

Agency for Clinical Innovation (ACI)

Financial Statements

for the year ended 30 June 2017



INDEPENDENT AUDITOR'S REPORT

Agency for Clinical Innovation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Agency for Clinical Innovation (the Agency), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Agency and the consolidated entity. The consolidated entity comprises the Agency and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion the financial statements:

- give a true and fair view of the financial position of the Agency and the consolidated entity as at 30 June 2017, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under 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 and the consolidated entity in accordance with the requirements of the:

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

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

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

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- 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

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

The Chief Executive's Responsibility for the Financial Statements

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

In preparing the financial statements, the Chief Executive must assess the ability of the Agency and the consolidated entity to continue as a going concern except where operations will cease as a result of an administrative restructure. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- 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:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

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



Renee Meimaroglou
Director, Financial Audit Services

19 September 2017
SYDNEY

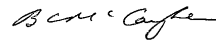
**Agency for Clinical Innovation
Certification of the Financial Statements
for the year ended 30 June 2017**

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

- 1) The financial statements of Agency for Clinical Innovation for the year ended 30 June 2017 have been prepared in accordance with:
 - a) Australian Accounting Standards (which include Australian Accounting Interpretations);
 - b) the requirements of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2015 (the Act); and
 - c) financial Reporting Directions issued by the Treasurer under the Act.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of Agency for Clinical Innovation; and
- 3) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Raj Verma
A / Chief Executive
15 September 2017



Professor Brian McCaughan
Chair - ACI Board
15 September 2017

Agency for Clinical Innovation
Statement of Comprehensive Income for the year ended 30 June 2017

| PARENT | | | | | | | CONSOLIDATION | | |
|---------------|---------------------------------|-----------------|---|--------------|---------------|---------------------------------|-----------------|--|--|
| Actual | Adjusted Budget Unaudited | Actual | | Notes | Actual | Adjusted Budget Unaudited | Actual | | |
| 2017 | 2017 | 2016 | | | 2017 | 2017 | 2016 | | |
| \$000 | \$000 | \$000 | | | \$000 | \$000 | \$000 | | |
| | | | Expenses excluding losses | | | | | | |
| | | | Operating Expenses | | | | | | |
| ---- | ---- | ---- | Employee Related | 2 | 17,583 | 20,570 | 18,440 | | |
| 17,371 | 20,366 | 17,052 | Personnel Services | 3 | ---- | ---- | ---- | | |
| 12,250 | 10,713 | 11,411 | Other Operating Expenses | 4 | 12,250 | 10,713 | 11,411 | | |
| 113 | 114 | 117 | Depreciation and Amortisation | 1(l), 5 | 113 | 114 | 117 | | |
| 3,361 | 2,078 | 2,281 | Grants and Subsidies | 6 | 3,361 | 2,078 | 2,281 | | |
| 33,095 | 33,271 | 30,861 | Total Expenses excluding losses | | 33,307 | 33,475 | 32,249 | | |
| | | | Revenue | | | | | | |
| 33,131 | 33,154 | 18,816 | NSW Ministry of Health Recurrent Allocations | 1(h) | 33,131 | 33,154 | 18,816 | | |
| 85 | 85 | 85 | NSW Ministry of Health Capital Allocations | 1(h) | 85 | 85 | 85 | | |
| ---- | ---- | ---- | Acceptance by the Crown Entity of Employee Benefits | 1(e)(ii), 10 | 212 | 204 | 1,388 | | |
| 90 | 3 | 95 | Sale of Goods and Services | 1(h), 7 | 90 | 3 | 95 | | |
| 2 | ---- | 4 | Investment Revenue | 1(h), 8 | 2 | ---- | 4 | | |
| 350 | 350 | 487 | Grants and Contributions | 1(h), 9 | 350 | 350 | 487 | | |
| 48 | 86 | 46 | Other Revenue | 11 | 48 | 86 | 46 | | |
| 33,706 | 33,678 | 19,533 | Total Revenue | | 33,918 | 33,882 | 20,921 | | |
| 14 | ----- | (5) | Gain / (Loss) on Disposal | 12 | 14 | ----- | (5) | | |
| 625 | 407 | (11,333) | Net Result | 23 | 625 | 407 | (11,333) | | |
| 625 | 407 | (11,333) | TOTAL COMPREHENSIVE INCOME | | 625 | 407 | (11,333) | | |

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation
Statement of Financial Position as at 30 June 2017

| PARENT | | | | | | | CONSOLIDATION | | |
|----------------|---------------------------------|----------------|--------------------------------------|-------|----------------|---------------------------------|----------------|--|--|
| Actual | Adjusted Budget Unaudited | Actual | | Notes | Actual | Adjusted Budget Unaudited | Actual | | |
| 2017 \$000 | 2017 \$000 | 2016 \$000 | | | 2017 \$000 | 2017 \$000 | 2016 \$000 | | |
| | | | ASSETS | | | | | | |
| | | | Current Assets | | | | | | |
| 532 | 854 | 854 | Cash and Cash Equivalents | 14 | 532 | 854 | 854 | | |
| 872 | 423 | 420 | Receivables | 15 | 872 | 423 | 420 | | |
| 1,404 | 1,277 | 1,274 | Total Current Assets | | 1,404 | 1,277 | 1,274 | | |
| | | | Non-Current Assets | | | | | | |
| | | | Property, Plant & Equipment | | | | | | |
| ---- | 6 | ---- | - Land and Buildings | 16 | ---- | 6 | ---- | | |
| 505 | 565 | 600 | - Plant and Equipment | 16 | 505 | 565 | 600 | | |
| 654 | 694 | 195 | - Leasehold Improvements | 16 | 654 | 694 | 195 | | |
| 1,159 | 1,265 | 795 | Total Property, Plant & Equipment | | 1,159 | 1,265 | 795 | | |
| 1,159 | 1,265 | 795 | Total Non-Current Assets | | 1,159 | 1,265 | 795 | | |
| 2,563 | 2,542 | 2,069 | Total Assets | | 2,563 | 2,542 | 2,069 | | |
| | | | LIABILITIES | | | | | | |
| | | | Current Liabilities | | | | | | |
| 2,547 | 2,455 | 2,405 | Payables | 18 | 2,547 | 2,455 | 2,405 | | |
| 2,420 | 2,698 | 2,681 | Provisions | 19 | 2,420 | 2,698 | 2,681 | | |
| ---- | 10 | 10 | Other | 20 | ---- | 10 | 10 | | |
| 4,967 | 5,163 | 5,096 | Total Current Liabilities | | 4,967 | 5,163 | 5,096 | | |
| | | | Non-Current Liabilities | | | | | | |
| 39 | 39 | 41 | Provisions | 19 | 39 | 39 | 41 | | |
| 39 | 39 | 41 | Total Non-Current Liabilities | | 39 | 39 | 41 | | |
| 5,006 | 5,202 | 5,137 | Total Liabilities | | 5,006 | 5,202 | 5,137 | | |
| (2,443) | (2,660) | (3,068) | Net Assets | | (2,443) | (2,660) | (3,068) | | |
| | | | EQUITY | | | | | | |
| (2,443) | (2,660) | (3,068) | Accumulated Funds | | (2,443) | (2,660) | (3,068) | | |
| (2,443) | (2,660) | (3,068) | Total Equity | | (2,443) | (2,660) | (3,068) | | |

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation
Statement of Changes in Equity for the year ended 30 June 2017

| PARENT AND CONSOLIDATION | Notes | Accumulated Funds | Total |
|---|-------|-----------------------|-----------------------|
| | | \$000 | \$000 |
| Total Equity at 1 July 2016 | | <u>(3,068)</u> | <u>(3,068)</u> |
| Total Comprehensive Income for the year | | <u>625</u> | <u>625</u> |
| Balance at 30 June 2017 | | <u><u>(2,443)</u></u> | <u><u>(2,443)</u></u> |
| | | | |
| Total Equity at 1 July 2015 | | <u>8,265</u> | <u>8,265</u> |
| Total Comprehensive Income for the year | | <u>(11,333)</u> | <u>(11,333)</u> |
| Balance at 30 June 2016 | | <u><u>(3,068)</u></u> | <u><u>(3,068)</u></u> |

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation
Statement of Cash Flows for the year ended 30 June 2017

PARENT

CONSOLIDATION

| Actual | Adjusted Budget | Actual | | Notes | Actual | Adjusted Budget | Actual |
|---|-------------------|------------------------|---|-------|-------------------|-------------------|------------------------|
| 2017 | Unaudited | 2016 | | | 2017 | Unaudited | 2016 |
| \$000 | 2017 | \$000 | | | \$000 | 2017 | \$000 |
| | \$000 | | | | | \$000 | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Payments | | | | | | | |
| ---- | ---- | ---- | Employee Related | | (18,033) | (20,791) | (17,409) |
| (3,644) | (2,362) | (2,500) | Grants and Subsidies | | (3,644) | (2,362) | (2,500) |
| (31,459) | (32,421) | (29,948) | Other | | (13,426) | (11,630) | (12,539) |
| <u>(35,103)</u> | <u>(34,783)</u> | <u>(32,448)</u> | Total Payments | | <u>(35,103)</u> | <u>(34,783)</u> | <u>(32,448)</u> |
| Receipts | | | | | | | |
| 33,131 | 33,154 | 18,816 | NSW Ministry of Health Recurrent Allocations | | 33,131 | 33,154 | 18,816 |
| 85 | 85 | 85 | NSW Ministry of Health Capital Allocations | | 85 | 85 | 85 |
| 414 | 414 | 335 | Reimbursements from the Crown Entity | | 414 | 414 | 335 |
| 120 | 21 | 125 | Sale of Goods and Services | | 120 | 21 | 125 |
| 2 | ---- | 4 | Interest Received | | 2 | ---- | 4 |
| 456 | 457 | 487 | Grants and Contributions | | 456 | 457 | 487 |
| 1,038 | 1,237 | 1,402 | Other | | 1,038 | 1,237 | 1,402 |
| <u>35,246</u> | <u>35,368</u> | <u>21,254</u> | Total Receipts | | <u>35,246</u> | <u>35,368</u> | <u>21,254</u> |
| <u>143</u> | <u>585</u> | <u>(11,194)</u> | NET CASH FLOWS FROM OPERATING ACTIVITIES | 23 | <u>143</u> | <u>585</u> | <u>(11,194)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| 75 | ---- | 20 | Proceeds from Sale of Property, Plant & Equipment | | 75 | ---- | 20 |
| (540) | (585) | (228) | Purchases of Property, Plant & Equipment | | (540) | (585) | (228) |
| <u>(465)</u> | <u>(585)</u> | <u>(208)</u> | NET CASH FLOWS FROM INVESTING ACTIVITIES | | <u>(465)</u> | <u>(585)</u> | <u>(208)</u> |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | |
| ---- | ---- | ---- | | | ---- | ---- | ---- |
| (322) | ---- | (11,402) | NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | | (322) | ---- | (11,402) |
| 854 | 854 | 12,256 | Opening Cash and Cash Equivalents | 14 | 854 | 854 | 12,256 |
| <u>532</u> | <u>854</u> | <u>854</u> | CLOSING CASH AND CASH EQUIVALENTS | 14 | <u>532</u> | <u>854</u> | <u>854</u> |

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 2017

1. Summary of Significant Accounting Policies

a) The Reporting Entity

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

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

- * The parent entity, comprises all the operating activities of the Agency for Clinical Innovation.
- * Agency for Clinical Innovation Special Purpose Service Entity which was established as a Division of ACI on 11 January 2010 in accordance with the Health Services Act 1997. This Division provides personnel services to enable ACI to exercise its functions.

As a consequence the values in the 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.

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

These consolidated financial statements for the year ended 30 June 2017 have been authorised for issue by the A / Chief Executive on 15 September 2017.

b) Basis of Preparation

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

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

The Secretary of Health, the Chair of Agency for Clinical Innovation Board and the Chief Executive, 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 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 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 assumption is appropriate include:

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

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

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

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

c) Comparative Information

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

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1. Summary of Significant Accounting Policies

d) Statement of Compliance

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

e) Employee Benefits and Other Provisions

i) Salaries & 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 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 15.8% are applied to the value of leave payable at 30 June 2017 (comparable on-costs for 30 June 2016 were 15.3%). ACI has assessed the actuarial advice based on the ACI's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

ii) Long Service Leave and Superannuation

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

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

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

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

iii) Consequential On-Costs

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

iv) Other Provisions

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

f) Insurance

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

g) Finance Costs

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

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1. Summary of Significant Accounting Policies

h) Income Recognition

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

Rendering of Services

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

Investment Revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139, Financial Instruments: Recognition and Measurement. Dividend revenue is recognised in accordance with AASB 118 Revenue, when ACI's right to receive payment is established.

Grants and Contributions

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

NSW Ministry of Health Allocations

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

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

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

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

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

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

j) Acquisition of Assets

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

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

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

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

k) Capitalisation Thresholds

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

l) Depreciation of Property, Plant and Equipment

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

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

| | 30 Jun 2017 | 30 Jun 2016 |
|-------------------------------------|--------------------|--------------------|
| Computer Equipment | 20.0% | 20.0% |
| Motor Vehicle Sedans | 12.5% | 12.5% |
| Office Equipment | 10.0% | 10.0% |
| Plant and Machinery | 10.0% | 10.0% |
| Furniture, Fittings and Furnishings | 5.0% | 5.0% |

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

1. Summary of Significant Accounting Policies

m) Revaluation of Non-Current Assets

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

n) Impairment of Property, Plant and Equipment

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

o) Maintenance

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

p) Leased Assets

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

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

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

q) Loans and Receivables

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

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

r) Impairment of Financial Assets

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

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

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

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

s) De-recognition of Financial Assets and Financial Liabilities

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

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

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

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

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

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1. Summary of Significant Accounting Policies

t) Payables

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

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

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

u) Fair Value Hierarchy

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

v) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

w) Adjusted Budgeted Amounts

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). ACI's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, ACI's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between ACI and the NSW Ministry of Health at the beginning of the financial year, as well as any adjustments for the effects of additional supplementation provided in accordance with delegations to derive a final budget at year end (i.e. adjusted budget). The budget amounts are not subject to audit and, accordingly, the relevant column entries in the financial statements are denoted as "Unaudited".

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

(i) Effective for the first time in 2016-17

The accounting policies applied in 2016-17 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities extends the scope of AASB 124 *Related Party Disclosures* to include application by not-for-profit public sector entities. The application of this standard has resulted in increased disclosures in the financial statements relating to related party transactions and Key Management Personnel compensation.

AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities is applicable to reporting periods beginning on or after 1 July 2016. The Entity early adopted this standard in the financial year ended 30 June 2016, which allows for exemption from making certain Level 3 'Fair Value Measurement' disclosures held primarily for current service potential rather than the generation of future net cash inflows.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1. **Summary of Significant Accounting Policies**

(ii) Issued but not yet effective

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

AASB 2016-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107* applies to annual periods beginning on or after 1 January 2017. The standard amends AASB 107 *Statement of Cash Flows* to require additional disclosures regarding financing activities in the Statement of Cash Flows. The change is not expected to materially impact the financial statements.

AASB 9 *Financial Instruments* and AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9* are applicable for reporting period on or after 1 January 2018. AASB 9 will replace AASB 139 *Financial Instruments: Recognition and Measurement* and establishes new principles for the financial reporting of financial assets, financial liabilities and hedge accounting. AASB 9 also introduces a forward-looking 'expected credit losses' impairment model, which may significantly impact the timing and amount of impairment recognition.

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

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

AASB 1058 *Income of Not-for-Profit Entities* applies to not-for-profit entities and is effective for annual periods beginning on or after 1 January 2019. This standard requires entities to recognise income where the consideration to acquire an asset, including cash, is significantly less than the fair value principally to enable the entity to further its objectives. Under this standard, the timing of income recognition may be impacted depending on whether there is a liability or other performance obligation associated with the acquired asset, including cash.

AASB 1058 also requires government agencies to recognise income for volunteer services received if the fair value of those services can be measured reliably and the services would have been purchased if they had not been donated. This is consistent with current practice under AASB 1004 *Contributions* and is not expected to materially impact the financial statements.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

| PARENT | | | CONSOLIDATION | |
|---------------|---------------|--|---------------|---------------|
| 2017 \$000 | 2016 \$000 | | 2017 \$000 | 2016 \$000 |
| | | 2. Employee Related | | |
| ---- | ---- | Salaries and Wages (including annual leave) | 15,827 | 15,707 |
| ---- | ---- | Superannuation - Defined Benefit Plans | 153 | 179 |
| ---- | ---- | Superannuation - Defined Contribution Plans | 1,309 | 1,216 |
| ---- | ---- | Long Service Leave | 29 | 1,286 |
| ---- | ---- | Redundancies | 217 | ---- |
| ---- | ---- | Workers' Compensation Insurance | 48 | 47 |
| ---- | ---- | Fringe Benefits Tax | ---- | 5 |
| ---- | ---- | | 17,583 | 18,440 |
| | | 3. Personnel Services | | |
| 15,827 | 15,707 | Salaries and Wages | ---- | ---- |
| 1,309 | 1,216 | Superannuation - Defined Contribution Plans | ---- | ---- |
| (30) | 77 | Long Service Leave | ---- | ---- |
| 217 | ---- | Redundancies | ---- | ---- |
| 48 | 47 | Workers' Compensation Insurance | ---- | ---- |
| ---- | 5 | Fringe Benefits Tax | ---- | ---- |
| 17,371 | 17,052 | | ---- | ---- |
| | | 4. Other Operating Expenses | | |
| 55 | 10 | Advertising | 55 | 10 |
| 42 | 64 | Auditor's Remuneration - Audit of Financial Statements | 42 | 64 |
| 34 | 281 | Consultancies | 34 | 281 |
| 15 | 11 | Domestic Supplies and Services | 15 | 11 |
| 222 | 192 | Food Supplies | 222 | 192 |
| 24 | 16 | Fuel, Light and Power | 24 | 16 |
| 879 | 1,583 | Information Management Expenses | 879 | 1,583 |
| 7 | 11 | Insurance | 7 | 11 |
| 534 | 422 | Maintenance (See 4(b) below) | 534 | 422 |
| 2 | 29 | Medical and Surgical Supplies | 2 | 29 |
| 61 | 65 | Motor Vehicle Expenses | 61 | 65 |
| 124 | 127 | Postal and Telephone Costs | 124 | 127 |
| 279 | 269 | Printing and Stationery | 279 | 269 |
| 1,069 | 987 | Rental | 1,069 | 987 |
| 33 | 29 | Hosted Services Purchased from entities controlled by the immediate parent | 33 | 29 |
| 1,574 | 698 | Staff Related Costs | 1,574 | 698 |
| 1,387 | 1,364 | Travel Related Costs | 1,387 | 1,364 |
| 5,909 | 5,253 | Other (See 4(a) below) | 5,909 | 5,253 |
| 12,250 | 11,411 | | 12,250 | 11,411 |

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

| PARENT | | | CONSOLIDATION | |
|---|---------------|--|---------------|---------------|
| 2017 \$000 | 2016 \$000 | | 2017 \$000 | 2016 \$000 |
| 4. Other Operating Expenses | | | | |
| a) Other Includes: | | | | |
| 238 | 238 | Corporate Support Services | 238 | 238 |
| 10 | 20 | Courier and Freight | 10 | 20 |
| 4 | 6 | Legal Services | 4 | 6 |
| 118 | 222 | Membership/Professional Fees | 118 | 222 |
| 3 | 3 | Security Services | 3 | 3 |
| 1,037 | 865 | Other Miscellaneous | 1,037 | 865 |
| 4,499 | 3,899 | Other Management Services | 4,499 | 3,899 |
| <u>5,909</u> | <u>5,253</u> | | <u>5,909</u> | <u>5,253</u> |
| b) Reconciliation of Total Maintenance | | | | |
| 8 | 12 | Maintenance Contracts | 8 | 12 |
| 506 | 375 | New/Replacement Equipment under \$10,000 | 506 | 375 |
| 20 | 35 | Repairs Maintenance/Non Contract | 20 | 35 |
| <u>534</u> | <u>422</u> | | <u>534</u> | <u>422</u> |

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

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

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

'Rental' expenses were paid to GPNSW, an entity controlled by the ultimate parent and 'Staff Related costs' expenses were paid to entities controlled by the immediate parent.

Agency for Clinical Innovation
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for the year ended 30 June 2017

| PARENT | | | CONSOLIDATION | |
|---|---------------|--|---------------|---------------|
| 2017 \$000 | 2016 \$000 | | 2017 \$000 | 2016 \$000 |
| 5. Depreciation and Amortisation | | | | |
| 74 | 86 | Depreciation - Plant and Equipment | 74 | 86 |
| 39 | 31 | Amortisation - Leasehold Improvements | 39 | 31 |
| <u>113</u> | <u>117</u> | | <u>113</u> | <u>117</u> |
| 6. Grants and Subsidies | | | | |
| ---- | 40 | Non-Government Organisations | ---- | 40 |
| 646 | 230 | Grants to Research Organisations | 646 | 230 |
| 2,549 | 1,652 | Grants paid to entities controlled by the immediate parent | 2,549 | 1,652 |
| 166 | 359 | Other Grants | 166 | 359 |
| <u>3,361</u> | <u>2,281</u> | | <u>3,361</u> | <u>2,281</u> |

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

| PARENT | | | CONSOLIDATION | |
|---------------|---------------|--|---------------|---------------|
| 2017 \$000 | 2016 \$000 | | 2017 \$000 | 2016 \$000 |
| | | 7. Sale of Goods and Services | | |
| | | Rendering of Services comprise the following:- | | |
| 2 | 3 | Car Parking | 2 | 3 |
| 45 | 56 | Private Use of Motor Vehicles | 45 | 56 |
| 8 | 7 | Salary Packaging Fee | 8 | 7 |
| 35 | 29 | Other | 35 | 29 |
| 90 | 95 | | 90 | 95 |
| | | 8. Investment Revenue | | |
| 2 | 4 | Interest | 2 | 4 |
| 2 | 4 | | 2 | 4 |

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

| PARENT | | | CONSOLIDATION | |
|--|---------------|--|---------------|---------------|
| 2017 \$000 | 2016 \$000 | | 2017 \$000 | 2016 \$000 |
| 9. Grants and Contributions | | | | |
| 98 | 82 | Commonwealth Government Grants | 98 | 82 |
| 225 | 315 | Grants received from entities controlled by the ultimate parent | 225 | 315 |
| 14 | ---- | Grants received from entities controlled by the immediate parent | 14 | ---- |
| 13 | 90 | Other Grants | 13 | 90 |
| 350 | 487 | | 350 | 487 |
| <p>The majority of grants that were received from entities controlled by the ultimate parent were received from Lifetime Care and Support Authority of New South Wales.</p> <p>The majority of grants that were received from entities controlled by the immediate parent were received from Southern NSW Local Health District.</p> | | | | |
| 10. Acceptance by the Crown Entity of Employee Benefits | | | | |
| <p>The following liabilities and expenses have been assumed by the Crown Entity:</p> | | | | |
| ---- | ---- | Superannuation-defined benefit | 152 | 179 |
| ---- | ---- | Long Service Leave | 60 | 1,209 |
| ---- | ---- | | 212 | 1,388 |
| 11. Other Revenue | | | | |
| <p>Other Revenue comprises the following:-</p> | | | | |
| 48 | 46 | Conference and Training Fees | 48 | 46 |
| 48 | 46 | | 48 | 46 |

Agency for Clinical Innovation
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for the year ended 30 June 2017

| PARENT | | | CONSOLIDATION | |
|--------------------------------------|-------------------|--------------------------------------|------------------|-------------------|
| 2017 \$000 | 2016 \$000 | | 2017 \$000 | 2016 \$000 |
| 12. Gain / (Loss) on Disposal | | | | |
| 137 | 47 | Property, Plant and Equipment | 137 | 47 |
| <u>(75)</u> | <u>(22)</u> | Accumulated Depreciation | <u>(75)</u> | <u>(22)</u> |
| 62 | 25 | Written Down Value | 62 | 25 |
| 76 | 20 | Proceeds from Disposal | 76 | 20 |
| <u>14</u> | <u>(5)</u> | Total Gain/(Loss) on Disposal | <u>14</u> | <u>(5)</u> |

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13. Conditions on Contributions

| | Purchase of Assets | Health Promotion, Education and Research | Other | Total |
|--|-----------------------|--|-------|-------|
| | \$000 | \$000 | \$000 | \$000 |
| Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at reporting date | ---- | ---- | 48 | 48 |
| Contributions recognised in previous years which were not expended in the current reporting period | ---- | ---- | 94 | 94 |
| Total amount of unexpended contributions as at reporting date | ----- | ----- | 142 | 142 |

Comment on restricted assets appears in Note 17

Agency for Clinical Innovation
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| PARENT | | | CONSOLIDATION | |
|--------------------------------------|---------------|--------------------------|---------------|---------------|
| 2017 \$000 | 2016 \$000 | | 2017 \$000 | 2016 \$000 |
| 14. Cash and Cash Equivalents | | | | |
| 532 | 854 | Cash at Bank and On Hand | 532 | 854 |
| <u>532</u> | <u>854</u> | | <u>532</u> | <u>854</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:

| | | | | |
|------------|------------|---|------------|------------|
| 532 | 854 | Cash and Cash Equivalents (per Statement of Financial Position) | 532 | 854 |
| <u>532</u> | <u>854</u> | Closing Cash and Cash Equivalents (per Statement of Cash Flows) | <u>532</u> | <u>854</u> |

Refer to Note 25 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Agency for Clinical Innovation
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for the year ended 30 June 2017

| PARENT | | | CONSOLIDATION | |
|---------------|---------------|-------------------------------|---------------|---------------|
| 2017 \$000 | 2016 \$000 | | 2017 \$000 | 2016 \$000 |
| | | 15. Receivables | | |
| | | Current | | |
| 134 | 16 | Sale of Goods and Services | 134 | 16 |
| 145 | 154 | Intra Health Receivables | 145 | 154 |
| 440 | 199 | Goods and Services Tax | 440 | 199 |
| 36 | 2 | Other Debtors | 36 | 2 |
| 755 | 371 | Sub Total | 755 | 371 |
| ----- | ----- | Less Allowance for Impairment | ----- | ----- |
| 755 | 371 | Sub Total | 755 | 371 |
| 117 | 49 | Prepayments | 117 | 49 |
| 872 | 420 | | 872 | 420 |

Intra Health Receivables' include majority of the balance receivable from the immediate parent.

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 25.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

| PARENT | | | CONSOLIDATION | |
|--|---------------|---|---------------|---------------|
| 2017 \$000 | 2016 \$000 | | 2017 \$000 | 2016 \$000 |
| 16. Property, Plant and Equipment | | | | |
| | | Plant and Equipment - Fair Value* | | |
| 779 | 885 | Gross Carrying Amount | 779 | 885 |
| 274 | 285 | Less: Accumulated Depreciation and Impairment | 274 | 285 |
| <u>505</u> | <u>600</u> | Net Carrying Amount | <u>505</u> | <u>600</u> |
| | | Leasehold Improvements - Fair Value* | | |
| 789 | 290 | Gross Carrying Amount | 789 | 290 |
| 135 | 95 | Less: Accumulated Depreciation and Impairment | 135 | 95 |
| <u>654</u> | <u>195</u> | Net Carrying Amount | <u>654</u> | <u>195</u> |
| <u>1,159</u> | <u>795</u> | Total Property, Plant and Equipment At Net Carrying Amount | <u>1,159</u> | <u>795</u> |

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

PARENT & CONSOLIDATION

16. Property, Plant and Equipment - Reconciliation

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

| | Land \$000 | Buildings \$000 | Plant and Equipment \$000 | Infrastructure Systems \$000 | Leasehold Improvements \$000 | Total \$000 |
|--|---------------|--------------------|---------------------------------|------------------------------------|------------------------------------|----------------|
| 2017 | | | | | | |
| Net carrying amount at start of year | ---- | ---- | 600 | ---- | 194 | 794 |
| Additions | ---- | ---- | 77 | ---- | 499 | 576 |
| Disposals | ---- | ---- | (62) | ---- | ---- | (62) |
| Transfers within NSW Health Entities through Statement of Comprehensive Income | ---- | ---- | (36) | ---- | ---- | (36) |
| Depreciation Expense | ---- | ---- | (74) | ---- | (39) | (113) |
| Net carrying amount at end of year | 0 | 0 | 505 | 0 | 654 | 1,159 |

| | Land \$000 | Buildings \$000 | Plant and Equipment \$000 | Infrastructure Systems \$000 | Leasehold Improvements \$000 | Total \$000 |
|--------------------------------------|---------------|--------------------|---------------------------------|------------------------------------|------------------------------------|----------------|
| 2016 | | | | | | |
| Net carrying amount at start of year | ---- | ---- | 574 | ---- | 134 | 708 |
| Additions | ---- | ---- | 137 | ---- | 92 | 229 |
| Disposals | ---- | ---- | (25) | ---- | ---- | (25) |
| Depreciation Expense | ---- | ---- | (86) | ---- | (31) | (117) |
| Net carrying amount at end of year | 0 | 0 | 600 | 0 | 195 | 795 |

Agency for Clinical Innovation
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**2017
\$000**

**2016
\$000**

**2017
\$000**

**2016
\$000**

17. Restricted Assets

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

Category

| | | | | |
|------------|------------|--|------------|------------|
| 94 | 92 | ACI Education/Conferences | 94 | 92 |
| ---- | 8 | ACI Brain Injury - Practice Guidelines | ---- | 8 |
| 48 | ---- | ACI Brain Injury - Vocational Implementation | 48 | ---- |
| <u>142</u> | <u>100</u> | | <u>142</u> | <u>100</u> |

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

| PARENT | | | CONSOLIDATION | |
|--------------|--------------|---|---------------|--------------|
| 2017 | 2016 | | 2017 | 2016 |
| \$000 | \$000 | | \$000 | \$000 |
| | | 18. Payables | | |
| | | Current | | |
| ---- | ---- | Accrued Salaries, Wages and On-Costs | 197 | 151 |
| ---- | ---- | Taxation and Payroll Deductions | 240 | 205 |
| 437 | 356 | Accrued Liability - Purchase of Personnel Services | ---- | ---- |
| 639 | 326 | Creditors | 639 | 326 |
| | | Other Creditors | | |
| 1,034 | 1,157 | - Payables to entities controlled by the immediate parent | 1,034 | 1,157 |
| 437 | 566 | - Other | 437 | 566 |
| <u>2,547</u> | <u>2,405</u> | | <u>2,547</u> | <u>2,405</u> |

The majority of 'Payables to entities controlled by the immediate parent' relate to balances payable to various health entities, controlled by the immediate parent.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 25.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
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| PARENT | | | CONSOLIDATION | |
|---|---------------|--|---------------|---------------|
| 2017 \$000 | 2016 \$000 | | 2017 \$000 | 2016 \$000 |
| 19. Provisions | | | | |
| Current | | | | |
| ---- | ---- | Annual Leave - Short Term Benefit | 1,467 | 1,333 |
| ---- | ---- | Annual Leave - Long Term Benefit | 470 | 874 |
| ---- | ---- | Long Service Leave Consequential On-Costs | 445 | 474 |
| 2,382 | 2,681 | Provision for Personnel Services Liability | ---- | ---- |
| 38 | ---- | Other | 38 | ---- |
| <u>2,420</u> | <u>2,681</u> | | <u>2,420</u> | <u>2,681</u> |
| Non-Current | | | | |
| ---- | ---- | Long Service Leave Consequential On-Costs | 39 | 41 |
| 39 | 41 | Provision for Personnel Services Liability | ---- | ---- |
| <u>39</u> | <u>41</u> | | <u>39</u> | <u>41</u> |
| Aggregate Employee Benefits and Related On-Costs | | | | |
| ---- | ---- | Provisions - Current | 2,420 | 2,681 |
| ---- | ---- | Provisions - Non-Current | 39 | 41 |
| ---- | ---- | Accrued Salaries, Wages and On-Costs (Note 18) | 437 | 356 |
| 2,896 | 3,078 | Liability - Purchase of Personnel Services | ---- | ---- |
| <u>2,896</u> | <u>3,078</u> | | <u>2,896</u> | <u>3,078</u> |
| 20. Other Liabilities | | | | |
| Current | | | | |
| ---- | 10 | Income in Advance | ---- | 10 |
| <u>-----</u> | <u>10</u> | | <u>-----</u> | <u>10</u> |

In prior year, income in advance balance was made up of amounts received in advance from Alzheimer's Australia.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
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| PARENT | | | CONSOLIDATION | |
|--|---------------|--|---------------|---------------|
| 2017 \$000 | 2016 \$000 | | 2017 \$000 | 2016 \$000 |
| 21. Commitments for Expenditure | | | | |
| a) Operating Lease Commitments | | | | |
| Future non-cancellable operating lease rentals not provided for and payable: | | | | |
| 1,131 | 1,088 | Not later than one year | 1,131 | 1,088 |
| 1,175 | 2,306 | Later than one year and not later than five years | 1,175 | 2,306 |
| ----- | ----- | Later than five years | ----- | ----- |
| <u>2,306</u> | <u>3,394</u> | Total Operating Lease Commitments (Including GST) | <u>2,306</u> | <u>3,394</u> |

Most 'operating lease commitments' contracted but not provided for related to leases with Government Property NSW, an entity controlled by the ultimate parent.

b) **Contingent Asset Related to Commitments for Expenditure**

The total 'Operating Lease Commitments' of \$2.3 million as at 30 June 2017 includes input tax credits of \$0.210m that are expected to be recoverable from the Australian Taxation Office (2016 \$0.309m).

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Notes to and forming part of the Financial Statements
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22. Contingent Liabilities and Assets

There are no contingent assets or liabilities as at 30 June 2017.

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| PARENT | | | CONSOLIDATION | |
|---|-----------------|--|---------------|-----------------|
| 2017 | 2016 | | 2017 | 2016 |
| \$000 | \$000 | | \$000 | \$000 |
| 23. Reconciliation of Cash Flows from Operating Activities to Net Result | | | | |
| 143 | (11,194) | Net Cash Flows from Operating Activities | 143 | (11,194) |
| (113) | (117) | Depreciation and Amortisation | (113) | (117) |
| 10 | (10) | (Increase)/ Decrease Income in Advance | 10 | (10) |
| 263 | (319) | (Increase)/ Decrease in Provisions | 263 | (319) |
| 454 | (84) | Increase / (Decrease) in Prepayments and Other Assets | 454 | (84) |
| (146) | 396 | (Increase)/ Decrease in Payables from Operating Activities | (146) | 396 |
| 14 | (5) | Net Gain/ (Loss) on Sale of Property, Plant and Equipment | 14 | (5) |
| <u>625</u> | <u>(11,333)</u> | Net Result | <u>625</u> | <u>(11,333)</u> |

In line with NSW Treasury Circular 15-01 Cash Management, during the 2016 financial year ACI was required to reduce its excess opening cash balance of \$12m with a concurrent reduction in allocated health revenue.

PARENT AND CONSOLIDATION

24. Adjusted Budget Review - Parent and Consolidated

In 2016/17 ACI achieved a \$0.6m favourable result. Details listed below.

Net Result

The Net Result of \$0.6m was primarily due to higher than expected underspend of Employee Related Expenses (ERE) of \$3m as recruitment was put on hold due to functional review of ACI & CEC and secondment of senior staff members to Ministry. This underspend was reallocated to initiate various clinical research grants along with NSQIP and Better Value Care grants to LHDs.

Government contribution revenue was forecasted to be in line with the budget, and was \$22k unfavourable to budget.

Assets and Liabilities

ACI's Overall Net Assets in current year was in line with the budget.

Increase in Current Assets was due to secondment of various ACI staff to Ministry resulting in IntraHealth Debtors as at 30 June 2017 and a pending grant payment from Lifetime Care.

Total Liabilities of current year are in line with budget and prior year.

Cash Flows

As at 30 June 2017, ACI's cash at bank was \$532K. ACI has internal processes to monitor the cash position and to draw cash from the allocated subsidy. In current financial year, ACI utilised the entire subsidy revenue with an unused surplus of \$22k.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 01 July 2016 are as follows:

| | \$000 |
|---|----------------------|
| Initial Allocation | 31,251 |
| Award Increases | 650 |
| Special Projects (Integrated Care Demonstrator Program, Int Care PRMs, Statewide renewal of LifeNet Licence) | <u>1,253</u> |
| Balance as per Statement of Comprehensive Income | <u><u>33,154</u></u> |

25. Financial Instruments

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

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

The A / 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 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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| Financial Assets Class: | Category | Carrying Amount 2017 \$000 | Carrying Amount 2016 \$000 |
|-------------------------------------|--|----------------------------------|----------------------------------|
| Cash and Cash Equivalents (note 14) | N/A | 532 | 854 |
| Receivables (note 15)* | Loans and receivables (at amortised cost) | 315 | 172 |
| | | <u>847</u> | <u>1,026</u> |
| Financial Liabilities | | | |
| Payables (note 18)** | Financial liabilities measured at amortised cost | 2,307 | 2,200 |
| | | <u>2,307</u> | <u>2,200</u> |

Notes

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

** Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures).

(b) Credit Risk

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

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

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

Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 2.35% in 2016/17 compared to 2.60% in the previous year.

Receivables - trade debtors

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

ACI is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2017: \$0.313M ; 2016: \$0.167M) and not more than 3 months past due (2017: \$0.035M ; 2016: \$0M) are not considered impaired.

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.

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25. Financial Instruments

| | Total ^{1,2} | Past due but not impaired ^{1,2} | Considered impaired ^{1,2} |
|-----------------------------|----------------------|---|---------------------------------------|
| | \$000 | \$000 | \$000 |
| 2017 | | | |
| <3 months overdue | 35 | 35 | ---- |
| 3 months - 6 months overdue | ---- | ---- | ---- |
| > 6 months overdue | ---- | ---- | ---- |
| 2016 | | | |
| <3 months overdue | ---- | ---- | ---- |
| 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 AASB7 Financial Instruments Disclosures 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

(c) Liquidity Risk

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

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

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

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

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

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

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

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25. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

| | Interest Rate Exposure | | | | Maturity Dates | | |
|---|--------------------------------|------------------------|---------------------------|---------------------------|----------------|--------|-------|
| | Nominal Amount ¹ | Fixed Interest Rate | Variable Interest Rate | Non - Interest Bearing | < 1 Yr | 1-5 Yr | > 5Yr |
| | 2017 \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Payables: | | | | | | | |
| - Accrued Salaries Wages, On- Costs and Payroll Deductions | 197 | ---- | ---- | 197 | 197 | ---- | ---- |
| - Creditors | 2,110 | ---- | ---- | 2,110 | 2,110 | ---- | ---- |
| | <u>2,307</u> | ---- | ---- | <u>2,307</u> | <u>2,307</u> | ---- | ---- |
| | 2016 | | | | | | |
| Payables: | | | | | | | |
| - Accrued Salaries Wages, On- Costs and Payroll Deductions | 151 | ---- | ---- | 151 | 151 | ---- | ---- |
| - Creditors | 2,049 | ---- | ---- | 2,049 | 2,049 | ---- | ---- |
| | <u>2,200</u> | ---- | ---- | <u>2,200</u> | <u>2,200</u> | ---- | ---- |

Notes:

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

25. Financial Instruments

(d) Market Risk

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

The effect on 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 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 2016. The analysis assumes that all other variables remain constant.

Interest rate risk

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

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

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

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

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

| | Carrying Amount | -1% Net Result | Equity | +1% Net Result | Equity |
|------------------------------|--------------------|----------------------|--------|----------------------|--------|
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| 2017 | | | | | |
| Financial Assets | | | | | |
| Cash and Cash Equivalents | 532 | (5) | (5) | 5 | 5 |
| Receivables | 315 | ---- | ---- | ---- | ---- |
| Financial Liabilities | | | | | |
| Payables | 2,307 | ---- | ---- | ---- | ---- |
| Other | ---- | ---- | ---- | ---- | ---- |
| 2016 | | | | | |
| Financial Assets | | | | | |
| Cash and Cash Equivalents | 854 | (9) | (9) | 9 | 9 |
| Receivables | 172 | ---- | ---- | ---- | ---- |
| Financial Liabilities | | | | | |
| Payables | 2,200 | ---- | ---- | ---- | ---- |
| Other | ---- | ---- | ---- | ---- | ---- |

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26. Related Party Transactions

PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

| | 2017 |
|------------------------------|--------------|
| | \$000 |
| Short-term employee benefits | 351 |
| Post-employment benefits | 31 |
| Other long-term benefits | 32 |
| Termination benefits | 0 |
| | <u>414</u> |

During the financial year, Agency for Clinical Innovation obtained key management personnel services from the immediate parent and incurred \$188K for these services.

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

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

There were no material transactions with key management personnel and their close family members

There were no transactions with the ultimate parent during the financial year.

27. Events After the Reporting Period

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

END OF AUDITED FINANCIAL STATEMENTS