



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 Agency for Clinical Innovation (the Agency), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, 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.

In my opinion, the financial statements:

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

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 Agency 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 adjustment budget information detailed in Note 29. 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.

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

In preparing the financial statements, the Chief Executive is responsible for assessing the Agency's ability 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.

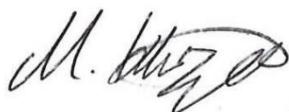
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

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/ar6.pdf. The description forms part of my auditor's report.

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

- that the Agency carried out its 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.



Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 September 2022
SYDNEY

Agency for Clinical Innovation

Statement by the Accountable Authority

for the year ended 30 June 2022



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

1. The financial statements of the Agency for Clinical Innovation for the year ended 30 June 2022 have been prepared in accordance with:
 - a. Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
 - b. applicable requirements of the GSF Act, the *Government Sector Finance Regulation 2018*; and
 - c. Treasurer's Directions issued under the GSF Act.
2. The financial statements present fairly the Agency for Clinical Innovation's financial position as at 30 June 2022 and the financial performance and cash flows for the year then ended; and
3. We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

A handwritten signature in black ink, appearing to read "Jean-Frederic Levesque".

Jean-Frederic Levesque
Chief Executive
27 September 2022

A handwritten signature in black ink, appearing to read "Professor Andrew Wilson".

Professor Andrew Wilson
Board Chair
27 September 2022

Agency for Clinical Innovation

Statement of Comprehensive Income for the year ended 30 June 2022

| | Notes | Consolidated Actual 2022 \$000 | Consolidated Budget ¹ 2022 \$000 | Consolidated Actual 2021 \$000 | Parent Actual 2022 \$000 | Parent Actual 2021 \$000 |
|---|-----------|---|--|---|-----------------------------------|-----------------------------------|
| Continuing operations | | | | | | |
| Expenses excluding losses | | | | | | |
| Employee related expenses | 2 | 29,075 | 28,985 | 27,895 | - | - |
| Personnel services | 3 | - | - | - | 28,662 | 27,506 |
| Other expenses | 4 | 7,266 | 7,007 | 8,063 | 7,266 | 8,063 |
| Depreciation and amortisation | 5 | 39 | 40 | 64 | 39 | 64 |
| Grants and subsidies | 6 | 713 | 626 | 2,530 | 713 | 2,530 |
| Finance costs | 7 | - | 18 | 1 | - | 1 |
| Total expenses excluding losses | | 37,093 | 36,676 | 38,553 | 36,680 | 38,164 |
| Revenue | | | | | | |
| Ministry of Health recurrent allocations | 10 | 35,022 | 34,662 | 33,192 | 35,022 | 33,192 |
| Acceptance by the Crown ² of employee benefits | 14 | 413 | 394 | 388 | - | - |
| Sale of goods and services from contracts with customers | 11 | 11 | 53 | 13 | 11 | 13 |
| Investment revenue | 12 | 7 | - | 8 | 7 | 8 |
| Grants and other contributions | 13 | 878 | 941 | 1,623 | 878 | 1,623 |
| Other income | 15 | 12 | 3 | 1,987 | 12 | 1,987 |
| Total revenue | | 36,343 | 36,053 | 37,211 | 35,930 | 36,823 |
| Operating result | | (750) | (623) | (1,342) | (750) | (1,341) |
| Gains / (losses) on disposal | 16 | 9 | - | 16 | 9 | 16 |
| Impairment losses on financial assets | 20 | - | - | (3) | - | (3) |
| Other gains / (losses) | 17 | (3) | - | - | (3) | - |
| Revenue | 30 | (744) | (623) | (1,329) | (744) | (1,328) |
| TOTAL COMPREHENSIVE INCOME | | (744) | (623) | (1,329) | (744) | (1,328) |

¹ Unaudited adjusted budget, see Note 29.

² Crown represents 'The Crown in right of the State of New South Wales'

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation

Statement of Financial Position as at 30 June 2022

| | Notes | Consolidated Actual 2022 \$000 | Consolidated Budget ¹ 2022 \$000 | Consolidated Actual 2021 \$000 | Parent Actual 2022 \$000 | Parent Actual 2021 \$000 |
|--------------------------------------|-------|---|--|---|-----------------------------------|-----------------------------------|
| ASSETS | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | 19 | 610 | 964 | 965 | 610 | 965 |
| Receivables | 20 | 316 | 871 | 871 | 316 | 871 |
| Total current assets | | 926 | 1,835 | 1,836 | 926 | 1,836 |
| Non-current assets | | | | | | |
| - Land and buildings | | - | 6 | 16 | - | 16 |
| - Plant and equipment | 21 | 13 | 13 | 24 | 13 | 24 |
| Total property, plant & equipment | | 13 | 19 | 40 | 13 | 40 |
| Right-of-use assets | 22 | - | - | 19 | - | 19 |
| Total non-current assets | | 13 | 19 | 59 | 13 | 59 |
| Total assets | | 939 | 1,854 | 1,895 | 939 | 1,895 |
| LIABILITIES | | | | | | |
| Current liabilities | | | | | | |
| Payables | 24 | 1,500 | 2,181 | 2,130 | 1,500 | 2,130 |
| Contract liabilities | 25 | 545 | 654 | 654 | 545 | 654 |
| Borrowings | 26 | 1 | - | 29 | 1 | 29 |
| Provisions | 27 | 4,707 | 4,915 | 4,150 | 4,707 | 4,150 |
| Total current liabilities | | 6,753 | 7,750 | 6,963 | 6,753 | 6,963 |
| Non-current liabilities | | | | | | |
| Provisions | 27 | 82 | 82 | 84 | 82 | 84 |
| Total non-current liabilities | | 82 | 82 | 84 | 82 | 84 |
| Total liabilities | | 6,835 | 7,832 | 7,047 | 6,835 | 7,047 |
| Net assets/ (Liabilities) | | (5,896) | (5,978) | (5,152) | (5,896) | (5,152) |
| EQUITY | | | | | | |
| Accumulated funds | | (5,896) | (5,978) | (5,152) | (5,896) | (5,152) |
| Total Equity | | (5,896) | (5,978) | (5,152) | (5,896) | (5,152) |

¹ Unaudited adjusted budget, see Note 29.

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation

Statement of Changes in Equity for the year ended 30 June 2022

PARENT AND CONSOLIDATION

| | Accumulated Funds | Total |
|--------------------------------|--------------------------|----------------|
| | \$000 | \$000 |
| Balance at 1 July 2021 | (5,152) | (5,152) |
| Net result for the year | (744) | (744) |
| Balance at 30 June 2022 | (5,896) | (5,896) |

| | Accumulated Funds | Total |
|--------------------------------|--------------------------|----------------|
| | \$000 | \$000 |
| Balance at 1 July 2020 | (3,823) | (3,823) |
| Net result for the year | (1,329) | (1,329) |
| Balance at 30 June 2021 | (5,152) | (5,152) |

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation

Statement of Cash Flows for the year ended 30 June 2022

| | Notes | Consolidated Actual 2022 \$000 | Consolidated Budget ¹ 2022 \$000 | Consolidated Actual 2021 \$000 | Parent Actual 2022 \$000 | Parent Actual 2021 \$000 |
|---|-------|---|--|---|-----------------------------------|-----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Payments | | | | | | |
| Employee related | | (28,574) | (28,563) | (27,099) | - | - |
| Suppliers for goods and services | | (7,948) | (7,506) | (8,826) | (7,948) | (8,826) |
| Grants and subsidies | | (715) | (628) | (2,803) | (715) | (2,803) |
| Finance costs | | - | (18) | (1) | - | (1) |
| Personnel services | | - | - | - | (28,574) | (27,099) |
| Total payments | | (37,237) | (36,715) | (38,729) | (37,237) | (38,729) |
| Receipts | | | | | | |
| Ministry of Health recurrent allocations | | 35,022 | 34,662 | 33,191 | 35,022 | 33,191 |
| Reimbursements from the Crown ² | | 426 | 426 | 150 | 426 | 150 |
| Sale of goods and services | | 29 | 54 | 618 | 29 | 618 |
| Interest received | | 7 | - | 8 | 7 | 8 |
| Grants and other contributions | | 866 | 1,039 | 1,263 | 866 | 1,263 |
| Other | | 544 | 561 | 2,968 | 544 | 2,968 |
| Total receipts | | 36,894 | 36,742 | 38,198 | 36,894 | 38,198 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| | 30 | (343) | 27 | (531) | (343) | (531) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Proceeds from sale of property, plant and equipment | | 16 | - | 45 | 16 | 45 |
| Purchases of property, plant and equipment | | - | 12 | - | - | - |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | 16 | 12 | 45 | 16 | 45 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| Payment of principal portion of lease liabilities | | (28) | (40) | (29) | (28) | (29) |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | (28) | (40) | (29) | (28) | (29) |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | | | |
| Opening cash and cash equivalents | 19 | (355) | (1) | (515) | (355) | (515) |
| CLOSING CASH AND CASH EQUIVALENTS | 19 | 965 | 965 | 1,480 | 965 | 1,480 |
| | | 610 | 964 | 965 | 610 | 965 |

¹ Unaudited adjusted budget, see Note 29.

² Crown represents 'The Crown in right of the State of New South Wales'

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

1. Statement of Significant Accounting Policies

a) Reporting entity

The Agency for Clinical Innovation (the ACI) was established under the provisions of the Health Services Act 1997 with effect from 11 January 2010.

The ACI is a NSW Government entity and is controlled by the 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) and it has no cash generating units.

The 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
- * The Agency for Clinical Innovation Special Purpose Service Entity, which was established as a Division of the ACI on 11 January 2010 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the ACI 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 2022 have been authorised for issue by the Chief Executive on 27 September 2022.

b) Basis of preparation

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

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

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

The 2022-23 Ministry of Health budget included over \$33.5 billion in expense and capital for the NSW Health Cluster. Appropriation revenue of \$18.7 billion was enshrined in legislation on 21 June 2022 in Part 2, Division 4 and Part 3 of the *Appropriation (Parliament) Bill 2022*.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

1. Statement of Significant Accounting Policies

The ACI has received an additional \$1.55 million (2021: \$0.42 million) through Ministry of Health allocations as financial support for COVID-19 activity, see Note 10.

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

The ACI's Statement of Financial Position presents a negative equity position mainly resulting from the accumulation of non-cash expenses with no revenue or funding source. However, this treatment, which aligns with NSW Treasury arrangement and directions on Cash buffers, does not impact the ACI as a going concern.

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

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

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

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

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

c) 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 2022

1. Statement of Significant Accounting Policies

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

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

- * amount of GST incurred by the 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.

e) Comparative Information

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

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

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

(i) Effective for the first time in 2021-22

The accounting policies applied in 2021-22 are consistent with those of the previous financial year.

Several amendments and interpretations apply for the first time in 2021-22, but do not have an impact on the financial statements of the ACI.

(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 ACI, has assessed the potential impact of the new standards and interpretations issued but not yet effective and have determined they are unlikely to have a material impact on the financial statements of the ACI.

g) Impact of COVID-19 on Financial Reporting for 2021-22

The COVID-19 pandemic has resulted in significant changes in the ACI's activity and in the way services are being delivered. The pandemic has also impacted financial reporting in 2021-22 and increased disclosures are presented in the following

- * Note 1b) Basis of preparation
- * Note 10 Ministry of Health allocations

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

2. Employee related expenses

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Salaries and wages (including annual leave and allocated days off) | 26,154 | 25,050 | - | - |
| Superannuation - defined benefit plans | 136 | 115 | - | - |
| Superannuation - defined contribution plans | 2,310 | 2,068 | - | - |
| Long service leave | 257 | 517 | - | - |
| Redundancies | 131 | 69 | - | - |
| Workers' compensation insurance | 86 | 74 | - | - |
| Fringe benefits tax | 1 | 2 | - | - |
| | 29,075 | 27,895 | | |

Refer to Note 27 for further details on recognition and measurement of employee related expenses.

The long service leave in 2022 and 2021 was impacted by significant changes in actuarial factors decreasing the employee benefit liabilities assumed by the Crown.

3. Personnel services

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Salaries and wages (including annual leave and allocated days off) | - | - | 26,154 | 25,050 |
| Superannuation - defined contribution plans | - | - | 2,310 | 2,068 |
| Long service leave | - | - | (20) | 243 |
| Redundancies | - | - | 131 | 69 |
| Workers' compensation insurance | - | - | 86 | 74 |
| Fringe benefits tax | - | - | 1 | 2 |
| | - | - | 28,662 | 27,506 |

Personnel services of Agency for Clinical Innovation were provided by its controlled entity, Agency for Clinical Innovation Special Purpose Service Entity.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

4. Other expenses

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Advertising | 4 | 6 | 4 | 6 |
| Auditor's remuneration - audit of financial statements | 47 | 53 | 47 | 53 |
| Domestic supplies and services | 13 | 1 | 13 | 1 |
| Drug supplies | 1 | - | 1 | - |
| Food supplies | 11 | 13 | 11 | 13 |
| Fuel, light and power | 2 | 6 | 2 | 6 |
| Information management expenses | 941 | 1,131 | 941 | 1,131 |
| Insurance | 4 | 7 | 4 | 7 |
| Maintenance (see Note 4 (b)) | 107 | 243 | 107 | 243 |
| Motor vehicle expenses | 7 | 10 | 7 | 10 |
| Postal and telephone costs | 101 | 73 | 101 | 73 |
| Printing and stationery | 81 | 136 | 81 | 136 |
| Specialised services (dental, radiology, pathology and allied health) | 39 | 7 | 39 | 7 |
| Staff related costs | 351 | 277 | 351 | 277 |
| Travel related costs | 209 | 229 | 209 | 229 |
| Other (see Note 4 (a)) | 5,348 | 5,871 | 5,348 | 5,871 |
| | 7,266 | 8,063 | 7,266 | 8,063 |

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| (a) Other | | | | |
| Corporate support services | 420 | 399 | 420 | 399 |
| Courier and freight | 6 | 1 | 6 | 1 |
| Membership/professional fees | 13 | 6 | 13 | 6 |
| Expenses relating to short-term leases | 1,150 | 1,160 | 1,150 | 1,160 |
| Expenses relating to leases of low-value assets | 16 | 5 | 16 | 5 |
| Other Management Services | 3,092 | 3,605 | 3,092 | 3,605 |
| Other miscellaneous | 651 | 695 | 651 | 695 |
| | 5,348 | 5,871 | 5,348 | 5,871 |

(b) Reconciliation of total maintenance expense

| | | | | |
|--|------------|------------|------------|------------|
| New / replacement equipment under \$10,000 | 158 | 242 | 158 | 242 |
| Repairs maintenance / non contract | (51) | 1 | (51) | 1 |
| Maintenance expense - contracted labour and other (non-employee related) in Note 4 | 107 | 243 | 107 | 243 |
| | 107 | 243 | 107 | 243 |

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

4. 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 the ACI. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 24.

Insurance

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

Lease expense

The ACI 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.

Management Services

Other Management Services' expenses relate to a range of service ACI receives from various providers. Some of these services relate to external evaluation, training and accreditation of AIM certification, specialist clinical advisory services, review of clinical guidelines, development and implementation of clinical registries. It also includes services such as editing, graphic designing, survey tools for feedback and development of webpages and applications.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

5. Depreciation and amortisation

| | Consolidated | Consolidated | Parent | Parent |
|---------------------------------------|--------------|--------------|--------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$000 | \$000 | \$000 | \$000 |
| Depreciation - buildings | 16 | 17 | 16 | 17 |
| Depreciation - plant and equipment | 4 | 9 | 4 | 9 |
| Depreciation - right-of-use buildings | 19 | 38 | 19 | 38 |
| | 39 | 64 | 39 | 64 |

Refer to Note 21 Property, plant and equipment and Note 22 Leases for recognition and measurement policies on depreciation.

6. Grants and subsidies

| | Consolidated | Consolidated | Parent | Parent |
|---|--------------|--------------|--------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$000 | \$000 | \$000 | \$000 |
| Grants to entities controlled by the immediate parent | 693 | 2,346 | 693 | 2,346 |
| Other grants | 20 | 184 | 20 | 184 |
| | 713 | 2,530 | 713 | 2,530 |

Recognition and Measurement

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

The majority of the grant expenses in 2020-21 related to funding provided to health entities for National Surgical Quality Improvement Program, TeleStroke and ICU Exit Block programs.

Agency for Clinical Innovation

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2022**

7. Finance costs

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---|--|--|--|--|
| Interest expense from lease liabilities | - | 1 | - | 1 |
| | - | 1 | - | 1 |

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.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

8. Revenue

Recognition and Measurement

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

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

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

9. Summary of compliance

The Appropriation Act 2021 (Appropriations Act) appropriates the sum of \$15,786,793,288 to the Minister for Health out of the Consolidated Fund for the services of the Ministry of Health for the year 2021–22. The spending authority of the Minister from the Appropriations Act has been delegated or subdelegated to officers of the Ministry of Health and entities that it is administratively responsible for, including the ACI.

The responsible Minister for each GSF agency is taken to have been given an appropriation out of the Consolidated Fund under the authority s4.7 of the Government Sector Finance Act, at the time the GSF agency receives or recovers any deemed appropriation money, for an amount equivalent to the money that is received or recovered by the GSF agency. The spending authority of the responsible Minister(s) from deemed appropriation money has been delegated or sub-delegated to officers of ACI for its own services.

A summary of compliance is disclosed in the financial statements of the Annual Report of NSW Health. It has been prepared on the basis of aggregating the spending authorities of both the Minister for Health for the services of the Ministry of Health and the responsible Ministers for the services of the entities the principal department is administratively responsible for that receives or recovers deemed appropriation money. It reflects the status at the point in time this disclosure statement is being made. The ACI's spending authority and expenditure is included in the summary of compliance.

The delegations and sub-delegations for 2021-22 and 2020-21 authorising officers of the ACI to spend Consolidated Fund money, impose limits to the amounts of individual transactions, but not the overall expenditure of the ACI. However, as it relates to expenditure in reliance on a sum appropriated through an annual Appropriations Act, the delegation/sub-delegations are referable to the overall authority to spend set out in the relevant Appropriations Act. The individual transaction limits have been properly observed. The information in relation to the limit from the Appropriations Act is disclosed in the summary of compliance table included in the financial statements of the Annual Report of NSW Health.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

10. Ministry of Health allocations

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

The ACI recognised additional Ministry of Health recurrent allocations of \$1.55 million (2021: \$0.42 million) and Ministry of Health capital allocations of \$Nil (2021: \$Nil) to cover costs incurred for the preparation, diagnosis, treatment and vaccination of COVID-19 patients.

11. Sale of goods and services from contracts with customers

(a) Sale of goods comprise the following:

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|-------------------------------|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Staff | | | | |
| Private use of motor vehicles | 5 | 5 | 5 | 5 |
| Salary packaging fee | 6 | 8 | 6 | 8 |
| | 11 | 13 | 11 | 13 |

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

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

Recognition and Measurement

Rendering of services

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

| Type of service | Nature of timing of satisfaction of performance obligations, including significant payment terms | Revenue recognition policies |
|--|--|--|
| Non-Patient services provided to staff, General community, Non-NSW Health entities and Entities controlled by the immediate parent | Various non-patient related services are provided to the members of staff, general community, non-NSW health entities and entities controlled by the immediate parent. The performance obligations for these services are typically satisfied by transferring the promised services to its respective customers. The payments are typically due within 30 days after the invoice | Revenue is recognised when promised services are delivered. No element of financing is deemed present as the services are made with a short credit term. |

Refer to Note 25 for the disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and when the ACI expects to recognise the unsatisfied portion as revenue.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

12. Investment revenue

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Interest income from financial assets at amortised cost | 7 | 8 | 7 | 8 |
| | 7 | 8 | 7 | 8 |

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).

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

13. Grants and other contributions

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Other grants with sufficiently specific performance obligations | | | | |
| Commonwealth government grants other | - | 54 | - | 54 |
| Grants from entities controlled by the ultimate parent | 139 | 131 | 139 | 131 |
| Other grants | 739 | 1,404 | 739 | 1,404 |
| Grants without specific performance obligations | | | | |
| Commonwealth government grants other | - | 34 | - | 34 |
| | 878 | 1,623 | 878 | 1,623 |

Recognition and Measurement

Grants and other contributions

Revenue from grants with sufficiently specific performance obligations are recognised when the ACI satisfies a performance obligation by transferring the promised goods or services. The ACI typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. The ACI 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 25 for the transaction price allocated to the performance obligations that have not been satisfied at the end of the year and when it is expected to be recognised as revenue.

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

Some grants received in 2020-21 related to projects which were completed in prior year.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

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

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

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Superannuation - defined benefit plans | 136 | 115 | - | - |
| Long service leave provision | 277 | 273 | - | - |
| | 413 | 388 | - | - |

15. Other income

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|-------|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Other | 12 | 1,987 | 12 | 1,987 |
| | 12 | 1,987 | 12 | 1,987 |

Recognition and Measurement

Other Income

The majority of other income in 2021 was related to Intra Health revenue for Virtual Care Projects.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

16. Gains / (losses) on disposal

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Gains / (losses) on disposals of: | | | | |
| Property, plant and equipment | | | | |
| Written down value of assets disposed | 7 | 29 | 7 | 29 |
| Less: proceeds from disposal | 16 | 45 | 16 | 45 |
| Net gains / (losses) on disposal | 9 | 16 | 9 | 16 |
| Total gains / (losses) on disposal | 9 | 16 | 9 | 16 |

17. Other gains / (losses)

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Foreign exchange gains / (losses) | (3) | - | (3) | - |
| | | | | |

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

The ACI receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. The ACI 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 23 Restricted assets.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

19. Cash and cash equivalents

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|--------------------------|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Cash at bank and on hand | 610 | 965 | 610 | 965 |
| | 610 | 965 | 610 | 965 |

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) | 610 | 965 | 610 | 965 |
| | 610 | 965 | 610 | 965 |

Refer to Note 31 for details regarding credit risk and market risk arising from financial instruments.

Most cash and cash equivalents held by the ACI 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 the ACI. These payments are reported as expenses and operating cash outflows in the financial statements of the ACI.

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

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

20. Receivables

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Current | | | | |
| Trade receivables from contracts with customers | - | 37 | - | 37 |
| Intra health receivables | 48 | 35 | 48 | 35 |
| Goods and Services Tax | 119 | 252 | 119 | 252 |
| Other receivables | 46 | 2 | 46 | 2 |
| Sub total | 213 | 326 | 213 | 326 |
| Prepayments | 103 | 545 | 103 | 545 |
| | 316 | 871 | 316 | 871 |

(a) Movement in the allowance for expected credit losses

Other receivables

| | | | | |
|---|----------|----------|----------|----------|
| Amounts written off during the year | - | 3 | - | 3 |
| (Increase) / decrease in allowance recognised in the net result | - | (3) | - | (3) |
| Balance at the end of the year | - | - | - | - |

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

Current and non-current include:

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 31.

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Contract receivables (included in Note 20) | 48 | 72 | 48 | 72 |
| Total contract receivables | 48 | 72 | 48 | 72 |

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.

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

Impairment

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

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

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

21. 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 |
|---|--------------------------------|--|------------------------------------|----------------|
| At 1 July 2020 - fair value | | | | |
| Gross carrying amount | 1,541 | 551 | - | 2,092 |
| Less: accumulated depreciation and impairment | 1,508 | 489 | - | 1,997 |
| Net carrying amount | 33 | 62 | - | 95 |
| Year ended 30 June 2021 | | | | |
| Net carrying amount at beginning of year | 33 | 62 | - | 95 |
| Disposals | - | (29) | - | (29) |
| Depreciation expense | (17) | (9) | - | (26) |
| Net carrying amount at end of year | 16 | 24 | - | 40 |

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 21-09.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

21. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

| | Land and Buildings \$000 | Plant and Equipment ¹ \$000 | Infrastructure Systems \$000 | Total \$000 |
|---|--------------------------------|--|------------------------------------|----------------|
| At 1 July 2021 - fair value | | | | |
| Gross carrying amount | 120 | 47 | - | 167 |
| Less: accumulated depreciation and impairment | 104 | 23 | - | 127 |
| Net carrying amount | 16 | 24 | - | 40 |

| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure Systems \$000 | Total \$000 |
|---|--------------------------------|---------------------------------|------------------------------------|----------------|
| Year ended 30 June 2022 | | | | |
| Net carrying amount at beginning of year | 16 | 24 | - | 40 |
| Disposals | - | (7) | - | (7) |
| Depreciation expense | (16) | (4) | - | (20) |
| Net carrying amount at end of year | - | 13 | - | 13 |

| | Land and Buildings \$000 | Plant and Equipment ¹ \$000 | Infrastructure Systems \$000 | Total \$000 |
|---|--------------------------------|--|------------------------------------|----------------|
| At 30 June 2022 - fair value | | | | |
| Gross carrying amount | 121 | 26 | - | 147 |
| Less: accumulated depreciation and impairment | 121 | 13 | - | 134 |
| Net carrying amount | - | 13 | - | 13 |

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 21-09.

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

PARENT AND CONSOLIDATION

The ACI 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 the ACI.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

21. Property, plant and equipment (continued)

Recognition and Measurement

Acquisition of property, plant and equipment

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

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.

Capitalisation thresholds

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

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.

Depreciation of property, plant and equipment

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

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

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

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

| | Useful lives |
|------------------------------------|---------------------|
| Buildings - leasehold improvements | 3-10 years |
| Plant and equipment | 4-20 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).

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

Right-of-use assets acquired by lessees

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

Further information on leases is contained in Note 22.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

22. Leases

(a) Entity as a lessee

The ACI leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 4 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes. The ACI does not provide residual value guarantees in relation to leases.

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

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

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.

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

The ACI 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.

PARENT AND CONSOLIDATION

| | Land and Buildings \$'000 | Plant and Equipment \$'000 | Total \$'000 |
|--------------------------------|---------------------------------|----------------------------------|-----------------|
| Balance at 1 July 2021 | 19 | - | 19 |
| Depreciation expense | (19) | - | (19) |
| Balance at 30 June 2022 | - | - | - |

PARENT AND CONSOLIDATION

| | Land and Buildings \$'000 | Plant and Equipment \$'000 | Total \$'000 |
|--------------------------------|---------------------------------|----------------------------------|-----------------|
| Balance at 1 July 2020 | 55 | - | 55 |
| Reassessments | 2 | - | 2 |
| Depreciation expense | (38) | - | (38) |
| Balance at 30 June 2021 | 19 | - | 19 |

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

22. Leases (continued)

(a) Entity as a lessee (continued)

Lease liabilities

The following table presents liabilities under leases.

PARENT AND CONSOLIDATION

| | 2022 \$000 | 2021 \$000 |
|---------------------------|---------------|---------------|
| Balance at 1 July | 28 | 56 |
| Interest expenses | - | 1 |
| Payments | (28) | (30) |
| Other adjustments | 1 | 2 |
| Balance at 30 June | 1 | 29 |

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

PARENT AND CONSOLIDATION

| | 2022 \$000 | 2021 \$000 |
|---|---------------|---------------|
| Depreciation expense of right-of-use assets | 19 | 38 |
| Interest expense on lease liabilities | - | 1 |
| Expenses relating to short-term leases | 1,150 | 1,160 |
| Expenses relating to leases of low-value assets | 16 | 5 |
| Total amount recognised in the statement of comprehensive income | 1,185 | 1,204 |

The ACI had total cash outflows for leases of \$1.19 million for the year ended 30 June 2022 (2021: \$1.19 million).

Recognition and Measurement

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

The ACI 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.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

22. Leases (continued)

(a) Entity as a lessee (continued)

i. Right-of-use assets

The ACI 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 5 years |

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

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

ii. Lease liabilities

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

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase option reasonably certain to be exercised by the ACI; and
- payments of penalties for terminating the lease, if the lease term reflects the ACI 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. The ACI does not borrow funds in the market. Instead they receive an allocation of the appropriations from the Crown and where the Crown needs additional funding, Treasury Corporation (TCorp) goes to the market to obtain these funds. As a result, the ACI is using TCorp rates as their incremental borrowing rates. These rates are published by NSW Treasury on a regular basis.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

22. 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.

The ACI's lease liabilities are included in borrowings in Note 26.

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

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

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

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

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

23. Restricted assets

PARENT AND CONSOLIDATION

The ACI'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 2022.

| Category | 1 July 2021 | 2022 | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | Opening \$000 | Revenue \$000 | Expense \$000 | Closing \$000 |
| Patient welfare | - | 530 | 530 | - |
| Training and education including conferences | 123 | 7 | - | 130 |
| | 123 | 537 | 530 | 130 |

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

| Category | Purpose |
|--|--|
| Patient welfare | Improvements such as medical needs, financial needs and standards for patients' privacy and dignity. |
| Training and education including conferences | Professional training, education and conferences. |

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

24. Payables

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Current | | | | |
| Accrued salaries, wages and on-costs | 726 | 648 | - | - |
| Salaries and wages deductions | 7 | 6 | - | - |
| Accrued liability - purchase of personnel services | - | - | 733 | 654 |
| Creditors | 231 | 507 | 231 | 507 |
| - Payables to entities controlled by the immediate parent | 99 | 658 | 99 | 658 |
| - Goods and Services Tax | - | - | - | - |
| - Other | 437 | 311 | 437 | 311 |
| | 1,500 | 2,130 | 1,500 | 2,130 |

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 31.

Recognition and Measurement

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

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

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

25. Contract liabilities

| | Consolidated 2022 \$'000 | Consolidated 2021 \$'000 | Parent 2022 \$'000 | Parent 2021 \$'000 |
|----------------------|--------------------------------|--------------------------------|--------------------------|--------------------------|
| Current | | | | |
| Contract liabilities | 545 | 654 | 545 | 654 |
| | 545 | 654 | 545 | 654 |

Recognition and Measurement

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities at 30 June 2022 was impacted by the timing of payments received for grants and other contributions. The satisfaction of the specific performance obligations within the contract had not been met at the 30 June 2022. 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 2022 \$'000 | Consolidated 2021 \$'000 | Parent 2022 \$'000 | Parent 2021 \$'000 |
|---|--------------------------------|--------------------------------|--------------------------|--------------------------|
| Revenue recognised that was included in the contract liability balance at the beginning of the year | 654 | 1,212 | 654 | 1,212 |
| Revenue recognised from performance obligations satisfied in previous periods | 878 | 1,212 | 878 | 1,212 |
| Transaction price allocated to the remaining performance obligations from contracts with customers | 1,243 | 1,863 | 1,243 | 1,863 |

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

| Specific revenue class | 2023 \$'000 | 2024 \$'000 | 2025 \$'000 | ≥ 2026 \$'000 |
|--------------------------------|----------------|----------------|----------------|------------------|
| Grants and other contributions | 514 | 729 | - | - |
| | 514 | 729 | - | - |

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Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

26. Borrowings

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---------------------------------|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Current | | | | |
| Lease liabilities (see Note 22) | 1 | 29 | 1 | 29 |
| | 1 | 29 | 1 | 29 |

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

Details regarding liquidity risk, including a maturity analysis of the above borrowings are disclosed in Note 31.

Recognition and Measurement

Borrowings represents interest bearing liabilities mainly raised through NSW Treasury Corporation, lease liabilities, service concession arrangement liabilities and other interest bearing liabilities.

Financial liabilities at amortised cost

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

Borrowings are classified as current liabilities unless the ACI has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 31 (b) for derecognition policy.

Changes in liabilities arising from financing activities

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| | Leases \$000 | Total liabilities from financing activities \$000 |
|---------------------|-----------------|--|
| 1 July 2020 | 56 | 56 |
| Cash flows | (29) | (29) |
| Lease reassessments | 2 | 2 |
| 30 June 2021 | 29 | 29 |
| 1 July 2021 | 29 | 29 |
| Cash flows | (28) | (28) |
| 30 June 2022 | 1 | 1 |

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Notes to and forming part of the Financial Statements for the year ended 30 June 2022

27. Provisions

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Current | | | | |
| Employee benefits and related on-costs | | | | |
| Annual leave - obligations expected to be settled within 12 months | 2,240 | 2,025 | - | - |
| Annual leave - obligations expected to be settled after 12 months | 934 | 1,012 | - | - |
| Long service leave consequential on-costs - obligations expected to be settled within 12 months | 55 | 74 | - | - |
| Long service leave consequential on-costs - obligations expected to be settled after 12 months | 772 | 770 | - | - |
| Provision for other employee benefits* | 706 | 217 | - | - |
| Provision for personnel services liability | - | - | 4,707 | 4,098 |
| | 4,707 | 4,098 | 4,707 | 4,098 |
| Other Provisions | | | | |
| Restoration costs | - | 52 | - | 52 |
| | - | 52 | - | 52 |
| Total current provisions | 4,707 | 4,150 | 4,707 | 4,150 |
| Non-current | | | | |
| Employee benefits and related on-costs | | | | |
| Long service leave consequential on-costs | 82 | 84 | - | - |
| Provision for personnel services liability | - | - | 82 | 84 |
| Total non-current provisions | 82 | 84 | 82 | 84 |
| Aggregate employee benefits and related on-costs | | | | |
| Provisions - current | 4,707 | 4,098 | - | - |
| Provisions - non-current | 82 | 84 | - | - |
| Accrued salaries, wages and on-costs and salaries and wages deductions (Note 24) | 733 | 654 | - | - |
| Liability - purchase of personnel services | - | - | 5,522 | 4,836 |
| | 5,522 | 4,836 | 5,522 | 4,836 |

* Provision for other employee benefits includes a one-off payment to employees of \$0.51 million (2021: \$Nil) for the recognition of service during the COVID-19 pandemic.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

27. Provisions (continued)

Movements in provisions (other than employee benefits)

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

| | Consolidated | Consolidated | Parent | Parent |
|---|--------------|--------------|----------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$000 | \$000 | \$000 | \$000 |
| Restoration costs | | | | |
| Carrying amount at beginning of period | 52 | 413 | 52 | 413 |
| - Amounts used | (52) | (361) | (52) | (361) |
| Carrying amount at end of period | - | 52 | - | 52 |

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

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 18.20% are applied to the value of leave payable at 30 June 2022 (comparable on-costs for 30 June 2021 were 17.7%). The ACI has assessed the actuarial advice based on the ACI's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the ACI does not expect to settle the liability within 12 months as the ACI does not have an unconditional right to defer settlement.

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Notes to and forming part of the Financial Statements for the year ended 30 June 2022

27. Provisions (continued)

Recognition and Measurement (continued)

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

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

Long service leave and superannuation

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

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

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

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

Consequential on-costs

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

Other provisions

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

Any provisions for restructuring are recognised only when the ACI has a detailed formal plan, and the ACI 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.

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**Notes to and forming part of the Financial Statements
for the year ended 30 June 2022**

28. Contingent liabilities and contingent assets

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

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Notes to and forming part of the Financial Statements for the year ended 30 June 2022

29. Adjusted budget review

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

PARENT AND CONSOLIDATION

Net result

ACI's adjusted budget was an annual Negative (or Deficit) Net Result of (\$623k). ACI achieved an Actual Negative (or deficit) Net Result of (\$744k). The difference being an increased Negative (or Deficit) Net Result for the year when compared to budget of (\$121k). Majority of this result was due to unbudgeted ADO liability adjustment of \$161k.

Unbudgeted ADO liability adjustment of (\$161k)

Total expense variance (\$417k) is the result of the unbudgeted ADO liability adjustment and some key program related expenses.

Total Revenue variance (\$290k) is largely due to timing of cash payments enabling the subsidy drawdown.

Assets and liabilities

Decrease in current assets is mostly driven by reduction in cash at bank (due to changes in working capital balance) and reduction in debtors at the reporting period. Non current assets reduced in line with depreciation and net book value of the assets.

Total liabilities largely remained the same, however minor movement was noted in payables (due to timing of scheduled payments) and in provisions (relating to staff reward of \$3k).

Cash flows

As at 30 June 2022, ACI had a cash balance of \$0.61m in bank which mainly relates to SPT bank account for grants received from iCare and SIRA. ACI has internal processes to monitor the cash position and to draw cash from the allocated subsidy. In June 22, Ministry reduced the cash buffer for ACI to \$0 (compared to \$100k in prior year)

Movements in the level of the Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation in July 21 are as follows:

| | \$000 |
|--|---------------|
| Initial Allocation | 29,284 |
| Add: Budget Supplementation: | |
| Budget and Funding for Relocation to 1 Reserve Road (1RR) | 1,481 |
| FY21 LHD Carry Forward - Telestroke | 172 |
| SRP suppl to ACI for NSW Telestroke FY22 | 623 |
| Immune Effector Cells (IEC) | 154 |
| Patient Reported Measures (PRMs) IT solution | 620 |
| Refugee Health Flexible Funding Pool | 137 |
| Safeguards Child and Adolescent Mental Health Response Teams | 222 |
| Neonatal Intensive Care Unit Service (NICUS) Budget transfer SCHN to ACI (Intrahealth Budget Transfer) | 228 |
| 2021/22 Budget Relief - COVID-19 Response | 1,548 |
| Voluntary Redundancy Reimbursement | 145 |
| Other | 178 |
| Less: Budget Retraction | |
| Safeguards Child and Adolescent Mental Health Response Teams | (130) |
| Balance as per Statement of Comprehensive Income | 34,662 |

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Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

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

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

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Net cash used on operating activities | (343) | (531) | (343) | (531) |
| Depreciation and amortisation expense | (39) | (64) | (39) | (64) |
| Allowance for impairment | - | (3) | - | (3) |
| Decrease / (increase) in provisions | (555) | (197) | (555) | (197) |
| Increase / (decrease) in prepayments and other assets | (563) | (496) | (563) | (496) |
| Decrease / (increase) in payables | 639 | (612) | 639 | (612) |
| Decrease / (increase) in contract liabilities | 108 | 558 | 108 | 558 |
| Net gain / (loss) on sale of property, plant and equipment | 9 | 16 | 9 | 16 |
| Net result | (744) | (1,329) | (744) | (1,329) |

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

31. Financial instruments

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

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

(a) Financial instrument categories

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| Class | Category | Carrying Amount 2022 \$000 | Carrying Amount 2021 \$000 |
|-------------------------------------|--|----------------------------------|----------------------------------|
| Financial assets | | | |
| Cash and cash equivalents (Note 19) | Amortised cost | 610 | 965 |
| Receivables (Note 20) ¹ | Amortised cost | 94 | 74 |
| Total financial assets | | 704 | 1,039 |
| Financial liabilities | | | |
| Borrowings (Note 26) | Financial liabilities measured at amortised cost | 1 | 29 |
| Payables (Note 24) ² | Financial liabilities measured at amortised cost | 1,500 | 2,130 |
| Total financial liabilities | | 1,501 | 2,159 |

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).

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

(b) Derecognition of financial assets and financial liabilities

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

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

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

31. Financial instruments (continued)

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

When the ACI has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where the ACI has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the ACI's continuing involvement in the asset. In that case, the ACI 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 ACI has retained.

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

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

(c) Financial risk

i. Credit risk

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

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

Credit risk associated with the 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.

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

Cash and cash equivalents

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

Accounting policy for impairment of trade receivables and other financial assets

Receivables - trade receivables, other receivables and contract assets

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

The ACI 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.

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Notes to and forming part of the Financial Statements for the year ended 30 June 2022

31. Financial instruments (continued)

(c) Financial risk (continued)

i. Credit risk (continued)

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

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

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

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The ACI 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 2022 and 30 June 2021 was determined as follows:

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| | Current \$'000 | <30 days \$'000 | 30-60 days \$'000 | 61-90 days \$'000 | >91 days \$'000 | Total \$'000 |
|--------------------------------|-------------------|--------------------|----------------------|----------------------|--------------------|-----------------|
| 30 June 2022 | | | | | | |
| Expected credit loss rate | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Estimated total gross carrying | 24 | - | - | 1 | 21 | 46 |

| | Current \$'000 | <30 days \$'000 | 30-60 days \$'000 | 61-90 days \$'000 | >91 days \$'000 | Total \$'000 |
|--|-------------------|--------------------|----------------------|----------------------|--------------------|-----------------|
| 30 June 2021 | | | | | | |
| Expected credit loss rate | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Estimated total gross carrying amount ¹ | 39 | - | - | - | - | 39 |

¹ The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB 7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 20.

The ACI is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2022 and 30 June 2021.

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

31. Financial instruments (continued)

(c) Financial risk (continued)

ii. Liquidity risk

Liquidity risk is the risk that the ACI will be unable to meet its payment obligations when they fall due. The 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 the use of loans and other advances.

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

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

The ACI has exposure to liquidity risk. However, the risk is minimised by the service agreement with the Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the 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 providing financial support and increased management interaction (refer Note 1).

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. For all suppliers, that 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.

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Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

31. Financial instruments (continued)

(c) Financial risk (continued)

ii. Liquidity risk (continued)

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

Maturity Analysis and interest rate exposure of financial liabilities

| | Interest Rate Exposure | | | Maturity Dates | | | | |
|--------------------------|------------------------|---|------------------------------------|---------------------------------------|---------------------------------------|-----------------|-----------------|----------------|
| | EIR ³ % | Nominal Amount ¹ \$000 | Fixed Interest Rate \$000 | Variable Interest Rate \$000 | Non - Interest Bearing \$000 | < 1 Yr \$000 | 1-5 Yr \$000 | > 5Yr \$000 |
| 2022 | | | | | | | | |
| Payables: | | | | | | | | |
| - Creditors ² | | 1,500 | - | - | 1,500 | 1,500 | - | - |
| | | 1,500 | - | - | 1,500 | 1,500 | - | - |
| 2021 | | | | | | | | |
| Payables: | | | | | | | | |
| - Creditors ² | | 2,130 | - | - | 2,130 | 2,130 | - | - |
| - Lease liabilities | 1.42 | 28 | 28 | - | - | 28 | - | - |
| | | 2,158 | 28 | - | 2,130 | 2,158 | - | - |

Notes:

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

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

³ Weighted Average Effective Interest Rate (EIR).

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

31. Financial instruments (continued)

iii. Market risk

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

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the 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 as for 2021. The analysis assumes that all other variables remain constant.

Interest Rate Risk

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

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

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

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| | 2022 | | 2021 | |
|------------|-------|----|-------|----|
| | \$000 | | \$000 | |
| | -1% | 1% | -1% | 1% |
| Net result | (6) | 6 | (9) | 9 |
| Equity | (6) | 6 | (9) | 9 |

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

32. Related party disclosures

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(a) Key management personnel compensation

Key management personnel compensation is as follows:

| | 2022 \$000 | 2021 \$000 |
|------------------------------|---------------|---------------|
| Short-term employee benefits | 71 | 82 |
| Post-employment benefits | 7 | 7 |
| | 78 | 89 |

During the financial year, Agency for Clinical Innovation obtained key management personnel services from the immediate parent and incurred \$0.445 million (2021: \$0.466 million) for these services. This amount does not form part of the key management personnel compensation disclosed above.

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

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

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

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

ACI Invested in a registry with Neuroscience Research Australia where KMP and a close family member are working. The standard procurement proces was undertaken independently. The total contract awarded to the institution \$0.025 million (2021: \$Nil).

(c) Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2021: \$Nil).

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

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

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

- Health Administration Corporation (includes Ambulance Service of NSW, eHealth NSW, Health Infrastructure, Health System Support Group, HealthShare NSW and NSW Health Pathology) provides shared services for the majority of patient transport services, information management services, domestic supplies and services, food supplies and corporate support services.
- Rental for ACI staff working from facility of another health entity
- Staff related costs for secondments, executive salaries and TESL allowance
- Various grants and subsidies towards research and other projects

Agency for Clinical Innovation

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

32. Related party disclosures (continued)

(d) Transactions the ACI 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
- 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:

- Various grants and other contributions towards research and other projects
- 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

33. Events after the reporting period

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

END OF AUDITED FINANCIAL STATEMENTS