	3	----	----	----	3	----	----	4	420	
Grants and Contributions	48	77	5	----	133	164	18	305	278	79	----	----	2	----	----	----	3	----	----	----	487	625	
Other Revenue	6	----	----	----	5	----	35	2	6	2	----	----	----	----	----	----	(6)	----	----	----	46	4	
Total Revenue	212	297	43	118	451	525	182	503	1,098	922	----	23	19	3	----	----	15	22	18,901	30,078	20,921	32,491	
Gain / (Loss) on Disposal	(1)	(2)	----	(1)	(1)	(4)	(1)	(5)	(2)	(6)	----	----	----	----	----	----	----	----	----	----	(5)	(18)	
Other Gains / (Losses)	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	
Net Result	(8,266)	(6,563)	(1,796)	(1,311)	(10,355)	(4,019)	(4,978)	(2,699)	(3,218)	(11,973)	(203)	23	(459)	(583)	(333)	----	(626)	(347)	18,901	30,078	(11,333)	2,606	
Other Comprehensive Income																							
Net Increase/(Decrease) in PP&E Revaluation Surplus	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	
Total Other Comprehensive Income	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	
Total Comprehensive Income	(8,266)	(6,563)	(1,796)	(1,311)	(10,355)	(4,019)	(4,978)	(2,699)	(3,218)	(11,973)	(203)	23	(459)	(583)	(333)	----	(626)	(347)	18,901	30,078	(11,333)	2,606	

* The name and purpose of each service group is summarised in Note 14

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

Agency for Clinical Innovation
Service Group Statements (Continued)
for the year ended 30 June 2016

	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS																						
Current Assets																						
Cash and Cash Equivalents	224	2,814	49	587	286	1,863	137	1,312	114	5,289	5	----	13	240	9	----	17	151	----	----	854	12,256
Receivables	59	66	4	----	97	110	13	----	239	322	----	----	4	3	----	----	5	7	----	----	420	508
Total Current Assets	283	2,880	53	587	383	1,973	150	1,312	353	5,611	5	----	17	243	9	----	22	158	----	----	1,274	12,764
Non-Current Assets																						
Property, Plant and Equipment																						
- Plant and Equipment	149	119	24	6	245	88	69	14	93	338	3	----	6	4	4	----	8	4	----	----	600	574
- Leasehold Improvements	48	28	8	2	80	21	22	3	30	79	1	----	2	1	1	----	3	1	----	----	195	134
Total Non-Current Assets	197	147	32	8	325	109	91	17	123	417	4	----	8	5	5	----	11	5	----	----	795	708
TOTAL ASSETS	480	3,027	85	595	708	2,082	241	1,329	476	6,028	9	----	25	248	14	----	33	163	----	----	2,069	13,472
LIABILITIES																						
Current Liabilities																						
Payables	668	920	160	173	736	496	376	236	291	900	16	----	39	48	35	----	84	31	----	----	2,405	2,804
Provisions	670	355	144	119	915	372	451	322	392	1,108	17	----	39	59	22	----	31	33	----	----	2,681	2,368
Other	3	----	1	----	3	----	2	----	1	----	----	----	----	----	----	----	----	----	----	----	10	----
Total Current Liabilities	1,341	1,275	305	292	1,654	868	829	558	684	2,008	33	----	78	107	57	----	115	64	----	----	5,096	5,172
Non-Current Liabilities																						
Provisions	11	5	2	3	14	5	7	5	6	16	----	----	1	1	----	----	----	----	----	----	41	35
Total Non-Current Liabilities	11	5	2	3	14	5	7	5	6	16	----	----	1	1	----	----	----	----	----	----	41	35
TOTAL LIABILITIES	1,352	1,280	307	295	1,668	873	836	563	690	2,024	33	----	79	108	57	----	115	64	----	----	5,137	5,207
NET ASSETS	(872)	1,747	(222)	300	(960)	1,209	(595)	766	(214)	4,004	(24)	----	(54)	140	(43)	----	(82)	99	----	----	(3,068)	8,265

* The name and purpose of each service group is summarised in Note 14

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

a) The Reporting Entity

Agency for Clinical Innovation (ACI) was established under the provisions of the Health Services Act 1997 with effect from 1 January 2011.

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

- * The parent entity, comprises all the operating activities of the Agency for Clinical Innovation.
- * Agency for Clinical Innovation Special Purpose Service Entity which was established as a Division of ACI on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable ACI to exercise its functions.

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

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

These consolidated financial statements for the year ended 30 June 2016 have been authorised for issue by the Chief Executive on 23 September 2016.

b) Basis of Preparation

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

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

The Secretary of Health, the Chair of Agency for Clinical Innovation Board and the Chief Executive, expect to have a signed Service Agreement in October 2016. The service agreement will set out the level of financial resources for public health services under ACI's control and the source of these funds. By agreement, the service agreement will require local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where ACI fails to meet service agreement performance standards, the Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the Ministry.

Other mitigating circumstances why the going concern is appropriate include:

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

Property, plant and equipment, assets (or disposal groups) held for sale and financial assets at 'fair value through profit and loss' and available for sale 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.

c) Comparative Information

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

d) Statement of Compliance

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

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

e) Employee Benefits and Other Provisions

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

Actuarial advice obtained by Treasury has confirmed that the annual leave on annual leave liability can be used to approximate the present value of the annual leave liability. On-costs of 15.3% are applied to the value of leave payable at 30 June 2016 (comparable on-costs for 30 June 2015 were 15.3%). ACI has assessed the actuarial advice based on the ACI's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

ii) Long Service Leave and Superannuation

ACI's liability for Long Service Leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity.

ACI 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'.

Long Service Leave is measured at present value in accordance with AASB 119, Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 15/09) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the reporting period 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 employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

iii) Consequential On-Costs

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

iv) Other Provisions

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

f) Insurance

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

g) Finance Costs

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

h) Income Recognition

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

Sale of Goods

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

Rendering of Services

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

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

Investment Revenue

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

Dividend revenue is recognised in accordance with AASB 118 Revenue, when ACI's right to receive payment is established.

Grants and Contributions

Grants and contributions are recognised as revenues when ACI obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

NSW Ministry of Health Allocations

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

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

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

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

- * amount of GST incurred by ACI 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.

j) Acquisition of Assets

Assets acquired are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer Note 1(v)).

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

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

k) Capitalisation Thresholds

Individual items of Property, Plant & Equipment are capitalised where their cost is \$10,000 or above.

l) 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 ACI. Land is not a depreciable asset. All material separately identifiable components of assets are depreciated over their shorter useful lives.

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

	2016	2015
Computer Equipment	20.0%	20.0%
Motor Vehicle Sedans	12.5%	12.5%
Office Equipment	10.0%	10.0%
Plant and Machinery	10.0%	10.0%
Furniture, Fittings and Furnishings	5.0%	5.0%

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

1. Summary of Significant Accounting Policies

m) Revaluation of Non-Current Assets

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

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

n) Impairment of Property, Plant and Equipment

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

o) Maintenance

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

p) Leased Assets

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

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

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

q) Loans and Receivables

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

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

r) Impairment of financial assets

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

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

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the net result for the year, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as "available for sale", must be made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

s) De-recognition of financial assets and financial liabilities

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

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

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

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

t) Payables

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

1. Summary of Significant Accounting Policies

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 ACI.

u) Fair Value Hierarchy

A number of ACI'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, ACI categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

* Level 1 - quoted prices in active markets for identical assets / liabilities that the entity can access at the measurement date.

* Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

* Level 3 – inputs that are not based on observable market data (unobservable inputs).

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

Refer to Note 26 for further disclosures regarding fair value measurements of financial and non-financial assets.

For non-specialised assets with short useful lives, AASB 13 allows recognition at depreciated historical cost as an acceptable surrogate for fair value as differences are considered immaterial. Thus the values for Plant & Equipment and Leasehold Improvements are not required to be reported under the fair value hierarchy.

v) Equity Transfers

The transfer of net assets between entity is as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector entities is designated or required by Accounting Standards to be treated as contributions by owners and is recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004, Contributions and Australian 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, the agency recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the entity does not recognise that asset.

w) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

x) Adjusted Budgeted Amounts

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

y) Service Group Statements Allocation Methodology

Service group definitions are based and allocated on methodology determined by the Independent Hospital Pricing Authority, refer note 14.

Income and expenses are allocated to service groups using statistical data for the twelve months ending 30 June 2015, then adjusted for any material change in service delivery or funding distribution occurring in the 2015-16 financial year.

In respect of assets and liabilities the Ministry requires ACI take action to identify those components that can be specifically identified and reported by service groups.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

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

(i) Effective for the first time in 2015-16

The accounting policies applied in 2015-16 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:

The early adoption of AASB 2015-7, Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities. The standard allows for exemption from making certain Level 3 'Fair Value Measurement' disclosures held primarily for current service potential rather than the generation of future net cash inflows.

(ii) Issued but not yet effective

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

AASB 16, Leases will have application from 1 January 2019. The standard introduces a new approach to lease accounting that requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. We believe that the application of this standard will likely have a significant transitional impact as a result of all leases, except short term (<12 months) and low value, brought on balance sheet.

AASB 15, AASB 2014-5, AASB 2015-8 and AASB 2016-3, Revenue from Contracts with Customers, has application from 1 January 2018. We believe this standard will impact on the timing recognition of certain revenues given the core principle of the new standard requires revenue to be recognised when the goods or services are transferred to the customer at the transaction price (as opposed to stage of completion of the transaction). The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

AASB 2015-6, Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049], has application from 1 July 2016. Based on preliminary evaluation, this standard is likely to increase disclosures to the financial statements relating to related party transactions, outstanding balances and Key Management Personnel remuneration.

AASB 2014-7, Amendments to various Australian Accounting Standards as a result of the changes from AASB 9 (December 2014) and will have application from 1 January 2018 and comprises changes to improve and simplify the approach for classification and measurement of financial assets. The new AASB 9 includes revised guidance on the classification and measurement of financial assets and supersedes AASB 9 (December 2009) and AASB 9 (December 2010). The change is not expected to materially impact the financial statements.

AASB 2016-2, Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107, will apply from 1 January 2017. The standard amends AASB 107 to require additional disclosures regarding financing activities in the Statement of Cash Flows. The change is not expected to materially impact the financial statements.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
2. Employee Related				
----	----	Salaries and Wages (including annual leave)	15,707	14,235
----	----	Superannuation - Defined Benefit Plans	179	170
----	----	Superannuation - Defined Contribution Plans	1,216	1,101
----	----	Long Service Leave	1,286	1,240
----	----	Redundancies	----	288
----	----	Workers' Compensation Insurance	47	58
----	----	Fringe Benefits Tax	5	84
----	----	Other Staff Related	----	----
----	----		18,440	17,176
3. Personnel Services				
15,707	14,235	Salaries and Wages	----	----
----	----	Superannuation - Defined Benefit Plans	----	----
1,216	1,101	Superannuation - Defined Contribution Plans	----	----
77	76	Long Service Leave	----	----
----	288	Redundancies	----	----
47	58	Workers' Compensation Insurance	----	----
5	84	Fringe Benefits Tax	----	----
----	----	Other Staff Related	----	----
17,052	15,842		----	----
4. Other Operating Expenses				
10	1	Advertising	10	1
64	14	Auditor's Remuneration - Audit of Financial Statements	64	14
281	596	Consultancies	281	596
----	15	Contractors	----	15
11	8	Domestic Supplies and Services	11	8
192	179	Food Supplies	192	179
16	21	Fuel, Light and Power	16	21
1,583	433	Information Management Expenses	1,583	433
11	11	Insurance	11	11
422	153	Maintenance (See 4(b) below)	422	153
29	28	Medical and Surgical Supplies	29	28
65	68	Motor Vehicle Expenses	65	68
127	123	Postal and Telephone Costs	127	123
269	227	Printing and Stationery	269	227
987	860	Rental	987	860
29	----	Hosted Services Purchased from Other NSW Health Entities	29	----
698	706	Staff Related Costs	698	706
1,364	1,084	Travel Related Costs	1,364	1,084
5,253	4,626	Other (See 4(a) below)	5,253	4,626
11,411	9,153		11,411	9,153

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
4. Other Operating Expenses				
a) Other Includes:				
238	123	Corporate Support Services	238	123
20	4	Courier and Freight	20	4
6	7	Legal Services	6	7
222	167	Membership/Professional Fees	222	167
3,899	3,330	Other Management Services	3,899	3,330
3	3	Security Services	3	3
865	992	Other Miscellaneous	865	992
<u>5,253</u>	<u>4,626</u>		<u>5,253</u>	<u>4,626</u>
b) Reconciliation of Total Maintenance				
12	16	Maintenance Contracts	12	16
375	108	New/Replacement Equipment under \$10,000	375	108
35	29	Repairs Maintenance/Non Contract	35	29
<u>422</u>	<u>153</u>		<u>422</u>	<u>153</u>

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
5. Depreciation and Amortisation				
86	84	Depreciation - Plant and Equipment	86	84
31	28	Amortisation - Leasehold Improvements	31	28
117	112		117	112
6. Grants and Subsidies				
40	70	Non-Government Organisations	40	70
230	343	Grants to Research Organisations	230	343
----	(66)	NSW Government Sector Grants	----	(66)
1,652	2,540	Grants to Other NSW Health Entities	1,652	2,540
359	539	Other Grants	359	539
2,281	3,426		2,281	3,426

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
7. Sale of Goods and Services				
a) Rendering of Services comprise the following:-				
3	2	Car Parking	3	2
56	22	Private Use of Motor Vehicles	56	22
7	6	Salary Packaging Fee	7	6
29	-----	Other	29	-----
<hr/> 95 <hr/>	<hr/> 30 <hr/>		<hr/> 95 <hr/>	<hr/> 30 <hr/>
8. Investment Revenue				
4	420	Interest	4	420
<hr/> 4 <hr/>	<hr/> 420 <hr/>		<hr/> 4 <hr/>	<hr/> 420 <hr/>

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
9. Grants and Contributions				
82	143	Commonwealth Government Grants	82	143
315	131	NSW Government Grants	315	131
----	30	Grants from Other NSW Health Entities	----	30
90	321	Other Grants	90	321
<u>487</u>	<u>625</u>		<u>487</u>	<u>625</u>
10. Acceptance by the Crown Entity of Employee Benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
----	----	Superannuation-defined benefit	179	169
----	----	Long Service Leave	1,209	1,165
<u>-----</u>	<u>-----</u>		<u>1,388</u>	<u>1,334</u>
11. Other Revenue				
46	4	Conference and Training Fees	46	4
<u>46</u>	<u>4</u>		<u>46</u>	<u>4</u>

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
		12. Gain / (Loss) on Disposal		
47	101	Property, Plant and Equipment	47	101
(22)	(27)	Accumulated Depreciation	(22)	(27)
<u>25</u>	<u>74</u>	Written Down Value	<u>25</u>	<u>74</u>
20	56	Proceeds from Disposal	20	56
<u>(5)</u>	<u>(18)</u>	Total Gain/(Loss) on Disposal	<u>(5)</u>	<u>(18)</u>

Agency for Clinical Innovation
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PARENT & CONSOLIDATION

13. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at reporting date	----	----	8	8
Contributions recognised in previous years which were not expended in the current reporting period	----	----	92	92
Total amount of unexpended contributions as at reporting date	----	----	100	100

Comment on restricted assets appears in Note 18

14. Service Groups of the ACI

Service Group 1.1 - Primary and Community Based Services

Service Description: This service group covers the provision of health services for persons attending community health centres or in the home, including health promotion activities, women's health, dental, drug and alcohol and HIV/AIDS services. It also covers co-ordination of domestic violence and sexual assault prevention. Grants to non-government organisations are also included.

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

- improved access to early intervention, assessment, therapy and treatment services for claims in a home or community setting
- reduced rate of avoidable hospital admissions for conditions identified in the State Plan that can be appropriately treated in the community and
- reduced rate of hospitalisation from fall-related injury for people aged 65 years and over.

Service Group 1.2 - Aboriginal Health Services

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

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

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

Service Group 1.3 - Outpatient Services

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

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

Service Group 2.1 - Emergency Services

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

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

Service Group 2.2 - Inpatient Hospital Services

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

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

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

14. Service Groups of the ACI

Service Group 3.1 - Mental Health Services

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

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

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

Service Group 4.1 - Rehabilitation and Extended Care Services

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

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

Service Group 5.1 - Population Health Services

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

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

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

Service Group 6.1 - Teaching and Research

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

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

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

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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
15. Cash and Cash Equivalents				
854	6,256	Cash at Bank and On Hand	854	6,256
-----	6,000	Short Term Deposits	-----	6,000
<u>854</u>	<u>12,256</u>		<u>854</u>	<u>12,256</u>
<p>For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.</p> <p>Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p>				
854	12,256	Cash and Cash Equivalents (per Statement of Financial Position)	854	12,256
<u>854</u>	<u>12,256</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>854</u>	<u>12,256</u>

Refer to Note 26 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Agency for Clinical Innovation
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		16. Receivables		
		Current		
16	23	Sale of Goods and Services	16	23
154	183	Intra Health Receivables	154	183
199	256	Goods and Services Tax	199	256
2	23	Other Debtors	2	23
<u>371</u>	<u>485</u>	Sub Total	<u>371</u>	<u>485</u>
-----	-----	Less Allowance for Impairment	-----	-----
371	485	Sub Total	371	485
49	23	Prepayments	49	23
<u><u>420</u></u>	<u><u>508</u></u>		<u><u>420</u></u>	<u><u>508</u></u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 26.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
17. Property, Plant and Equipment				
Plant and Equipment - Fair Value*				
885	795	Gross Carrying Amount	885	795
285	221	Less: Accumulated Depreciation and Impairment	285	221
<u>600</u>	<u>574</u>	Net Carrying Amount	<u>600</u>	<u>574</u>
Leasehold Improvements - Fair Value*				
290	198	Gross Carrying Amount	290	198
95	64	Less: Accumulated Depreciation and Impairment	95	64
<u>195</u>	<u>134</u>	Net Carrying Amount	<u>195</u>	<u>134</u>
<u>795</u>	<u>708</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>795</u>	<u>708</u>

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

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
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PARENT & CONSOLIDATION

17. Property, Plant and Equipment - Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2016						
Net carrying amount at start of year	----	----	574	----	134	708
Additions	----	----	137	----	92	229
Reclassifications to Intangibles	----	----	----	----	----	----
Recognition of Assets Held for Sale	----	----	----	----	----	----
Disposals	----	----	(25)	----	----	(25)
Administrative Restructures - Transfers In/(Out)	----	----	----	----	----	----
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	----	----	----	----
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	----	----	----	----	----	----
Impairment Losses (Recognised in "Other Gains/Losses)	----	----	----	----	----	----
Depreciation Expense	----	----	(86)	----	(31)	(117)
Reclassifications	----	----	----	----	----	----
Net carrying amount at end of year	0	0	600	0	195	795

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2015						
Net carrying amount at start of year	----	----	607	----	183	790
Additions	----	----	104	----	----	104
Reclassifications to Intangibles	----	----	----	----	----	----
Recognition of Assets Held for Sale	----	----	----	----	----	----
Disposals	----	----	(74)	----	----	(74)
Administrative Restructures - Transfers In/(Out)	----	----	----	----	----	----
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	----	----	----	----
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	----	----	----	----	----	----
Impairment Losses (Recognised in "Other Gains/Losses)	----	----	----	----	----	----
Depreciation Expense	----	----	(84)	----	(28)	(112)
Reclassifications	----	----	21	----	(21)	----
Net carrying amount at end of year	0	0	574	0	134	708

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PARENT

CONSOLIDATION

2016
\$000

2015
\$000

2016
\$000

2015
\$000

18. Restricted Assets

ACI's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.

		Category		
----	39	Specific Purposes - Burns Network	----	39
----	78	Specific Purposes - Spinal Cord Injury Network	----	78
----	37	Specific Purposes - ICCMU Network	----	37
92	----	ACI Education/Conferences	92	----
8	----	ACI Brain Injury - Practice Guidelines	8	----
<u>100</u>	<u>154</u>		<u>100</u>	<u>154</u>

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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
		19. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	151	517
----	----	Taxation and Payroll Deductions	205	64
356	581	Accrued Liability - Purchase of Personnel Services	----	----
326	30	Creditors	326	30
		Other Creditors		
1,157	1,438	- Intra Health Liability	1,157	1,438
566	755	- Other	566	755
----	----	- Goods and Services Tax	----	----
2,405	2,804		2,405	2,804

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 26.

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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
20. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	1,333	1,159
----	----	Annual Leave - Long Term Benefit	874	806
----	----	Long Service Leave Consequential On-Costs	474	403
2,681	2,368	Provision for Personnel Services Liability	----	----
<u>2,681</u>	<u>2,368</u>		<u>2,681</u>	<u>2,368</u>
Non-Current				
----	----	Long Service Leave Consequential On-Costs	41	35
41	35	Provision for Personnel Services Liability	----	----
<u>41</u>	<u>35</u>		<u>41</u>	<u>35</u>
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	2,681	2,368
----	----	Provisions - Non-Current	41	35
----	----	Accrued Salaries, Wages and On-Costs (Note 19)	356	581
3,078	2,984	Liability - Purchase of Personnel Services	----	----
<u>3,078</u>	<u>2,984</u>		<u>3,078</u>	<u>2,984</u>
21. Other Liabilities				
Current				
10	----	Income in Advance	10	----
<u>10</u>	<u>----</u>		<u>10</u>	<u>----</u>

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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
22. Commitments for Expenditure				
a) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
1,088	1,136	Not later than one year	1,088	1,136
2,306	3,696	Later than one year and not later than five years	2,306	3,696
-----	-----	Later than five years	-----	-----
<u>3,394</u>	<u>4,832</u>	Total Operating Lease Commitments (Including GST)	<u>3,394</u>	<u>4,832</u>

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23. Contingent Liabilities and Assets

a) Workers Compensation Hindsight Adjustment

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2010/11 fund year and an interim adjustment for the 2012/13 fund year were not calculated until 2015/16.

As a result, the 2011/12 final and 2013/14 adjustments pertaining to the hospitals and community services now forming part of ACI will be paid in 2016/17. It is not possible for ACI to reliably quantify the benefit to be received or amount payable.

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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
24. Reconciliation of Cash Flows from Operating Activities to Net Result				
(11,194)	3,425	Net Cash Flows from Operating Activities	(11,194)	3,425
(117)	(112)	Depreciation and Amortisation	(117)	(112)
(10)	----	(Increase)/ Decrease Income in Advance	(10)	----
(319)	(121)	(Increase)/ Decrease in Provisions	(319)	(121)
(84)	(425)	Increase / (Decrease) in Prepayments and Other Assets	(84)	(425)
396	(143)	(Increase)/ Decrease in Payables from Operating Activities	396	(143)
(5)	(18)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(5)	(18)
<u>(11,333)</u>	<u>2,606</u>	Net Result	<u>(11,333)</u>	<u>2,606</u>

NSW Treasury Circular 15-01 Cash Management – Expanding the Scope of the Treasury Management System requires that non-restricted cash and cash equivalents in excess of a readily assessable short term level, be held within the Treasury Banking System. In the 2016 financial year ACI was required to reduce its excess opening cash balance of \$12 million with a concurrent reduction in health recurrent allocations revenue. ACI has internal processes to estimate its forward cash inflows (including subsidy) and outflows requirements so that it can service its liabilities as and when they fall due.

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25. Adjusted Budget Review - Parent and Consolidated

In 2015/16 ACI achieved a \$1.2m favourable result. Details listed below.

Net Result

The Net Result (\$11.3m) was \$1.2m favourable to budget, primarily in Employee Related Expenses (ERE) and Grant Expenses. Delays in recruiting staff across various projects and delays in acceptance of grants and implementation support for LHD resulted in these variances.

Assets and Liabilities

As mentioned in Note 23, in the 2016 financial year ACI was required to reduce its excess opening cash balance of \$12 million with a concurrent reduction in health recurrent allocations revenue.

Cash Flows

In 2016 financial year, ACI utilised the available cash balance of \$12m and withdrew \$700K from the subsidy. As at 30 June 2016, ACI's cash at bank was \$756K. ACI has internal processes to monitor the cash position and to draw cash from the subsidy.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2015 are as follows:

	\$000
Initial Allocation	16,753
Award Increases	431
Special Projects (SB16-013 PRMs & Risk Stratification, SB16-080 Integrated Care Capability Prog, SB16-024 Innovation Exchange ARCHI)	1,632
	<hr/>
Balance as per Statement of Comprehensive Income	<u>18,816</u>

Agency for Clinical Innovation
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26. Financial Instruments

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

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

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

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount 2016 \$000	Carrying Amount 2015 \$000
Cash and Cash Equivalents (note 15)	N/A	854	12,256
Receivables (note 16)*	Loans and receivables (at amortised cost)	172	229
		<u>1,026</u>	<u>12,485</u>
Financial Liabilities			
Payables (note 19)**	Financial liabilities measured at amortised cost	2,200	2,740
		<u>2,200</u>	<u>2,740</u>

Notes

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

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

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26. Financial Instruments

(b) Credit Risk

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

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

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

Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 2.60% in 2015/16 compared to 2.85% in the previous year.

Receivables - trade debtors

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

ACI is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2016: \$167K; 2015: \$174K) and not more than 3 months past due (2016: \$0; 2015: \$14K) are not considered impaired. Together these represent 100% of the total trade debtors.

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

	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
2016			
<3 months overdue	----	----	----
3 months - 6 months overdue	----	----	----
> 6 months overdue	----	----	----
2015			
<3 months overdue	14	14	----
3 months - 6 months overdue	----	----	----
> 6 months overdue	15	15	----

Notes

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

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables total recognised in the statement of financial position.

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26. Financial Instruments

(c) Liquidity Risk

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

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

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

ACI 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 ACI fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 1).

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

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

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

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26. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure				Maturity Dates			
	Weighted Average Effective Interest Rate	Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
2016								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		151	----	----	151	151	----	----
- Creditors		2,049	----	----	2,049	2,049	----	----
		<u>2,200</u>	----	----	<u>2,200</u>	<u>2,200</u>	----	----
2015								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		517	----	----	517	517	----	----
- Creditors		2,223	----	----	2,223	2,223	----	----
		<u>2,740</u>	----	----	<u>2,740</u>	<u>2,740</u>	----	----

Notes:

1 The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which ACI 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.

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26. Financial Instruments

(d) Market Risk

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which ACI operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2015. The analysis assumes that all other variables remain constant.

Interest rate risk

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

However, ACI 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. ACI does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change of interest rates would not affect profit or loss or equity.

A reasonably possible change of +/-1% is used consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

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

	Carrying Amount \$000	-1% Net Result	Equity	+1% Net Result	Equity
2016					
Financial Assets					
Cash and Cash Equivalents	854	(9)	(9)	9	9
Receivables	172	----	----	----	----
Financial Liabilities					
Payables	2,200	----	----	----	----
Other	----	----	----	----	----
2015					
Financial Assets					
Cash and Cash Equivalents	12,256	(123)	(123)	123	123
Receivables	229	----	----	----	----
Financial Liabilities					
Payables	2,740	----	----	----	----
Other	----	----	----	----	----

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27. Events after the Reporting Period

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

END OF AUDITED FINANCIAL STATEMENTS