



INDEPENDENT AUDITOR'S REPORT

NSW Agency for Clinical Innovation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the NSW Agency for Clinical innovation (the Agency), which comprise the statement of financial position as at 30 June 2012, 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.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Agency and the consolidated entity as at 30 June 2012, and of the financial performance and the cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

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

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

Independence

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

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



Peter Coulogeorgiou
Director, Financial Audit Services

12 October 2012
SYDNEY

**NSW Agency for Clinical Innovation
Certification of the Financial Statements
for the year ended 30 June 2012**

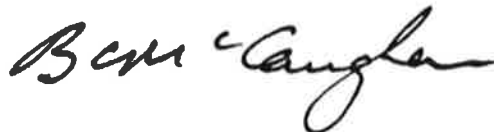
Pursuant to Section 45F of the *Public Finance and Audit Act 1983*, I state that in my opinion:

- 1) The financial statements have been prepared in accordance with:
 - a) The requirements of applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
 - b) the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2010* and the Treasurer's Directions;
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the NSW Agency for Clinical Innovation; and
- 3) There are no circumstances which would render any particulars in the accounts to be misleading or inaccurate.

I further state the financial statements have been prepared in accordance with the NSW Ministry of Health's Accounts and Audit Determination for Public Health Organisations.



Dr Nigel Lyons
Chief Executive Officer
12 October 2012



Professor Brian McCaughan
Chair - NSW ACI Board
12 October 2012

NSW Agency for Clinical Innovation
Statement of Financial Position
as at 30 June 2012

PARENT								CONSOLIDATION		
Actual	Budget Unaudited	Actual				Notes	Actual	Budget Unaudited	Actual	
2012	2012	2011					2012	2012	2011	
\$000	\$000	\$000					\$000	\$000	\$000	
ASSETS										
Current Assets										
4,312	1,526	1,526	Cash and Cash Equivalents		13	4,312	1,526	1,526		
589	1,225	1,040	Receivables		14	589	1,225	1,040		
4,901	2,751	2,566	Total Current Assets			4,901	2,751	2,566		
Non-Current Assets										
Property, Plant and Equipment										
436	247	246	- Plant and Equipment		15	436	247	246		
436	247	246	Total Property, Plant and Equipment			436	247	246		
436	247	246	Total Non-Current Assets			436	247	246		
5,337	2,998	2,812	Total Assets			5,337	2,998	2,812		
LIABILITIES										
Current Liabilities										
2,949	641	875	Payables		17	2,949	641	875		
964	574	574	Provisions		18	964	574	574		
3,913	1,215	1,449	Total Current Liabilities			3,913	1,215	1,449		
Non-Current Liabilities										
5	0	0	Provisions		18	5	0	0		
5	0	0	Total Non-Current Liabilities			5	0	0		
3,918	1,215	1,449	Total Liabilities			3,918	1,215	1,449		
1,419	1,783	1,363	Net Assets			1,419	1,783	1,363		
EQUITY										
1,419	1,783	1,363	Accumulated Funds			1,419	1,783	1,363		
1,419	1,783	1,363	Total Equity			1,419	1,783	1,363		

The accompanying notes form part of these financial statements.

NSW Agency for Clinical Innovation

**Statement of Changes in Equity
for the year ended 30 June 2012**

	Notes	Accumulated Funds \$000	Total \$000
Balance at 1 July 2011		1,363	1,363
Restated Total Equity at 1 July 2011		<u>1,363</u>	<u>1,363</u>
Net Result for the year		<u>56</u>	<u>56</u>
Total Comprehensive Income for the year		<u>56</u>	<u>56</u>
Balance at 30 June 2012		<u>1,419</u>	<u>1,419</u>
Balance at 11 January 2010		0	0
Balance at 11 January 2010		<u>0</u>	<u>0</u>
Net Result for the period		<u>1,329</u>	<u>1,329</u>
Total Comprehensive Income for the period		<u>1,329</u>	<u>1,329</u>
Transactions With Owners In Their Capacity As Owners			
Increase/(Decrease) in Net Assets From Equity Transfers	22	34	34
Balance at 30 June 2011		<u>1,363</u>	<u>1,363</u>

The accompanying notes form part of these financial statements.

NSW Agency for Clinical Innovation
Statement of Cash Flows
for the year ended 30 June 2012

PARENT			CONSOLIDATION				
Actual	Budget Unaudited			Actual	Budget Unaudited		
2012	2012	Period 11 Jan 2010 to 30 June 2011		Notes	2012	2012	Period 11 Jan 2010 to 30 June 2011
\$000	\$000	\$000			\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES							
Payments							
0	0	0	Employee Related		(6,002)	(6,192)	(6,236)
(1,113)	(91)	(754)	Grants and Subsidies		(1,113)	(91)	(754)
(6)	0	0	Finance Costs		(6)	0	0
(6,530)	(9,095)	(8,721)	Other		(528)	(2,903)	(2,485)
<u>(7,649)</u>	<u>(9,186)</u>	<u>(9,475)</u>	Total Payments		<u>(7,649)</u>	<u>(9,186)</u>	<u>(9,475)</u>
Receipts							
9,040	9,040	11,049	NSW Ministry of Health Recurrent Allocations		9,040	9,040	11,049
0	0	0	Cash Reimbursements from the Crown Entity		332	181	0
113	414	0	Sale of Goods and Services		113	414	0
149	0	69	Interest Received		149	0	69
696	181	0	Grants and Contributions		364	0	0
682	0	73	Other		682	0	73
<u>10,680</u>	<u>9,635</u>	<u>11,191</u>	Total Receipts		<u>10,680</u>	<u>9,635</u>	<u>11,191</u>
<u>3,031</u>	<u>449</u>	<u>1,716</u>	NET CASH FLOWS FROM OPERATING ACTIVITIES	21	<u>3,031</u>	<u>449</u>	<u>1,716</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
(245)	(245)	(190)	Purchases of Land and Buildings, Plant and Equipment Infrastructure Systems and Intangibles		(245)	(245)	(190)
<u>(245)</u>	<u>(245)</u>	<u>(190)</u>	NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(245)</u>	<u>(245)</u>	<u>(190)</u>
CASH FLOWS FROM FINANCING ACTIVITIES							
0	(204)	0	Proceeds from Borrowings and Advances		0	(204)	0
<u>0</u>	<u>(204)</u>	<u>0</u>	NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>0</u>	<u>(204)</u>	<u>0</u>
2,786	0	1,526	NET INCREASE / (DECREASE) IN CASH		2,786	0	1,526
1,526	1,526	0	Opening Cash and Cash Equivalents		1,526	1,526	0
0	0	0	Cash Transferred In/(Out) as a Result of Administrative Restructuring	22	0	0	0
<u>4,312</u>	<u>1,526</u>	<u>1,526</u>	CLOSING CASH AND CASH EQUIVALENTS	13	<u>4,312</u>	<u>1,526</u>	<u>1,526</u>

The accompanying notes form part of these financial statements.

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

1. The Reporting Entity

The NSW Agency for Clinical Innovation (Agency) was established on 11 January 2010 by Health Services Amendment (The Agency for Clinical Innovation) Order 2009 under the the Health Services Act 1997 .

The Agency is a board-governed statutory health corporation that reports to the NSW Minister for Health and the Director-General of the NSW Ministry of Health.

The Agency controls the Special Purpose Service Entity which was established as a Division of the Government Service on 11 January 2010 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the Agency to exercise its functions.

As a consequence the values in the annual financial statements presented herein consist of the Agency (the parent entity) and the consolidated financial statements of the economic entity which comprise the financial statements of the special purpose entity and parent entity. In the process of preparing the consolidated financial statements for the economic entity consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

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

These consolidated financial statements for the year ended 30 June 2012 have been authorised for issue by the Chief Executive and the Board on 12 October 2012.

2. Summary of Significant Accounting Policies

Basis of Preparation

The Agency's financial statements are general purpose financial statements which have been prepared 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 its regulations, and the Treasurers' Direction. Apart from the basis for the Agency's budget figures, the financial statements comply with the Financial Reporting Code for NSW General Government Sector Entities. Further information on the budget figures can be found at Note 2(t).

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

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

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

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 the period from 11 January 2010 to 30 June 2011.

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

Statement of Compliance

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

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

a) Employee Benefits and Other Provisions

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

At the consolidated level of reporting, liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that are due to be settled within 12 months after the end of the period in which the employees render the service are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

All Annual Leave employee benefits are reported as "Current" as there is an unconditional right to payment. Current liabilities are then further classified as "Short Term" or "Long Term" based on past trends and known resignations and retirements. Anticipated payments to be made in the next twelve months are reported as "Short Term".

On-costs of 17.8% are applied to the value of leave payable at 30 June 2012, such on-costs being based on actuarial assessment (Comparable on-costs for 30 June 2011 were 17%).

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

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

ii) Long Service Leave and Superannuation

The Agency's liability for Long Service Leave and defined benefit superannuation are assumed by the Crown Entity.

The Agency accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item.

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

Long Service Leave is measured at present value in accordance with AASB119, *Employee Benefits*. This is based on the application of certain factors (specified in NSW Treasury Circular 12/06) to employees with five or more years of service, using current rates of pay. These approximate present value.

The Agency's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity.

The Agency 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'.

Any liability attached to Superannuation Guarantee Charge cover is reported in Note 11, 'Acceptance by the Crown Entity of employee benefits'.

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

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

iii) Other Provisions

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

b) Insurance

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

c) Finance Costs

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

d) Income Recognition

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

Investment Revenue

Interest revenue is recognised using the effective interest method as set out in AASB139, Financial Instruments: Recognition and Measurement.

Grants and Contributions

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

NSW Ministry of Health Allocations

Payments are made by the NSW Ministry of Health on the basis of the allocation for the Agency 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.

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

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

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

- * the amount of GST incurred by the Agency as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset 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 is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

f) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Agency.

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 specific requirements of other Australian Accounting Standards.

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

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

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

g) Capitalisation Thresholds

Individual items of property, plant & equipment are capitalised where their cost is \$10,000 or above.

h) Depreciation of Property, Plant and Equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Agency. 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%
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.

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

i) Revaluation of Non-Current Assets

Physical non-current assets are valued in accordance with the NSW Ministry of Health's "Valuation of Physical Non-Current Assets at Fair Value" policy. This policy adopts fair value in accordance with AASB116, Property, Plant and Equipment and AASB140, Investment Property.

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is the depreciated replacement cost.

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

j) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, the Agency is effectively exempt from AASB 136 Impairment of Assets and impairment testing.

This is because AASB136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are regarded as material. Selling costs are regarded as immaterial.

k) Maintenance

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

l) Leased Assets

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

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

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

m) Loans and Receivables

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

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

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

n) Derecognition of Financial Assets and Financial Liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Agency transfers the financial assets: where the risks and rewards have been transferred; or where the Agency has not transferred substantially all the risks and rewards, if the entity has not retained control.

Where the Agency has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Agency's continuing involvement in the asset. A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

o) Impairment of financial assets

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

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

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the 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 Result for the Year.

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

p) Payables

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

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

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

q) Borrowings

Loans are not held for trading or designated at fair value through profit or loss and are recognised at amortised cost using the effective interest rate method. Gains or losses are recognised in the net result for the year on derecognition.

The finance lease liability is determined in accordance with AASB 117, *Leases*.

r) Equity Transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies is designated or required by Accounting Standards to be treated as contributions by owners and is recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB1004, *Contributions* and Australian Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* .

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

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

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

s) Equity and Reserves

(i) Asset Revaluation Surplus

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

The Agency currently does not have any reserves.

(ii) Accumulated Funds

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

t) Budgeted Amounts

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

u) New Australian Accounting Standards Issued but not Effective

No new or revised accounting standards or interpretations are adopted earlier than their prescribed date of application. It is not expected that changes to be effected from 1 July 2012 will have material impact on the Entity.

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT		CONSOLIDATION	
2012	Period 11 Jan 2010 to 30 June 2011	2012	Period 11 Jan 2010 to 30 June 2011
\$000	\$000	\$000	\$000
3. Employee Related			
Employee related expenses comprise the following:			
		5,030	5,907
		141	115
		349	381
		294	148
		451	497
		167	230
		25	0
0	0	6,457	7,278
4. Personnel Services			
Personnel Services comprise the purchase of the following:			
5,030	5,907		
141	115		
349	381		
294	148		
451	497		
167	230		
25	0		
6,457	7,278	0	0
5. Other Operating Expenses			
16	11	16	11
94	36	94	36
11	4	11	4
659	593	659	593
129	76	129	76
4	0	4	0
1	2	1	2
76	66	76	66
4	44	4	44
0	55	0	55
26	35	26	35
74	69	74	69
189	158	189	158
247	157	247	157
757	223	757	223
156	206	156	206
248	252	248	252
2,691	1,987	2,691	1,987

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	Period 11 Jan 2010 to 30 June 2011		2012	Period 11 Jan 2010 to 30 June 2011
\$000	\$000		\$000	\$000
(a) Sundry Operating Expenses comprise :				
156	206	Sundry Operating Expenses	156	206
<u>156</u>	<u>206</u>		<u>156</u>	<u>206</u>
(b) General Expenses include :-				
12	48	Advertising	12	48
34	28	Auditor's Remuneration - Audit of Financial Statements	34	28
39	0	Internal Audit	39	0
6	1	Books, Magazines and Journals	6	1
		Consultancies		
106	26	- Operating Activities	106	26
187	129	Corporate Support Services	187	129
1	0	Courier and Freight	1	0
2	0	Data Recording and Storage	2	0
0	5	Legal Services	0	5
0	2	Membership/Professional Fees	0	2
8	7	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	8	7
265	313	Other	265	313
(c) Reconciliation of Total Maintenance				
81	167	Maintenance Expense - Contracted Labour and Other (Non-Employee Related), included in Note 5	81	167
0	0	Employee Related/Personnel Services Maintenance Expense included	0	0
<u>81</u>	<u>167</u>	Total Maintenance Expenses included in Note 5	<u>81</u>	<u>167</u>

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	Period 11 Jan 2010 to 30 June 2011		2012	Period 11 Jan 2010 to 30 June 2011
\$000	\$000		\$000	\$000
6. Depreciation and Amortisation				
55	5	Depreciation - Plant and Equipment	55	5
<u>55</u>	<u>5</u>		<u>55</u>	<u>5</u>
7. Grants and Subsidies				
456	467	Grants to Research Orgs	456	467
657	287	Budget Sector Other Grants	657	287
<u>1,113</u>	<u>754</u>		<u>1,113</u>	<u>754</u>
8. Finance Costs				
6	0	Other Interest Charges	6	0
<u>6</u>	<u>0</u>	Total Finance Costs	<u>6</u>	<u>0</u>

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

CONSOLIDATION

2012
\$000

Period 11 Jan
2010 to 30 June
2011
\$000

2012
\$000

Period 11 Jan
2010 to 30 June
2011
\$000

9. Investment Revenue

149	69	Interest - Bank	149	69
<u>149</u>	<u>69</u>		<u>149</u>	<u>69</u>

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	Period 11 Jan 2010 to 30 June 2011		2012	Period 11 Jan 2010 to 30 June 2011
\$000	\$000		\$000	\$000
10. Grants and Contributions				
145	0	Commonwealth Government Grants	145	0
189	0	NSW Government Grants	189	0
140	116	Personnel Services - Superannuation Defined Benefit Plans	0	0
221	54	Other Grants	30	8
<u>695</u>	<u>170</u>		<u>364</u>	<u>8</u>
11. Acceptance by the Crown Entity of employee benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
0	0	Superannuation-defined benefit	140	116
0	0	Long Service Leave	191	46
<u>0</u>	<u>0</u>		<u>331</u>	<u>162</u>
12. Other Revenue				
Other Revenue comprises the following:-				
35	27	Conference and Training Fees	35	27
12	0	Sponsorship Income	12	0
447	38	Other	447	38
<u>494</u>	<u>65</u>		<u>494</u>	<u>65</u>

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
13. Cash and Cash Equivalents				
<u>4,312</u>	<u>1,526</u>	Cash at Bank and On Hand	<u>4,312</u>	<u>1,526</u>
<u>4,312</u>	<u>1,526</u>		<u>4,312</u>	<u>1,526</u>
Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:				
<u>4,312</u>	<u>1,526</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>4,312</u>	<u>1,526</u>
<u>4,312</u>	<u>1,526</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>4,312</u>	<u>1,526</u>

Refer to Note 24 (b) & (c) for details regarding credit risk and liquidity risk arising from financial instruments.

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
14. Receivables				
Current				
43	151	Sale of Goods and Services	43	151
267	493	Intra Health Receivables	267	493
101	230	Goods and Services Tax	101	230
178	166	Other Debtors	178	166
<u>589</u>	<u>1,040</u>		<u>589</u>	<u>1,040</u>

Details regarding credit risk and liquidity risk, including financial assets that are either past due or impaired are disclosed in Note 24 (b) & (c).

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
15. Property, Plant and Equipment				
		Plant and Equipment - Fair Value		
522	277	Gross Carrying Amount	522	277
(86)	(86)	Accumulated Depreciation and Impairment	(86)	(31)
<u>436</u>	<u>246</u>	Net Carrying Amount	<u>436</u>	<u>246</u>
<u>436</u>	<u>246</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>436</u>	<u>246</u>

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT & CONSOLIDATION

15. Property, Plant and Equipment - Reconciliation

	Plant and Equipment	Total
	\$000	\$000
2012		
Net Carrying Amount at Start of Year	246	246
Additions	245	245
Depreciation Expense	(55)	(55)
Net Carrying Amount at End of Year	436	436

	Plant and Equipment	Total
	\$000	\$000
Actual 2011		
Net Carrying Amount at Start of Reporting Period	0	0
Additions	190	190
Administrative Restructures - Transfers In/(Out)	87	87
Depreciation Expense	(5)	(5)
Depreciation Brought Forward	(26)	(26)
Net Carrying Amount at End of Year	246	246

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT		CONSOLIDATION	
2012	2011	2012	2011
\$000	\$000	\$000	\$000

16. Restricted Assets

The Agency'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	Brief Details of Externally Imposed Conditions including Asset Category affected		
27		25 Specific Purposes - Burns Network	27	25
40		30 Deposit for Network to Network Conference	40	30
33		0 Specific Purposes - Spinal Cord Injury Network	33	0
100		55	100	55

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
		17. Payables		
		Current		
	0	Accrued Salaries, Wages and On-Costs	267	271
	0	Taxation and Payroll Deductions	12	61
279	332	Accrued Liability - Purchase of Personnel Services		
13	24	Creditors	13	24
		Other Creditors		
	253	- Intra Health Liability	2,394	253
2,394	266	- Other	255	266
255	0	- Taxation	8	0
8				
<u>2,949</u>	<u>875</u>		<u>2,949</u>	<u>875</u>

Details regarding credit risk and liquidity, including a maturity analysis of the above payables are disclosed in Note 24 (b) & (c).

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
18. Provisions				
	391	Annual Leave - Short Term Benefit	331	391
	131	Annual Leave - Long Term Benefit	483	131
	52	Long Service Leave On-Costs	150	52
964	0	Provision for Personnel Services Liability	0	0
<u>964</u>	<u>574</u>	Total Current Provisions	<u>964</u>	<u>574</u>
Non-Current Employee Benefits and Related On-Costs				
		Long Service Leave On-Costs	5	0
5	0	Provision for Personnel Services Liability	0	0
<u>5</u>	<u>0</u>	Total Non-Current Provisions	<u>5</u>	<u>0</u>
Aggregate Employee Benefits and Related On-Costs				
964	574	Provisions - Current	964	574
5	0	Provisions - Non-Current	5	0
279	332	Accrued Salaries, Wages and On-Costs (Note 17)	279	332
<u>1,248</u>	<u>906</u>	Accrued Liability - Purchase of Personnel Services (Note 17)	<u>1,248</u>	<u>906</u>

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012 \$000	2011 \$000		2012 \$000	2011 \$000
		19. Commitments for Expenditure		
		(a) Capital Commitments		
		There are no capital commitments at 30 June 2012		
<u>0</u>	<u>0</u>	Total Capital Expenditure Commitments (Including GST)	<u>0</u>	<u>0</u>
		(b) Operating Lease Commitments		
		ACI is currently leasing its office premises at Chatswood from Health Support Services.		
		No formal lease agreement is in place.		

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT AND CONSOLIDATED

20. Contingent Liabilities and Assets

There are no contingent assets or liabilities as of 30 June 2012.

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2012	Period 11 Jan 2010 to 30 June 2011		2012	Period 11 Jan 2010 to 30 June 2011
\$000	\$000		\$000	\$000
21. Reconciliation of Cash Flows from Operating Activities to Net Result				
3,031	1,716	Net Cash Flows from Operating Activities	3,031	1,716
(55)	(5)	Depreciation	(55)	(5)
(396)	(574)	Decrease in Provisions	(396)	(574)
(451)	1,040	Increase / (Decrease) in Prepayments and Other Assets	(451)	1,040
(2,073)	(848)	(Increase)/ Decrease in Creditors	(2,073)	(848)
56	1,329	Net Result	56	1,329
56	1,329		56	1,329

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

22. Increase/Decrease in Net Assets from Equity Transfers

Assets Transferred from the Former Northern Sydney Central Coast Area Health Services (11 January 2010)

Assets

Receiveables	91
Plant & Equipment	60
Annual Leave Receiveable	331
Long Service Leave Receiveable	924
	1,406

Liabilities

Annual Leave	(391)
Long Service Leave	(924)
Payables	(91)
	(1,406)

Increase in Net Assets from Transfer of Long Service Leave Liability

At 31 December 2011, Long Service Leave Liability was transferred from the ACI to the Crown entity	958
Forgiveness of LSL Loan from former Northern Sydney Central Coast Area Health Service relating to LSL portion	-924

Increase/(Decrease) in Net Assets from Equity Transfers	34
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NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT AND CONSOLIDATED

23. Budget Review - Parent and Consolidated

Net Result

The Net Result for 2011/12 was favourable \$56,000 compared with the NSW Ministry of Health budgeted deficit of \$840,000. Increased Acceptance by the Crown of Employee Benefits and increased Investment Revenue were the main drivers of the improved result.

Assets and Liabilities

Total Assets are greater than the budgeted amount by \$2.339m. The majority of the favourability sits in cash and cash equivalents. It is noted that this is made up predominantly by overpayment of cash subsidy in 11/12 financial year, approved rollovers and cash settlement for leave liability associated with the transfer of ACI from Northern Sydney Central Coast Area Health Service.

Total Liabilities are greater than the budget amount by \$2.703m largely due to the overpayment of cash subsidy.

Cash Flows

There was a net increase in cash of \$2.786m at 30 June 2012 compared to the opening balance. This includes \$1.733m in overpaid recurrent allocation which will be recovered by the NSW Ministry of Health during 2012/13.

NSW Ministry of Health Recurrent split for the period are as follows:

	\$000
Initial Allocation for 2011/12	10,169
ECI One Off Research Projects	300
Transition SCIP (Palliative Care)	102
S&W + General CPI Escalation	202
ECI Rollover	(1,340)
Statewide Centre for Improvement of Palliative Care (SCIP)	103
Improvement of Palliative Care (SCIP) and Clinical Variation Project Pilot	169
Supp Funding to Support Activities of CVCERG	162
Specialised Clinical Pilot People with Int Disability	170
SMRT Additional Budget- Overpayment	(997)
Balance as per Statement of Comprehensive Income	9,040

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

24. Financial Instruments

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

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

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

(a) Financial Instrument Categories

PARENT

Financial Assets Class:	Category	Carrying Amount	Carrying Amount
		2012 \$000	2011 \$000
Cash and Cash Equivalents (note 13)	N/A	4,312	1,526
Receivables (Note 14)	Loans and receivables (at amortised cost)	488	810
Total Financial Assets		<u>4,800</u>	<u>2,336</u>
Financial Liabilities			
Payables (Note 17)	Financial liabilities	2,929	814
Total Financial Liabilities		<u>2,929</u>	<u>814</u>

Notes

1 Excludes statutory receivables and prepayments (ie not within scope of AASB 7)

2 Excludes statutory payables and unearned revenue (ie not within scope of AASB 7)

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

(b) Credit Risk

Credit risk arises when there is the possibility of the Agency's debtors defaulting on their contractual obligations, resulting in a financial loss to the Agency. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

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

Credit risk associated with the Agency's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

Cash

Cash comprises cash on hand and bank balances deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates of approximately 3.4% in 2011/12 compared to 4.5% in the previous year.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors Accounting Manual for Public Health Organisations and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the Agency 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.

	\$000		
2012	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
<3 months overdue	7	7	0
3 months - 6 months overdue	0	0	0
> 6 months overdue	0	0	0
2011			
<3 months overdue	584	584	0
3 months - 6 months overdue	14	14	0
> 6 months overdue	0	0	0

Notes

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

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

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
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(c) Liquidity Risk

Liquidity risk is the risk that the Agency will be unable to meet its payment obligations when they fall due. The Agency continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through effective management of cash, investments and liquid assets and liabilities. The Agency has not negotiated any loans outside of arrangements with the NSW Ministry of Health or Treasury.

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Agency's exposure to liquidity risk is considered minimal.

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. 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.

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
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Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure					Maturity Dates		
	Weighted Average Effective Int. Rate	Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2012								
Payables:								
Accrued Salaries Wages, On-Costs and Payroll Deductions		267			267	267		
Creditors		2649			2649	2649		
		<u>2916</u>	0	0	<u>2916</u>	<u>2916</u>	0	0
Period 11 Jan 2010 to 30 June 2011								
Payables:								
Accrued Salaries Wages, On-Costs and Payroll Deductions		271			271	271		
Creditors		519			519	519		
		<u>790</u>	0	0	<u>790</u>	<u>790</u>	0	0

Notes:

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

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

d) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Agency has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Agency 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 11 Jan 2010 to 30 June 2011. The analysis assumes that all other variables remain constant.

Interest rate risk

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

	Carrying Amount \$'000	-1% Profit	Equity	+1% Profit	Equity
2012					
Financial Assets					
Cash and Cash Equivalents	4,312	-43	-43	43	43
2011					
Financial Assets					
Cash and Cash Equivalents	1,526	-15	-15	15	15

NSW Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

25. Events after the Reporting Period

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

However, effective 1 July 2012, the role and purpose of the ACI has been further strengthened following the Future Arrangements for Governance of NSW Health review in August 2011. The reformed ACI takes on an enhanced role as the primary agency for engaging and working with Hospital clinicians and managers. This engagement occurs primarily through Clinical Networks, and enables local clinicians to collaborate and support the design and implementation of new Models of Care for system wide change proposals and to drive clinical innovation and improve patient outcomes. New functions and programs of work transferred to the ACI include Primary Care and Chronic Services and Clinical Program Design and Implementation. The ACI organisational structure has been amended to reflect this new remit and funded establishment will increase to approximately 110 full time equivalent positions.

The ACI will move to new premises October 2012 to accommodate the increased size of the organisation, in line with the amended remit and organisational structure.

While it was flagged in the 2010/11 Financial Statements that the Policy and Technical Support Unit would transfer to the ACI in 2011/12, this did not eventuate. The unit was maintained as a division included in the Health Administration Corporation (HAC) for the 2011/12 year (reported as part of the HAC entity) and has been disbanded from 1 July 2012.

END OF AUDITED FINANCIAL STATEMENTS

