

Agency for Clinical Innovation (ACI)

Financial Statements

for the year ended 30 June 2018



INDEPENDENT AUDITOR'S REPORT

Agency for Clinical Innovation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Agency for Clinical Innovation (the Agency), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the 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 2018, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the 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 fulfilled my other ethical responsibilities in accordance with APES 110.

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

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Emphasis of Matter

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 1(y). 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.

Other Information

At the date of this independent Auditor's Report, the other information I have received comprise the Agency for Clinical Innovation Certification of the Financial Statements for the year ended 30 June 2018.

My opinion on the financial report does not cover the other Information. Accordingly, I do not express any form of assurance conclusion on the other Information.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Chief Executive's Responsibilities for the Financial Statements

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

In preparing the financial statements, the Chief Executive is responsible for assessing the ability of the Agency and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Agency's operations will cease as a result of an administrative restructure.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'R Meimaroglou', followed by a period.

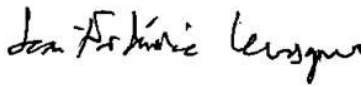
Renee Meimaroglou
Director, Financial Audit Services

25 September 2018
SYDNEY

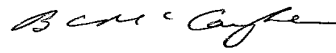
Agency for Clinical Innovation
Certification of the Financial Statements
for the year ended 30 June 2018

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 2018 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 (PFAA)*, the *Public Finance and Audit Regulation 2015 (Regulation)*; and
 - c) Financial Reporting Directions mandated by the Treasurer.
- 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.



Jean-Frederic Levesque
Chief Executive
21 September 2018



Professor Brian McCaughan
Chair - ACI Board
21 September 2018

Agency for Clinical Innovation
Statement of Financial Position as at 30 June 2018

PARENT							CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual		Notes	Actual	Adjusted Budget Unaudited	Actual		
2018	2018	2017			2018	2018	2017		
\$000	\$000	\$000			\$000	\$000	\$000		
ASSETS									
Current Assets									
956	(439)	532			956	(439)	532		
673	872	872		13	673	872	872		
1,629	433	1,404		14	1,629	433	1,404		
Total Current Assets									
Non-Current Assets									
409	1,164	505			409	1,164	505		
831	183	655		15	831	183	655		
1,240	1,347	1,160		15	1,240	1,347	1,160		
1,240	1,347	1,160			1,240	1,347	1,160		
2,869	1,780	2,564			2,869	1,780	2,564		
Total Assets									
LIABILITIES									
Current Liabilities									
1,762	2,596	2,547			1,762	2,596	2,547		
2,476	2,502	2,421		17	2,476	2,502	2,421		
548	----	----		18	548	----	----		
4,786	5,098	4,968		19	4,786	5,098	4,968		
Total Current Liabilities									
Non-Current Liabilities									
532	38	39			532	38	39		
532	38	39		18	532	38	39		
Total Non-Current Liabilities									
Total Liabilities									
5,318	5,136	5,007			5,318	5,136	5,007		
Net Assets									
(2,449)	(3,356)	(2,443)			(2,449)	(3,356)	(2,443)		
EQUITY									
(2,449)	(3,356)	(2,443)			(2,449)	(3,356)	(2,443)		
(2,449)	(3,356)	(2,443)			(2,449)	(3,356)	(2,443)		
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 2018

PARENT AND CONSOLIDATION	Notes	Accumulated Funds \$000	Total \$000
Total Equity at 1 July 2017		<u>(2,443)</u>	<u>(2,443)</u>
Net Result for the year		(6)	(6)
Other Comprehensive Income:			
Total Other Comprehensive Income		-----	-----
Total Comprehensive Income for the year		<u>(6)</u>	<u>(6)</u>
 Balance at 30 June 2018		<u><u>(2,449)</u></u>	<u><u>(2,449)</u></u>
 Total Equity at 1 July 2016		<u>(3,068)</u>	<u>(3,068)</u>
Net Result for the year		625	625
Other Comprehensive Income:			
Total Other Comprehensive Income		-----	-----
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>

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation
Statement of Cash Flows for the year ended 30 June 2018

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2018	2018	2017		2018	2018	2017
\$000	\$000	\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
----	----	----	Employee Related	(20,822)	(21,834)	(18,033)
(10,692)	(9,810)	(13,426)	Suppliers for Goods and Services	(10,692)	(9,810)	(13,426)
(1,674)	(1,824)	(3,644)	Grants and Subsidies	(1,674)	(1,824)	(3,644)
(20,822)	(21,834)	(18,033)	Other	----	----	----
<u>(33,188)</u>	<u>(33,468)</u>	<u>(35,103)</u>	Total Payments	<u>(33,188)</u>	<u>(33,468)</u>	<u>(35,103)</u>
Receipts						
30,939	30,939	33,131	NSW Ministry of Health Recurrent Allocations	30,939	30,939	33,131
85	85	85	NSW Ministry of Health Capital Allocations	85	85	85
769	769	414	Reimbursements from the Crown Entity	769	769	414
119	16	120	Sale of Goods and Services	119	16	120
1	----	2	Interest Received	1	----	2
603	98	456	Grants and Other Contributions	603	98	456
1,754	1,369	1,038	Other	1,754	1,369	1,038
<u>34,270</u>	<u>33,276</u>	<u>35,246</u>	Total Receipts	<u>34,270</u>	<u>33,276</u>	<u>35,246</u>
<u>1,082</u>	<u>(192)</u>	<u>143</u>	NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>1,082</u>	<u>(192)</u>	<u>143</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
62	----	75	Proceeds from Sale of Property, Plant & Equipment	62	----	75
(720)	(779)	(540)	Purchases of Property, Plant & Equipment	(720)	(779)	(540)
<u>(658)</u>	<u>(779)</u>	<u>(465)</u>	NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(658)</u>	<u>(779)</u>	<u>(465)</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES						
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS						
424	(971)	(322)	Opening Cash and Cash Equivalents	424	(971)	(322)
532	532	854		532	532	854
<u>956</u>	<u>(439)</u>	<u>532</u>	CLOSING CASH AND CASH EQUIVALENTS	<u>956</u>	<u>(439)</u>	<u>532</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 2018

1. Statement 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 2018 have been authorised for issue by the Chief Executive and by the Chair of the ACI Board on 21 September 2018.

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 the Public Finance and Audit Regulation 2015, and Financial Reporting Directions mandated by the Treasurer. 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(y).

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

The Secretary of NSW 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 Performance 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 Performance Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where ACI fails to meet Performance Agreement performance standards, the NSW Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the NSW Ministry of Health.

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.

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

d) Statement of Compliance

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

1. Statement of Significant Accounting Policies

e) Employee Benefits and Other Provisions

i) Salaries and Wages, Annual Leave, Sick Leave, Allocated Days Off (ADO) and On-Costs

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

Annual leave and ADO are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, 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 16.1% are applied to the value of leave payable at 30 June 2018 (comparable on-costs for 30 June 2017 were 15.8%). ACI has assessed the actuarial advice based on the ACI's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial to annual leave. All annual leave and ADO are classified as a current liability even where the consolidated entity does not expect to settle the liability within 12 months as the consolidated entity does not have an unconditional right to defer settlement.

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

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'.

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by ACI as shown in Note 18.

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

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

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) Grants and Subsidies

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

h) 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 2018

1. Statement of Significant Accounting Policies

i) 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).

Grants and Other Contributions

Grants and other contributions, comprising mainly cash and in-kind contributions, are recognised as revenues when control passes to ACI and the contractual obligations have been satisfied. In-kind contributions are measured at fair value on transfer date.

Investment Revenue

Interest revenue is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

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 NSW Ministry of Health. Allocations are normally recognised upon the receipt of cash.

j) 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.

k) Acquisition of Property, Plant and Equipment

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

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.

l) Capitalisation Thresholds

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

m) 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:

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. Leasehold Improvements are depreciated in accordance with the terms of leasing arrangements.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

n) 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.

o) 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 Impairment of Assets 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.

p) Restoration Costs

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

q) 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.

r) 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.

s) 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.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

t) 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.

u) 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.

v) 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.

w) Fair Value Hierarchy

For non-specialised assets with short useful lives, AASB 13 Fair Value Measurement 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.

x) Equity and Reserves

(i) Accumulated Funds

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

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

y) Adjusted Budget 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 Performance 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".

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

(i) Effective for the first time in 2017-18

The accounting policies applied in 2017-18 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 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows applies to annual periods beginning on or after 1 January 2017. The standard amends AASB 107 Statement of Cash Flows to require additional disclosures for financing activities in the Statement of Cash Flows.

(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 ACI have not been applied and are not yet effective. The possible impact of these Accounting Standards in the period of initial application includes:

AASB 9 Financial Instruments applies to annual periods beginning on or after 1 January 2018. AASB 9 Financial Instruments 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 Financial Instruments also introduces a forward-looking 'expected credit losses' impairment model, which may impact the timing and amount of impairment recognition.

AASB 16 Leases replaces all existing leases requirements and applies to annual periods beginning on or after 1 January 2019. For lessees, the distinction between operating and finance leases will no longer exist. Instead, AASB 16 Leases will require lessees to account for practically all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low value' assets (e.g. personal computers below \$10,000) and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement of a lease, a lessee will recognise a liability representing its obligation to make future lease payments and an asset representing its right of use to the underlying asset for the lease term. Lessees will be required to separately recognise interest expense on the lease liability and depreciation expense on the Right of Use asset rather than operating lease expense.

The lease expense recognition pattern for leases will generally be accelerated as compared to today. Some key balance sheet metrics may also be impacted. Also, the statement of cash flows for lessees will be affected as payments for the principal portion of the lease liability will be presented within financing activities.

Lessor accounting is substantially unchanged from today's accounting under AASB 117 Leases. Lessors will continue to classify all leases using the same classification as in AASB 117 Leases and distinguish between two types of leases: operating and finance leases.

The standard permits two methods of adoption: full retrospective – by retrospectively adjusting each prior reporting period presented and recognising the cumulative effect of initially applying the new requirements at the start of the earliest period, which would be 1 July 2018; or modified retrospective – by recognising the cumulative effect of initially applying the new requirements at the initial application, which would be 1 July 2019. NSW Treasury has mandated modified retrospective application of this accounting standard.

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 Revenue from Contracts with Customers 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.

1. Statement of Significant Accounting Policies

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 Income of Not-for-Profit Entities 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 these financial statements.

AASB 1059 Service Concession Arrangements is applicable to public sector entities only and requires the grantor to recognise a service concession asset in a service concession arrangement where it controls the asset. A corresponding financial liability and/or grant of right liability is also recognised depending on the nature of the consideration exchanged. Service concession assets (including those provided by the operator, an upgrade to or a major component replacement of an existing asset of the grantor; and existing assets of the grantor – also applicable to previously unrecognised intangible assets except goodwill) are initially measured at current replacement cost based on AASB 13 Fair Value Measurement principles. They are subsequently accounted for under AASB 116 Property, Plant & Equipment or AASB 138 Intangible Assets. Service concession liabilities are initially measured at the same amount as the service concession asset and subsequently measured using either the “financial liability” model applying AASB 9 Financial Instruments or, the “grant of right” model under AASB 1059 Service Concession Arrangements. AASB 1059 Service Concession Arrangements requires retrospective application.

Overview of Assessment Activities

NSW Health designed a project roadmap to implement the above five new accounting standards by its application date. The project consists of 4 phases: Scoping, Data gathering, In Depth Analysis and Implementation. Scoping phase was completed and data gathering has begun. An external project consultant and project manager will be appointed, and various steering committees and project teams will be internally formed as part of the implementation project. Central high level estimates on the impact of the new accounting standards were also calculated and reported to NSW Treasury by the central team at the NSW Ministry of Health. Further details are available in the NSW Ministry of Health's consolidated financial statements.

We are continuously analysing and assessing the impact of the new accounting standards. This includes changes to our accounting policies, internal and external reporting requirements, IT systems, business processes and associated internal controls with the objectives of quantifying the expected first time adoption impacts as well as supporting ongoing compliance with the new accounting requirements.

Potential Impact on ACI's Financial Report

While the consolidated entity is yet to undertake a detailed assessment of the classification and measurement of all of the accounting standards, the following general impacts are expected from the work conducted so far:

Leases

- * The total assets and liabilities on the balance sheet will increase. Net total assets are expected to decrease due to a reduction of the capitalised asset being on a straight line basis whilst the liability reduces the principal amount of repayments. Net current assets will also show a decrease due to an element of the liability being disclosed as current liability.
- * Interest expenses will increase due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a lease life due to the higher principal value causing profit variability over the course of the lease life. This effect may be partially mitigated due to the number of leases held in the entity at different stages of their lease terms.
- * Depreciation expense will be booked on Right of Use assets, which will be on a straight-line basis.
- * Operating cash flows will be higher as repayment of the principal portion of all lease liabilities will be classified as financing activities.

Revenue and Income of Not-for-Profit Entities

- * The deferral of some revenues of ACI.
- * Impact on the estimates and judgements involved in the unbilled revenue process.
- * Specific quantitative and qualitative disclosures may be required under AASB 15 Revenue from Contracts with Customers.

Financial Instruments

- * The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred impairment losses. This may result in earlier recognition of credit loss provisions.

Service Concession Arrangements

- * No significant impact expected on ACI.

Application Date

- * ACI plans to adopt the new standards on the required effective date in line with the NSW Treasury's instructions.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
2. Employee Related Expenses				
----	----	Salaries and Wages (including annual leave and ADO)	18,354	15,827
----	----	Superannuation - Defined Benefit Plans	172	153
----	----	Superannuation - Defined Contribution Plans	1,442	1,309
----	----	Long Service Leave	185	29
----	----	Redundancies	145	217
----	----	Workers' Compensation Insurance	54	48
----	----	Fringe Benefits Tax	----	----
-----	-----		20,352	17,583
3. Personnel Services				
18,354	15,827	Salaries and Wages	----	----
----	----	Superannuation - Defined Benefit Plans	----	----
1,442	1,309	Superannuation - Defined Contribution Plans	----	----
(8)	(30)	Long Service Leave	----	----
145	217	Redundancies	----	----
54	48	Workers' Compensation Insurance	----	----
19,987	17,371		-----	-----
<p>Personnel services of Agency for Clinical Innovation was provided by its controlled entity, Agency for Clinical Innovation Special Purpose Service Entity.</p>				
4. Other Expenses				
3	55	Advertising	3	55
43	42	Auditor's Remuneration - Audit of Financial Statements	43	42
3	34	Consultancies	3	34
14	15	Domestic Supplies and Services	14	15
141	222	Food Supplies	141	222
26	24	Fuel, Light and Power	26	24
1,162	879	Information Management Expenses	1,162	879
8	7	Insurance	8	7
368	534	Maintenance (See 4(b) below)	368	534
3	2	Medical and Surgical Supplies	3	2
46	61	Motor Vehicle Expenses	46	61
185	124	Postal and Telephone Costs	185	124
193	279	Printing and Stationery	193	279
1,103	1,069	Rental	1,103	1,069
33	33	Hosted Services Purchased from entities controlled by the immediate parent	33	33
317	1,574	Staff Related Costs	317	1,574
1,265	1,387	Travel Related Costs	1,265	1,387
4,731	5,909	Other (See 4(a) below)	4,731	5,909
9,644	12,250		9,644	12,250

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		4. Other Expenses		
		a) Other Includes:		
272	238	Corporate Support Services	272	238
15	10	Courier and Freight	15	10
3	4	Legal Services	3	4
117	118	Membership/Professional Fees	117	118
1	----	Quality Assurance/Accreditation	1	----
3	3	Security Services	3	3
737	1,037	Other Miscellaneous	737	1,037
3,583	4,499	Other Management Services	3,583	4,499
<u>4,731</u>	<u>5,909</u>		<u>4,731</u>	<u>5,909</u>
		b) Reconciliation of Total Maintenance		
16	8	Maintenance Contracts	16	8
334	506	New/Replacement Equipment under \$10,000	334	506
18	20	Repairs Maintenance/Non Contract	18	20
<u>368</u>	<u>534</u>		<u>368</u>	<u>534</u>

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

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

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

Majority of 'Rental' expenses were paid to GPNSW, an entity controlled by the ultimate parent.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
5. Depreciation and Amortisation				
68	74	Depreciation - Plant and Equipment	68	74
518	39	Amortisation - Leasehold Improvements	518	39
<u>586</u>	<u>113</u>		<u>586</u>	<u>113</u>
6. Grants and Subsidies				
357	646	Grants to Research Organisations	357	646
1,112	2,549	Grants paid to entities controlled by the immediate parent	1,112	2,549
17	166	Other Grants	17	166
<u>1,486</u>	<u>3,361</u>		<u>1,486</u>	<u>3,361</u>

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		7. Sale of Goods and Services		
1	2	Car Parking	1	2
27	45	Private Use of Motor Vehicles	27	45
9	8	Salary Packaging Fee	9	8
13	35	Other	13	35
<u>50</u>	<u>90</u>		<u>50</u>	<u>90</u>
		8. Investment Revenue		
<u>1</u>	<u>2</u>	Interest	<u>1</u>	<u>2</u>
<u>1</u>	<u>2</u>		<u>1</u>	<u>2</u>

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
9. Grants and Other Contributions				
98	98	Commonwealth Government Grants	98	98
439	225	Grants & Contributions received from entities controlled by the Ultimate parent	439	225
----	14	Grants & Contributions received from entities controlled by the Immediate parent	----	14
67	13	Other Grants	67	13
<u>604</u>	<u>350</u>		<u>604</u>	<u>350</u>

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.

The majority of grants that were received from entities controlled by the immediate parent were received from Southern NSW Local Health District (*in 2016-17*)

10. Acceptance by the Crown Entity of Employee Benefits

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

----	----	Superannuation-defined benefit	172	152
----	----	Long Service Leave	193	60
<u>----</u>	<u>----</u>		<u>365</u>	<u>212</u>

11. Other Income

Other Income comprises the following:-

1	----	Commissions	1	----
3	48	Conference and Training Fees	3	48
6	----	Lease and Rental*	6	----
<u>10</u>	<u>48</u>		<u>10</u>	<u>48</u>

*Some 'Lease and Rental' revenue was received from entities controlled by the immediate parent.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
12. Gain / (Loss) on Disposal				
98	137	Property, Plant and Equipment	98	137
(44)	(75)	Accumulated Depreciation	(44)	(75)
54	62	Written Down Value	54	62
62	76	Proceeds from Disposal	62	76
8	14	Total Gain/(Loss) on Disposal	8	14

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
13. Cash and Cash Equivalents				
956	532	Cash at Bank and On Hand	956	532
<u>956</u>	<u>532</u>		<u>956</u>	<u>532</u>
<p>For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand, short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value, and net of outstanding bank overdraft.</p> <p>Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p>				
956	532	Cash and Cash Equivalents (per Statement of Financial Position)	956	532
<u>956</u>	<u>532</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>956</u>	<u>532</u>

Refer to Note 24 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		14. Receivables		
		Current		
324	134	Sale of Goods and Services	324	134
84	145	Intra Health Receivables	84	145
158	440	Goods and Services Tax	158	440
12	36	Other Debtors	12	36
<hr/>	<hr/>		<hr/>	<hr/>
578	755	Sub Total	578	755
		Less Allowance for Impairment	-----	-----
<hr/>	<hr/>		<hr/>	<hr/>
578	755	Sub Total	578	755
95	117	Prepayments	95	117
<hr/>	<hr/>		<hr/>	<hr/>
673	872		673	872
<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>

Intra Health Receivables' include amounts receivable from entities controlled by the immediate parent.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
15. Property, Plant and Equipment				
Plant and Equipment - Fair Value*				
708	779	Gross Carrying Amount	708	779
299	274	Less: Accumulated Depreciation and Impairment	299	274
<u>409</u>	<u>505</u>	Net Carrying Amount	<u>409</u>	<u>505</u>
Leasehold Improvements - Fair Value*				
1,484	789	Gross Carrying Amount	1,484	789
653	134	Less: Accumulated Depreciation and Impairment	653	134
<u>831</u>	<u>655</u>	Net Carrying Amount	<u>831</u>	<u>655</u>
Total Property, Plant and Equipment				
<u>1,240</u>	<u>1,160</u>	At Net Carrying Amount	<u>1,240</u>	<u>1,160</u>

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

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT & CONSOLIDATION

15. Property, Plant and Equipment - Reconciliation

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

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2018					
Net carrying amount at start of year	----	505	----	655	1,160
Additions	----	26	----	694	720
Disposals	----	(54)	----	----	(54)
Depreciation Expense	----	(68)	----	(518)	(586)
Net carrying amount at end of year	0	409	0	831	1,240

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2017					
Net carrying amount at start of year	----	600	----	195	795
Additions	----	77	----	499	576
Disposals	----	(62)	----	----	(62)
Comprehensive Income	----	(36)	----	----	(36)
Depreciation Expense	----	(74)	----	(39)	(113)
Net carrying amount at end of year	0	505	0	655	1,160

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT & CONSOLIDATION

16. Restricted Assets

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

Category	Opening Equity 1 July 2017 \$000	Expense 2018 \$000	Revenue 2018 \$000	Closing Equity 30 June 2018 \$000
Community Welfare	----	----	----	----
Facility Improvements	----	----	----	----
Holds Funds in Perpetuity	----	----	----	----
Patient Welfare	48	495	448	1
Private Practice Disbursements (No.2 Accounts)	----	----	----	----
Public Contributions	----	----	----	----
Research	----	----	----	----
Staff Welfare	----	----	----	----
Training and Education incl. Conferences	94	----	1	95
Other	----	----	----	----
	142	495	449	96

Restricted Financial Asset categories have been expanded in the 2017/18 financial year to provide more clarity to the users of the financial statements. As a result, comparative figures have been adjusted to conform to the current year's presentation.

Additional restricted funding were received and recognised as Income in Advance in 2017/18 financial year, refer to Note 19.

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

Category	Purpose
Patient Welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Training and Education incl. Conferences	Professional training, education and conferences.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		17. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	253	197
----	----	Taxation and Payroll Deductions	191	240
444	437	Accrued Liability - Purchase of Personnel Services	----	----
60	639	Creditors	60	639
519	1,034	- Payables to entities controlled by the immediate parent	519	1,034
739	437	- Other	739	437
<u>1,762</u>	<u>2,547</u>		<u>1,762</u>	<u>2,547</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 24.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
18. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	1,604	1,467
----	----	Annual Leave - Long Term Benefit	340	470
----	----	Long Service Leave Consequential On-Costs	438	445
----	----	Provision for Other Employee Benefits*	94	39
2,476	2,421	Provision for Personnel Services Liability	----	----
<u>2,476</u>	<u>2,421</u>		<u>2,476</u>	<u>2,421</u>
*ADO liabilities have been reclassified from 'Other' to 'Provision for Other Employee Benefits'. Prior year comparatives have been restated as a result.				
Non-Current				
----	----	Long Service Leave Consequential On-Costs	38	39
38	39	Provision for Personnel Services Liability	----	----
494	----	Other	494	----
<u>532</u>	<u>39</u>		<u>532</u>	<u>39</u>
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	2,476	2,421
----	----	Provisions - Non-Current	38	39
----	----	Accrued Salaries, Wages and On-Costs (Note 17)	444	437
2,958	2,897	Liability - Purchase of Personnel Services	----	----
<u>2,958</u>	<u>2,897</u>		<u>2,958</u>	<u>2,897</u>
19. Other Liabilities				
Current				
548	----	Income in Advance	548	----
<u>548</u>	----		<u>548</u>	----

Income in advance balance is made up of amounts received in advance from Lifetime Care Authority (an entity control controlled by the ultimate parent) and North Coast Primary Health Network.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
20. Commitments for Expenditure				
a) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
1,173	1,131	Within one year	1,173	1,131
1,213	1,175	Later than one year and not later than five years	1,213	1,175
----	----	Later than five years	----	----
<u>2,386</u>	<u>2,306</u>	Total Operating Lease Commitments (Including GST)	<u>2,386</u>	<u>2,306</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 \$2.4 million as at 30 June 2018 includes input tax credits of \$0.217m that are expected to be recoverable from the Australian Taxation Office (2017 \$0.210m).

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT AND CONSOLIDATED

21. Contingent Liabilities and Assets

There are no contingent assets or liabilities as at 30 June 2018.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
22. Reconciliation of Cash Flows from Operating Activities to Net Result				
1,082	143	Net Cash Flows from Operating Activities	1,082	143
(586)	(113)	Depreciation and Amortisation	(586)	(113)
(549)	10	(Increase)/ Decrease Income in Advance	(549)	10
(548)	263	(Increase)/ Decrease in Provisions	(548)	263
(190)	454	Increase / (Decrease) in Prepayments and Other Assets	(190)	454
777	(146)	(Increase)/ Decrease in Payables from Operating Activities	777	(146)
8	14	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	8	14
(6)	625	Net Result	(6)	625

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT AND CONSOLIDATION

23. Adjusted Budget Review - Parent and Consolidated

In 2017/18, ACI's net result was \$0.9m favourable to budget. This net result was a combination of \$0.3m favourable expense variance and \$0.6m favourable revenue variance. Details listed below

Net Result

ACI's Expenses were \$0.3m favourable to budget, primarily due to an underspend in Employee related expenses of \$1m. Vacancies and recruitment delays were experienced as a result of organisation restructure and short-term secondments of senior ACI staff members to other Health Entities, including Ministry of Health. This underspend was reallocated to initiate various clinical projects and research grants.

ACI's Revenue was \$0.6m favourable to budget, primarily due to additional Grant Funding received from LifeTime Care for Pain Management and Brain Injury related projects.

Assets and Liabilities

Current Year Assets are in line with prior year Actuals. Additional cash was held on 30th June 2018 for the expected creditor payments. ACI's current asset (budget) was reduced on 30th June 18 by \$970K, due to retraction of the unused subsidy revenue against available subsidy cash.

Total Current Liabilities of 2017-18 are in line with prior year.
Increase in Provision is a result of recognition of Make Good Provision in ACI's financial statement.
Other Liabilities relate to Income in Advance received from LifeTime Care towards research grants.

Cash Flows

As at 30 June 2018, ACI had a cash balance of \$956K in bank. ACI has internal processes to monitor the cash position and to draw cash from the allocated subsidy.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2017 are as follows:

	\$000
Initial Allocation	31,426
Supplmenetary Budget Adjustments <i>(Add: Tfr of Paediatric Network, Emergency Care Trainee, Trauma Informed Care); (Less: Final Subsidy retraction, Biostat Trainee cost retraction)</i>	(487)
Balance as per Statement of Comprehensive Income	30,939

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

24. Financial Instruments

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

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

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the 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

PARENT AND CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount	Carrying Amount
		2018 \$000	2017 \$000
Cash and Cash Equivalents (note 13)	N/A	956	532
Receivables (note 14)*	Loans and receivables (at amortised cost)	420	315
		1,376	847
Financial Liabilities			
Payables (note 17)**	Financial liabilities measured at amortised cost	1,571	2,307
		1,571	2,307

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 2017/18 compared to 2.35% 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 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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24. Financial Instruments

	2018	2017
	\$000	\$000
Neither past due nor impaired	398	280
Past due but not impaired ^{1,4}		
< 3 months overdue	12	35
3 - 6 months overdue	10	----
> 6 months overdue	----	----
Impaired ^{1,2}		
< 3 months overdue	----	----
3 - 6 months overdue	----	----
> 6 months overdue	----	----
Total^{1,2}	420	315

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 Financial Instruments Disclosures. 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 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 NSW 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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24. 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
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2018							
Payables:							
- Creditors ²	1,571	----	----	1,571	1,571	----	----
	1,571	----	----	1,571	1,571	----	----
2017							
Payables:							
- Creditors ²	2,307	----	----	2,307	2,307	----	----
	2,307	----	----	2,307	2,307	----	----

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.

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

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24. 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 TCorpIM Funds 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 2017. 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
2018					
Financial Assets					
Cash and Cash Equivalents	956	(10)	(10)	10	10
Receivables	420	----	----	----	----
Financial Liabilities					
Payables*	1,571	----	----	----	----
Other	----	----	----	----	----
2017					
Financial Assets					
Cash and Cash Equivalents	532	(5)	(5)	5	5
Receivables	315	----	----	----	----
Financial Liabilities					
Payables*	2,307	----	----	----	----
Other	----	----	----	----	----

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25. Related Party Transactions

PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

	2018	2017
	\$000	\$000
Short-term employee benefits	75	351
Post-employment benefits	7	31
Other long-term benefits	----	32
Termination benefits	----	----
	82	414

During the financial year, Agency for Clinical Innovation obtained key management personnel services from the immediate parent and incurred \$443K (2017: \$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 (2017: \$Nil).

There were no transactions with the ultimate parent during the financial year (2017: \$Nil).

26. 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

