



INDEPENDENT AUDITOR'S REPORT

Agency for Clinical Innovation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Agency for Clinical Innovation (the Agency), which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and service group statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Agency and the consolidated entity. The consolidated entity comprises the Agency and the entities it controlled at the year's end or from time to time during the financial year.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Agency and the consolidated entity, as at 30 June 2013, 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.

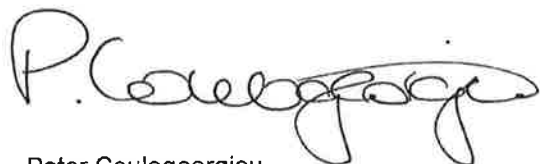
My opinion does *not* provide assurance:

- 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

20 September 2013
SYDNEY

**Agency for Clinical Innovation
Certification of the Parent/Consolidated Financial Statements
for the year ended 30 June 2013**

Pursuant to Section 45F of the *Public Finance and Audit Act 1983*:

- 1) The financial statements of the Agency for Clinical Innovation for the year ended 30 June 2013 have been prepared in accordance with:
 - a) Australian Accounting Standards (which include Australian Accounting Interpretations)
 - b) the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2010* and the Treasurer's Directions;
 - c) the Financial Reporting Code for NSW General Government Sector Entities.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Agency for Clinical Innovation; and
- 3) There are no circumstances which would render any particulars in the accounts to be misleading or inaccurate.



Dr Nigel Lyons
Chief Executive
19 September 2013



Professor Brian McCaughan
Chair - ACI Board

Agency for Clinical Innovation
Statement of Financial Position as at 30 June 2013

PARENT							CONSOLIDATION		
Actual	Budget	Actual				Actual	Budget	Actual	
2013	Unaudited	2012				2013	Unaudited	2012	
\$000	\$000	\$000				\$000	\$000	\$000	
ASSETS									
Current Assets									
4,156	3,660	4,312	Cash and Cash Equivalents	17	4,156	3,660	4,312		
630	390	582	Receivables	18	630	390	582		
3,000	----	---	Financial Assets at Fair Value	19	3,000	----	---		
7,786	4,050	4,894	Total Current Assets		7,786	4,050	4,894		
Non-Current Assets									
136	130	41	- Land and Buildings	20	136	130	41		
534	356	394	- Plant and Equipment	20	534	356	394		
670	486	435	Total Property, Plant and Equipment		670	486	435		
670	486	435	Total Non-Current Assets		670	486	435		
8,456	4,536	5,329	Total Assets		8,456	4,536	5,329		
LIABILITIES									
Current Liabilities									
2,086	1,907	2,939	Payables	22	2,086	1,907	2,939		
2,010	1,822	964	Provisions	23	2,010	1,822	964		
4,096	3,729	3,903	Total Current Liabilities		4,096	3,729	3,903		
Non-Current Liabilities									
11	8	5	Provisions	23	11	8	5		
11	8	5	Total Non-Current Liabilities		11	8	5		
4,107	3,737	3,908	Total Liabilities		4,107	3,737	3,908		
4,349	799	1,421	Net Assets		4,349	799	1,421		
EQUITY									
4,349	799	1,421	Accumulated Funds		4,349	799	1,421		
4,349	799	1,421	Total Equity		4,349	799	1,421		

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation
Statement of Changes in Equity for the year ended 30 June 2013

PARENT AND CONSOLIDATION		Accumulated Funds	Asset Revaluation Surplus	Available For Sale Reserve	Total
	Notes	\$000	\$000	\$000	\$000
Balance at 1 July 2012		1,421	-----	---	1,421
Total Equity at 1 July 2012		<u>1,421</u>	-----	-----	<u>1,421</u>
Net Result for the year		2,910	-----	---	2,910
Total Comprehensive Income for the year		<u>2,910</u>	-----	---	<u>2,910</u>
Transactions With Owners In Their Capacity As Owners					
Increase/(Decrease) in Net Assets From Equity Transfers	28	18	---	---	18
Balance at 30 June 2013		<u>4,349</u>	-----	-----	<u>4,349</u>
Balance at 1 July 2011		1,364	---	---	1,364
Total Equity at 1 July 2011		<u>1,364</u>	-----	-----	<u>1,364</u>
Net Result for the year		57	-----	---	57
Total Comprehensive Income for the year		<u>57</u>	-----	---	<u>57</u>
Balance at 30 June 2012		<u>1,421</u>	-----	-----	<u>1,421</u>

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation
Statement of Cash Flows for the year ended 30 June 2013

PARENT			CONSOLIDATION			
Actual	Budget Unaudited	Actual	Notes	Actual	Budget Unaudited	Actual
2013 \$000	2013 \$000	2012 \$000		2013 \$000	2013 \$000	2012 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
				(12,755)	(12,894)	(5,670)
(3,846)	(653)	(1,113)		(3,846)	(653)	(1,113)
						(6)
(20,270)	(30,055)	(6,198)		(7,515)	(17,161)	(528)
<u>(24,116)</u>	<u>(30,708)</u>	<u>(7,317)</u>		<u>(24,116)</u>	<u>(30,708)</u>	<u>(7,317)</u>
Receipts						
24,951	28,886	9,040		24,951	28,886	9,040
---	85	---		---	85	---
320	320	---		320	320	---
268	357	113		268	357	113
249	---	149		249	---	149
596	39	364		596	39	364
707	622	682		707	622	682
<u>27,091</u>	<u>30,309</u>	<u>10,348</u>		<u>27,091</u>	<u>30,309</u>	<u>10,348</u>
2,975	(998)	3,031	25	2,975	(999)	3,031
NET CASH FLOWS FROM OPERATING ACTIVITIES						
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of Land and Buildings, Plant and Equipment						
(438)	(253)	(245)		(438)	(253)	(245)
(3,000)	---	---		(3,000)	---	---
<u>(3,438)</u>	<u>(253)</u>	<u>(245)</u>		<u>(3,438)</u>	<u>(253)</u>	<u>(245)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES						
NET INCREASE / (DECREASE) IN CASH						
(463)	(652)	2,786		(463)	(652)	2,786
4,312	4,312	1,526		4,312	4,312	1,526
307	---	---	28	307	---	---
<u>4,156</u>	<u>3,660</u>	<u>4,312</u>	17	<u>4,156</u>	<u>3,660</u>	<u>4,312</u>
CLOSING CASH AND CASH EQUIVALENTS						

The accompanying notes form part of these financial statements

Agency for Clinical Innovation
Service Group Statements
for the year ended 30 June 2013

AGENCY EXPENSES AND INCOME	Service Group 1.1 - Primary And Community Based Services		Service Group 1.2 - Aboriginal Health Services		Service Group 1.3 - Outpatient Services		Service Group 2.1 - Emergency Services		Service Group 2.2 - Inpatient Hospital Services		Service Group 3.1 - Mental Health Services		Service Group 4.1 - Rehabilitation And Extended Care Services		Service Group 5.1 - Population Health Services		Service Group 6.1 - Teaching And Research		Total		
	2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000
Expenses excluding losses																					
Operating Expenses																					
Employee Related																					
Visiting Medical Officers																					
Other Operating Expenses																					
Depreciation and Amortisation																					
Grants and Subsidies																					
Finance Costs																					
Payments to Affiliated Health Organisations																					
Other Expenses																					
Total Expenses excluding losses																					
Revenue																					
NSW Ministry of Health Recurrent Allocations **																					
NSW Ministry of Health Capital Allocations **																					
Transfers to the NSW Ministry of Health																					
Acceptance by the Crown Entity																					
of Employee Benefits and Other Liabilities																					
Sale of Goods and Services																					
Investment Revenue																					
Grants and Contributions																					
Other Revenue																					
Total Revenue																					
Gain / (Loss) on Disposal																					
Other Gains / (Losses)																					
Net Result																					
Other Comprehensive Income Increase/(Decrease) in Revaluation Surplus Other (SPECIFY)																					
Total Other Comprehensive Income																					
Total Comprehensive Income																					

Service Group Statements focus on the key measures of service delivery performance (refer note 2a-c)

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

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

**Agency for Clinical Innovation
Service Group Statements (Continued)
for the year ended 30 June 2013**

AGENCY ASSETS AND LIABILITIES	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Total			
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS																						
Current Assets																						
Cash and Cash Equivalents																						
Receivables			62				187	565	3 283	2 367	41	427	124	423	104						4 156	4 312
Inventories			9			72	28	76	498	320	6	58	19	57	16						630	582
Financial Assets at Fair Value																						
Other Financial Assets																						
Other																						
Non-Current Assets Held for Sale																						
Total Current Assets			71			602	215	641	3 781	2 687	47	485	143	480	120						4 077	4 894
Non-Current Assets																						
Receivables																						
Financial Assets at Fair Value																						
Other Financial Assets																						
Property, Plant and Equipment																						
- Land and Buildings							6	5	107	23	1	4	4	4	3						136	41
- Plant and Equipment							24	52	422	216	5	39	15	39	13						534	394
- Infrastructure Systems																						
Intangible Assets																						
Other																						
Total Non-Current Assets			10			53	30	57	529	239	6	43	20	43	16						670	435
TOTAL ASSETS			81			655	245	698	4 310	2 926	53	528	163	523	136						8 456	5 329
LIABILITIES																						
Current Liabilities																						
Payables							94	385	1 648	1 614	21	291	63	288	52							2 066
Borrowings																						
Provisions							90	126	1 588	529	20	95	60	94	50							2 010
Other																						
Total Current Liabilities			61			480	184	511	3 236	2 143	41	386	123	382	102							4 086
Non-Current Liabilities																						
Borrowings																						
Provisions																						
Other																						
Total Non-Current Liabilities						1	1	3	9	3												11
TOTAL LIABILITIES			61			481	184	512	3 245	2 146	41	386	123	382	102							4 107
NET ASSETS			20			174	61	186	1 065	780	12	142	40	141	34							4 349

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

Assets and liabilities that are specific to service groups are allocated accordingly, e.g. Non-Current Assets Held for Sale. Remaining assets and liabilities are apportioned to service groups in accordance with the methodology advised in Note 2(ac), thereby ensuring that the benefit of each asset and the liabilities incurred in the provision of services are duly recognised in each service group.

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

1. The Reporting Entity

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

The Agency controls the Agency for Clinical Innovation Special Purpose Service Entity which was established as a Division of the Government Service on 11 January 2010 in accordance with the Public Sector Employment and Management Act 2002 and 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 parent entity and the consolidated entity which comprises the parent and special purpose service entity. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

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

These consolidated financial statements for the year ended 30 June 2013 have been authorised for issue by the Chief Executive and the Board on 19 September 2013.

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' Directions. 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(ab).

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 a twelve month period.

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".

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

On-costs of 13.2% are applied to the value of leave payable at 30 June 2013, such on-costs being based on actuarial assessment (Comparable on-costs for 30 June 2012 were 17.8%).

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 described as 'Acceptance by the Crown Entity of employee benefits and other liabilities'.

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the Agency as shown in Note 23.

Long Service Leave is measured at present value in accordance with AASB 119, Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 12/06) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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

Any liability attached to Superannuation Guarantee Charge cover is reported in Note 22, 'Payables'.

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

iii) 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 Entities. 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 entities.

d) Income Recognition

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

Sale of Goods

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

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

Investment Revenue

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

Grants and Contributions

Grants and contributions are 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.

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 requirements of other Australian Accounting Standards.

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

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

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

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

g) Capitalisation Thresholds

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

h) Depreciation of Property, Plant and Equipment

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

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%
Plant and Machinery	10.0%
Furniture, Fittings and Furnishings	5.0%

"Infrastructure Systems" means assets that comprise public facilities and which provide essential services and enhance the productive capacity of the economy including roads, bridges, water infrastructure and distribution works, sewerage treatment plants, seawalls and water reticulation systems.

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

i) Revaluation of Non-Current Assets

Physical non-current assets are valued in accordance with the NSW Ministry of Health's "Valuation of Physical Non-Current Assets at Fair Value" policy. This policy adopts fair value in accordance with AASB 116, Property, Plant and Equipment and AASB 140, 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.

This is because AASB 136 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, at the commencement of the lease term, the asset is recognised at its fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

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

m) Loans and Receivables

Agency for Clinical Innovation
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

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

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

n) Investments

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

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

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

o) Impairment of financial assets

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

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

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

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

p) De-recognition of financial assets and financial liabilities

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

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

* where the Agency has not transferred substantially all the risks and rewards, if the Agency 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.

q) 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.

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

r) 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.

s) Equity Transfers

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

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

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

aa) Equity and Reserves

(i) Revaluation Surplus

The 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).

(ii) Accumulated Funds

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

(iii) Separate Reserves

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

ab) Budgeted Amounts

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

ac) Service Group Statements Allocation Methodology

The Ministry of Health, in conjunction with all health entities, undertook an analysis of service group statements to ensure that the National Health Funding reforms definitions are consistently applied to 2011/12 and 2012/13 financial statements. Using the statistical data for twelve months ending 30 June 2012, new percentages were derived which resulted in variances in several service groups for the 2011/12 comparative year, which have been restated.

The data is then adjusted for any material change in service delivery or funding distribution, occurring in the 2012/13 year. The same methodology is applied to attribute assets and liabilities to each service group.

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

Remaining values are attributed to service groups in accordance with values advised by the NSW Ministry of Health, e.g. depreciation/amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant & Equipment.

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ad) New Australian Accounting Standards Issued but not Effective

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

AASB 9 and AASB 2010-7, Financial Instruments have mandatory application from 1 July 2015 and comprise changes to improve and simplify the approach for classification and measurement of financial assets. The change is not expected to materially impact the financial statements.

AASB 10, Consolidated Financial Statements has mandatory application from 1 July 2013 and provides replacement criteria for the assessment of control in lieu of the provisions of AASB 127. Changes to the reporting of consolidated entities is not expected as a result of this amendment.

AASB 11, Joint Arrangements has mandatory application from 1 July 2013 and defines joint control and the determination of joint control through an assessment of rights and obligations. The Standard is not expected to have any effect within the AASB 12, Disclosure of Interests in Other Entities, has mandatory application from 1 July 2013 and requires disclosure of significant judgements and assumptions made in determining the nature of its interests in another entity or arrangement. It is not expected that the changes will have a material impact.

AASB 13, AASB 2011-8 and AASB 2012-1, Fair Value Measurement have mandatory application from 1 July 2013 and address, inter alia, the assumptions that market participants would use when pricing the asset or liability. Future impact is assessed as minimal.

AASB 119, AASB 2011-10 and AASB 2011-11, regarding employee entitlements, have mandatory application from 1 July 2013 and cover the recognition and measurement of short term and long term employee benefits. Any changes to the 2013/14 financial statements will be dependent on the policy of NSW Treasury.

AASB 127, Separate Financial Statements, has mandatory application from 1 July 2013 and applies in accounting for interests in subsidiaries, joint ventures and associates. Based on current activities, it is assessed as having no future impact

AASB 128, Investments in Associates and Joint Ventures, has mandatory application from 1 July 2013 and, based on current activities, is assessed as having no impact on the Agency.

AASB 1053 and AASB 2010-2, Application of Tiers of Australian Accounting Standards, have application from 1 July 2013 and may result in a lessening of reporting requirements, dependent on the policy of NSW Treasury.

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

AASB 2010-10 regarding removal of fixed dates for first time adopters, has mandatory application from 1 July 2013 and, based on current activities, is assessed as having no impact on the Agency.

AASB 2011-2, Trans-Tasman Convergence Project - Reduced Disclosure Requirements, has mandatory application from 1 July 2013 and may result in a lessening of reporting requirements, dependent on the policy of NSW Treasury.

AASB 2011-4, Amendments to Australian Accounting Standards To Remove Individual Key Management Personnel Disclosure Requirements, has application from 1 July 2013 and removes the requirement to individually report the remuneration of Key Management Personnel, recognising that this is more a governance issue.

AASB 2011-6, Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements (AASB 127, AASB 128 and AASB 131), applies from 1 July 2013. The exemption is not expected to have a material impact.

AASB 2011-7, Amendments to Australian Accounting Standards for the consolidation and joint arrangement standards, arise from the issuance of AASB 10, AASB 11, AASB 12, AASB 127, and AASB 128. For not-for-profits, the changes have application from 1 July 2014 but are assessed as having no material effect.

AASB 2011-10, Amendments to Australian Accounting Standards arising from AASB 119, applicable from 1 July 2013 assessed as having no material impact.

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AASB 2011-11, Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements, applicable from 1 July 2013 assessed as having no material impact.

The following changes will depend on the policies determined by NSW Treasury.

AASB 2012-1, Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements. Sets out reduced disclosure requirements as a consequence of the issuance of AASB 13, having application from 1 July 2013.

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

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

AASB 2012-4, Amendments to Australian Accounting Standards – Government Loans (Amendments to AASB 1 'First-time Adoption of International Financial Reporting Standards'). Applicable to reporting periods on or after 1 January 2013.

AASB 2012-5 regarding annual improvements 2009 to 2011 cycle applicable to reporting periods on or after 1 January

AASB 2012-7, Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements. Applicable to reporting periods on or after 1 July 2013.

AASB 2012-9, Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039. Applicable to reporting periods on or after 1 January 2013.

AASB 2012-10, Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments. Applicable to reporting periods on or after 1 January 2013.

AASB 2012-11, Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments, having application from 1 July 2013.

AASB 2013-1, Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements, having application from 1 July 2014.

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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
3. Employee Related				
Employee related expenses comprise the following:				
-----	-----	Salaries and Wages	10,672	5,030
-----	-----	Superannuation - Defined Benefit Plans	174	141
-----	-----	Superannuation - Defined Contribution Plans	833	349
-----	-----	Long Service Leave	683	294
-----	-----	Annual Leave	1,161	451
-----	-----	Sick Leave and Other Leave	340	167
-----	-----	Redundancies	130	-----
-----	-----	Workers' Compensation Insurance	52	25
-----	-----		14,045	6,457
4. Personnel Services				
Personnel Services comprise the purchase of the following:				
10,672	5,030	Salaries and Wages	-----	-----
0	0	Superannuation - Defined Benefit Plans	-----	-----
833	349	Superannuation - Defined Contribution Plans	-----	-----
88	103	Long Service Leave	-----	-----
1,161	451	Annual Leave	-----	-----
340	167	Sick Leave and Other Leave	-----	-----
130	-----	Redundancies	-----	-----
52	25	Workers' Compensation Insurance	-----	-----
-----	-----		13,276	6,125
5. Other Operating Expenses				
14	15	Domestic Supplies and Services	14	15
2	-----	Drug Supplies	2	-----
130	94	Food Supplies	130	94
12	11	Fuel, Light and Power	12	11
2,282	659	General Expenses (See (b) below)	2,282	659
428	129	Information Management Expenses	428	129
13	4	Insurance	13	4
-----	1	Maintenance (See (c) below)		
	1	Maintenance Contracts	-----	1
144	76	New/Replacement Equipment under \$10,000	144	76
85	4	Repairs Maintenance/Non Contract	85	4
11	-----	Other	11	-----
58	26	Motor Vehicle Expenses	58	26
67	74	Postal and Telephone Costs	67	74
288	189	Printing and Stationery	288	189
585	247	Rental	585	247
3	1	Special Service Departments	3	1
958	757	Staff Related Costs	958	757
16	156	Sundry Operating Expenses (See (a) below)	16	156
641	248	Travel Related Costs	641	248
-----	-----		5,737	2,691

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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
16	156	5 (a) Sundry Operating Expenses comprise :	16	156
<u>16</u>	<u>156</u>	Sundry Operating Expenses	<u>16</u>	<u>156</u>
		5 (b) General Expenses include :-		
8	12	Advertising	8	12
38	34	Auditor's Remuneration - External Audit	38	34
----	6	Books, Magazines and Journals	----	6
		Consultancies		
1,063	106	- Operating Activities	1,063	106
360	187	Corporate Support Services	360	187
1	1	Courier and Freight	1	1
5	2	Data Recording and Storage	5	2
39	----	Legal Services	39	----
1	----	Membership/Professional Fees	1	----
10	8	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	10	8
26	----	Other Operating Lease Expense - Minimum Lease Payments	26	----
1	----	Security Services	1	----
62	----	Translator Services	62	----
<u>668</u>	<u>303</u>	Other	<u>668</u>	<u>303</u>
<u>2,282</u>	<u>659</u>		<u>2,282</u>	<u>659</u>
		5 (c) Reconciliation of Total Maintenance		
240	81	Maintenance Expense - Contracted Labour and Other (Non-Employee Related), included in Note 5	240	81
<u>240</u>	<u>81</u>	Total Maintenance Expenses included in Notes 3, 4 and 5	<u>240</u>	<u>81</u>

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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
6. Depreciation and Amortisation				
1	----	Depreciation - Buildings	1	----
16	----	Amortisation - Leased Buildings	16	----
74	55	Depreciation - Plant and Equipment	74	55
<u>91</u>	<u>55</u>		<u>91</u>	<u>55</u>
7. Grants and Subsidies				
664	281	Grants to Research Orgs	664	281
92	175	Promotion of Research	92	175
2,135	(780)	Budget Sector Grants to NSW Public Health Entities	2,135	(780)
738	1,437	Other Grants	738	1,437
<u>3,629</u>	<u>1,113</u>		<u>3,629</u>	<u>1,113</u>
8. Finance Costs				
----	6	Other Interest Charges	----	6
<u>----</u>	<u>6</u>	Total Finance Costs	<u>----</u>	<u>6</u>

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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
		9. Sale of Goods and Services		
		(a) Sale of Goods comprise the following:-		
----	----	Other	---	---
		(b) Rendering of Services comprise the following:-		
1	----	Car Parking	1	----
----	1	Commercial Activities	----	1
24	6	Private Use of Motor Vehicles	24	6
7	13	Salary Packaging Fee	7	13
2	----	Other	2	----
34	20		34	20
		10. Investment Revenue		
		Interest		
249	149	- Other	249	149
249	149		249	149

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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
11. Grants and Contributions				
50	145	Commonwealth Government Grants	50	145
34	----	Industry Contributions/Donations	34	----
120	----	Cancer Institute Grants	120	----
120	189	NSW Government Grants	120	189
234	30	Other Grants	234	30
<u>558</u>	<u>364</u>		<u>558</u>	<u>364</u>
 12. Acceptance by the Crown Entity of employee benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
----	----	Superannuation-defined benefit	174	141
----	----	Long Service Leave	595	191
<u>----</u>	<u>----</u>		<u>769</u>	<u>332</u>
 13. Other Revenue				
Other Revenue comprises the following:-				
1	----	Commissions	1	----
199	34	Conference and Training Fees	199	34
----	12	Sponsorship Income	----	12
133	428	Other	133	428
<u>333</u>	<u>474</u>		<u>333</u>	<u>474</u>

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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
		14. Gain / (Loss) on Disposal		
198	----	Property, Plant and Equipment	198	----
49	----	Less: Accumulated Depreciation	49	----
<u>149</u>	<u>----</u>	Written Down Value	<u>149</u>	<u>----</u>
----	----	Less: Proceeds from Disposal	----	----
<u>(149)</u>	<u>----</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(149)</u>	<u>----</u>
<u>(149)</u>	<u>----</u>	Total Gain/(Loss) on Disposal	<u>(149)</u>	<u>----</u>
		15. Other Gains / (Losses)		
(293)	----	Impairment of Receivables	(293)	----
<u>(293)</u>	<u>----</u>		<u>(293)</u>	<u>----</u>

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16. Service Groups of the Agency

Service Group 1.1 - Primary and Community Based Services

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

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

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

Service Group 1.2 - Aboriginal Health Services

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

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

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

Service Group 1.3 - Outpatient Services

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

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

Service Group 2.1 - Emergency Services

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

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

Service Group 2.2 - Inpatient Hospital Services

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

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

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

Service Group 3.1 - Mental Health Services

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

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

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

Service Group 4.1 - Rehabilitation and Extended Care Services

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

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

Service Group 5.1 - Population Health Services

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

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

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

Service Group 6.1 - Teaching and Research

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

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

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

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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
17. Cash and Cash Equivalents				
4,156	4,312	Cash at Bank and On Hand	4,156	4,312
4,156	4,312		4,156	4,312
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:				
4,156	4,312	Cash and Cash Equivalents (per Statement of Financial Position)	4,156	4,312
4,156	4,312	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	4,156	4,312

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

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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
		18. Receivables		
		Current		
15	44	Sale of Goods and Services	15	44
108	267	Intra Health Receivables	108	267
374	93	Goods and Services Tax	374	93
94	178	Other Debtors	94	178
<u>591</u>	<u>582</u>	Sub Total	<u>591</u>	<u>582</u>
----	----	Less Allowance for Impairment	----	----
591	582	Sub Total	591	582
39	----	Prepayments	39	----
<u>630</u>	<u>582</u>		<u>630</u>	<u>582</u>
		18a Movement in the Allowance for Impairment		
		Other Debtors		
----	----	Balance at Commencement of Reporting Period	----	----
293	----	Amounts written off during the year	293	----
----	----	Amounts recovered during the year	----	----
----	----	Administrative Restructures - Transfers (In)/out	----	----
(293)	----	(Increase)/decrease in Allowance Recognised in	(293)	----
----	----	Result for the Year	----	----
<u>----</u>	<u>----</u>	Balance at 30 June	<u>----</u>	<u>----</u>
<u>----</u>	<u>----</u>		<u>----</u>	<u>----</u>

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

Agency for Clinical Innovation
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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
		19. Financial Assets at Fair Value		
		Current		
3,000	----	Term Deposits	3,000	----
3,000	----		3,000	----

Refer to Note 29 for further information regarding credit risk, liquidity risk and market risk arising from financial investments.

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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
20. Property, Plant and Equipment				
Land and Buildings - Fair Value				
151	42	Gross Carrying Amount	151	42
15	1	Less: Accumulated Depreciation and Impairment	15	1
<u>136</u>	<u>41</u>	Net Carrying Amount	<u>136</u>	<u>41</u>
Plant and Equipment - Fair Value				
656	480	Gross Carrying Amount	656	480
122	86	Less: Accumulated Depreciation and Impairment	122	86
<u>534</u>	<u>394</u>	Net Carrying Amount	<u>534</u>	<u>394</u>
<u>670</u>	<u>435</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>670</u>	<u>435</u>

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PARENT & CONSOLIDATION

20. Property, Plant and Equipment - Reconciliation

	Land	Leasehold Improvements	Work in Progress	Leased Buildings	Plant and Equipment	Infrastructure Systems	Other Leased Assets	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2013								
Net Carrying Amount at Start of Year	-----	-----	-----	20	415	-----	-----	435
Additions	-----	35	-----	151	286	-----	-----	472
Disposals	-----	(30)	-----	(20)	(100)	-----	-----	(150)
Administrative Restructures - Transfers In/(Out)	-----	-----	-----	-----	5	-----	-----	5
Depreciation Expense	-----	(5)	-----	(15)	(72)	-----	-----	(92)
Net Carrying Amount at End of Year	0	0	0	136	534	0	0	670

	Land	Buildings	Work in Progress	Leased Buildings	Plant and Equipment	Infrastructure Systems	Other Leased Assets	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2012								
Net Carrying Amount at Start of Year	-----	-----	-----	-----	246	-----	-----	246
Additions	-----	-----	-----	42	203	-----	-----	245
Depreciation Expense	-----	-----	-----	(1)	(55)	-----	-----	(56)
Net Carrying Amount at End of Year	0	0	0	41	384	0	0	435

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PARENT		CONSOLIDATION	
2013 \$000	2012 \$000	2013 \$000	2012 \$000
21. 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			
29	27 Specific Purposes - Burns Network	29	27
-----	40 Deposit for Network to Network Conference	-----	40
77	33 Specific Purposes - Spinal Cord Injury Network	77	33
37	----- Specific Purposes - ICCMU Network	37	-----
<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
143	100	143	100
<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

Agency for Clinical Innovation
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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
		22. Payables		
		Current		
---	---	Accrued Salaries, Wages and On-Costs	396	265
---	---	Taxation and Payroll Deductions	21	12
417	277	Accrued Liability - Purchase of Personnel Services	---	---
74	13	Creditors	74	13
		Other Creditors		
		- Intra Health Liability	1,466	2,394
1,466	2,394	- Other	129	255
129	255			
<u>2,086</u>	<u>2,939</u>		<u>2,086</u>	<u>2,939</u>

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

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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
23. Provisions				
----	----	Annual Leave - Short Term Benefit	332	331
----	----	Annual Leave - Long Term Benefit	1,399	483
----	----	Long Service Leave - Long Term Benefit	62	52
----	----	Long Service Leave On-Costs	217	98
2,010	964	Provision for Personnel Services Liability	----	----
<u>2,010</u>	<u>964</u>	Total Current Provisions	<u>2,010</u>	<u>964</u>
Non-Current Employee Benefits and Related On-Costs				
----	----	Long Service Leave On-Costs	11	5
11	5	Provision for Personnel Services Liability	----	----
<u>11</u>	<u>5</u>	Total Non-Current Provisions	<u>11</u>	<u>5</u>
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	2,010	964
----	----	Provisions - Non-Current	11	5
----	----	Accrued Salaries, Wages and On-Costs (Note 22)	417	277
2,438	1,246	Liability - Purchase of Personnel Services	----	----
<u>2,438</u>	<u>1,246</u>		<u>2,438</u>	<u>1,246</u>

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PARENT AND CONSOLIDATED

24. Contingent Liabilities and Assets

a) Workers Compensation Hindsight Adjustment

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2006/07 fund year and an interim adjustment for the 2008/09 fund year were not calculated until 2012/13.

As a result, the 2007/08 final and 2009/10 pertaining to the hospitals and community services now forming part of the Agency will be paid in 2013/14. It is not possible for the Agency to reliably quantify the benefit to be received or amount payable.

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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
25. Reconciliation of Cash Flows from Operating Activities to Net Result				
2,975	3,031	Net Cash Flows from Operating Activities	2,975	3,031
(91)	(55)	Depreciation	(91)	(55)
(293)	---	Allowance for Impairment	(293)	---
(874)	(395)	(Increase)/ Decrease in Provisions	(874)	(395)
335	(451)	Increase / (Decrease) In Prepayments and Other Assets	335	(451)
1,007	(2,073)	(Increase)/ Decrease in Creditors	1,007	(2,073)
(149)	-----	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(149)	---
<u>2,910</u>	<u>67</u>	Net Result	<u>2,910</u>	<u>67</u>

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PARENT AND CONSOLIDATED

26. Unclaimed Moneys

Unclaimed salaries and wages are paid to the credit of the NSW Treasury in accordance with the provisions of the *Industrial Relations Act, 1996*.

All money and personal effects of patients which are left in the custody of Agency by any patient who is discharged or dies in the hospital and which are not claimed by the person lawfully entitled thereto within a period of twelve months are recognised as the property of Agency.

All such money and the proceeds of the realisation of any personal effects are lodged to the credit of the Samaritan Fund which is used specifically for the benefit of necessitous patients or necessitous outgoing patients.

27. Budget Review - Parent and Consolidated

The initial Agency budget allocated by the NSW Ministry of Health was \$10.4 million. During the November, 2012 to January, 2013 period The Ministry provided a further \$18.57 million in respect of Networks and programs transferred to the Agency. Due the timing and nature of some of the budget supplementations the Agency was unable to fully expend the allocated funding. Towards the latter part of 2012/13 the Ministry recognised that under expenditure would occur due to the late advice of supplementations and reduced the Recurrent allocation and Expenses budget by \$4.020 million.

Net Result

The actual Net Result of \$2.910M was higher than budget by \$3.311M, primarily due to:
the delay in respect of transferred functions in the establishment and agreement on certain governance arrangements; and delays in implementing operating plans for new Networks transitioned from the Ministry.

Assets and Liabilities

The Statement of Financial Position as at 30 June, 2013 was impacted by the increase in Cash and Financial Assets from the Ministry of Health, unspent budget due to the delays in the transfer of certain functions during the year offset by costs associated with relocating the Agency to different office accommodation at Chatswood.

Cash Flows

The Cash Flow statement reflects a net surplus on operating activities against total receipts from the NSW Ministry of Health's recurrent allocation and other sources of revenue.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation in July 2012 are as follows:

	\$000
Initial base Allocation, July 2012	10,400
Ministry of Health staff transfers	8,387
Special Projects (Chronic Disease & Emergency Care Inst.)	5,500
Network Transfers (Inst. of Trauma & Intensive Care Monit.)	2,506
Other	2,178
Ministry adjustment on Cash Subsidy	<u>(4,020)</u>
Balance as per Statement of Comprehensive Income	<u><u>24,951</u></u>

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

Equity transfers effected in the 2011/12 year were:

Nil. There were a number administrative staff transfers throughout 2012/2013 financial year as identified below:

	2013	2012
	\$000	\$000
Equity transfers effected comprised:		
Nepean Blue Mountains Local Health District	-59	
Clinical Excellence Commission - PTSU Restructure (1 July 2012)	112	
Crown Entity - Annual Leave	15	
Crown Entity - Transfer of Long Service Leave On-costs	-50	
	18	-----

Assets and Liabilities transferred are as follows:

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

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29. 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 Management Committee and the internal auditors on a regular basis.

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION		Carrying Amount 2013 \$000	Carrying Amount 2012 \$000
Class:	Category		
Financial Assets			
Cash and Cash Equivalents (note 17)	N/A	4,156	4,312
Receivables (note 18)*	Loans and receivables (at amortised cost)	217	489
Total Financial Assets		4,373	4,801
Financial Liabilities			
Payables (note 22)**	Financial liabilities	2,065	2,927
Total Financial Liabilities		2,065	2,927

Notes

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

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

(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

Agency for Clinical Innovation
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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. Authority deposits held with NSW TCorp are guaranteed by the State.

Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 3.07% in 2012/13 compared to 3.4% in the previous year.

Receivables - trade debtors

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

The Agency 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 (2013:\$168K; 2012: \$7K) and not more than 3 months past due (2013: \$17K; 2012:\$0) are not considered impaired and together these represent 100% of the total trade debtors.

2013	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
<3 months overdue	185	185	0
3 months - 6 months overdue	0	0	0
> 6 months overdue	0	0	0
2012			
<3 months overdue	7	7	0
3 months - 6 months overdue	0	0	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.

(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

Agency for Clinical Innovation
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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.

During the current and prior years, there were no defaults of loans payable. No assets have been pledged as collateral. The Agency 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 in accordance with NSW Treasury Circular 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

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

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

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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
2013								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		396	-----	----	396	396	-----	-----
- Creditors		1,669	-----	----	1,669	1,669	-----	-----
		<u>2,065</u>	-----	----	<u>2,065</u>	<u>2,065</u>	-----	-----
2012								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		265	-----	----	265	265	-----	-----
- Creditors		2,662	-----	----	2,662	2,662	-----	-----
		<u>2,927</u>	-----	----	<u>2,927</u>	<u>2,927</u>	-----	-----

Notes:

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

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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's exposures to market risk are primarily through interest rate risk on the Agency's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. 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 2012. 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%		+1%	
		Profit	Equity	Profit	Equity
2013					
Financial Assets					
Cash and Cash Equivalents	4,156	(42)	(42)	42	42
Receivables	217	----	----	----	----
Financial Liabilities					
Payables	2,065	----	----	----	----
2012					
Financial Assets					
Cash and Cash Equivalents	4,312	(43)	(43)	43	43
Receivables	409	----	----	----	----
Financial Liabilities					
Payables	2,927	----	----	----	----

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Note 30 Events after the Reporting Period

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

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END OF AUDITED FINANCIAL STATEMENTS