



INDEPENDENT AUDITOR'S REPORT

Agency for Clinical Innovation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Agency for Clinical Innovation (the Agency), which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the service group statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Agency and the consolidated entity. The consolidated entity comprises the Agency and the entities it controlled at the year's end or from time to time during the financial year.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Agency and the consolidated entity, as at 30 June 2014, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

My opinion does not extend to the budget information. I have not audited the budget figures disclosed in the statement of comprehensive income, the statement of financial position and the statement of cash flows.

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

The Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of the Agency or the consolidated entity
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



Steven Martin
Assistant Auditor-General, Financial Audit Services

26 September 2014
SYDNEY

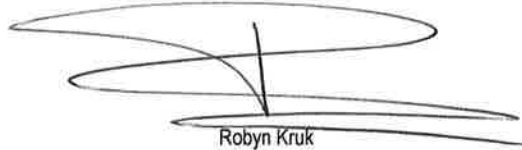
**Agency for Clinical Innovation
Certification of the Financial Statements
for the year ended 30 June 2014**

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

- 1) The financial statements of the Agency for Clinical Innovation for the year ended 30 June 2014 have been prepared in accordance with:
 - a) Australian Accounting Standards (which include Australian Accounting Interpretations)
 - b) the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2010* and the Treasurer's Directions;
 - c) the Financial Reporting Code for NSW General Government Sector Entities.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Agency for Clinical Innovation; and
- 3) I am not aware of any circumstances which would render any particulars in the accounts to be misleading or inaccurate.



Raj Verma
A/Chief Executive
24 September 2014



Robyn Kruk
A/Chair - ACI Board

24/9/14

Agency for Clinical Innovation
Statement of Comprehensive Income for the year ended 30 June 2014

PARENT								CONSOLIDATION		
Actual	Budget Unaudited	Actual		Notes	Actual	Budget Unaudited	Actual			
2014 \$000	2014 \$000	2013 \$000			2014 \$000	2014 \$000	2013 \$000			
			Expenses excluding losses							
			Operating Expenses							
----	----	----	Employee Related	3	16,015	17,292	14,045			
14,906	16,367	13,276	Personnel Services	4	----	----	----			
----	----	40	Visiting Medical Officers		----	----	40			
8,981	8,979	5,737	Other Operating Expenses	5	8,981	8,979	5,737			
97	120	91	Depreciation and Amortisation	2(h), 6	97	120	91			
2,326	3,073	3,629	Grants and Subsidies	7	2,326	3,073	3,629			
26,310	28,539	22,773	Total Expenses excluding losses		27,419	29,464	23,542			
			Revenue							
26,319	28,319	24,951	NSW Ministry of Health Recurrent Allocations	2(d)	26,319	28,319	24,951			
113	113	----	NSW Ministry of Health Capital Allocations	2(d)	113	113	----			
----	----	----	Acceptance by the Crown Entity of Employee Benefits	2(a)(ii), 11	1,109	925	769			
38	1	34	Sale of Goods and Services	8	38	1	34			
305	7	249	Investment Revenue	9	305	7	249			
802	9	558	Grants and Contributions	10	802	9	558			
69	11	333	Other Revenue	12	69	11	333			
27,646	28,460	26,125	Total Revenue		28,755	29,385	26,894			
(26)	----	(149)	Gain / (Loss) on Disposal	13	(26)	----	(149)			
----	----	(293)	Other Gains / (Losses)	14	----	----	(293)			
1,310	(79)	2,910	Net Result	26	1,310	(79)	2,910			
1,310	(79)	2,910	TOTAL COMPREHENSIVE INCOME		1,310	(79)	2,910			

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation
Statement of Financial Position as at 30 June 2014

PARENT			CONSOLIDATION			
Actual	Budget Unaudited	Actual	Notes	Actual	Budget Unaudited	Actual
2014 \$000	2014 \$000	2013 \$000		2014 \$000	2014 \$000	2013 \$000
ASSETS						
Current Assets						
8,880	4,156	4,156	17	8,880	4,156	4,156
940	630	630	18	940	630	630
----	3,000	3,000	19	----	3,000	3,000
<u>9,820</u>	<u>7,786</u>	<u>7,786</u>		<u>9,820</u>	<u>7,786</u>	<u>7,786</u>
9,820	7,786	7,786		9,820	7,786	7,786
Total Current Assets						
Non-Current Assets						
608	527	534	20	608	527	534
183	136	136	20	183	136	136
<u>791</u>	<u>663</u>	<u>670</u>		<u>791</u>	<u>663</u>	<u>670</u>
791	663	670		791	663	670
<u>10,611</u>	<u>8,449</u>	<u>8,456</u>		<u>10,611</u>	<u>8,449</u>	<u>8,456</u>
10,611	8,449	8,456		10,611	8,449	8,456
Total Assets						
LIABILITIES						
Current Liabilities						
2,668	2,087	2,086	22	2,668	2,087	2,086
2,264	2,079	2,010	23	2,264	2,079	2,010
<u>4,932</u>	<u>4,166</u>	<u>4,096</u>		<u>4,932</u>	<u>4,166</u>	<u>4,096</u>
4,932	4,166	4,096		4,932	4,166	4,096
Total Current Liabilities						
Non-Current Liabilities						
20	15	11	23	20	15	11
<u>20</u>	<u>15</u>	<u>11</u>		<u>20</u>	<u>15</u>	<u>11</u>
4,952	4,181	4,107		4,952	4,181	4,107
<u>5,659</u>	<u>4,268</u>	<u>4,349</u>		<u>5,659</u>	<u>4,268</u>	<u>4,349</u>
5,659	4,268	4,349		5,659	4,268	4,349
Total Liabilities						
Net Assets						
EQUITY						
5,659	4,268	4,349		5,659	4,268	4,349
<u>5,659</u>	<u>4,268</u>	<u>4,349</u>		<u>5,659</u>	<u>4,268</u>	<u>4,349</u>
5,659	4,268	4,349		5,659	4,268	4,349
Total Equity						

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation
Statement of Changes in Equity for the year ended 30 June 2014

PARENT AND CONSOLIDATION	Notes	Accumulated Funds \$000	Total \$000
Balance at 1 July 2013		4,349	4,349
Total Equity at 1 July 2013		4,349	4,349
Net Result for the year		1,310	1,310
Total Comprehensive Income for the year		1,310	1,310
Balance at 30 June 2014		5,659	5,659
Balance at 1 July 2012		1,421	1,421
Total Equity at 1 July 2012		1,421	1,421
Net Result for the year		2,910	2,910
Total Comprehensive Income for the year		2,910	2,910
Transactions With Owners In Their Capacity As Owners			
Increase/(Decrease) in Net Assets From Equity Transfers	28	18	18
Balance at 30 June 2013		4,349	4,349

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation
Statement of Cash Flows for the year ended 30 June 2014

PARENT			CONSOLIDATION			
Actual	Budget Unaudited	Actual	Notes	Actual	Budget Unaudited	Actual
2014 \$000	2014 \$000	2013 \$000		2014 \$000	2014 \$000	2013 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
---	---	---		(14,992)	(16,713)	(12,755)
(2,492)	(3,240)	(3,846)		(2,492)	(3,240)	(3,846)
(24,187)	(26,273)	(20,270)		(9,195)	(9,560)	(7,515)
(26,679)	(29,513)	(24,116)		(26,679)	(29,513)	(24,116)
Receipts						
26,319	28,319	24,951		26,319	28,319	24,951
113	113	---		113	113	---
250	250	320		250	250	320
(45)	1	268		(45)	1	268
305	7	249		305	7	249
802	9	596		802	9	596
901	927	707		901	927	707
28,645	29,626	27,091		28,645	29,626	27,091
NET CASH FLOWS FROM OPERATING ACTIVITIES						
1,966	113	2,975	26	1,966	113	2,975
CASH FLOWS FROM INVESTING ACTIVITIES						
104	---	---		104	---	---
3,000	---	---		3,000	---	---
(346)	(113)	(438)		(346)	(113)	(438)
---	---	(3,000)		---	---	(3,000)
2,758	(113)	(3,438)		2,758	(113)	(3,438)
NET INCREASE / (DECREASE) IN CASH						
4,724	---	(463)		4,724	---	(463)
4,156	4,156	4,312		4,156	4,156	4,312
---	---	307	28	---	---	307
8,880	4,156	4,156	17	8,880	4,156	4,156

The accompanying notes form part of these financial statements.

**Agency for Clinical Innovation
Service Group Statements
for the year ended 30 June 2014**

	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total		
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ACI EXPENSES AND INCOME																							
Expenses excluding losses																							
Operating Expenses																							
Employee Related							632		11,096			140	421		351	16,015	1,194					16,015	14,045
Visiting Medical Officers							258		4,532		40	172			143	8,981	488					8,981	40
Other Operating Expenses							4		72		57	3			2	97	8					97	5,737
Depreciation and Amortisation							163		2,867		1	109			91	2,326	308					2,326	91
Grants and Subsidies											36												3,629
Finance Costs																							
Payments to Affiliated Health Organisations																							
Other Expenses																							
Total Expenses excluding losses							1,057		18,567		274	705			587	27,419	1,988					27,419	23,542
Revenue																							
NSW Ministry of Health Recurrent Allocations **																							
NSW Ministry of Health Capital Allocations **																							
Transfers to the NSW Ministry of Health																							
Acceptance by the Crown Entity																							
of Employee Benefits and Other Liabilities							35		608		8	23			19	1,109	65					1,109	769
Sale of Goods and Services							2		27		2	1			1	38	3					38	34
Investment Revenue							11		197		2	7			6	305	21					305	249
Grants and Contributions							25		441		6	17			14	802	47					802	558
Other Revenue							15		263		3	10			8	69	28					69	333
Total Revenue							88		1,536		19	58			48	2,323	164					2,323	26,894
Gain/(Loss) on Disposal							(7)		(118)		(1)	(4)			(4)	(26)	(13)					(26)	(149)
Other Gains/(Losses)							(43)		(231)		(3)	(9)			(7)	(25)	(25)					(25)	(293)
Net Result	0	0	0	0	0	0	0	0	(17,380)	0	(259)	0	(660)	0	(550)	(25,122)	(1,872)	26,432	24,951	26,432	24,951	26,432	24,951
Other Comprehensive Income																							
Increase/(Decrease) in Revaluation Surplus																							
Other (SPECIFY)																							
Total Other Comprehensive Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Comprehensive Income	0	0	0	0	0	0	(989)	0	(17,380)	0	(259)	(660)	0	(550)	(25,122)	(1,872)	26,432	24,951	26,432	24,951	26,432	24,951	2,910

* The name and purpose of each service group is summarised in Note 16

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

Agency for Clinical Innovation
Service Group Statements (Continued)
for the year ended 30 June 2014

ACI ASSETS AND LIABILITIES	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total		
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS																							
Current Assets																							
Cash and Cash Equivalents																							
Receivables								187				48											
Inventories								28				6											
Financial Assets at Fair Value								135				35											
Other Financial Assets																							
Other																							
Non-Current Assets Held for Sale																							
Total Current Assets								350				89											
Non-Current Assets																							
Receivables																							
Financial Assets at Fair Value																							
Other Financial Assets																							
Property, Plant and Equipment																							
- Land and Buildings								24				5											
- Plant and Equipment																							
- Infrastructure Systems																							
- Leasehold Improvements								6				1											
Intangible Assets																							
Other																							
Total Non-Current Assets								30				6											
TOTAL ASSETS								380				95											
LIABILITIES																							
Current Liabilities																							
Payables								94				21											
Borrowings																							
Provisions								90				20											
Other																							
Total Current Liabilities								184				41											
Non-Current Liabilities																							
Borrowings																							
Provisions																							
Other																							
Total Non-Current Liabilities																							
TOTAL LIABILITIES								184				41											
NET ASSETS								196				54											

* The name and purpose of each service group is summarised in Note 16

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

1. The Reporting Entity

The Agency for Clinical Innovation (the ACI) was established under the provisions of the Health Services Act 1997 with effect from 1 January 2010.

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

- * The Agency for Clinical Innovation Special Purpose Service Entity which was established as a Division of the Health Service on 1 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 annual financial statements presented herein consist of the parent entity and the consolidated entity which comprises the parent and special purpose service entity. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

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

These consolidated financial statements for the year ended 30 June 2014 have been authorised for issue by the A/Chief Executive and the Board on 24 September 2014.

2. Summary of Significant Accounting Policies

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 (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2010, and the Treasurers' Directions. Apart from the basis for the ACI's budget figures, the financial statements comply with the Financial Reporting Code for NSW General Government Sector Entities. Further information on the budget figures can be found at Note 2(u).

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

Other mitigating circumstances why the going concern is appropriate include:

- * Appropriated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.
- * The ACI has the capacity to review timing of subsidy cashflows to ensure that they can pay debts as and when they become due and payable.
- * 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 throughout the financial year.

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

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

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

Comparative Information

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

Statement of Compliance

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

Significant accounting policies used in the preparation of these financial statements are as follows:

a) Employee Benefits and Other Provisions

i) Salaries & Wages, Annual Leave, Sick Leave and On-Costs

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

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

Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability can be used to approximate the present value of the annual leave liability. On-costs of 14.9% are applied to the value of leave payable at 30 June 2014 (comparable on-costs for 30 June 2013 were 13.2%). The ACI has assessed the actuarial advice based on the ACI's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

ii) Long Service Leave and Superannuation

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 Entity.

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 Entity of employee benefits'.

Long Service Leave is measured at present value in accordance with AASB 119, Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 14/04) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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

iii) Consequential On-Costs

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

iv) Other Provisions

Other provisions exist when 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.

b) Insurance

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

c) Finance Costs

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

d) Income Recognition

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

Sale of Goods

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

Investment Revenue

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

Grants and Contributions

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

NSW Ministry of Health Allocations

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

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

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

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

- * amount of GST incurred by 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.

f) Acquisition of Assets

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

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (See also assets transferred as a result of an equity transfer Note 2(s)).

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

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.

Land and buildings which are owned by the Health Administration Corporation or the State and administered by the ACI are deemed to be controlled by the ACI and are reflected as such in the financial statements.

g) Capitalisation Thresholds

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

h) Depreciation of Property, Plant and Equipment

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

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

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

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

i) Revaluation of Non-Current Assets

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

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

j) Impairment of Property, Plant and Equipment

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

k) Maintenance

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

l) Leased Assets

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

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

Operating lease payments are charged to the Statement of Comprehensive Income in the periods in which they are incurred.

m) Loans and Receivables

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

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

n) Investments

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

* Fair value through profit or loss - The ACI subsequently measures investments classified as 'held for trading' or designated upon initial recognition "at fair value through profit or loss" at fair value.

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

o) Impairment of financial assets

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

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

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

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

p) De-recognition of financial assets and financial liabilities

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

* where substantially all the risks and rewards have been transferred; or

* where the ACI has not transferred substantially all the risks and rewards, if the ACI has not retained control.

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

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

q) Payables

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

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

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

r) Fair Value Hierarchy

A number of the ACI's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

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

s) Equity Transfers

The transfer of net assets between entity as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector entities is designated or required by Accounting Standards to be treated as contributions by owners and is recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004, Contributions and Australian Interpretation 1038 ,Contributions by Owners Made to Wholly-Owned Public Sector Entities.

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

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

t) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the ACI's policy on the revaluation of property, plant and equipment as discussed in Note 2(i).

(iii) Separate Reserves

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

u) Budgeted Amounts

The budgeted amounts are drawn from the budgets agreed with the NSW Ministry of Health at the beginning of the financial year and with any adjustments for the effects of additional supplementation provided. The budget amounts are not subject to audit review and, accordingly, the relevant column entries in the financial statements are denoted as "Unaudited".

v) Service Group Statements Allocation Methodology

Using the statistical data for twelve months ending 30 June 2013, the data is then adjusted for any material change in service delivery or funding distribution, occurring in the 2013-14 year.

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

For the 2013/14 reporting period the MoH Activity Based Funding Team completed a review of the service group allocation for the ACI, advising 100% allocation to the Teaching and Research Service Group Category.

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

(i) Effective for the first time in 2013-14

The accounting policies applied in 2013-14 are consistent with those of the previous financial year except as a result of the following new or revised Australian Accounting Standards that have impacted in 2013-14 and have been applied for the first time as follows:

AASB 13, AASB 2011-8 and AASB 2012-1, Fair Value Measurement have mandatory application from 1 January 2013 and address, inter alia, the assumptions that market participants would use when pricing the asset or liability. No impact to prior year values, increased note disclosures, refer note .

AASB 119, AASB 2011-10 and AASB 2011-11, regarding employee entitlements, have mandatory application from 1 January 2013 and cover the recognition and measurement of short term and long term employee benefits. Refer Note 3 and 23.

AASB 2012-2, Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities, has application for reporting periods starting on or after 1 January 2013 and seeks to address some of the offsetting criteria of AASB 7. Minor Adjustment has been made to note 29.

(ii) Issued but not yet effective

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

AASB 2010-7, regarding Financial Instruments has mandatory application from 1 July 2015 and comprise changes to improve and simplify the approach for classification and measurement of financial assets. The change is not expected to materially impact the financial statements.

AASB 2011-7, Amendments to Australian Accounting Standards for the consolidation and joint arrangement standards, arise from the issuance of AASB 10, AASB 11, AASB 12, AASB 127, and AASB 128. For not for profit entities, the changes have application from 1 July 2014. Based on the initial high level assessment performed by the Ministry of Health, this standard has been assessed as having no material effect. The ACI in conjunction with the Ministry will be performing a detailed review of the impact of the standard to assess if any small foundations, trust or any other type of entities are controlled, noting if such relationship exists, it is still likely to be immaterial.

AASB 1055 and AASB 2013-1, regarding Budgetary Reporting has application from 1 July 2014. Any changes in future disclosures will be determined by the policies adopted for whole of government reporting.

AASB 9, Financial Instruments, has application from 1 Jan 2017. Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

AASB 1031, Materiality, is applicable to annual reporting periods beginning on or after 1 January 2014. This Standard provides references to other Standards and the Framework that contain guidance on materiality.

AASB 2012-3, Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities, has application from 1 January 2014 and seeks to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.

AASB 2013-3, Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets, has application from 1 July 2014.

AASB 2013-6, Amendments to AASB 136 arising from Reduced Disclosure Requirements, has application from 1 July 2014.

AASB 2013-8, Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities, has application from 1 July 2014.

AASB 2013-9, Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments has application from 1 July 2014.

AASB 2014-1, Amendments to Australian Accounting Standards is a summary of changes and impacts on wording arising from changes in other standards issued by the Australian Accounting Standards Board which have been already assessed above. This standard has application from 1 July 2014.

AASB 2014-2, Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements which should have minimal impact due to exemptions not applying to General Government Sector Entities. This standard has application from 1 July 2014.

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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
3. Employee Related				
Employee related expenses comprise the following:				
-----	-----	Salaries and Wages	11,741	10,672
-----	-----	Superannuation - Defined Benefit Plans	184	174
-----	-----	Superannuation - Defined Contribution Plans	972	833
-----	-----	Long Service Leave	997	683
-----	-----	Annual Leave	1,182	1,161
-----	-----	Sick Leave and Other Leave	796	340
-----	-----	Redundancies	61	130
-----	-----	Workers' Compensation Insurance	81	52
-----	-----		16,015	14,045
-----	-----			
4. Personnel Services				
Personnel Services comprise the purchase of the following:				
11,741	10,672	Salaries and Wages	-----	-----
972	833	Superannuation - Defined Contribution Plans	-----	-----
72	88	Long Service Leave	-----	-----
1,182	1,161	Annual Leave	-----	-----
796	340	Sick Leave and Other Leave	-----	-----
61	130	Redundancies	-----	-----
81	52	Workers' Compensation Insurance	-----	-----
14,906	13,276		-----	-----
5. Other Operating Expenses				
273	8	Advertising	273	8
42	38	Auditor's Remuneration - Audit of Financial Statements	42	38
1,399	1,063	Consultancies	1,399	1,063
38	-----	Contractors	38	-----
5	14	Domestic Supplies and Services	5	14
-----	2	Drug Supplies	-----	2
126	130	Food Supplies	126	130
11	12	Fuel, Light and Power	11	12
4,134	1,189	Other (See 5(a) below)	4,134	1,189
527	428	Information Management Expenses	527	428
19	13	Insurance	19	13
101	240	Maintenance (See 5(b) below)	101	240
69	58	Motor Vehicle Expenses	69	58
103	67	Postal and Telephone Costs	103	67
236	288	Printing and Stationery	236	288
737	585	Rental	737	585
-----	3	Special Service Departments	-----	3
335	958	Staff Related Costs	335	958
826	641	Travel Related Costs	826	641
8,981	5,737		8,981	5,737

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		5(a) Other Includes:		
11	16	Contract for Patient Services	11	16
118	360	Corporate Support Services	118	360
5	1	Courier and Freight	5	1
9	39	Legal Services	9	39
46	1	Membership/Professional Fees	46	1
-----	10	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	-----	10
39	26	Other Operating Lease Expense - Minimum Lease Payments	39	26
4	1	Security Services	4	1
3,901	736	Other Miscellaneous	3,901	736
<u>4,133</u>	<u>1,190</u>		<u>4,133</u>	<u>1,190</u>
		5(b) Reconciliation of Total Maintenance		
87	144	New/Replacement Equipment under \$10,000	87	144
12	85	Repairs Maintenance/Non Contract	12	85
1	11	Other	1	11
<u>100</u>	<u>240</u>	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 5)	<u>100</u>	<u>240</u>
<u>100</u>	<u>240</u>	Total Maintenance Expenses	<u>100</u>	<u>240</u>

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		6. Depreciation and Amortisation		
-----	1	Depreciation - Buildings	-----	1
75	74	Depreciation - Plant and Equipment	75	74
22	16	Amortisation - Leasehold Improvements	22	16
97	91		97	91
		7. Grants and Subsidies		
103	-----	Non-Government Organisations	103	-----
64	756	Grants to Research Organisations	64	756
536	2,135	NSW Government Sector Grants	536	2,135
911	-----	Grant Payments to Other NSW Health Entities	911	-----
712	738	Other Grants	712	738
2,326	3,629		2,326	3,629

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
8. Sale of Goods and Services				
(a) Sale of Goods comprise the following:-				
9	----	Other	9	----
(b) Rendering of Services comprise the following:-				
4	1	Car Parking	4	1
18	24	Private Use of Motor Vehicles	18	24
6	7	Salary Packaging Fee	6	7
1	2	Other	1	2
38	34		38	34
9. Investment Revenue				
305	249	Interest	305	249
305	249		305	249

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
10. Grants and Contributions				
211	50	Commonwealth Government Grants	211	50
----	34	Industry Contributions/Donations	----	34
----	120	Cancer Institute Grants	----	120
249	120	NSW Government Grants	249	120
342	234	Other Grants	342	234
<u>802</u>	<u>558</u>		<u>802</u>	<u>558</u>
11. Acceptance by the Crown Entity of employee benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
----	----	Superannuation-defined benefit	184	174
----	----	Long Service Leave	925	595
<u>----</u>	<u>----</u>		<u>1,109</u>	<u>769</u>
12. Other Revenue				
Other Revenue comprises the following:-				
----	1	Commissions	----	1
46	199	Conference and Training Fees	46	199
20	----	Property not Previously Recognised	20	----
3	133	Other	3	133
<u>69</u>	<u>333</u>		<u>69</u>	<u>333</u>

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		13. Gain / (Loss) on Disposal		
172	198	Property, Plant and Equipment	172	198
43	49	Less: Accumulated Depreciation	43	49
129	149	Written Down Value	129	149
103	-----	Less: Proceeds from Disposal	103	-----
(26)	(149)	Gain/(Loss) on Disposal of Property, Plant and Equipment	(26)	(149)
(26)	(149)	Total Gain/(Loss) on Disposal	(26)	(149)
		14. Other Gains / (Losses)		
-----	(293)	Impairment of Receivables	-----	(293)
-----	(293)		-----	(293)

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15. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised in previous years which were not expended in the current reporting period	----	----	148	148
Total amount of unexpended contributions as at balance date	----	----	148	148

Comment on restricted assets appears in Note 21

16. Service Groups of the ACI

Service Group 1.1 - Primary and Community Based Services

Service Description: This service group covers the provision of health services to persons attending community health centres or in the home, including health promotion activities, community based women's health, dental, drug and alcohol and HIV/AIDS services. It also covers the provision of grants to non-Government organisations for community health purposes.

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

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

Service Group 1.2 - Aboriginal Health Services

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

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

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

Service Group 1.3 - Outpatient Services

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

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

Service Group 2.1 - Emergency Services

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

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

Service Group 2.2 - Inpatient Hospital Services

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

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

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

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Service Group 3.1 - Mental Health Services

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

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

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

Service Group 4.1 - Rehabilitation and Extended Care Services

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

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

Service Group 5.1 - Population Health Services

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

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

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

Service Group 6.1 - Teaching and Research

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

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

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

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
17. Cash and Cash Equivalents				
5,880	4,156	Cash at Bank and On Hand	5,880	4,156
3,000	-----	Short Term Deposits	3,000	-----
<u>8,880</u>	<u>4,156</u>		<u>8,880</u>	<u>4,156</u>
For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.				
Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:				
<u>8,880</u>	<u>4,156</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>8,880</u>	<u>4,156</u>
<u>8,880</u>	<u>4,156</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>8,880</u>	<u>4,156</u>

Refer to Note 29 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		18. Receivables		
		Current		
117	14	Sale of Goods and Services	117	14
196	116	Intra Health Receivables	196	116
478	374	Goods and Services Tax	478	374
74	87	Other Debtors	74	87
<u>865</u>	<u>591</u>	Sub Total	<u>865</u>	<u>591</u>
----	----	Less Allowance for Impairment	----	----
865	591	Sub Total	865	591
75	39	Prepayments	75	39
<u>940</u>	<u>630</u>		<u>940</u>	<u>630</u>
		(a) Movement in the Allowance for Impairment		
		Other Debtors		
----	----	Balance at Commencement of Reporting Period	----	----
----	293	Amounts written off during the period	----	293
----	----	Amounts recovered during the period	----	----
----	----	Administrative Restructures - Transfers (In)/out	----	----
----	(293)	(Increase)/decrease in Allowance Recognised in the Income Statement	----	(293)
----	----	Balance at 30 June	----	----

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 29.

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
19. Financial Assets at Fair Value				
-----	3,000	Current	-----	3,000
		Other		
-----	3,000		-----	3,000

Refer to Note 29 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
20. Property, Plant and Equipment				
		Land and Buildings - Fair Value		
----	----	Gross Carrying Amount	----	----
----	----	Less: Accumulated Depreciation and Impairment	----	----
<u>----</u>	<u>----</u>	Net Carrying Amount	<u>----</u>	<u>----</u>
		Plant and Equipment - Fair Value		
772	656	Gross Carrying Amount	772	656
164	122	Less: Accumulated Depreciation and Impairment	164	122
<u>608</u>	<u>534</u>	Net Carrying Amount	<u>608</u>	<u>534</u>
		Infrastructure Systems - Fair Value		
----	----	Gross Carrying Amount	----	----
----	----	Less: Accumulated Depreciation and Impairment	----	----
<u>----</u>	<u>----</u>	Net Carrying Amount	<u>----</u>	<u>----</u>
		Leasehold Improvements - Fair Value		
219	151	Gross Carrying Amount	219	151
36	15	Less: Accumulated Depreciation and Impairment	36	15
<u>183</u>	<u>136</u>	Net Carrying Amount	<u>183</u>	<u>136</u>
<u>791</u>	<u>670</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>791</u>	<u>670</u>

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20. Property, Plant and Equipment - Reconciliation

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

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Leasehold Improvements	Total
	\$000	\$000	\$000	\$000	\$000	\$000
2014						
Net Carrying Amount at Start of Year	----	----	534	----	136	670
Additions	----	----	261	----	69	330
Disposals	----	----	(129)	----	----	(129)
Administrative Restructures - Transfers In/(Out)	----	----	17	----	----	17
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	----	----	----	----	----	----
Impairment Losses (Recognised in "Other Gains/Losses")	----	----	----	----	----	----
Depreciation Expense	----	----	(75)	----	(22)	(97)
Reclassifications	----	----	----	----	----	----
Net Carrying Amount at End of Year	0	0	608	0	183	791

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Leasehold Improvements	Total
	\$000	\$000	\$000	\$000	\$000	\$000
2013						
Net Carrying Amount at Start of Year	----	35	415	----	20	470
Additions	----	----	286	----	152	438
Disposals	----	(30)	(100)	----	(20)	(150)
Administrative Restructures - Transfers In/(Out)	----	----	5	----	----	5
Depreciation Expense	----	(5)	(72)	----	(16)	(93)
Net Carrying Amount at End of Year	0	0	534	0	136	670

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PARENT		CONSOLIDATION	
2014 \$000	2013 \$000	2014 \$000	2013 \$000
21. Restricted Assets			
The ACI's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.			
Category			
34	29	34	29
77	77	77	77
8	37	8	37
29	-----	29	-----
148	143	148	143

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		22. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	464	396
----	----	Taxation and Payroll Deductions	25	21
489	417	Accrued Liability - Purchase of Personnel Services	----	----
537	74	Creditors	537	74
		Other Creditors		
961	1,466	- Intra Health Liability	961	1,466
681	129	- Other	681	129
<u>2,668</u>	<u>2,086</u>		<u>2,668</u>	<u>2,086</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 29.

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
23. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	868	332
----	----	Annual Leave - Long Term Benefit	1,052	1,399
----	----	Long Service Leave - Long Term Benefit	----	62
----	----	Long Service Leave Consequential On-Costs	344	217
2,264	2,010	Provision for Personnel Services Liability	----	----
2,264	2,010	Total Current Provisions	2,264	2,010
Non-Current				
----	----	Long Service Leave Consequential On-Costs	20	11
20	11	Provision for Personnel Services Liability	----	----
20	11	Total Non-Current Provisions	20	11
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	2,264	2,010
----	----	Provisions - Non-Current	20	11
----	----	Accrued Salaries, Wages and On-Costs (Note 22)	489	417
2,773	2,438	Liability - Purchase of Personnel Services	----	----
2,773	2,438		2,773	2,438

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000	24. Commitments for Expenditure	2014 \$000	2013 \$000
		(a) Operating Lease Commitments		
		Future non-cancellable operating lease rentals not provided for and payable:		
		Not later than one year	1,090	----
1,090	----	Later than one year and not later than five years	2,581	----
2,581	----	Later than five years	----	----
----	----		-----	-----
3,672	----	Total Operating Lease Commitments (Including GST)	3,672	----

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

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PARENT AND CONSOLIDATED

25. Contingent Liabilities and Assets

a) Workers Compensation Hindsight Adjustment

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2007/08 fund year and an interim adjustment for the 2009/10 fund year were not calculated until 2013/14.

As a result, the 2008/09 final and 2010/11 pertaining to the hospitals and community services now forming part of the ACI will be paid in 2014/15. It is not possible for the ACI to reliably quantify the benefit to be received or amount payable.

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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
26. Reconciliation of Cash Flows from Operating Activities to Net Result				
1,966	2,975	Net Cash Flows from Operating Activities	1,966	2,975
(97)	(91)	Depreciation	(97)	(91)
---	(293)	Allowance for Impairment	---	(293)
(261)	(874)	(Increase)/ Decrease in Provisions	(261)	(874)
311	335	Increase / (Decrease) in Prepayments and Other Assets	311	335
(583)	1,007	(Increase)/ Decrease In Creditors	(583)	1,007
(26)	(149)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(26)	(149)
<u>1,310</u>	<u>2,910</u>	Net Result	<u>1,310</u>	<u>2,910</u>

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PARENT AND CONSOLIDATION

27. Budget Review - Parent and Consolidated

The Agency underspent the 2013/14 Expense budget by \$2.045m. The majority of this under expenditure was related to the ACI Innovation Fund and Employee Related costs. The Innovation Fund, a \$2million grant program to facilitate the transfer of innovations developed out of the ACI, commenced part way through 2013/14 and as such was not fully allocated. Towards the later part of 2013/14 the Agency and Ministry recognised that this under expenditure would occur. In line with this it was agreed that the NSW Ministry of Health Recurrent Allocation would be reduced by \$2m (outlined under 'Agreed Cash Contribution to MoH' in the table below).

Net Result

The actual Net Result was higher than budget by \$1.39 million, primarily due to:

under expenditure of the Expense Budget (as indicated above) and higher achievement of revenue than anticipated. Increased revenue against *Interest Revenue* and *Grants and Contributions* (predominantly grants from LifeTime Care Authority) contributed to the positive Net Result to budget.

Assets and Liabilities

The Statement of Financial Position as at 30 June 2014 was impacted by unspent budget and increased revenue via Interest Revenue and Grants and Contributions.

Cash Flows

The Cash Flow Statement reflects a net surplus on operating activities against total receipts from the NSW Ministry of Health's recurrent allocations and other sources of revenue. Additionally, there has been a change in the way the Agency recognises its short term cash investment (\$3m) between the 2012/13 and 2013/14 financial years.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2013 are as follows:

	\$000
Initial Allocation	22,397
Program/Network Transfers (BMT, Chronic Care) + Esc.	5,922
Agreed Cash Contribution to MoH	<u>(2,000)</u>
Balance as per Statement of Comprehensive Income	<u><u>26,319</u></u>

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28. Increase/(Decrease) in Net Assets from Equity Transfers

Equity transfers effected in the 2012/13 year were:

An increase in net assets of \$18,000 predominantly relating to transfer of the Intensive Care & Coordination Monitoring Unit & the Policy & Technical Support Unit into the ACI.

Equity transfers effected in the 2013/14 year were:

Nil equity transfers were effected in 2013/14.

Equity transfers effected comprised:

	2014	2013
	\$000	\$000
Nepean Blue Mountains Local Health District	0	-59
Clinical Excellence Commission - PTSU Restructure	0	112
Crown Entity - Annual Leave	0	15
Crown Entity - Transfer of Long Service Leave On-costs	0	-50
	*****	18

Assets and Liabilities transferred are as follows:

	2014	2013
	\$000	\$000
Assets		
Policy and Technical Support Unit Restructure (1 July 2012)	0	349
Intensive Care and Co-ordination Monitoring Unit (3 December 2012)	0	5
Liabilities		
Intensive Care and Co-ordination Unit Restructure	0	-64
Administrative Restructure Adjustment	0	-237
Annual Leave	0	15
Long Service Leave	0	-50
Increase/(Decrease) in Net Assets From Equity Transfers	*****	18

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

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION		Carrying Amount 2014 \$000	Carrying Amount 2013 \$000
Class:	Category		
Financial Assets			
Cash and Cash Equivalents (note 17)	N/A	8,880	4,156
Receivables (note 18)*	Loans and receivables (at amortised cost)	387	217
Financial Assets at Fair Value (note 19)	At fair value through profit or loss (designated as such upon initial recognition)	-----	3,000
Total Financial Assets		<u>9,267</u>	<u>7,373</u>
Financial Liabilities			
Payables (note 22)**	Financial liabilities	2,643	2,065
Total Financial Liabilities		<u>2,643</u>	<u>2,065</u>

Notes

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

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

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(b) Credit Risk

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

Credit risk arises from financial assets of 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.

Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 3.35% in 2013/14 compared to 3.07% in the previous year.

Receivables - trade debtors

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

The ACI is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2014:\$225K; 2013: \$168K) and not more than 3 months past due (2014: \$48K; 2013:\$17K) are not considered impaired. Together these represent 65% of the total trade debtors. In addition Patient Fees Compensables are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the ACI's debtors are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments.

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

2014	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
<3 months overdue	48	48	-----
3 months - 6 months overdue	96	96	-----
> 6 months overdue	53	53	-----
2013			
<3 months overdue	185	185	-----
3 months - 6 months overdue	-----	-----	-----
> 6 months overdue	-----	-----	-----

Notes

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

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

(c) 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 effective management of cash, investments and liquid assets and liabilities.

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

During the current and prior years, there were no defaults of loans payable. No assets have been pledged as collateral. 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 as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 2).

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

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

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

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Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Int. Rate	Interest Rate Exposure			Maturity Dates		
		Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr
	%	\$000	\$000	\$000	\$000	\$000	\$000
2014							
Payables:							
- Accrued Salaries Wages, On-Costs and Payroll Deductions		464	-----	-----	464	464	-----
- Creditors		2,179	-----	-----	2,179	2,179	-----
		<u>2,643</u>	-----	-----	<u>2,643</u>	<u>2,643</u>	-----
2013							
Payables:							
- Accrued Salaries Wages, On-Costs and Payroll Deductions		396	-----	-----	396	396	-----
- Creditors		1,669	-----	-----	1,669	1,669	-----
		<u>2,065</u>	-----	-----	<u>2,065</u>	<u>2,065</u>	-----

Notes:

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

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(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. 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 unit price of the Hour-Glass Investment facilities. The ACI has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which 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 for 2013. The analysis assumes that all other variables remain constant.

Interest rate risk

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

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

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

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

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

	Carrying Amount \$'000	-1% Profit	Equity	+1% Profit	Equity
2014					
Financial Assets					
Cash and Cash Equivalents	8,880	(89)	(89)	89	89
Receivables	387	-----	-----	-----	-----
Financial Liabilities					
Payables	2,643	-----	-----	-----	-----
2013					
Financial Assets					
Cash and Cash Equivalents	4,156	(42)	(42)	42	42
Receivables	217	-----	-----	-----	-----
Financial Assets at Fair Value	3,000	(30)	(30)	30	30
Financial Liabilities					
Payables	2,065	-----	-----	-----	-----

30. Events after the Reporting Period

There are no events after the reporting period that require amendment to the financial statements.

END OF AUDITED FINANCIAL STATEMENTS