INDEPENDENT AUDITOR'S REPORT

Agency for Clinical Innovation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Agency for Clinical Innovation (the Agency), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the Agency and the consolidated entity. The consolidated entity comprises the Agency and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Agency and the consolidated entity as at 30 June 2019, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

I am independent of the Agency and the consolidated entity in accordance with the requirements of the:

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

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

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

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

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

Emphasis of Matter – Presentation of Budget Information

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

The Chief Executive's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

S Bond.

Sally Bond
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

23 September 2019
SYDNEY

Agency for Clinical Innovation
Certification of the Financial Statements
for the year ended 30 June 2019

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

1) The financial statements of Agency for Clinical Innovation for the year ended 30 June 2019 have been prepared in accordance with:

   a) Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);

   b) the requirements of the *Public Finance and Audit Act 1983 (the Act)* , the *Public Finance* and *Audit Regulation 2015* ; and

   c) NSW Treasurer's Directions issued under the Act.

2) The financial statements exhibit a true and fair view of the financial position and the financial performance of Agency for Clinical Innovation; and

3) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

Jean-Frédéric Levesque
Chief Executive
20 September 2019

Professor Brian McCaughan
Chair - ACI Board
20 September 2019

Agency for Clinical Innovation
Statement of Comprehensive Income for the year ended 30 June 2019

PARENT					CONSOLIDATION		
Actual 2019 $000	**Adjusted Budget Unaudited 2019 $000**	**Actual 2018 $000**		**Notes**	**Actual 2019 $000**	**Adjusted Budget Unaudited 2019 $000**	**Actual 2018 $000**
			Continuing Operations				
			Expenses excluding losses				
-	-	-	Employee Related Expenses	2	25,476	25,310	20,352
23,474	23,434	19,987	Personnel Services	3	-	-	-
9,353	8,844	9,644	Other Expenses	4	9,353	8,844	9,644
531	531	586	Depreciation and Amortisation	1(l), 5	531	531	586
2,846	2,181	1,486	Grants and Subsidies	6	2,846	2,181	1,486
36,204	**34,990**	**31,703**	**Total Expenses excluding losses**		**38,206**	**36,866**	**32,068**
			Revenue				
34,097	34,097	30,939	NSW Ministry of Health Recurrent Allocations	1(h)	34,097	34,097	30,939
57	85	85	NSW Ministry of Health Capital Allocations	1(h)	57	85	85
-	-	-	Acceptance by the Crown Entity of Employee Benefits	1(e)(ii),10	2,002	1,876	365
37	57	50	Sale of Goods and Services	1(h), 7	37	57	50
2	1	1	Investment Revenue	1(h),8	2	1	1
1,086	529	604	Grants and Other Contributions	1(h),9	1,086	529	604
25	3	10	Other Income	11	25	3	10
35,304	**34,772**	**31,689**	**Total Revenue**		**37,306**	**36,648**	**32,054**
(900)	**(218)**	**(14)**	**Operating Result**		**(900)**	**(218)**	**(14)**
(10)	-	8	Gains / (Losses) on Disposal	12	(10)	-	8
(910)	**(218)**	**(6)**	**Net Result from Continuing Operations**	21	**(910)**	**(218)**	**(6)**
(910)	**(218)**	**(6)**	**TOTAL COMPREHENSIVE INCOME**		**(910)**	**(218)**	**(6)**

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation
Statement of Financial Position as at 30 June 2019

PARENT					CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual		Notes	Actual	Adjusted Budget Unaudited	Actual
2019 $000	2019 $000	2018 $000			2019 $000	2019 $000	2018 $000
			ASSETS				
			Current Assets				
1,564	1,361	956	Cash and Cash Equivalents	13	1,564	1,361	956
644	672	673	Receivables	14	644	672	673
2,208	**2,033**	**1,629**	**Total Current Assets**		**2,208**	**2,033**	**1,629**
			Non-Current Assets				
			Property, Plant & Equipment	15			
253	374	409	- Plant and Equipment		253	374	409
478	420	831	- Leasehold Improvements		478	420	831
731	**794**	**1,240**	**Total Property, Plant & Equipment**		**731**	**794**	**1,240**
731	**794**	**1,240**	**Total Non-Current Assets**		**731**	**794**	**1,240**
2,939	**2,827**	**2,869**	**Total Assets**		**2,939**	**2,827**	**2,869**
			LIABILITIES				
			Current Liabilities				
2,041	1,811	1,762	Payables	17	2,041	1,811	1,762
2,845	2,591	2,476	Provisions	18	2,845	2,591	2,476
870	549	548	Other Current Liabilities	19	870	549	548
5,756	**4,951**	**4,786**	**Total Current Liabilities**		**5,756**	**4,951**	**4,786**
			Non-Current Liabilities				
542	542	532	Provisions	18	542	542	532
542	**542**	**532**	**Total Non-Current Liabilities**		**542**	**542**	**532**
6,298	**5,493**	**5,318**	**Total Liabilities**		**6,298**	**5,493**	**5,318**
(3,359)	**(2,666)**	**(2,449)**	**Net Assets**		**(3,359)**	**(2,666)**	**(2,449)**
			EQUITY				
(3,359)	(2,666)	(2,449)	Accumulated Funds		(3,359)	(2,666)	(2,449)
(3,359)	**(2,666)**	**(2,449)**	**Total Equity**		**(3,359)**	**(2,666)**	**(2,449)**

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation
Statement of Changes in Equity for the year ended 30 June 2019

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds $000	Total $000
Balance at 1 July 2018		**(2,449)**	**(2,449)**
Restated balance at 1 July 2018		**(2,449)**	**(2,449)**
Net Result for the Year		(910)	(910)
Total Comprehensive Income for the Year		**(910)**	**(910)**
Balance at 30 June 2019		**(3,359)**	**(3,359)**
Balance at 1 July 2017		**(2,443)**	**(2,443)**
Restated balance at 1 July 2017		**(2,443)**	**(2,443)**
Net Result for the Year		(6)	(6)
Total Comprehensive Income for the Year		**(6)**	**(6)**
Balance at 30 June 2018		**(2,449)**	**(2,449)**

The accompanying notes form part of these financial statements.

Agency for Clinical Innovation
Statement of Cash Flows for the year ended 30 June 2019

PARENT					CONSOLIDATION		
Actual 2019 $000	Adjusted Budget Unaudited 2019 $000	Actual 2018 $000		Notes	Actual 2019 $000	Adjusted Budget Unaudited 2019 $000	Actual 2018 $000
			CASH FLOWS FROM OPERATING ACTIVITIES				
			Payments				
-	-	-	Employee Related		(23,632)	(23,921)	(20,822)
(10,191)	(9,674)	(10,692)	Suppliers for Goods and Services		(10,191)	(9,674)	(10,692)
(3,143)	(2,478)	(1,674)	Grants and Subsidies		(3,143)	(2,478)	(1,674)
(23,632)	(23,921)	(20,822)	Other		-	-	-
(36,966)	**(36,073)**	**(33,188)**	**Total Payments**		**(36,966)**	**(36,073)**	**(33,188)**
			Receipts				
34,097	34,097	30,939	NSW Ministry of Health Recurrent Allocations		34,097	34,097	30,939
57	85	85	NSW Ministry of Health Capital Allocations		57	85	85
512	512	769	Reimbursements from the Crown Entity		512	512	769
113	63	119	Sale of Goods and Services		113	63	119
2	1	1	Interest Received		2	1	1
1,301	744	603	Grants and Other Contributions		1,301	744	603
1,524	1,061	1,754	Other		1,524	1,061	1,754
37,606	**36,563**	**34,270**	**Total Receipts**		**37,606**	**36,563**	**34,270**
640	**490**	**1,082**	**NET CASH FLOWS FROM OPERATING ACTIVITIES**	21	**640**	**490**	**1,082**
			CASH FLOWS FROM INVESTING ACTIVITIES				
25	-	62	Proceeds from Sale of Property, Plant & Equipment		25	-	62
(57)	(85)	(720)	Purchases of Property, Plant & Equipment		(57)	(85)	(720)
(32)	**(85)**	**(658)**	**NET CASH FLOWS FROM INVESTING ACTIVITIES**		**(32)**	**(85)**	**(658)**
-	**-**	**-**	**NET CASH FLOWS FROM FINANCING ACTIVITIES**		**-**	**-**	**-**
608	405	424	**NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS**		608	405	424
956	956	532	Opening Cash and Cash Equivalents	13	956	956	532
1,564	**1,361**	**956**	**CLOSING CASH AND CASH EQUIVALENTS**	13	**1,564**	**1,361**	**956**

The accompanying notes form part of these financial statements.

1. Statement of Significant Accounting Policies

a) The Reporting Entity

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

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

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

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

As a consequence the values in the financial statements presented herein consist of the parent entity and the consolidated entity which comprises the parent and special purpose service entity. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

These consolidated financial statements for the year ended 30 June 2019 have been authorised for issue by the Chief Executive on 20 September 2019.

b) Basis of Preparation

ACI's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (AAS) (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 (the Act) and the Public Finance and Audit Regulation 2015, and the NSW Treasurer's Directions issued under the Act. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities.

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

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

Other circumstances why the going concern assumption is appropriate include:

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

Property, plant and equipment, assets held for sale and certain financial assets and liabilities are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

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

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is ACI's presentation and functional currency.

c) Comparative Information

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

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

d) Statement of Compliance

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

e) Employee Benefits and Other Provisions

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

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

Annual leave and ADO are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, they are required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 16.1% are applied to the value of leave payable at 30 June 2019 (comparable on-costs for 30 June 2018 were 16.1%). ACI has assessed the actuarial advice based on the ACI's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the consolidated entity does not expect to settle the liability within 12 months as the consolidated entity does not have an unconditional right to defer settlement.

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

1. Statement of Significant Accounting Policies

ii) Long Service Leave and Superannuation

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

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

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

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

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

iii) Consequential On-Costs

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

iv) Other Provisions

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

f) Insurance

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

g) Grants and Subsidies

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

h) 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 ACI transfers the significant risks and rewards of ownership of the goods, usually on delivery of the goods.

Rendering of Services

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

Grants and Other Contributions

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

Investment Revenue

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For financial assets that become credit impaired the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

NSW Ministry of Health Allocations

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

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

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

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

1. Statement of Significant Accounting Policies

j) Acquisition of Property, Plant and Equipment

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

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

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

k) Capitalisation Thresholds

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

l) Depreciation of Property, Plant and Equipment

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

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

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

Depreciation rates are subsequently varied where changes occur in the assessment of the remaining useful life of the assets reported. Leasehold Improvements are depreciated in accordance with the terms of leasing arrangements.

m) Revaluation of Non-Current Assets

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.
Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. ACI has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

n) Impairment of Property, Plant and Equipment

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

o) Maintenance

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

p) Leased Assets

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

As a lessee:

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

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

q) Receivables and Other Financial Assets

Recognition and Measurement

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Subsequent measurement under AASB 9 Financial Instruments (from 1 July 2018)

ACI holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Classification and measurement under AASB 139 Financial Instruments: Recognition and Measurement (for comparative period ended 30 June 2018)

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or though the amortisation process.

1. Statement of Significant Accounting Policies

Amounts due from lessees under finance leases are classified as loans and receivables and recognised at the amount of the consolidated entity's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the consolidated entity's net investment outstanding in respect of the leases.

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

r) Impairment of Financial Assets

Impairment under AASB 9 (from 1 July 2018)

ACI recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that ACI expects to receive, discounted at the original effective interest rate.

Receivables

For trade receivables, ACI applies a simplified approach in calculating ECLs. ACI recognises a loss allowance based on lifetime ECLs at each reporting date. ACI has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward looking factors specific to the receivable.

Impairment of financial assets under AASB 139 (for the comparative period ended 30 June 2018)

All financial assets, except those measured at fair value through profit or loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that ACI will not be able to collect all amounts due, as a result of one or more events that occurred after the initial recognition of the asset, the estimated cash flows have been affected.

For certain categories of financial assets, such as trade receivables,ACI first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Further, receivables are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

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.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

s) De-recognition of Financial Assets and Financial Liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the entity transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through arrangement and either:

* ACI has transferred substantially all the risks and rewards of the asset; or
* ACI has neither transferred nor retained substantially all the risks and rewards for the asset, but has transferred control.

When ACI has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where ACI has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extend of ACI continuing involvement in the asset. In that case, ACI also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

t) Payables

These amounts represent liabilities for goods and services provided to ACI and other amounts. Payables are recognised initially at fair value, net of directly attributable transaction costs.

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

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

u) Fair Value Hierarchy

A number of ACI's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13 Fair Value Measurement, ACI categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

* Level 1 – quoted (unadjusted) prices in active markets for identical assets / liabilities that the entity can access at the measurement date.
* Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
* Level 3 – inputs that are not based on observable market data (unobservable inputs).

ACI recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer to Note 23 for further disclosures regarding fair value measurements of non-financial and financial assets.

v) Equity and Reserves

(i) Accumulated Funds
The category 'accumulated funds' includes all current and prior period retained funds.

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

1. Statement of Significant Accounting Policies

w) Adjusted Budget Amounts

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

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 22.

x) Changes in Accounting Policy, Including New or Revised Australian Accounting Standards

(i) Effective for the first time in 2018-19

The accounting policies applied in 2018-19 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

ACI has adopted AASB 9 Financial Instruments (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 Financial Instruments: Disclosures (AASB 7R).

ACI applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 Financial Instruments: Recognition and Measurement (AASB 139). Any differences arising from the adoption of AASB 9 have been recognised directly in accumulated funds and other components of equity.

The effect of adopting AASB 9 on the ACI Statement of Financial Position has no impact as at 1 July 2018.

a) *Classification and measurement of financial instruments*

On 1 July 2018 (the date of initial application of AASB 9), ACI's management has assessed which business models apply to the financial assets by ACI and has classified its financial instruments into the appropriate AASB 9 categories. The classification and measurement requirements of AASB 9 did not have a material impact to ACI.

The was no impact of transition to AASB 9 on reserves and accumulated funds.

(ii) Issued but not yet effective

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

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

The new standard will gross up the Statement of Financial Position and change Statement of Comprehensive Income and cash flow presentation. Rent and lease expense will be replaced by depreciation and interest expense in Statement of Comprehensive Income. This results in a front-loaded lease expense, decreasing the net result and equity position. The Statement of Cash Flows for lessees will also be affected as payments for the principal portion of the lease liability will be presented within financing activities.

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

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

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

AASB 1058 Income of Not-for-Profit Entities applies to not-for-profit entities and is effective for annual periods beginning on or after 1 January 2019. This standard requires entities to recognise income where the consideration to acquire an asset, including cash, is significantly less than the fair value principally to enable the entity to further its objectives. Under this standard, the timing of income recognition may be impacted depending on whether there is a liability or other performance obligation associated with the acquired asset, including cash. AASB 1058 Income of Not-for-Profit Entities also requires government agencies to recognise income for volunteer services received if the fair value of those services can be measured reliably and the services would have been purchased if they had not been donated. This is consistent with current practice under AASB 1004 Contributions and is not expected to materially impact these financial statements.

1. Statement of Significant Accounting Policies

AASB 1059 Service Concession Arrangements is applicable to public sector entities only and is effective for annual periods beginning on or after 1 January 2020. This standard requires the grantor to recognise a service concession asset in a service concession arrangement where it controls the asset. A corresponding financial liability and/or grant of right liability is also recognised depending on the nature of the consideration exchanged. Service concession assets (including those provided by the operator, an upgrade to or a major component replacement of an existing asset of the grantor; and existing assets of the grantor – also applicable to previously unrecognised intangible assets except goodwill) are initially measured at current replacement cost based on AASB 13 Fair Value Measurement principles. They are subsequently accounted for under AASB 116 Property, Plant & Equipment or AASB 138 Intangible Assets. Service concession liabilities are initially measured at the same amount as the service concession asset and subsequently measured using either the 'financial liability' model applying AASB 9 Financial Instruments or, the 'grant of right' model under AASB 1059 Service Concession Arrangements. AASB 1059 Service Concession Arrangements requires retrospective application.

Overview of Assessment Activities

The Ministry of Health has formed a project team to lead the implementation of the new accounting standards. The objective of the project is to continuously analyse and assess the impact of the new accounting standards. This includes changes to our accounting policies, internal and external reporting requirements, IT systems, business processes and associated internal controls with the objectives of quantifying the expected first time adoption impacts as well as supporting ongoing compliance with the new accounting requirements.

The project team has conducted various data gathering tasks with health entities around leases and certain revenue streams.

Work currently underway includes:

* implementation of an IT solution for lease management and accounting
* comprehensive review and capture of lease information
* review of accounting policies and processes surrounding leases and revenue.

Potential Impact on ACI's Financial Report

While the consolidated entity, controlled by the ultimate parent, is yet to complete full implementation and adoption of the new accounting standards, the following summarises work undertaken by ACI so far and the known and expected impacts:

Leases

ACI has compiled a lease register and calculated the likely impact of the new leasing standards, to be as follows.

* The total assets and liabilities on the Statement of Financial Position will increase by approximately $81 thousand on the date of transition (on 1 July 2019). In subsequent years, total equity is expected to decrease due to a reduction in capitalised assets being on a straight line basis whilst the liability reduces the principal amount of repayments.
* Interest expenses will increase by approximately $2 thousand in the 2019-2020 financial year due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a lease life due to the higher principal value causing profit variability over the course of the leases life.This effect may be partially mitigated due to the number of leases held by ACI at different stages of their lease terms.
* Depreciation expense will be booked on right of use assets, which will be on a straight line basis. For 2019-2020 financial year, depreciation expense is expected to be higher by approximately $28 thousand.
* Operating lease expense recognised under AASB 17 Leases will decrease by approximately $41 thousand in the 2019-2020 financial year.
* Operating cash flows will be higher as repayment of the principal portion of all lease liabilities will be classified as financing activities.
* The assessment outcomes are based on certain assumptions and are indicative only. There are likely to be variances with the actual impacts to be reported in 2019-2020 financial year and onwards.

Revenue and Income of Not-for-Profit Entities

ACI in consultation with the NSW Ministry of Health has performed a preliminary impact assessment by the major revenue lines. The review has not indicated any material impact arising from the adoption of the new revenue accounting standard. The likely impacts are:

* Deferral of 'Grants and Other Contributions' revenue. The impacts are not expected to be material as most funds received correlates to the level of activities performed during the year and most contracts are short to medium term only. Some timing differences is expected between inflow of funds and the level of activity, which may require some deferral or accrual of grant and other contribution revenue.
* Specific quantitative and qualitative disclosures will be required under AASB 15 Revenue from Contracts with Customers.

Service Concession Arrangements

The work on Service Concession Arrangements is in progress.ACI expects the following impacts from the preliminary work performed so far:

* No significant impact expected on ACI.

Application Date

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

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		2. Employee Related Expenses		
-	-	Salaries and Wages (including Annual Leave and ADO)	21,193	18,354
-	-	Superannuation - Defined Benefit Plans	126	172
-	-	Superannuation - Defined Contribution Plans	1,712	1,442
-	-	Long Service Leave	2,002	185
-	-	Redundancies	379	145
-	-	Workers' Compensation Insurance	64	54
-	**-**		**25,476**	**20,352**

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		3. Personnel Services		
21,193	18,354	Salaries and Wages (including Annual Leave and ADO)	-	-
-	-	Superannuation - Defined Benefit Plans	-	-
1,712	1,442	Superannuation - Defined Contribution Plans	-	-
126	(8)	Long Service Leave	-	-
379	145	Redundancies	-	-
64	54	Workers' Compensation Insurance	-	-
23,474	**19,987**		**-**	**-**

Personnel services of Agency for Clinical Innovation were provided by its controlled entity, Agency for Clinical Innovation Special Purpose Service Entity.

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		4. Other Expenses		
14	3	Advertising	14	3
46	43	Auditor's Remuneration - Audit of Financial Statements	46	43
-	3	Consultancies	-	3
15	14	Domestic Supplies and Services	15	14
148	141	Food Supplies	148	141
25	26	Fuel, Light and Power	25	26
900	1,162	Information Management Expenses	900	1,162
9	8	Insurance	9	8
426	368	Maintenance (See Note 4(b))	426	368
-	3	Medical and Surgical Supplies	-	3
37	46	Motor Vehicle Expenses	37	46
107	185	Postal and Telephone Costs	107	185
163	193	Printing and Stationery	163	193
1,153	1,103	Rental	1,153	1,103
-	33	Hosted Services Purchased from Entities Controlled by the Immediate Parent	-	33
591	317	Staff Related Costs	591	317
1,170	1,265	Travel Related Costs	1,170	1,265
4,549	4,731	Other (See Note 4(a))	4,549	4,731
9,353	**9,644**		**9,353**	**9,644**

PARENT				CONSOLIDATION	
2019 $000	2018 $000			2019 $000	2018 $000
		4.	**Other Expenses**		
		a)	**Other Includes:**		
275	272		Corporate Support Services	275	272
4	15		Courier and Freight	4	15
4	3		Legal Services	4	3
5	117		Membership/Professional Fees	5	117
-	1		Quality Assurance/Accreditation	-	1
7	3		Security Services	7	3
3,493	3,583		Other Management Services	3,493	3,583
761	737		Other Miscellaneous	761	737
4,549	**4,731**			**4,549**	**4,731**
		b)	**Reconciliation of Total Maintenance**		
26	16		Maintenance Contracts	26	16
353	334		New/Replacement Equipment under $10,000	353	334
47	18		Repairs Maintenance/Non Contract	47	18
426	**368**			**426**	**368**

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

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

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

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

Majority of 'Rental' expenses were paid to Government Property New South Wales, an entity controlled by the ultimate parent.

PARENT			CONSOLIDATION	
2019 $000	**2018 $000**		**2019 $000**	**2018 $000**
		5. Depreciation and Amortisation		
121	68	Depreciation - Plant and Equipment	121	68
410	518	Amortisation - Leasehold Improvements	410	518
531	**586**		**531**	**586**
		6. Grants and Subsidies		
60	357	Grants to Research Organisations	60	357
2,779	1,112	Grants Paid to Entities Controlled by the Immediate Parent	2,779	1,112
7	17	Other Grants	7	17
2,846	**1,486**		**2,846**	**1,486**

Majority of grants were given to entities controlled by immediate parent for NSQIP, ICU Exit Block projects and for research.

PARENT			CONSOLIDATION	
2019	**2018**		**2019**	**2018**
$000	**$000**		**$000**	**$000**
		7. Sale of Goods and Services		
		a) Rendering of Services comprise the following:-		
-	1	Car Parking	-	1
19	27	Private Use of Motor Vehicles	19	27
9	9	Salary Packaging Fee	9	9
9	13	Other	9	13
37	**50**		**37**	**50**
		8. Investment Revenue		
2	1	Interest	2	1
2	**1**		**2**	**1**

PARENT				CONSOLIDATION	
2019 $000	**2018 $000**			**2019 $000**	**2018 $000**
		9.	**Grants and Other Contributions**		
143	98		Commonwealth Government Grants	143	98
938	439		Grants & Contributions Received from Entities Controlled by the Ultimate Parent	938	439
5	-		Grants & Contributions Received from Entities Controlled by the Immediate Parent	5	-
-	67		Other Grants	-	67
1,086	**604**			**1,086**	**604**

The majority of 'Grants & Contributions Received from Entities Controlled by the Ultimate Parent' were received from Lifetime Care and Support Authority of New South Wales and State Insurance Regulatory Authority of New South Wales

PARENT 2019 $000	PARENT 2018 $000			CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		10.	**Acceptance by the Crown Entity of Employee Benefits**		
			The following liabilities and expenses have been assumed by the Crown Entity:		
-	-		Superannuation - Defined Benefit Plans	126	172
-	-		Long Service Leave Provision	1,876	193
-	**-**			**2,002**	**365**
		11.	**Other Income**		
			Other Income comprises the following:-		
-	1		Commissions	-	1
13	3		Conference and Training Fees	13	3
11	6		Lease and Rental	11	6
1	-		Other	1	-
25	**10**			**25**	**10**

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

PARENT 2019 $000	PARENT 2018 $000			CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		12.	**Gains / (Losses) on Disposal**		
67	98		Property, Plant and Equipment	67	98
(32)	(44)		Less: Accumulated Depreciation	(32)	(44)
35	**54**		**Written Down Value**	**35**	**54**
25	62		Less: Proceeds from Disposal	25	62
(10)	**8**		**Gain / (Loss) on Disposal of Property, Plant and Equipment**	**(10)**	**8**
(10)	**8**		**Total Gains / (Losses) on Disposal**	**(10)**	**8**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
$000	$000		$000	$000
		13. Cash and Cash Equivalents		
1,564	956	Cash at Bank and On Hand	1,564	956
1,564	**956**		**1,564**	**956**

For the purposes of the Statement of Cash Flows, 'Cash and Cash Equivalents' includes cash at bank, cash on hand, short-term deposits with original maturities of three months or less, which are subject to an insignificant risk of changes in value, and net of outstanding bank overdraft.

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:

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
1,564	956	Cash and Cash Equivalents (per Statement of Financial Position)	1,564	956
1,564	**956**	**Closing Cash and Cash Equivalents (per Statement of Cash Flows)**	**1,564**	**956**

Refer to Note 23 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

PARENT			CONSOLIDATION	
2019 $000	2018 $000		2019 $000	2018 $000
		14. Receivables		
		Current		
200	324	Sale of Goods and Services	200	324
(4)	84	Intra Health Receivables	(4)	84
203	158	Goods and Services Tax	203	158
14	12	Other Debtors	14	12
413	**578**	**Sub Total**	**413**	**578**
231	95	Prepayments	231	95
644	**673**		**644**	**673**

PARENT			CONSOLIDATION	
2019 $000	**2018 $000**		**2019 $000**	**2018 $000**
		15. Property, Plant and Equipment		
		Plant and Equipment - Fair Value*		
641	708	Gross Carrying Amount	641	708
388	299	*Less:* Accumulated Depreciation and Impairment	388	299
253	**409**	**Net Carrying Amount**	**253**	**409**
		Leasehold Improvements - Fair Value*		
1,541	1,484	Gross Carrying Amount	1,541	1,484
1,063	653	*Less:* Accumulated Depreciation and Impairment	1,063	653
478	**831**	**Net Carrying Amount**	**478**	**831**
731	**1,240**	**Total Property, Plant and Equipment at Net Carrying Amount**	**731**	**1,240**

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

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15. Property, Plant and Equipment - Reconciliation

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

	Plant and Equipment $000	Leasehold Improvements $000	Total $000
2019			
Net Carrying Amount at Beginning of Year	409	831	1,240
Additions	-	57	57
Disposals	(35)	-	(35)
Depreciation Expense	(121)	(410)	(531)
Net Carrying Amount at End of Year	**253**	**478**	**731**

	Plant and Equipment $000	Leasehold Improvements $000	Total $000
2018			
Net Carrying Amount at Beginning of Year	505	655	1,160
Additions	26	694	720
Disposals	(54)	-	(54)
Depreciation Expense	(68)	(518)	(586)
Net Carrying Amount at End of Year	**409**	**831**	**1,240**

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16. Restricted Assets

ACI's financial statements include the following assets which are restricted for stipulated purposes and/or by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2019.

Category	Opening Equity 1 July 2018 $000	Expense 2019 $000	Revenue 2019 $000	Closing Equity 30 June 2019 $000
Patient Welfare	1	870	870	-
Training and Education Including Conferences	95	-	2	98
	96	**870**	**872**	**98**

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

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

17. Payables

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		Current		
-	-	Accrued Salaries, Wages and On-Costs	337	253
-	-	Taxation and Payroll Deductions	232	191
569	444	Accrued Liability - Purchase of Personnel Services	-	-
179	60	Creditors	179	60
848	519	- Payables to Entities Controlled by the Immediate Parent	848	519
445	739	- Other	445	739
2,041	**1,762**		**2,041**	**1,762**

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

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 23.

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		18. Provisions		
		Current		
-	-	Annual Leave - Short Term Benefit	1,823	1,604
-	-	Annual Leave - Long Term Benefit	345	340
-	-	Long Service Leave Consequential On-Costs	554	438
-	-	Provision for Other Employee Benefits	123	94
2,845	2,476	Provision for Personnel Services Liability	-	-
2,845	**2,476**		**2,845**	**2,476**
		Non-Current		
-	-	Long Service Leave Consequential On-Costs	48	38
48	38	Provision for Personnel Services Liability	-	-
494	494	Other	494	494
542	**532**		**542**	**532**
		Aggregate Employee Benefits and Related On-Costs		
-	-	Provisions - Current	2,845	2,476
-	-	Provisions - Non-Current	48	38
-	-	Accrued Salaries, Wages and On-Costs, Taxation and Payroll Deductions (Note 17)	569	444
3,462	2,958	Liability - Purchase of Personnel Services	-	-
3,462	**2,958**		**3,462**	**2,958**
		Movements in provisions (other than employee benefits)		
		Movements in 'Other' provisions during the financial year, are set below:		
494	-	Carrying Amount at 1 July	494	-
		- Unwinding / Change in the Discount Rate		
-	494	- Additional Provisions Recognised	-	494
494	**494**	Carrying Amount at 30 June	**494**	**494**
		19. Other Liabilities		
		Other Current Liabilities		
870	548	Unearned Revenue	870	548
870	**548**		**870**	**548**

Most of the 'Unearned Revenue' balance is made up of amounts received in advance from Lifetime Care and Support Authority of New South Wales and State Insurance Regulatory Authority of New South Wales which are entities controlled by the ultimate parent.

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
		20. Commitments		
		a) Operating Lease Commitments		
		Entity as Lessee Future minimum rentals payable under non-cancellable operating leases at balance date are, as follows:		
1,299	1,173	Within one year	1,299	1,173
155	1,213	Later than one year and not later than five years	155	1,213
-	-	Later than five years	-	-
1,454	**2,386**	**Total (Including GST)**	**1,454**	**2,386**

Most 'Operating Lease Commitments' contracted but not provided for related to leases with Government Property NSW, an entity controlled by the ultimate parent.

b) Input Tax Receivable Related to Commitments for Expenditure

The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments (Entity as Lessee)' of $1.45 million as at 30 June 2019 includes input tax credits of $0.13million that are expected to be recoverable from the Australian Taxation Office (2018; $0.22 million).

21. Reconciliation of Cash Flows from Operating Activities to Net Result

PARENT 2019 $000	PARENT 2018 $000		CONSOLIDATION 2019 $000	CONSOLIDATION 2018 $000
640	1,082	Net Cash Used on Operating Activities	640	1,082
(531)	(586)	Depreciation and Amortisation Expense	(531)	(586)
(320)	(549)	(Increase) / Decrease in Unearned Revenue	(320)	(549)
(379)	(548)	Decrease / (Increase) in Provisions	(379)	(548)
(49)	(190)	Increase / (Decrease) in Prepayments and Other Assets	(49)	(190)
(261)	777	Decrease / (Increase) in Payables	(261)	777
(10)	8	Net Gain / (Loss) on Sale of Property, Plant and Equipment	(10)	8
(910)	**(6)**	**Net Result**	**(910)**	**(6)**

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22. Adjusted Budget Review

Net Result

The actual Net Result was lower than adjusted budget by $695 thousand, primarily due to:

1. Revenue Target / Realignment of $550k
2. - Long Service Leave Budget variance of $144k

Total direct revenue was $686k favourable to budget, primarily due to additional Grant Funding received from LifeTime Care, iCare and SIRA for Brain Injury, Pain Management and TORQUE projects.

Overall Expenses were $1.3m unfavourable to budget. Majority of this result relates to additional activities related to the SPT funding ACI has received from LifeTime Care, iCare and SIRA.

Assets and Liabilities

Current year Assets are in line with prior year actuals. The additional cash balance relates to SPT account for clinical grants received from iCare and SIRA.

Increase in current year currrent liabilities relates to increase in provisions and creditors. Total provision was increased as a result of increment in Annual Leave Provision which is in line with employee expenses.
Other liabilities of Income in advance relate to unspent grant funds received from iCare and SIRA.

Cash Flows

As at 30 June 2019, ACI had a cash balance of $1.564m in bank which mainly relates to SPT bank account for grants received from iCare and SIRA. ACI has internal processes to monitor the cash position and to draw cash from the allocated subsidy.

Grants and contributions have increased due to increase in Grants received from iCare and SIRA in FY 18/19. Other receipts have increased as a result of increase in BAS refund in line with ACI's expenses.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2018 are as follows:

	$000
Initial Allocation	32,198
Supplimentary Budget Adjustments:	
Add: Special projects (NSQUIP, PRM IT Solution, VAN Services, VR)	1,899
Less: Other (Bio Stat Trainee, LifeNet Software)	
Balance as per Statement of Comprehensive Income	**34,097**

23. Financial Instruments

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

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

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by ACI, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

a) Financial Instrument Categories

i. As at 30 June 2019 under AASB 9

PARENT AND CONSOLIDATION

Class	Category	Carrying Amount 2019 $000
Cash and Cash Equivalents (Note 13)	N/A	1,564
Receivables (Note 14) [1]	Amortised cost	210
Total Financial Assets		**1,774**
Financial Liabilities		
Payables (Note 17) [2]	Financial liabilities measured at amortised cost	1,809
Total Financial Liabilities		**1,809**

Notes

[1] *Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).*
[2] *Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).*

ii. As at 30 June 2018 under AASB 139 (comparative period)

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Class	Category	Carrying Amount 2018 $000
Cash and Cash Equivalents (Note 13)	N/A	956
Receivables (Note 14) [1]	Loans and receivables (at amortised cost)	420
Total Financial Assets		**1,376**
Financial Liabilities		
Payables (Note 17) [2]	Financial liabilities measured at amortised cost	1,571
Total Financial Liabilities		**1,571**

Notes

[1] *Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).*
[2] *Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).*

b) Financial Risk

i. Credit Risk

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

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

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

ACI considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, ACI may also consider a financial asset to be in default when internal or external information indicates that ACI is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by ACI.

23. Financial Instruments

Cash and Cash Equivalents

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 0.00% (Restricted funds bank balance: 2.35%) in 2018/19 compared to 0.00% (Restricted funds bank balance: 2.35%) in the previous year.

Accounting policy for impairment of Trade Debtors and Other Financial Assets under AASB 9

Receivables - Trade Debtors

Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

ACI applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. ACI has not identified any relevant factors, and accordingly not adjusted the historical loss rates based on no expected changes in these factors.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 90 days past due.

The loss allowance for trade debtors (Sale of Goods and Services) as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows:

30 June 2019	Current $'000	<30 days $'000	30-60 days $'000	61-90 days $'000	>91 days $'000	Total $'000
Expected credit loss rate	0.00%	0%	0%	0%	0%	0.00%
Estimated total gross carrying amount at default	200	-	-	-	-	200
Expected credit loss	-	-	-	-	-	-

1 July 2018	Current $'000	<30 days $'000	30-60 days $'000	61-90 days $'000	>91 days $'000	Total $'000
Expected credit loss rate	0.00%	0.00%	0%	0.00%	0.00%	0.00%
Estimated total gross carrying amount at default	300	13	-	1	10	324
Expected credit loss	-	-	-	-	-	-

ACI is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2019.

23. Financial Instruments

Accounting policy for impairment of Trade Debtors and Other Financial Assets under AASB 139 (comparative period only)

Receivables - Trade Debtors

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

ACI is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due are not considered impaired.

Financial assets that are past due or impaired could be either 'Sales of Goods and Services' or 'Other Debtors' in the 'Receivables' category of the Statement of Financial Position.

For the comparative period 30 June 2018, the ageing analysis of trade debtors is as follows:

	2018 $000
Neither past due nor impaired	398
Past due but not impaired [1,2]	
< 3 months overdue	12
3 - 6 months overdue	10
> 6 months overdue	-
Impaired [1,2]	
< 3 months overdue	-
3 - 6 months overdue	-
> 6 months overdue	-
Total [1,2]	**420**

Notes

1 The table reports 'gross receivables'.

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 Financial Instruments: Disclosures. Therefore, the 'total' will not reconcile to the receivables total recognised in the Statement of Financial Position.

ii. Liquidity Risk

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

ACI has not negotiated any loans.

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

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

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

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

23. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

		Interest Rate Exposure				Maturity Dates		
	Weighted Average Effective Interest Rate	Nominal Amount [1] $000	Fixed Interest Rate $000	Variable Interest Rate $000	Non - Interest Bearing $000	< 1 Yr $000	1-5 Yr $000	> 5Yr $000
2019								
Payables:								
- Creditors [2]		1,809	-	-	1,809	1,809	-	-
		1,809	**-**	**-**	**1,809**	**1,809**	**-**	**-**
2018								
Payables:								
- Creditors [2]		1,571	-	-	1,571	1,571	-	-
		1,571	**-**	**-**	**1,571**	**1,571**	**-**	**-**

Notes:

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

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

23. Financial Instruments

iii. Market Risk

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through ACI's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. ACI does not account for any fixed rate financial instruments at fair value through profit or loss or as at fair value through other comprehensive income or available for sale (until 30 June 2018). Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official Reserve Bank of Australia interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

However, ACI is not permitted to borrow external to the NSW Ministry of Health (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates:

		-1%		+1%	
2019	**Carrying Amount $000**	**Net Result $000**	**Equity $000**	**Net Result $000**	**Equity $000**
Financial Assets					
Cash and Cash Equivalents	1,564	(16)	(16)	16	16
Receivables	210	-	-	-	-
Financial Liabilities					
Payables[1]	1,809	-	-	-	-
2018					
Financial Assets					
Cash and Cash Equivalents	956	(10)	(10)	10	10
Receivables	420	-	-	-	-
Financial Liabilities					
Payables[1]	1,571	-	-	-	-

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

24. Related Party Transactions

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Key management personnel compensation is as follows:

	2019 $000	2018 $000
Short-Term Employee Benefits	75	75
Post-Employment Benefits	7	7
Other Long-Term Benefits	-	-
Termination Benefits	-	-
	82	**82**

During the financial year, Agency for Clinical Innovation obtained key management personnel services from the immediate parent and incurred $0.433 million (2018: $0.443 million) for these services.

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

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

There were no transactions with key management personnel and their close family members (2018: $Nil).

Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2018: $Nil).

25. Events After the Reporting Period

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

END OF AUDITED FINANCIAL STATEMENTS