Family & Community Services

2016–17 Annual Report

Volume 2

Financial statements for the year ended June 2017

NSW GOVERNMENT | Family & Community Services

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1.1 Department of Family and Community Services: Parent Financial Report

INDEPENDENT AUDITOR'S REPORT

Department of Family and Community Services

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Department of Family and Community Services (the Department), which comprise the Statements of comprehensive income for the year ended 30 June 2017, the Statements of financial position as at 30 June 2017, the Statements of changes in equity, the Statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Department and the consolidated entity. The consolidated entity comprises the Department 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 Department and the consolidated entity as at 30 June 2017, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of 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 Department and the consolidated entity in accordance with the requirements of:

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

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.

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Secretary's Responsibility for the Financial Statements

The Secretary 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 Secretary 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 Secretary must assess the Department's ability to continue as a going concern except where the Department's operations will cease as a result of an administrative restructure. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Department 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.

Ian Goodwin
Deputy Auditor-General

18 September 2017
SYDNEY

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

FINANCIAL STATEMENTS

For the Year Ended 30 June 2017

CERTIFICATION OF ACCOUNTS

Pursuant to Section 45(F) of the *Public Finance and Audit Act 1983* (Act), we state that:

a) the accompanying financial statements of the Department of Family and Community Services (department) being the parent entity, and the consolidated entity comprising the department and its controlled entities' activities for the year ended 30 June 2017 have been prepared in accordance with the requirements of applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the *Public Finance and Audit Act 1983* , Public Finance and Audit Regulation 2015 and Directions issued by the Treasurer under section 9(2)(n) of the Act .

b) the financial statements and notes exhibit a true and fair view of the financial position and transactions of the department and its controlled entities.

c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Michael Coutts-Trotter
Secretary
15 September 2017

Denise Dawson
Chief Finance Officer
15 September 2017

Start of Audited Financial Statements

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

Statement of comprehensive income for the year ended 30 June 2017

	Notes	PARENT			CONSOLIDATED		
		Actual 2017 $'000	Budget 2017 $'000	Actual 2016 $'000	Actual 2017 $'000	Budget 2017 $'000	Actual 2016 $'000
Continuing operations							
Expenses excluding losses							
Employee-related expenses	2(a)	**1,550,509**	1,587,400	1,794,670	**1,550,708**	1,587,400	1,922,797
Operating expenses	2(b)	**407,856**	441,322	397,064	**408,045**	441,322	423,432
Depreciation and amortisation	2(c)	**78,600**	87,451	82,062	**78,736**	87,451	82,501
Grants and subsidies	2(d)	**4,073,438**	4,140,727	3,897,447	**4,073,438**	4,140,727	3,848,959
Finance Costs	2(e)	**425**	-	634	**425**	-	637
Total expenses excluding losses		**6,110,828**	6,256,900	6,171,877	**6,111,352**	6,256,900	6,278,326
Revenue							
Appropriation (net of transfer payments)	3(a)	**5,717,854**	5,840,321	5,474,023	**5,717,854**	5,840,321	5,474,023
Sale of goods and services	3(b)	**209,375**	180,023	201,678	**209,375**	180,023	210,993
Personnel services revenue - Aboriginal Housing Office		**8,795**	11,666	12,928	**8,795**	11,666	12,928
Personnel services revenue - Land and Housing Corporation		**66,296**	81,743	61,033	**66,296**	81,743	61,033
Investment revenue	3(c)	**3,135**	320	2,288	**5,510**	320	3,496
Grants and contributions	3(d)	**49,808**	48,577	35,366	**49,808**	48,577	104,808
Acceptance by the Crown Entity of employee benefits and other liabilities	3(e)	**32,428**	53,802	81,327	**32,428**	53,802	81,327
Other revenue	3(f)	**20,682**	23,154	43,258	**21,379**	23,154	49,479
Total Revenue		**6,108,373**	6,239,606	5,911,901	**6,111,445**	6,239,606	5,998,087
Operating Result		**(2,455)**	(17,294)	(259,976)	**93**	(17,294)	(280,239)
Gain / (loss) on disposal	4	**4,262**	(22,677)	(10,929)	**4,262**	(22,677)	(10,953)
Other gains / (losses)	5	**(4,320)**	(862)	(3,815)	**(3,839)**	(862)	(3,349)
Net result from continuing operations		**(2,513)**	(40,833)	(274,720)	**516**	(40,833)	(294,541)
Other comprehensive income							
Items that will not be reclassified to net result							
Net increase / (decrease) in property, plant and equipment asset revaluation surplus		**85,973**	-	92,223	**86,135**	-	92,223
Actuarial gains/(losses) on superannuation funds	18	**2,912**	-	(354)	**2,915**	-	(1,166)
Other superannuation fund value changes	18	**-**	-	-	**-**	-	(12,500)
Total other comprehensive income		**88,885**	**-**	91,869	**89,050**	**-**	78,557
TOTAL COMPREHENSIVE INCOME		**86,372**	(40,833)	(182,851)	**89,566**	(40,833)	(215,984)

The accompanying notes form part of these financial statements

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

Statement of financial position as at 30 June 2017

	Notes	PARENT			CONSOLIDATED		
		Actual 2017 $'000	Budget 2017 $'000	Actual 2016 $'000	Actual 2017 $'000	Budget 2017 $'000	Actual 2016 $'000
ASSETS							
Current Assets							
Cash and cash equivalents	8	**142,235**	100,366	113,791	**143,887**	100,366	117,363
Receivables	9	**111,299**	90,280	126,207	**111,312**	90,280	135,032
		253,534	190,646	239,998	**255,199**	190,646	252,395
Non-current assets held for sale	11	**2,621**	472	5,075	**2,621**	472	5,075
Total Current Assets		**256,155**	191,118	245,073	**257,820**	191,118	257,470
Non-Current Assets							
Receivables	9	**3,043**	2,737	5,387	**3,043**	2,737	5,387
Financial assets at fair value	10	**-**	-	-	**-**	-	24,131
Property, plant and equipment							
Land and buildings	12	**1,414,310**	1,279,201	1,317,000	**1,423,744**	1,279,201	1,325,919
Plant and equipment	12	**76,953**	89,576	89,413	**76,953**	89,576	89,414
Total property, plant and equipment		**1,491,263**	1,368,777	1,406,413	**1,500,697**	1,368,777	1,415,333
Intangible assets	13	**126,653**	90,327	96,253	**126,653**	90,327	96,253
Total Non-Current Assets		**1,620,959**	1,461,841	1,508,053	**1,630,393**	1,461,841	1,541,104
Total Assets		**1,877,114**	1,652,959	1,753,126	**1,888,213**	1,652,959	1,798,574
LIABILITIES							
Current Liabilities							
Payables	15	**188,699**	123,535	135,308	**188,712**	123,535	135,965
Provisions	16	**294,562**	153,386	275,391	**294,562**	153,386	277,206
Other current liabilities	17	**299**	71	298	**299**	71	298
Total Current Liabilities		**483,560**	276,992	410,997	**483,573**	276,992	413,469
Non-Current Liabilities							
Provisions	16	**80,955**	41,355	115,604	**80,955**	41,355	115,604
Other non-current liabilities	17	**306**	307	604	**306**	307	604
Total Non-Current Liabilities		**81,261**	41,662	116,208	**81,261**	41,662	116,208
Total Liabilities		**564,821**	318,654	527,205	**564,834**	318,654	529,677
Net Assets		**1,312,293**	1,334,305	1,225,921	**1,323,379**	1,334,305	1,268,897
EQUITY							
Reserves		**231,388**	119,471	145,415	**231,550**	119,471	145,018
Accumulated funds		**1,080,905**	1,214,834	1,080,506	**1,091,829**	1,214,834	1,123,879
Total Equity		**1,312,293**	1,334,305	1,225,921	**1,323,379**	1,334,305	1,268,897

The accompanying notes form part of these financial statements

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

Statement of changes in equity for the year ended 30 June 2017

PARENT	Notes	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total $'000
Balance at 1 July 2016		1,080,506	145,415	1,225,921
Net result for the year		(2,513)	-	(2,513)
Other comprehensive income:				
Net increase/(decrease) in property plant and equipment	12	-	85,973	85,973
Actuarial gains/(losses) on superannuation funds	18	2,912	-	2,912
Total other comprehensive income		**2,912**	**85,973**	**88,885**
Total comprehensive income for the year		**399**	**85,973**	**86,372**
Transactions with owners in their capacity as owners				
Balance at 30 June 2017		**1,080,905**	**231,388**	**1,312,293**

PARENT	Notes	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total $'000
Balance at 1 July 2015		1,354,030	53,501	1,407,531
Net result for the year		(274,720)	-	(274,720)
Other comprehensive income:				
Net increase/(decrease) in property plant and equipment	12	-	92,223	92,223
Available for sale financial assets				
Transfers on disposal		309	(309)	-
Actuarial gains/(losses) on superannuation funds	18	(354)	-	(354)
Total other comprehensive income		**(45)**	**91,914**	**91,869**
Total comprehensive income for the year		**(274,765)**	**91,914**	**(182,851)**
Transactions with owners in their capacity as owners				
Increase/(decrease) in net assets from equity transfers	19	1,241	-	1,241
Balance at 30 June 2016		1,080,506	145,415	1,225,921

The accompanying notes form part of these statements

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

Statement of changes in equity for the year ended 30 June 2017

CONSOLIDATED	Notes	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total $'000
Balance at 1 July 2016		1,123,879	145,018	1,268,897
Net result for the year		516	-	516
Other comprehensive income:				
Net increase/(decrease) in property plant equipment	5,12	-	86,135	86,135
Transfers on disposal		(397)	397	-
Actuarial gains/(losses) on superannuation funds	18	2,915	-	2,915
Total other comprehensive income		**2,518**	**86,532**	**89,050**
Total comprehensive income for the year		**3,034**	**86,532**	**89,566**
Transactions with owners in their capacity as owners				
Increase/(decrease) in net assets from equity transfers	19	(35,084)	-	(35,084)
Balance at 30 June 2017		**1,091,829**	**231,550**	**1,323,379**

CONSOLIDATED	Notes	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total $'000
Balance at 1 July 2015		1,409,571	53,476	1,463,047
Net result for the year		(294,541)	-	(294,541)
Other comprehensive income:				
Net increase/(decrease) in property plant and equipment	5,12	-	92,223	92,223
Transfers on disposal		309	(309)	-
Actuarial gains/(losses) on superannuation funds	18	(1,166)	-	(1,166)
Other superannuation fund changes	18	(12,500)	-	(12,500)
Total other comprehensive income		**(13,357)**	**91,914**	**78,557**
Total comprehensive income for the year		**(307,898)**	**91,914**	**(215,984)**
Transactions with owners in their capacity as owners				
Asset revaluation reserve balance transferred to accumulated funds on transfer of assets to AU Home Services Pty Ltd		372	(372)	-
Transfer from the Crown Superannuation Reserve Account	18	13,620	-	13,620
Increase/(decrease) in net assets from equity transfers	19	8,214	-	8,214
Balance at 30 June 2016		1,123,879	145,018	1,268,897

The accompanying notes form part of these financial statements

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

Statement of cash flows for the year ended 30 June 2017

	Notes	PARENT			CONSOLIDATED		
		Actual 2017 $'000	Budget 2017 $'000	Actual 2016 $'000	Actual 2017 $'000	Budget 2017 $'000	Actual 2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Payments							
Employee related		**(1,534,296)**	(1,529,352)	(1,505,254)	**(1,535,025)**	(1,529,352)	(1,640,685)
Suppliers for goods and services		**(405,978)**	(730,441)	(403,159)	**(406,093)**	(730,441)	(403,184)
Grants and subsidies		**(4,332,793)**	(4,140,727)	(4,526,992)	**(4,332,793)**	(4,140,727)	(4,478,504)
Total Payments		**(6,273,067)**	(6,400,520)	(6,435,405)	**(6,273,911)**	(6,400,520)	(6,522,373)
Receipts							
Appropriations (excluding equity appropriations)		**5,717,854**	5,840,321	5,474,023	**5,717,854**	5,840,321	5,474,023
Reimbursements from the Crown Entity		**12,784**	-	17,037	**12,784**	-	17,037
Sale of goods and services		**201,831**	273,685	198,014	**201,831**	273,685	208,137
Interest received		**27**	320	5,376	**2,408**	320	6,291
GST Recoveries		**348,228**	-	365,000	**348,228**	-	365,000
Grants and contributions		**53,645**	48,740	10,961	**53,645**	48,740	80,403
Other		**69,261**	310,425	38,200	**71,365**	310,425	37,131
Total Receipts		**6,403,630**	6,473,491	6,108,611	**6,408,115**	6,473,491	6,188,022
NET CASH FLOWS FROM OPERATING ACTIVITIES	25	**130,563**	72,971	(326,794)	**134,204**	72,971	(334,351)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale of land and buildings and plant and equipment		**23,039**	48,800	59,916	**23,039**	48,800	59,922
Proceeds from disposal of investments		**-**	-	-	**26,481**	-	-
Purchases of land and buildings and plant and equipment		**(71,921)**	(76,203)	(129,375)	**(71,931)**	(76,203)	(129,510)
Other		**(53,346)**	(46,845)	(61,090)	**(53,346)**	(46,845)	(61,090)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(102,228)**	(74,248)	(130,549)	**(75,757)**	(74,248)	(130,678)
NET INCREASE/(DECREASE) IN CASH		**28,335**	(1,277)	(457,343)	**58,447**	(1,277)	(465,029)
Opening cash and cash equivalents		**113,791**	101,643	569,059	**117,363**	101,643	635,524
Cash transferred in / (out) as a result of administrative restructuring	19	**109**	-	2,075	**(31,923)**	-	(53,132)
CLOSING CASH AND CASH EQUIVALENTS	8	**142,235**	100,366	113,791	**143,887**	100,366	117,363

The accompanying notes form part of these financial statements

1. Summary of Significant Accounting Policies

(a) Reporting entity

The Department of Family and Community Services (FACS), as a reporting entity, comprises all entities under its control, namely the Home Care Service of NSW (HCS), which administers and comes under the Home Care Service Act (1988), refer Note 1(b) for administrative changes during 2016/17 to HCS, and the John Williams Memorial Charitable Trust.

In the process of preparing the consolidated financial statements for the economic entity consisting of the controlling and controlled entity, all inter-entity transactions and balances have been eliminated and like transactions and other events are accounted for using uniform accounting policies.

FACS is a NSW government entity. FACS is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

The consolidated financial statements for the year ended 30 June 2017 have been authorised for issue by the Secretary, on 15 September, 2017.

(b) Administrative restructure and other activities

(i) Administrative restructures as a result of Administrative Arrangements Orders and other government orders:

The following administrative restructure changes occurred during 2016/17.

- On 1 April 2017, Women NSW was transferred to FACS from the Ministry of Health
- The Statute Law (Miscellaneous) Bill 2016 effective 8 July 2016 that proposed the repeal the Home Care Service Act 1988 was proclaimed on 28/06/2017. Repeal of the Act resulted in the dissolution of Home Care Service of New South Wales and the transfer of net assets to the Crown on 28/06/2017.

For comparative purposes, the following administrative restructure changes occurred as a result of Administrative Arrangements Orders and other government orders in 2015/16.

- On 1 July 2015, the Office of Communities (except the Office of Aboriginal Affairs) transferred from the Department of Education to FACS
- On 1 July 2015, Women NSW was transferred from FACS to the Ministry of Health
- On 19 February 2016, assets and liabilities of Home Care Services of NSW (HCS) were transferred via a vesting order to an Implementation Company, established by the State Government to facilitate the sale of HCS to Australian Unity.

1. Summary of Significant Accounting Policies (continued)

(b) Administrative restructure and other activities (continued)

(ii) Other activities

A dedicated fund has been established by the NSW Government to help address the shortage of social and affordable housing in NSW. The fund is the Social and Affordable Housing Fund 'SAHF'.

FACS is responsible for the procurement and commissioning functions associated with SAHF. In fulfilling it's obligations under the SAHF, FACS will not be required to recognise any assets or liabilities on its balance sheet and there will be no net impact to FACS' operating result.

(c) Basis of preparation

FACS' financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2015; and
- Financial Reporting Directions mandated by the Treasurer.

Property, plant and equipment, assets held for sale and financial assets at "fair value through profit and loss" are measured at fair value. Other financial statement items are prepared under the historical cost convention except where specified otherwise.

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

Full implementation of the National Disability Insurance Scheme (NDIS) is forecast to occur by 2017-18 and will have a material impact on the operations and organisational structure of FACS in future reporting periods.

As part of the implementation of the NDIS, FACS provides disability services that are being transitioned to the Non Government (NGO) sector.(refer Note 23 for details of the transition of disability services to the NGO sector)

As part of the reforms in the disability services area, employees of FACS will be impacted, including some who will transfer to the NGO sector and others who will be made redundant. Transferring employees will be entitled to a transfer payment and redundant employees will be entitled to redundancy payments.

1. Summary of Significant Accounting Policies (continued)

(c) Basis of preparation (continued)

The transition to the NDIS constitutes a restructure for which FACS has a present constructive obligation to make transfer and redundancy payments. It is probable that an outflow of resources embodying economic benefits will be required to settle this obligation. The amount has been reliably estimated. On this basis, a provision for transfer payments and redundancy costs was recognised in the financial statements as at 30 June 2016. Refer to Note 1(i) (iii) (d) and Note 16 for additional details regarding recognition of provisions.

FACS' business during 2017-18 will most likely be as in the past except for the impacts of the staged implementation of NDIS and management has prepared the financial statements based on this assumption.

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

(d) Statement of Compliance

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

(e) Insurance

FACS' insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The premium, which is expensed, is determined by the Fund Manager based on past claim experience.

(f) Accounting for the Goods and Services Tax (GST)

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

i) the GST incurred by FACS as a purchaser, which is not recoverable from the Australian Taxation Office (ATO), is recognised as part of the asset acquisition cost or as additional cost of an expense item;

ii) receivables and payables are reported at the GST inclusive amounts.

iii) Cash flows are reported in the Statement of Cash Flows on a GST inclusive basis under the appropriate cash flow category. However, GST receivable from or payable to the ATO relating to cash flows arising from investing and financing activities is classified as operating cash flows.

1. Summary of Significant Accounting Policies (continued)

(g) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Accounting policies on recognition of specific types of income are discussed below:

i) Parliamentary appropriations and contributions

Except as specified below, parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as income when FACS obtains control over the assets comprising the appropriations or contributions. Control is normally obtained when cash is received.

Unspent appropriations are recognised as liabilities rather than income. The authority to spend the appropriation received lapses and any unspent amount must be repaid to Consolidated Fund.

This liability to Consolidated Fund is disclosed in Note 17 “Current liabilities – other” and will be extinguished during the next financial year by repaying the amount to Consolidated Fund.

ii) Sale of goods

Revenue from the sale of goods is recognised as revenue when FACS transfers significant risks and rewards of ownership of the goods sold to the purchaser.

iii) Rendering of services

Revenue is recognised when FACS completes the rendering of services. When services are rendered in stages, revenue equivalent to the value of the services rendered based on labour hours spent, is recognised progressively as each stage is completed.

Income arising from the provision of personnel services is recognised when the services are provided and only to the extent that the associated recoverable expense is recognised.

iv) Investment revenue

- Interest

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

- Rent

Rent is recognised as revenue on a straight line basis over the term of the lease and in accordance with AASB 117 Leases.

1. Summary of Significant Accounting Policies (continued)

(h) Assets

i) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by FACS. Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire the assets at the time they are acquired or constructed, or where applicable, the amount attributed to the assets when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

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

ii) Capitalisation thresholds

Property, plant and equipment and intangible assets costing $5,000 or more individually are capitalised.

When property, plant and equipment and intangible assets form part of a network, the cost of individual assets comprising the network are aggregated when applying the capitalisation threshold of $5,000 or more. Once the $5,000 capitalisation threshold is reached, further asset acquisitions that form part of the network are capitalised regardless of the amount.

iii) Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with NSW Treasury's Policy Paper TPP 14–01 Valuation of Physical Non-Current Assets at Fair Value. This policy adopts fair value in accordance with AASB 13 "Fair Value Measurement" and AASB 116.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 14 for further information regarding fair value.

FACS conducts a comprehensive revaluation of each class of property, plant and equipment at least every three years or with sufficient regularity to ensure that the carrying amount of every asset in each asset class does not materially differ from its fair value at reporting date.

1. Summary of Significant Accounting Policies (continued)

(h) Assets (continued)

iii) Revaluation of property, plant and equipment (continued)

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

When revaluing property, plant and equipment using the cost approach, the gross amount and the related accumulated depreciation of the asset are separately restated. Otherwise, the accumulated depreciation balance at the date of revaluation is credited to the related asset account. The resulting net balance in the asset account is increased or decreased by recognising a revaluation increment or decrement.

The revaluation increment relating to an asset class where a revaluation decrement has been recognised as an expense in prior years, is first used to reverse the previously recognised expense by recognising revenue in the net result reported in the Statement of Comprehensive Income. The remaining balance is directly credited to the Revaluation Surplus account.

The revaluation decrement relating to an asset class is first offset against the existing credit balance in the Revaluation Surplus account for that asset class. The remaining balance is recognised as an expense in the net result reported in the Statement of Comprehensive Income.

As FACS is a not-for-profit entity, the revaluation increment or decrement relating to individual assets within an asset class are offset against one another within that asset class, but not against assets in a different asset class.

When a previously revalued asset is disposed of, any remaining balance in the revaluation surplus pertaining to that asset is transferred to Accumulated Funds.

iv) 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. This is because AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less cost 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 material. Selling costs are regarded as immaterial.

v) Depreciation

Property, plant and equipment, other than land and certain heritage assets are depreciated on a straight line basis, so as to write off the depreciable amount of each asset over its useful life.

Land is not a depreciable asset. The policy not to depreciate heritage assets is reviewed annually on the basis that heritage assets may not have limited useful lives because appropriate curatorial and preservation policies are adopted by FACS.

All material separately identifiable components of assets are depreciated over their shorter useful lives.

1. Summary of Significant Accounting Policies (continued)

(h) Assets (continued)

v) Depreciation (continued)

The estimated useful lives of FACS' depreciable assets are:

Asset Class	*Estimated Useful Life*
Buildings and Infrastructure	40 years
Motor Vehicles	4-7 years
Plant, furniture and equipment – general and commercial	4-7 years
Plant, furniture and equipment – industrial	20 years

Leasehold improvements - shorter of estimated useful life of improvements & term of lease

vi) Major inspection costs

The labour cost of performing major inspection for faults is recognised in the carrying amount of an asset as a replacement of a part, when the recognition criteria are satisfied.

vii) Restoration costs

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of the asset, to the extent that it is recognised as a liability by FACS. A liability is recognised when FACS has a legal or constructive obligation to restore the asset.

viii) Maintenance

Day-to-day servicing and maintenance costs 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.

ix) 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.

FACS has not entered into any finance lease arrangements.

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

x) Intangible assets

FACS recognises intangible assets only if it is probable that future economic benefits will flow to FACS and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at nil or nominal cost, the cost is its fair value as at acquisition date.

1. Summary of Significant Accounting Policies (continued)

(h) Assets (continued)

x) Intangible assets (continued)

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for FACS' intangible assets, they are carried at cost less accumulated amortisation and impairment losses.

The useful lives of intangible assets are assessed to be finite. FACS' intangible assets are amortised using the straight line method over a period of four to eight years.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than the intangible asset's carrying amount, the carrying amount is reduced to the recoverable amount. The reduction in value is recognised as an impairment loss.

xi) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. These financial assets are recognised initially at fair value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of the receivables.

Short term receivables with no stated interest rate are measured at the original amount charged as the effect of discounting is considered to be immaterial.

An allowance for impairment of receivables is established when there is objective evidence that FACS will not be able to collect all amounts due. Changes in the value of receivables are recognised in the net result reported in the Statement of Comprehensive Income, during the period in which the impairment is recognised or derecognised.

1. Summary of Significant Accounting Policies (continued)

(h) Assets (continued)

xii) Investments

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

The Hour-Glass Investment Facilities are designated at fair value through profit or loss. These financial assets are managed and their performance is evaluated on a fair value basis by FACS on a continual basis. Information about the performance of these assets, including performance against industry benchmarks for each class of investment is provided internally on a monthly basis to the FACS key management personnel for their endorsement of the investment strategy.

The movement in the fair value of the Hour-Glass Investment Facilities incorporates distributions received as well as unrealised movements in fair value and is recognised in the net result reported in the Statement of Comprehensive Income as “Investment Revenue”.

xiii) 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 FACS 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 the estimated future cash flows, discounted at the effective interest rate. The amount of impairment loss is recognised in the net result reported in the Statement of Comprehensive Income. Where there is objective evidence, reversals of previously recognised impairment losses are reversed in the net result for the year.

xiv) De-recognition of financial assets and financial liabilities

Financial assets are de-recognised when the contractual rights to the cash flows from the financial assets expire; or if FACS transfers the financial assets:

- where substantially all the risks and rewards have been transferred or

- where FACS has not transferred substantially all the risks and rewards, but control has not been retained

Where FACS has neither transferred or retained substantially all the risks and rewards or transferred control, financial assets are recognised only to the extent of FACS’ involvement in the financial assets.

Financial liabilities are de-recognised when the obligations specified in the contract are discharged, cancelled or expire.

1. Summary of Significant Accounting Policies (continued)

(h) Assets (continued)

xv) Non-current assets held for sale

FACS has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs to sell.

These assets are not depreciated while they are classified as held for sale.

xvi) Trust funds

FACS receives monies in a trustee capacity for various Trusts as set out in Note 26. As FACS performs only a custodial role in respect of these monies and because the monies cannot be used for the achievement of FACS' own objectives, these funds are not recognised in the financial statements.

xvii) Other Assets

Other assets are recognised on a cost basis.

(i) Liabilities

i) Payables

Payables represent liabilities for goods and services provided to FACS and are recognised initially at fair 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.

ii) Financial Guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts are recognised as a liability at the time the guarantee is issued and initially measured at fair value, plus in the case of financial guarantees not at fair value through profit or loss, directly attributable transactions costs where material. After initial recognition, the liability is measured at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised, less accumulated amortisation, where appropriate.

FACS has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2017 and as at 30 June 2016. Refer Note 21 regarding disclosures on contingent liabilities.

1. Summary of Significant Accounting Policies (continued)

(i) Liabilities (continued)

iii) Employee benefits and other provisions

a) Salaries and wages, annual leave, sick leave and on-costs

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

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted). Actuarial advice obtained by Treasury has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave (using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The entity has assessed the actuarial advice based on the entity's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

b) Long service leave and superannuation

Except for Home Care Service Staff Agency and Aboriginal Housing Office staff, FACS' liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. FACS accounts for the liability as having been extinguished, resulting in the amount assumed being accounted for as a non-monetary revenue line item described as "Acceptance by the Crown Entity of employee benefits and other liabilities".

Long service leave is measured at present value in accordance with AASB 119. This is based on the application of certain factors specified in NSW TC 15/09 to employees with five or more years of service, using current rates of pay. These factors are determined based on an actuarial review to approximate present value.

The superannuation expense for the financial year is determined by applying 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 employees' salaries. 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.

1. Summary of Significant Accounting Policies (continued)

(i) Liabilities (continued)

iii) Employee benefits and other provisions (continued)

b) Long service leave and superannuation (continued)

- Superannuation

i) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as expense when they are due. Prepaid contributions are recognised as an asset, to the extent that a cash refund or reduction in future payments is available.

ii) Defined benefit plan

A defined plan is a post-employment benefit plan other than a defined contribution plan. An actuarial assessment of the defined benefit is undertaken before each reporting date. The assessment uses the Projected Unit Credit Method and reflects estimated future salary increases and the benefits set out in the terms of the plan.

A liability or an asset in respect of the defined benefit superannuation plan is recognised in the Statement of Financial Position and is measured as the present value of the defined benefit obligation as at reporting date. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the market yield rate on government bonds of similar maturity to those obligations.

The amount recognised in the net result for superannuation is the net total of current service cost, interest cost and the expected return on plan assets. Actuarial gains and losses are charged directly to Equity in the year they occur.

c) 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 payroll tax, workers' compensation insurance premiums and fringe benefits tax.

d) Other provisions

Other provisions exist when:

(i) FACS has a present legal or constructive obligation as a result of a past event;
(ii) it is probable that an outflow of resources will be required to settle the obligation; and
(iii) the amount of the obligation can be reliably estimated.

1. Summary of Significant Accounting Policies (continued)

(i) Liabilities (continued)

d) Other provisions (continued)

Any provision for restructuring is recognised only when FACS has a detailed formal plan and has raised a valid expectation in those affected by the restructuring that a restructure will be carried out because FACS is starting to implement the plan or has announced the main features to those affected.

Provisions include restoration costs on leased office premises. In the majority of cases the provision is calculated by using the make good rate per square metre implicit in each lease agreement, which is then discounted to present value using the government bond rate (2.595% as at 30 June 2017). The provisions are established by individual lease and amortised over the term of the lease. The unamortised value of the obligation is recorded as an asset.

If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

(j) Fair value hierarchy

A number of FACS accounting policies and disclosures require the measurement of fair value, 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, the entity categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted 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).

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

Refer Note 14 and Note 27 for further disclosures regarding fair value measurements of financial and non-financial assets.

(k) 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 FACS' revaluation of property, plant and equipment policy as discussed in note 1(h)(iii).

1. Summary of Significant Accounting Policies (continued)

(k) Equity and reserves (continued)

ii) Accumulated funds

Accumulated funds include all current and prior period retained funds.

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

(l) Equity transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs, functions or parts thereof between NSW public sector agencies and equity appropriations are designated as contributions by owners and recognised as adjustments to Accumulated Funds. This treatment is consistent with AASB1004 and Australian Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

Transfers involving not-for-profit and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. 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, FACS recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, FACS does not recognise that asset.

(m) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 24.

(n) Comparative information

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

1. Summary of Significant Accounting Policies (continued)

(o) Changes in accounting policy, including new or revised Australian Accounting Standards

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

The accounting policies applied in 2016-17 are consistent with those of previous years except as a result of the following new or revised standards and amendments adopted for the first time in the financial year ended 30 June 2017:

- AASB 124 *Related Party Disclosures*
- AASB 1057 and AASB 2015-9 *Application of Australian Accounting Standards*
- AASB 2014-4 regarding acceptable methods of depreciation and amortisation
- AASB 2015-1 regarding annual improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 regarding amendments to AASB 101 (disclosure initiative)
- AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities*
- AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*

Adoption of these amendments has not had a material effect on the financial position or performance of FACS or presentation and disclosures in the Financial Statements except for AASB 124 Related Party Disclosures, refer to Note 28 for disclosures regarding Related Party Transactions.

(ii) 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 and interpretations have not been applied and are not yet effective (refer Treasury Circular NSWTC 17/04 Mandates of Options and Major Policy Decisions under Australian Accounting Standards).

	Operative Date
AASB 9 regarding financial instruments	1 January 2018
AASB 15, AASB 2014-5, AASB 2015-8 and AASB 2016-3 regarding Revenue From Contracts with Customers	1 January 2018
AASB 16 *Leases*	1 January 2019

1. Summary of Significant Accounting Policies (continued)

(o) Changes in accounting policy, including new or revised Australian Accounting Standards (continued)

	Operative Date
AASB 1058 regarding *Income of Not-for-profit Entities*	1 January 2019
AASB 2016-1 regarding amendments to Australian Accounting Standards - *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
AASB 2016-2 regarding amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107	1 January 2017
AASB 2016-4 regarding amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	1 January 2017
AASB 2016-5 regarding amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transaction	1 January 2018
AASB 2016-6 regarding amendments to Australian Accounting Standards - Applying AASB 9 with AASB 4 Insurance Contracts	1 January 2018
AASB 2016-7 regarding amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities	1 January 2017
AASB 2016-8 regarding amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities	1 January 2019
AASB 2017-1 regarding amendments to Australian Accounting Standards - Transfer of investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments	1 January 2019
AASB 2017-2 regarding amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle	1 January 2017
Interpretation 22 regarding Foreign Currency Transactions and Advance Consideration	1 January 2018

(ii) Issued but not effective (continued)

FACS' assessment of the impact of these new standards and interpretations is that they will not materially affect any of the amounts recognised in the financial statements or significantly impact the disclosures in relation to the entity other than as set out below;

- AASB 16 *Leases* operative from 1 January 2019 will require entities to recognise an additional asset on the Statement of Financial Position representing the economic benefit of having the 'right of use' of a leased asset in return for making regular lease payments. A lease liability will also be required to be recognised representing the obligation to make lease payments over the term of the lease.
  Lease contracts of 12 months or less and low value lease contracts are excluded from the requirements of AASB 16.

Management is assessing the potential effect of this standard.

(p) Change in accounting policies

There has been no change in the FACS' accounting policies.

	PARENT 2017 $'000	PARENT 2016 $'000	CONSOLIDATED 2017 $'000	CONSOLIDATED 2016 $'000
2. Expenses Excluding Losses				
(a) Employee related expenses				
Salaries and wages (including annual leave) (i)	**1,302,964**	1,274,638	**1,303,123**	1,383,140
Superannuation - defined contribution plans	**102,350**	107,751	**102,424**	116,812
Superannuation - defined benefit plans	**12,156**	11,709	**12,165**	12,695
Long service leave	**19,915**	68,417	**19,872**	69,120
Workers' compensation insurance	**34,390**	37,598	**34,390**	46,433
Payroll tax and fringe benefit tax (ii)	**74,276**	89,205	**74,276**	89,245
Redundancy expense (ii)	**4,054**	205,063	**4,054**	205,063
Other	**404**	289	**404**	289
	1,550,509	1,794,670	**1,550,708**	1,922,797

(i) Employee related costs capitalised in fixed asset accounts are excluded from the above and totalled $14.131 million (2016: $11.645 million).
(ii) Redundancy expense includes transfer, redundancy and payroll tax oncosts of $Nil (2016: $181.012 million) relating to the transition of Direct Disability Services to the Non-Government sector as part of the Government's implementation of the National Disability Insurance Scheme (NDIS) in NSW.

	PARENT 2017 $'000	PARENT 2016 $'000	CONSOLIDATED 2017 $'000	CONSOLIDATED 2016 $'000
(b) Other operating expenses				
Auditor's remuneration - audit of the financial statements	**563**	565	**587**	746
Internal Auditor's remuneration - other services	**1,879**	1,023	**1,879**	1,119
Advertising	**1,666**	1,077	**1,666**	1,159
Bad and doubtful debts	**255**	120	**289**	120
Cleaning	**7,782**	8,521	**7,782**	8,645
Computer maintenance, software licences and other related expenditure	**43,460**	45,474	**43,460**	45,482
Consultants	**2,239**	3,503	**2,239**	3,503
Other contract services	**50,448**	55,319	**49,416**	55,319
Contractors and short term staff	**2,600**	934	**2,600**	934
Equipment	**2,285**	2,259	**2,285**	2,332
Fee for services rendered	**12,843**	16,845	**12,843**	16,845
Groceries - Group Homes	**13,868**	13,258	**13,868**	13,258
Insurance	**3,843**	2,778	**3,843**	3,070
Legal costs	**22,349**	17,388	**22,349**	17,528
Maintenance (i)	**19,317**	16,581	**19,447**	16,762
Management and other fees	**25,485**	13,285	**25,485**	22,891
Medical support services	**3,059**	2,124	**3,059**	2,124
Motor vehicle running costs	**25,916**	27,412	**25,916**	28,612
Operating lease rental expense-minimum lease payments	**77,539**	75,688	**77,539**	78,253
Telecommunications	**15,941**	12,132	**16,974**	12,363
Printing, postage and stationery	**5,581**	8,700	**5,581**	9,500
Property and residential expenses	**4,399**	3,912	**4,399**	3,912
Staff development	**20,038**	21,145	**20,038**	23,462
Travelling, removal and subsistence	**12,072**	9,702	**12,072**	16,127
Utilities	**9,805**	10,672	**9,805**	10,840
Other	**22,624**	26,647	**22,624**	28,526
	407,856	397,064	**408,045**	423,432
(i) Reconciliation - Total Maintenance				
Maintenance expense - contractor labour and other (non employee related) as above	**19,317**	16,581	**19,447**	16,762
Employee related maintenance expense included in Note 2 (a)	**1,875**	3,011	**1,875**	3,011
Total maintenance expenses included in Note 2 (a) and 2 (b)	**21,192**	19,592	**21,322**	19,773
(c) Depreciation and amortisation expense				
Depreciation				
Buildings	**26,693**	22,706	**26,829**	22,840
Computer equipment	**6,412**	6,357	**6,412**	6,357
Motor vehicles	**10**	180	**10**	250
Furniture and equipment	**1,144**	1,086	**1,144**	1,099
Plant and equipment	**1,668**	2,818	**1,668**	2,820
Leasehold improvements	**21,208**	24,838	**21,208**	25,058
	57,135	57,985	**57,271**	58,424
Amortisation				
Intangibles	**9,106**	6,513	**9,106**	6,513
Internally developed assets	**12,359**	17,564	**12,359**	17,564
	21,465	24,077	**21,465**	24,077
	78,600	82,062	**78,736**	82,501

	PARENT		CONSOLIDATED	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
(d) Grants and subsidies				
Ageing program	**3,531**	3,391	**3,531**	3,391
Community services program	**-**	318	**-**	318
Disability services program	**1,243,597**	1,583,810	**1,243,597**	1,578,229
National Disability Insurance Scheme - payments to National Disability Insurance Agency	**757,089**	91,450	**757,089**	91,450
Community care supports program	**149,771**	186,054	**149,771**	143,147
Out of home care	**930,145**	839,162	**930,145**	839,162
Prevention and early Intervention	**232,503**	242,031	**232,503**	242,031
Statutory child protection service	**54,770**	29,462	**54,770**	29,462
Rental assistance	**30,888**	25,908	**30,888**	25,908
Rental subsidies to disadvantaged groups	**29,692**	22,421	**29,692**	22,421
Grants to other government departments	**4,343**	5,372	**4,343**	5,372
Housing community assistance program	**877**	568	**877**	568
Housing initiatives leasing	**80,449**	75,761	**80,449**	75,761
Housing grants to community groups	**19,310**	27,965	**19,310**	27,965
Grants to Land and Housing Corporation	**96,934**	156,186	**96,934**	156,186
Other grants to individuals and other organisations (i)	**439,539**	607,588	**439,539**	607,588
	4,073,438	3,897,447	**4,073,438**	3,848,959

(i) Grants to Individuals and Other Organisations included a once off payment of $206.6 million in 2015/16 to the Commonwealth Government in relation to Aged Care Support Packages

FACS directly funded $260.2 million (2015/16 $129.8 million) to service providers through grant payments for the delivery of specialist disability services for the National Disability Insurance Scheme (NDIS). This is otherwise known as the “in-kind” contribution to NDIS.

FACS received $1.10 million from service providers in 2016-17 (2015-16 $5.65 million) representing a return of unspent grants under the following programs: $1.10 million (2015-16 $3.45 million) for the Disability Services program, $Nil (2015-16 $2.20 million) for the Community Care Supports Program (formerly Home and Community Care program) and $Nil (2015-16: $0.01 million) for Ageing program.

	PARENT		CONSOLIDATED	
(e) Finance costs				
Unwinding of discount rate	**425**	634	**425**	637
	425	634	**425**	637

3. Revenue

a) Appropriations and Transfers to the Crown Entity

	PARENT/CONSOLIDATED 2017 $'000		PARENT/CONSOLIDATED 2016 $'000	
Summary of Compliance	Appropriation	Expenditure	Appropriation	Expenditure
Original Budget per Appropriation Act	5,840,321	5,764,265	5,461,603	5,316,474
Other Appropriations/Expenditure				
- Treasurer's Advance	-	-	13,784	-
- Section 26 PFAA - Commonwealth specific purpose payments	-	-	224,346	224,346
- Section 24 PFAA - transfers of functions between entities	19,320	19,320	-	-
- Other adjustments	(76,056)	-	(132,755)	-
Total Appropriations	5,783,585	5,783,585	5,566,978	5,540,820
Expenditure/Net Claim on Consolidated Fund (includes transfer payments)		5,783,585		5,540,820
Appropriation drawn down *		5,783,585		5,540,820
Liability to Consolidated Fund		-		-
* Comprising:				
Transfer payments (Aboriginal Housing Office)		46,747		57,479
Transfer payments (Multicultural NSW)		18,984		9,318
Appropriations (per Statement of Comprehensive Income) **		5,717,854		5,474,023
		5,783,585		5,540,820
** Appropriations:				
Recurrent		5,677,295		5,392,637
Capital		40,559		81,386
		5,717,854		5,474,023

	PARENT 2017 $'000	PARENT 2016 $'000	CONSOLIDATED 2017 $'000	CONSOLIDATED 2016 $'000
b) Sale of goods and services				
Community Options program fees	**-**	-	**-**	8
Corporate client fees	**-**	-	**-**	2,676
Fee for Service Home Care Services	**-**	5,300	**-**	-
Home and Community Care	**-**	4,536	**-**	10,593
Residential Client Fees	**42,098**	42,708	**42,098**	42,708
Management Fees - Land and Housing Corporation	**125,701**	128,308	**125,701**	128,308
Rendering of services - Disaster Welfare	**243**	111	**243**	111
Veterans' Home Care fees	**-**	-	**-**	4,004
NDIS Services revenue	**18,336**	-	**18,336**	-
Other fees	**22,997**	20,715	**22,997**	22,585
	209,375	201,678	**209,375**	210,993
c) Investment revenue				
Interest	**7**	462	**2,382**	1,670
Rents	**3,128**	1,826	**3,128**	1,826
	3,135	2,288	**5,510**	3,496
d) Grants and contributions				
Commonwealth				
Home and Community Care program	**-**	-	**-**	22,381
Other Commonwealth Government grants	**-**	14	**-**	2,128
	-	14	**-**	24,509
State				
Community Care Supports Program	**-**	-	**-**	41,837
Other State Government grants *	**49,808**	35,352	**49,808**	38,462
	49,808	35,352	**49,808**	80,299
Total Grants and Contributions	**49,808**	35,366	**49,808**	104,808

* Including reimbursement for redundancy funding of $12.784 million (2016: $15.145 million)

	PARENT		CONSOLIDATED	
	2017	2016	**2017**	2016
e) Acceptance by the Crown Entity of Employee Benefits and Other Liabilities	**$'000**	$'000	$'000	$'000
The following liabilities and / or expenses have been assumed by the Crown Entity:				
Superannuation - defined benefit	**11,881**	12,592	**11,881**	12,592
Long service leave	**19,896**	68,147	**19,896**	68,147
Payroll tax	**651**	588	**651**	588
	32,428	81,327	**32,428**	81,327
f) Other revenue				
Assets recognised for the first time	**45**	353	**45**	353
TMF Hindsight adjustment	**8,948**	23,198	**9,566**	28,916
Overseas adoptions	**289**	184	**289**	184
Rental Assistance Subsidies	**506**	1,328	**506**	1,328
Other	**10,894**	18,195	**10,973**	18,698
	20,682	43,258	**21,379**	49,479

4. Gain/(loss) on disposal

	PARENT 2017	PARENT 2016	CONSOLIDATED 2017	CONSOLIDATED 2016
(i) Gain/(loss) on disposal of assets:				
Gain/(loss) on disposal of non-current assets held for sale:				
Proceeds from disposal (net of selling expenses)	**22,912**	57,169	**22,912**	57,169
Written down value of assets disposed	**(17,333)**	(54,558)	**(17,333)**	(54,558)
Net gain/(loss) on disposal of non-current assets held for sale	**5,579**	2,611	**5,579**	2,611
Gain/(loss) on disposal of land and buildings:				
Proceeds from disposal (net of selling expenses)	**-**	1,634	**-**	1,634
Written down value of assets disposed	**(1,148)**	(14,943)	**(1,148)**	(14,943)
Net gain/(loss) on disposal of land and buildings	**(1,148)**	(13,309)	**(1,148)**	(13,309)
Gain/(loss) on disposal of plant and equipment:				
Proceeds from disposal (net of selling expenses)	**127**	1,113	**127**	1,119
Written down value of assets disposed	**(257)**	(1,296)	**(257)**	(1,326)
Net gain/(loss) on disposal of plant and equipment	**(130)**	(183)	**(130)**	(207)
(ii) Assets written off				
Property, plant and equipment	**(39)**	(47)	**(39)**	(47)
Intangibles	**-**	(1)	**-**	(1)
	(39)	(48)	**(39)**	(48)
Total net gain/(loss) on disposal	**4,262**	(10,929)	**4,262**	(10,953)

5. Other Gains/(Losses)

	PARENT 2017	PARENT 2016	CONSOLIDATED 2017	CONSOLIDATED 2016
Impairment loss of non-current assets held for sale	**-**	(848)	**-**	(848)
Revaluation gain/(loss) on carrying value of land and buildings *	**-**	-	**481**	1,031
Impairment loss on carrying value of land and buildings	**(1,107)**	(1,128)	**(1,107)**	(1,128)
Gain/(loss) on impairment of receivables	**(3,213)**	(1,839)	**(3,213)**	(2,404)
	(4,320)	(3,815)	**(3,839)**	(3,349)

* Increase relates to reversal of previous decrements as welll as current year revaluation.

6. Conditions on contributions

As at 30 June 2017 the entity held $0.130 million (2016: $0.130 million) in cash at bank representing unspent contributions with conditions from Commonwealth and State agencies. The unspent contributions with conditions were: from Office of Protective Commissioner's Resident Amenities Fund (2017: $0.130 million 2016: $0.130 million), a contribution from Northern Sydney Medical Local for collective projects in Northern Sydney district and funding from NSW Education and Learning provided under Elsa Dixon Program for an aboriginal staff member in Hunter New England district

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

Note 7: Consolidated Service Group Statements for the Year Ended 30 June 2017

ENTITY'S EXPENSES & INCOME	Community Support for People with Disability, their Family and Carers		Short Term Interventions for People with Disability, their Family and Carers		Supported Accommodation for People with Disability		Earlier Intervention for Vulnerable People and Support for Communities		Statutory Child Protection		Out-of-Home Care for Vulnerable Children and Young People	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Expenses excluding losses												
Operating expenses												
Employee-related expenses	67,546	87,218	107,543	144,025	530,282	726,966	26,229	23,524	374,505	366,472	142,707	145,874
Operating expenses	20,033	15,314	31,924	31,556	106,953	128,126	30,162	13,112	73,963	81,463	68,875	53,370
Depreciation and amortisation	3,855	1,406	5,673	7,357	34,189	35,686	2,687	1,320	14,519	15,041	6,579	6,782
Grants and subsidies	912,151	787,782	275,265	240,601	1,075,823	1,130,730	267,741	280,693	31,927	29,308	947,918	839,239
Finance Costs	280	1	-	1	140	131	5	-	-	405	-	2
TOTAL EXPENSES EXCLUDING LOSSES	1,003,865	891,721	420,405	423,540	1,747,387	2,021,639	326,824	318,649	494,914	492,689	1,166,079	1,045,267
Revenue												
Appropriation (net of transfer payments)	-	-	-	-	-	-	-	-	-	-	-	-
Sales of goods and services	706	1,111	391	2,394	62,063	54,009	298	100	517	1,827	399	876
Personnel services revenue	-	-	-	-	-	-	-	-	-	-	-	-
Investment revenue	438	73	242	142	994	646	163	19	321	348	247	167
Grants and contributions	2,110	9	1,050	20	5,617	3,186	14,762	14,402	4,641	2,436	4,101	4,309
Acceptance by the Crown Entity of employee benefits												
Other revenue	3,869	1,620	3,478	4,156	6,903	7,890	3,362	1,163	465	3,252	1,943	14,685
Total revenue	7,123	2,813	5,161	6,712	75,577	65,731	18,585	15,684	5,944	7,863	6,690	20,037
Operating result	(996,742)	(888,908)	(415,244)	(416,828)	(1,671,810)	(1,955,908)	(308,239)	(302,965)	(488,970)	(484,826)	(1,159,389)	(1,025,230)
Gain / (loss) on disposal	166	(441)	-	-	4,180	(10,624)	-	(2)	71	(78)	-	(34)
Other gains / (losses)	(117)	(81)	(32)	(43)	(3,178)	(2,384)	(11)	(14)	(442)	(506)	(167)	(222)
Net result from operating activities	(996,693)	(889,430)	(415,276)	(416,871)	(1,670,808)	(1,968,916)	(308,250)	(302,981)	(489,341)	(485,410)	(1,159,556)	(1,025,486)
Other Comprehensive Income												
Increase/(decrease) in asset revaluation surplus	2,520	3,311	-	-	81,479	86,182	-	(972)	1,632	3,060	342	642
Other net increases/(decreases) in equity	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Comprehensive Income	2,520	3,311	-	-	81,479	86,182	-	(972)	1,632	3,060	342	642
TOTAL COMPREHENSIVE INCOME	(994,173)	(886,119)	(415,276)	(416,871)	(1,589,329)	(1,882,734)	(308,250)	(303,953)	(487,709)	(482,350)	(1,159,214)	(1,024,844)

Eliminations between service groups have been adjusted in the service group statements

ENTITY'S EXPENSES & INCOME	Social Housing Assistance and Tenancy Support		Homelessness Services		Home Care Service of NSW		John Williams Memorial Charitable Trust		Not Attributed		**Consolidated Entity Total**	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Expenses excluding losses												
Operating expenses												
Employee-related expenses	271,241	274,380	30,459	26,208	196	128,130	-	-	-	-	**1,550,708**	1,922,797
Operating expenses	64,985	64,300	10,996	9,808	17	26,292	137	91	-	-	**408,045**	423,432
Depreciation and amortisation	10,032	13,310	1,066	1,160	-	318	136	121	-	-	**78,736**	82,501
Grants and subsidies	316,912	313,552	245,701	227,054	-	-	-	-	-	-	**4,073,438**	3,848,959
Finance Costs	-	93	-	1	-	3	-	-	-	-	**425**	637
TOTAL EXPENSES EXCLUDING LOSSES	663,170	665,635	288,222	264,231	213	154,743	273	212	-	-	**6,111,352**	6,278,326
Revenue												
Appropriation (net of transfer payments)	-	-	-	-	-	-	-	-	5,717,854	5,474,023	**5,717,854**	5,474,023
(Asset sale proceeds transferred to the Crown Entity)	-	-	-	-	-	-	-	-	-	-	**-**	-
Sales of goods and services	144,997	135,644	4	401	-	14,631	-	-	-	-	**209,375**	210,993
Personnel services revenue	75,091	73,961	-	-			-	-	-	-	**75,091**	73,961
Investment revenue	728	816	2	77	2,350	1,169	25	39	-	-	**5,510**	3,496
Grants and contributions	17,501	16,304	26	-	-	64,142	-	-	-	-	**49,808**	104,808
Acceptance by the Crown Entity of employee benefits					-	-	-	-	32,428	81,327	**32,428**	81,327
Other revenue	186	10,017	514	476	618	6,189	41	31	-	-	**21,379**	49,479
Total revenue	238,503	236,742	546	954	2,968	86,131	66	70	5,750,282	5,555,350	**6,111,445**	5,998,087
Operating result	(424,667)	(428,893)	(287,676)	(263,277)	2,755	(68,612)	(207)	(142)	5,750,282	5,555,350	**93**	(280,239)
Gain / (loss) on disposal	(155)	250	-	-	-	(24)	-	-	-	-	**4,262**	(10,953)
Other gains / (losses)	(355)	(541)	(18)	(24)	-	(565)	481	1,031	-	-	**(3,839)**	(3,349)
Net result from continuing operations	(425,177)	(429,184)	(287,694)	(263,301)	2,755	(69,201)	274	889	5,750,282	5,555,350	**516**	(294,541)
Other Comprehensive Income												
Increase/(decrease) in asset revaluation surplus	-	-	-	-	-	-	162	-	-	-	**86,135**	92,223
Other net increases/(decreases) in equity	-	-	-	-	-	-	-	-		-	**-**	-
Other superannuation fund changes	-	-	-	-	-	(12,500)	-	-	-	-	**-**	(12,500)
Actuarial gains/(losses) on superannuation funds	2,912	(354)	-		3	(812)	-	-	-	-	**2,915**	(1,166)
Total Other Comprehensive Income	2,912	(354)	-	-	3	(13,312)	162	-	-	-	**89,050**	78,557
TOTAL COMPREHENSIVE INCOME	(422,265)	(429,538)	(287,694)	(263,301)	2,758	(82,513)	436	889	5,750,282	5,555,350	**89,566**	(215,984)

Eliminations between service groups have been adjusted in the service group statements

The names and purposes of each service group are summarised below

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

Note 7: Consolidated Service Group Statements for the Year Ended 30 June 2017

ENTITY'S ASSETS & LIABILITIES	Community Support for People with Disability, their Family and Carers		Short Term Interventions for People with Disability, their Family and Carers		Supported Accommodation for People with Disability		Earlier Intervention for Vulnerable People and Support for Communities		Statutory Child Protection		Out-of-Home Care for Vulnerable Children and Young People	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Current Assets												
Cash and cash equivalents	13,767	14,226	7,478	7,191	36,908	32,492	4,172	2,971	14,162	10,086	9,778	6,964
Receivables	5,370	5,834	1,832	4,271	11,782	32,946	6,106	5,485	21,085	18,940	21,345	19,173
Inventories	-	-	-	-	-	-	-	-	-	-	-	-
Non-current assets held for sale	-	179	-	-	2,171	4,445	-	-	-	-	450	451
Total Current Assets	19,137	20,239	9,310	11,462	50,861	69,883	10,278	8,456	35,247	29,026	31,573	26,588
Non-Current Assets												
Receivables	-	-	-	-	-	-	-	-	-	-	3,043	5,387
Financial assets at fair value	-	-	-	-	-	-	-	-	-	-	-	-
Property, plant and equipment												
Land and buildings	108,518	65,720	235,949	170,918	1,041,394	1,053,386	544	516	538	510	27,368	25,952
Plant and equipment	1,452	2,127	3,157	2,698	13,935	26,722	936	927	31,738	31,443	12,730	12,612
Total property, plant and equipment	*109,970*	*67,847*	*239,106*	*173,616*	*1,055,329*	*1,080,108*	*1,480*	*1,443*	*32,276*	*31,953*	*40,098*	*38,564*
Intangible assets	9,275	7,052	5,100	3,960	40,449	31,019	2,505	1,891	31,194	23,548	13,066	9,863
Total Non-Current Assets	119,245	74,899	244,206	177,576	1,095,778	1,111,127	3,985	3,334	63,470	55,501	56,207	53,814
Total Assets	138,382	95,138	253,516	189,038	1,146,639	1,181,010	14,263	11,790	98,717	84,527	87,780	80,402
Current Liabilities												
Payables	9,319	4,828	25,312	14,167	83,135	38,985	395	437	25,393	28,091	28,645	31,688
Provisions	11,292	17,054	20,643	25,853	233,295	150,295	1,089	2,927	7,767	20,877	12,109	32,550
Other	12	17	138	126	149	155	-	-	-	-	-	-
Total Current Liabilities	20,623	21,899	46,093	40,146	316,579	189,435	1,484	3,364	33,160	48,968	40,754	64,238
Non-Current Liabilities												
Payables	-	-	-	-	-	-	-	-	-	-	-	-
Provisions	3,051	6,996	5,805	13,240	56,519	58,292	127	303	4,411	10,496	4,029	9,588
Other	-	31	-	259	306	314	-	-	-	-	-	-
Total Non-Current Liabilities	3,051	7,027	5,805	13,499	56,825	58,606	127	303	4,411	10,496	4,029	9,588
Total Liabilities	23,674	28,926	51,898	53,645	373,404	248,041	1,611	3,667	37,571	59,464	44,783	73,826
Net Assets	114,708	66,212	201,618	135,393	773,235	932,969	12,652	8,123	61,146	25,063	42,997	6,576

Eliminations between service groups have been adjusted in the service group statements

ENTITY'S ASSETS & LIABILITIES	Social Housing Assistance and Tenancy Support		Homelessness Services		Home Care Service of NSW		John Williams Memorial Charitable Trust		Not Attributed		**Consoldiated Entity Total**	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Current Assets												
Cash and cash equivalents	51,540	36,706	4,430	3,155	-	1,843	1,652	1,729	-	-	**143,887**	117,363
Receivables	41,276	37,077	2,503	2,248	-	9,049	13	9	-	-	**111,312**	135,032
Inventories	-	-	-	-	-	-	-	-	-	-	**-**	-
Financial assets at fair value	-	-	-	-	-	-	-	-	-	-	**-**	-
Non-current assets held for sale	-	-	-	-	-	-	-	-	-	-	**2,621**	5,075
Total Current Assets	92,816	73,783	6,933	5,403	-	10,892	1,665	1,738	-	-	**257,820**	257,470
Non-Current Assets												
Receivables		-		-	-	-	-	-	-	-	**3,043**	5,387
Financial assets at fair value		-		-	-	24,131	-	-	-	-	**-**	24,131
Property, plant and equipment												
Land and buildings		-		-	-	-	9,433	8,917	-	-	**1,423,744**	1,325,919
Plant and equipment	12,418	12,303	587	582	-	-	-	-	-	-	**76,953**	89,414
Total property, plant and equipment	*12,418*	*12,303*	*587*	*582*	-	-	*9,433*	*8,917*	-	-	***1,500,697***	*1,415,333*
Intangible assets	18,542	13,997	6,522	4,923	-	-	-	-	-	-	**126,653**	96,253
Total Non-Current Assets	30,960	26,300	7,109	5,505	-	24,131	9,433	8,917	-	-	**1,630,393**	1,541,104
Total Assets	123,776	100,083	14,042	10,908	-	35,023	11,098	10,655	-	-	**1,888,213**	1,798,574
Current Liabilities												
Payables	13,382	14,804	1,871	2,070	-	887	15	8	-	-	**187,467**	135,965
Provisions	8,848	23,782	764	2,053	-	1,815	-	-	-	-	**295,807**	277,206
Other	-	-	-	-	-	-	-	-	-	-	**299**	298
Total Current Liabilities	22,230	38,586	2,635	4,123	-	2,702	15	8	-	-	**483,573**	413,469
Non-Current Liabilities												
Payables	-	-	-	-	-	-	-	-	-	-	**-**	-
Provisions	6,991	16,637	22	52	-	-	-	-	-	-	**80,955**	115,604
Other	-	-	-	-	-	-	-	-	-	-	**306**	604
Total Non-Current Liabilities	6,991	16,637	22	52	-	-	-	-	-	-	**81,261**	116,208
Total Liabilities	29,221	55,223	2,657	4,175	-	2,702	15	8	-	-	**564,834**	529,677
Net Assets	94,555	44,860	11,385	6,733	-	32,321	11,083	10,647	-	-	**1,323,379**	1,268,897

Eliminations between service groups have been adjusted in the service group statements

The names and purposes of each service group are summarised below

Service Groups

The service group's under the control of the Department of Family and Community Services are:

1. Community Support for People with Disability, their Family and Carers

This service group focuses on building skills and strengthening family and carer relationships by providing assistance with the activities of everyday living to enable people to live in their own home.

2. Short-Term Interventions for People with Disability, their Family and Carers

This service group supports people with disability and their carers, as well as older people, to access services and community support in order to maximise independence, wellbeing and quality of life.

3. Supported Accommodation for People with Disability

This service group provides suitable accommodation and opportunities for personal growth and development for people with disability who have ongoing intensive support needs. This includes group home accommodation, individual accommodation support and a range of other accommodation options.

4. Earlier Intervention for Vulnerable People and Support for Communities

This service group supports vulnerable children, young people and their families to live better lives, and also supports community engagement. It includes support services that intervene early to prevent escalation into and within the statutory child protection system, reduce the incidence and impact of domestic violence against women and children and broader services in communities.

5. Statutory Child Protection

This service group responds to reports of children at risk of significant harm (ROSH). It involves assessing and investigating reports of child abuse and neglect, and intervening, where appropriate, to ensure the safety, welfare and wellbeing of children at risk of significant harm.

6. Out-of-Home Care for Vulnerable Children and Young People

This service group supports vulnerable children and young people who cannot live safely with parent/s. Out-of-home care (OOHC) includes restoration, general foster care, kinship care, residential care and adoptions. It includes planning, monitoring and supporting non-government organisations (NGOs) to deliver services to children and young people in care and those leaving care.

7. Social Housing Assistance and Tenancy Support

This service group covers housing assistance for people on low incomes or who are unable to access or maintain appropriate housing. This includes managing tenancies in public, community and Aboriginal Housing Office properties. It also includes providing private rental market assistance as an alternative to social housing and to assist people to transition out of social housing.

8. Homelessness Services

This service group supports people who are homeless or at risk of homelessness. It includes crisis and medium-term accommodation, and prevention and early intervention services such as living skills, family support and employment support.

	PARENT		CONSOLIDATED	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
8. Current Assets - Cash and Cash Equivalents				
Cash at bank and on hand	**142,235**	113,791	**143,887**	117,363
Total cash and cash equivalents	**142,235**	113,791	**143,887**	117,363

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, cash at bank and short term deposits.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of financial year to the statement of cash flows as follows:

Cash and cash equivalents (per statement of financial position)	**142,235**	113,791	**143,887**	117,363
Closing cash and cash equivalents (per statement of cash flows)	**142,235**	113,791	**143,887**	117,363

As at 30 June 2017 the entity held $0.130 million (2016: $0.130 million) in cash at bank representing unspent contributions with conditions from Commonwealth and State agencies. Refer to Note 6 for further details.

Refer Note 27 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

9. Current/non-current assets - receivables

Current				
Client Fees	**2,715**	4,476	**2,715**	4,476
Less : Allowance for impairment	**(1,258)**	(995)	**(1,258)**	(995)
	1,457	3,481	**1,457**	3,481
Sundry receivables	**40,202**	39,007	**40,215**	39,084
Less : Allowance for impairment	**(8,227)**	(5,818)	**(8,227)**	(5,818)
	31,975	33,189	**31,988**	33,266
Amounts due from other government agencies	**37,757**	42,551	**37,757**	49,929
Superannuation receivable	**-**	-	**-**	1,341
Prepayments - Other	**12,445**	14,366	**12,445**	14,366
Interest receivable	**-**	-	**-**	29
GST receivable (net)	**27,665**	32,620	**27,665**	32,620
	111,299	126,207	**111,312**	135,032
Non-current				
Sundry receivables	**119**	175	**119**	175
Superannuation receivable	**29**	-	**29**	-
	148	175	**148**	175
Amounts due from other government agencies	**2,895**	5,212	**2,895**	5,212
	3,043	5,387	**3,043**	5,387
Total Receivables	**114,342**	131,594	**114,355**	140,419
Movement in the allowance for impairment				
Balance at 1 July	**(6,813)**	(5,032)	**(6,813)**	(6,040)
Transfer on reorganisation	**-**	-	**-**	1,318
Amounts written off during the year	**541**	58	**541**	313
(Increase)/decrease in allowance recognised in profit or loss	**(3,213)**	(1,839)	**(3,213)**	(2,404)
Balance at 30 June	**(9,485)**	(6,813)	**(9,485)**	(6,813)

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 27

	PARENT		CONSOLIDATED	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000

10. Current/non-current - Financial Assets at Fair Value

Non-current				
TCorp - Hour-Glass Investment Facilities				
- Medium-term Growth Facility Trust	**-**	-	**-**	9,325
- Long-term Growth Facility Trust	**-**	-	**-**	14,806
Total Non-current financial assets at fair value	**-**	-	**-**	24,131

Refer to Note 27 for further information regarding credit risk, liquidity risk and market risk arising from financial instruments.

11. Non-Current Assets Held for Sale

Land and buildings	**2,621**	5,075	**2,621**	5,075
	2,621	5,075	**2,621**	5,075

Properties classified under this category are expected to be sold in the following financial year through a number of disposal options, including auctioning the properties.
Further details regarding fair value measurement are disclosed in Note 14.

12. Non-current Assets - Property, Plant and Equipment

PARENT 2017

	Land and Buildings $'000	Plant and Equipment $'000	Motor Vehicles $'000	Computer Equipment $'000	Furniture and Equipment $'000	Leasehold Improvements $'000	Total $'000
At 1 July 2016 -fair value							
Gross carrying amount	1,471,202	24,302	581	35,466	32,417	197,375	1,761,343
Accumulated depreciation and impairment	(154,202)	(18,369)	(514)	(22,981)	(29,850)	(129,014)	(354,930)
Net Carrying Amount	1,317,000	5,933	67	12,485	2,567	68,361	1,406,413
At 30 June 2017 - fair value							
Gross carrying amount	1,592,254	22,581	237	34,334	12,756	178,076	1,840,238
Accumulated depreciation and impairment	(177,944)	(13,880)	(237)	(24,893)	(10,254)	(121,767)	(348,975)
Net Carrying Amount	**1,414,310**	**8,701**	**-**	**9,441**	**2,502**	**56,309**	**1,491,263**

For land and buildings, Fair Value was based on an independent assessment. This occurs at varying times across the FACS cluster.

Works in Progress totalling $114.749 million are included in property plant and equipment.
This is comprised of:
Land and Buildings $106.207 million, Plant and Equipment $4.836 million, Computer Hardware $Nil million and Leasehold Improvements $3.706 million.

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

PARENT 2017

Year ended 30 June 2017	Land and Buildings $'000	Plant and Equipment $'000	Motor Vehicles $'000	Computer Equipment $'000	Furniture and Equipment $'000	Leasehold Improvements $'000	Total $'000
Net Carrying Amount at beginning of year	1,317,000	5,933	67	12,485	2,567	68,361	1,406,413
Additions	54,785	5,941	-	751	1,084	7,146	69,707
Assets recognised for the first time	-	29	-	-	16	-	45
Make good	-	-	-	-	-	2,579	2,579
Assets held for resale	(14,878)	-	-	-	-	-	(14,878)
Transfer between classes of assets #	386	(1,483)	-	2,637	169	(386)	1,323
Disposals ##	(1,156)	(51)	(57)	(20)	(190)	(183)	(1,657)
Impairment losses *	(1,107)	-	-	-	-	-	(1,107)
Net revaluation increment less revaluation decrements	85,973	-	-	-	-	-	85,973
Depreciation expense	(26,693)	(1,668)	(10)	(6,412)	(1,144)	(21,208)	(57,135)
Net Carrying Amount at end of year	**1,414,310**	**8,701**	**-**	**9,441**	**2,502**	**56,309**	**1,491,263**

\# Refer to Note 13 for transfer between classes of assets
\## Disposals includes the disposal by FACS of 576 Computer Equipment and Leasehold Improvement assets with a net book value of $Nil. The original cost of these assets was $51.721 million.
* Further details regarding the fair value measurement of property, plant and equipment are discussed in Note 14

Department of Family and Community Services
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PARENT 2016

	Land and Buildings $'000	Plant and Equipment $'000	Motor Vehicles $'000	Computer Equipment $'000	Furniture and Equipment $'000	Leasehold Improvements $'000	Total $'000
At 1 July 2015 -fair value							
Gross carrying amount	1,367,816	29,392	2,450	74,225	34,853	203,254	1,711,990
Accumulated depreciation and impairment	(171,343)	(20,303)	(1,526)	(55,753)	(33,411)	(125,955)	(408,291)
Net Carrying Amount	1,196,473	9,089	924	18,472	1,442	77,299	1,303,699
At 30 June 2016 - fair value							
Gross carrying amount	1,471,202	24,302	581	35,466	32,417	197,375	1,761,343
Accumulated depreciation and impairment	(154,202)	(18,369)	(514)	(22,981)	(29,850)	(129,014)	(354,930)
Net Carrying Amount	1,317,000	5,933	67	12,485	2,567	68,361	1,406,413

For land and buildings, Fair Value was based on an independent assessment. This occurs at varying times across the FACS cluster.

Works in Progress totalling $156.201 million are included in property plant and equipment.
This is comprised of:
Land and Buildings $153.061 million, Plant and Equipment $0.287 million, Computer Hardware $0.086 million and Leasehold Improvements $2.767 million.

Reconciliation
A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the prior reporting period is set out below:

PARENT 2016

Year ended 30 June 2016	Land and Buildings $'000	Plant and Equipment $'000	Motor Vehicles $'000	Computer Equipment $'000	and Equipment $'000	Leasehold Improvements $'000	Total $'000
Net Carrying Amount at beginning of year	1,196,473	9,089	924	18,472	1,442	77,299	1,303,699
Additions	124,919	343	-	114	1,903	9,683	136,962
Assets recognised for the first time	300	22	-	-	-	31	353
Make good	-	-	-	-	-	5,930	5,930
Assets held for resale	(57,940)	-	-	-	-	-	(57,940)
Transfer between classes of assets	-	(614)	-	633	326	602	947
Disposals	(15,141)	(101)	(677)	(296)	(35)	(227)	(16,477)
Impairment losses *	(1,128)	-	-	-	-	-	(1,128)
Increase/(decrease) in net assets from administrative restructuring	-	12	-	(81)	17	(119)	(171)
Net revaluation increment less revaluation decrements	92,223	-	-	-	-	-	92,223
Depreciation expense	(22,706)	(2,818)	(180)	(6,357)	(1,086)	(24,838)	(57,985)
Net carrying amount at end of year	1,317,000	5,933	67	12,485	2,567	68,361	1,406,413

\# Refer to Note 13 for transfer between classes of assets
\## Disposals includes the disposal by FACS of 4,248 Computer Equipment assets with a net book value of $Nil. The original cost of these assets was $29.589 million.
* Further details regarding the fair value measurement of property, plant and equipment are discussed in Note 14

CONSOLIDATED 2017

	Land and Buildings $'000	Plant and Equipment $'000	Motor Vehicles $'000	Computer Equipment $'000	Furniture and Equipment $'000	Leasehold Improvements $'000	Total $'000
At 1 July 2016 -fair value							
Gross carrying amount	1,480,592	24,302	581	35,466	32,501	197,375	1,770,817
Accumulated depreciation and impairment	(154,673)	(18,369)	(514)	(22,981)	(29,933)	(129,014)	(355,484)
Net Carrying Amount	1,325,919	5,933	67	12,485	2,568	68,361	1,415,333
At 30 June 2017 - fair value							
Gross carrying amount	1,602,240	22,581	237	34,334	12,756	178,076	1,850,224
Accumulated depreciation and impairment	(178,496)	(13,880)	(237)	(24,893)	(10,254)	(121,767)	(349,527)
Net Carrying Amount	**1,423,744**	**8,701**	**-**	**9,441**	**2,502**	**56,309**	**1,500,697**

For land and buildings, Fair Value was based on an independent assessment. This occurs at varying times across the FACS cluster.

Works in Progress totalling $114.749 million are included in property plant and equipment.
This is comprised of:
Land and Buildings $106.207 million, Plant and Equipment $4.836 million, Computer Hardware $Nil million and Leasehold Improvements $3.706 million.

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

CONSOLIDATED 2017

Year ended 30 June 2017	Land and Buildings $'000	Plant and Equipment $'000	Motor Vehicles $'000	Computer Equipment $'000	Furniture and Equipment $'000	Leasehold Improvements $'000	Total $'000
Net Carrying Amount at beginning of year	1,325,919	5,933	67	12,485	2,568	68,361	1,415,333
Additions	54,795	5,941	-	751	1,084	7,146	69,717
Assets recognised for the first time	-	29	-	-	16	-	45
Make good	-	-	-	-	-	2,579	2,579
Assets held for resale	(14,878)	-	-	-	-	-	(14,878)
Transfer between classes of assets	386	(1,483)	-	2,637	169	(386)	1,323
Disposals	(1,158)	(51)	(57)	(20)	(191)	(183)	(1,660)
Impairment losses *	(1,107)	-	-	-	-	-	(1,107)
Net revaluation increment less revaluation decrements	86,616	-	-	-	-	-	86,616
Depreciation expense	(26,829)	(1,668)	(10)	(6,412)	(1,144)	(21,208)	(57,271)
Net Carrying Amount at end of year	**1,423,744**	**8,701**	**-**	**9,441**	**2,502**	**56,309**	**1,500,697**

* Further details regarding the fair value measurement of property, plant and equipment are discussed in Note 14

Department of Family and Community Services
Notes to and forming part of the financial statements *for the year ended 30 June 2017*

CONSOLIDATED 2016

	Land and Buildings $'000	Plant and Equipment $'000	Motor Vehicles $'000	Computer Equipment $'000	Furniture and Equipment $'000	Leasehold Improvements $'000	Total $'000
At 1 July 2015 -fair value							
Gross carrying amount	1,376,719	29,520	4,011	74,473	35,543	209,410	1,729,676
Accumulated depreciation and impairment	(171,738)	(20,426)	(2,852)	(56,001)	(34,084)	(131,927)	(417,028)
Net Carrying Amount	1,204,981	9,094	1,159	18,472	1,459	77,483	1,312,648
At 30 June 2016 - fair value							
Gross carrying amount	1,480,592	24,302	581	35,466	32,501	197,375	1,770,817
Accumulated depreciation and impairment	(154,673)	(18,369)	(514)	(22,981)	(29,933)	(129,014)	(355,484)
Net Carrying Amount	1,325,919	5,933	67	12,485	2,568	68,361	1,415,333

For land and buildings, Fair Value was based on an independent assessment. This occurs at varying times across the FACS cluster.

Works in Progress totalling $156.201 million are included in property plant and equipment.
This is comprised of:
Land and Buildings $153.061 million, Plant and Equipment $0.287 milliom, Computer Hardware $0.086 million and Leasehold Improvements $2.767 million.

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the prior reporting period is set out below:

CONSOLIDATED 2016

Year ended 30 June 2016	Land and Buildings $'000	Plant and Equipment $'000	Motor Vehicles $'000	Computer Equipment $'000	Furniture and Equipment $'000	Leasehold Improvements $'000	Total $'000
Net Carrying Amount at beginning of year	1,204,981	9,094	1,159	18,472	1,459	77,483	1,312,648
Additions	125,055	342	-	114	1,903	9,683	137,097
Assets recognised for the first time	300	22	-	-	-	31	353
Make good	-	-	-	-	-	5,930	5,930
Assets held for resale	(57,940)	-	-	-	-	-	(57,940)
Transfer between classes of assets	(88)	(614)	-	633	326	690	947
Disposals	(15,141)	(101)	(677)	(296)	(35)	(257)	(16,507)
Impairment losses *	(1,128)	-	-	-	-	-	(1,128)
Increase/(decrease) in net assets from administrative restructuring	(534)	10	(165)	(81)	14	(141)	(897)
Net revaluation increment less revaluation decrements	93,254	-	-	-	-	-	93,254
Depreciation expense	(22,840)	(2,820)	(250)	(6,357)	(1,099)	(25,058)	(58,424)
Net Carrying Amount at end of year	1,325,919	5,933	67	12,485	2,568	68,361	1,415,333

* Further details regarding the fair value measurement of property, plant and equipment are discussed in Note 14

13. Intangible Assets

PARENT

	Software $'000	Software under construction $'000	Internally developed assets $'000	Total $'000
At 1 July 2016				
Cost (gross carrying amount)	116,658	59,409	104,373	280,440
Accumulated amortisation and impairment	(102,476)	-	(81,711)	(184,187)
Net Carrying Amount	14,182	59,409	22,662	96,253
At 30 June 2017				
Cost (gross carrying amount)	148,682	72,441	92,093	313,216
Accumulated amortisation and impairment	(110,024)	-	(76,539)	(186,563)
Net Carrying Amount	38,658	72,441	15,554	126,653

Reconciliations

A reconciliation of the carrying amounts of each class of intangibles at the beginning and end of the current reporting period is set out below.

Year ended 30 June 2017	**$'000**	**$'000**	**$'000**	**$'000**
Net carrying amount at beginning of year	14,182	59,409	22,662	96,253
Additions	8,692	2,415	42,239	53,346
Transfer between classes of assets #	24,890	10,775	(36,988)	(1,323)
Disposals	-	(158)	-	(158)
Amortisation expense	(9,106)	-	(12,359)	(21,465)
Net carrying amount at end of year	38,658	72,441	15,554	126,653

A review of intangibles was undertaken and there has been no change in the useful lives of the assets.
Refer to Note 12 for transfer between classes of assets

At 1 July 2015				
Cost (gross carrying amount)	129,550	17,096	97,744	244,390
Accumulated amortisation and impairment	(120,109)	-	(64,147)	(184,256)
Net Carrying Amount	9,441	17,096	33,597	60,134
At 30 June 2016				
Cost (gross carrying amount)	116,658	59,409	104,373	280,440
Accumulated amortisation and impairment	(102,476)	-	(81,711)	(184,187)
Net Carrying Amount	14,182	59,409	22,662	96,253

Reconciliations

A reconciliation of the carrying amounts of each class of intangibles at the beginning and end of the prior reporting period is set out below.

Year ended 30 June 2016	**$'000**	**$'000**	**$'000**	**$'000**
Net carrying amount at beginning of year	9,441	17,096	33,597	60,134
Additions	7	61,083	-	61,090
Transfer between classes of assets	11,194	(18,770)	6,629	(947)
Disposals	(1)	-	-	(1)
Increase/(decrease) in net assets from administrative restructuring	54	-	-	54
Amortisation expense	(6,513)	-	(17,564)	(24,077)
Net carrying amount at end of year	14,182	59,409	22,662	96,253

A review of intangibles was undertaken and there has been no change in the useful lives of the assets.

13. Intangible Assets (continued)

CONSOLIDATED

	Software $'000	Software under construction $'000	Internally developed assets $'000	Total $'000
At 1 July 2016				
Cost (gross carrying amount)	116,658	59,409	104,373	280,440
Accumulated amortisation and impairment	(102,476)	-	(81,711)	(184,187)
Net Carrying Amount	14,182	59,409	22,662	96,253
At 30 June 2017				
Cost (gross carrying amount)	148,682	72,441	92,093	313,216
Accumulated amortisation and impairment	(110,024)	-	(76,539)	(186,563)
Net Carrying Amount	38,658	72,441	15,554	126,653

Reconciliations

A reconciliation of the carrying amounts of each class of intangibles at the beginning and end of the current reporting period is set out below.

Year ended 30 June 2017	**$'000**	**$'000**	**$'000**	**$'000**
Net carrying amount at beginning of year	14,182	59,409	22,662	96,253
Additions	8,692	2,415	42,239	53,346
Transfer between classes of assets	24,890	10,775	(36,988)	(1,323)
Disposals	-	(158)	-	(158)
Amortisation expense	(9,106)	-	(12,359)	(21,465)
Net carrying amount at end of year	38,658	72,441	15,554	126,653

A review of intangibles was undertaken and there has been no change in the useful lives of the assets.

At 1 July 2015				
Cost (gross carrying amount)	129,550	17,096	97,744	244,390
Accumulated amortisation and impairment	(120,109)	-	(64,147)	(184,256)
Net Carrying Amount	9,441	17,096	33,597	60,134
At 30 June 2016				
Cost (gross carrying amount)	116,658	59,409	104,373	280,440
Accumulated amortisation and impairment	(102,476)	-	(81,711)	(184,187)
Net Carrying Amount	14,182	59,409	22,662	96,253

Reconciliations

A reconciliation of the carrying amounts of each class of intangibles at the beginning and end of the prior reporting period is set out below.

Year ended 30 June 2016	**$'000**	**$'000**	**$'000**	**$'000**
Net carrying amount at beginning of year	9,441	17,096	33,597	60,134
Additions	7	61,083	-	61,090
Transfer between classes of assets	11,194	(18,770)	6,629	(947)
Disposals	(1)	-	-	(1)
Increase/(decrease) in net assets from administrative restructuring	54	-	-	54
Amortisation expense	(6,513)	-	(17,564)	(24,077)
Net carrying amount at end of year	14,182	59,409	22,662	96,253

A review of intangibles was undertaken and there has been no change in the useful lives of the assets.

14. Fair value measurement of non-financial assets

a) Fair value hierarchy

2017		Parent			
	Note	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total fair value $'000**
Property, plant and equipment					
Land and buildings	12	-	434,974	979,336	1,414,310
Non-current assets held for sale	11	-	2,621	-	2,621
		-	**437,595**	**979,336**	**1,416,931**

2016		Parent			
	Note	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total fair value $'000**
Property, plant and equipment					
Land and buildings	12	-	416,591	900,409	1,317,000
Non-current assets held for sale	11	-	5,075	-	5,075
		-	**421,666**	**900,409**	**1,322,075**

There were no transfers between Level 1 or 2 during the period

2017		CONSOLIDATED			
	Note	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total fair value $'000**
Property, plant and equipment					
Land and buildings	12	-	440,333	983,411	1,423,744
Non-current assets held for sale	11	-	2,621	-	2,621
		-	**442,954**	**983,411**	**1,426,365**

2016		CONSOLIDATED			
	Note	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total fair value $'000**
Property, plant and equipment					
Land and buildings	12	-	421,663	904,256	1,325,919
Non-current assets held for sale	11	-	5,075	-	5,075
		-	**426,738**	**904,256**	**1,330,994**

There were no transfers between Level 1 or 2 during the period

b) Valuation techniques, inputs and processes

A revaluation of FAC's properties has been performed by an external professionally qualified valuer as at 31 March 2017 using relevant indexation factors to update the 30 June 2016 carrying values. The valuer conducted a further review of the movement in the relevant indexation factors for the period 1 April 2017 to 30 June 2017 and there was no material movement in the valuation for this period.

The assets valued under level 2 inputs are valued using the market approach, due to the availability of market transactions and observable prices for similar assets. Valuers have considered matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment in determining the values. These values largely relate to all land assets and the majority of "buy/modify" building assets for which comparable values are available.

The assets valued under level 3 inputs are specialised assets which have been valued using the cost approach which is based on replacing the "service capacity" of the asset. These specialised assets are either:

- purpose built group homes where the replacement cost is based on actual construction costs incurred by FACS
- highly modified buildings which are significantly modified for the purpose of provision of care to FACS clients, and the replacement costs are based on actual costs incurred by FACS.
- Large Residential Centres which are older, large institutional style buildings and valued by the external valuer at replacement value.

All level 3 inputs are checked by the valuer against the Rawlinson's Construction Handbook 2016.
All values are consistent with highest and best use of the asset.

14. Fair value measurement of non-financial assets (continued)

Level	Asset Class	Valuation technique	Inputs	Processes
2	Land - Group homes- with buildings with minor modifications	Market Approach	Observable inputs - recent sales considering matters such as zoning, location, topography, aspect, frontage, size, shape, date, of valuation and current market sentiment	Direct comparison approach against recent sales considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment
3	Land - Group homes- with purpose built or significantly modified buildings	Market Approach	Observable inputs - recent sales in the residential property market considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment. Unobservable inputs - buildings on the land are either purpose built or significantly modified and as land and building are considered as one complete asset for existing use purposes, these assets are measured at level 3	Direct comparison approach against recent sales considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment. The unobservable level 3 inputs are not considered to impact on the values determined by the market approach considering existing use of the asset.
3	Land - Large Residential Centres (LRC)	Market Approach	Observable inputs - land assets are considered special use assets with no direct comparable sales. The most relevant available site data for similar sites is considered using the highest and best use. Unobservable inputs - specialised buildings are located on the land and as land and buildings are considered as one complete asset these assets are measured at level 3.	These are large sites with few relevant recent sales of similar properties. Fair value is determined by considering the sales of the most relevant large properties. These provide a range of values per hectare and appropriate rate per hectare within the range to arrive at a fair value
2	Buildings - Group homes- with buildings with minor modifications	Market Approach	Observable inputs - recent sales of comparable properties with adjustment for condition, location, comparability etc	Visual inspection of the properties and assessment against recent sales of comparable properties with adjustment for condition, location, comparability etc
3	Buildings - purpose built or significantly modified group homes	Cost approach using costs incurred in the construction of purpose built or significantly modified properties	Observable inputs - actual construction costs are used for these purpose built and significantly modified buildings located on residential land. Unobservable inputs - the highly modified and costly nature of the buildings positioned on residential land and utilised for mandated services	Actual construction costs are checked against Rawlinson's Construction Handbook 2016
3	Buildings - (LRC)	Cost approach using replacement costs	Unobservable inputs - buildings are considered specialised assets where current market buying process cannot be observed. Construction cost per square metre applied to determine replacement cost.	For full valuations, visual inspection of the properties and assessment of replacement cost by independent registered valuer, using building areas and cost per square metre

c) Reconciliation of recurring Level 3 fair value measurements

	Consolidated	
	Land and Buildings $'000	Total Recurring $'000
Fair value as at 1 July 2016	904,256	904,256
Additions	53,253	53,253
Revaluation increments/decrements recognised	50,881	50,881
Transfer from Level 2	1,144	1,144
Transfer to Level 2	(590)	(590)
Disposals	(7,350)	(7,350)
Depreciation	(18,183)	(18,183)
Fair value as at 30 June 2017	**983,411**	**983,411**

	Consolidated	
	Land and Buildings $'000	Total Recurring $'000
Fair value as at 1 July 2015	822,448	822,448
Additions	105,044	105,044
Revaluation increments/decrements recognised	59,082	59,082
Transfer to Level 2	(67,135)	(67,135)
Depreciation	(15,183)	(15,183)
Fair value as at 30 June 2016	**904,256**	**904,256**

15. Current/Non-Current Liabilities - Payables

	PARENT		CONSOLIDATED	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Current				
Accrued salaries, wages and on-costs	**3,874**	10,233	**3,874**	10,233
Creditors	**51,401**	42,154	**51,401**	42,157
Accrued operating expenditure	**123,132**	71,787	**123,145**	71,925
Accrued capital expenditure	**7,250**	9,585	**7,250**	9,585
Unearned Revenue	**2,966**	1,124	**2,966**	1,124
GST payable	**-**	-	**-**	421
Amounts owing to other government agencies	**-**	356	**-**	356
Other creditors	**76**	69	**76**	164
Total payables	**188,699**	135,308	**188,712**	135,965

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are included in Note 27

16. Current / Non-Current Liabilities - Provisions

	PARENT		CONSOLIDATED	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Current				
Employee benefits and related on-costs				
Annual leave	**107,881**	106,242	**107,881**	106,532
Payroll tax	**20,874**	17,524	**20,874**	17,524
Long service leave and on-costs	**23,040**	21,614	**23,040**	21,857
Superannuation	**-**	-	**-**	1,282
Redundancy (i)	**132,075**	116,689	**132,075**	116,689
Workers' compensation	**3,266**	5,133	**3,266**	5,133
Total employee benefits and related on-costs	**287,136**	267,202	**287,136**	269,017
Other Provisions				
Restoration costs	**7,426**	8,189	**7,426**	8,189
Total other provisions	**7,426**	8,189	**7,426**	8,189
Total current provisions	**294,562**	275,391	**294,562**	277,206
Non-current				
Employee benefits and related on-costs				
Payroll tax	**1,420**	4,744	**1,420**	4,744
Long service leave and on-costs	**2,880**	2,643	**2,880**	2,643
Workers' compensation	**1,932**	108	**1,932**	108
Redundancy (i)	**32,136**	64,746	**32,136**	64,746
Superannuation	**8,410**	11,037	**8,410**	11,037
Total employee benefits and related on-costs	**46,778**	83,278	**46,778**	83,278

(i) Redundancy provision includes transfer, redundancy costs of $150.903 million (2016: $171.656 million) relating to the transition of Direct Disability Services to the Non-Government sector as part of the Government's implementation of the National Disability Insurance Scheme (NDIS) in NSW.

	PARENT 2017 $'000	PARENT 2016 $'000	CONSOLIDATED 2017 $'000	CONSOLIDATED 2016 $'000
Other Provisions				
Social Benefit Bonds	**6,725**	6,720	**6,725**	6,720
Restoration costs	**27,452**	25,606	**27,452**	25,606
Total other provisions	**34,177**	32,326	**34,177**	32,326
Total non-current provisions	**80,955**	115,604	**80,955**	115,604
Total Provisions	**375,517**	390,995	**375,517**	392,810
Aggregate employee benefits and related on-costs				
Provisions - current	**287,136**	267,202	**287,136**	269,017
Provisions - non-current	**46,778**	83,278	**46,778**	83,278
Accrued salaries, wages and on-costs (Note 15)	**3,874**	10,233	**3,874**	10,233
	337,788	360,713	**337,788**	362,528

The annual leave provision includes $8.513 million (2016: $7.342 million) of annual leave entitlements accrued but not expected to be taken within 12 months.

The long service and on-costs provision includes $0.192 million (2016: $0.576 million) of long service leave entitlements accrued that are expected to be settled in the next 12 months and $0.679 million (2016: $0.836 million) of entitlements that are not expected to be settled within 12 months.

Restoration costs provision is the present value of the FACS's obligation to make-good leased premises at the reporting date. The assumed settlement is based on contractual lease term. The amount and timing of each estimate is reassessed annually.

16. Current / Non-Current Liabilities - Provisions (continued)

Movement in provisions (other than employee benefits)

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

PARENT	Social Benefit Bonds		Restoration costs	
	Total 2017 $'000	Total 2016 $'000	**Total 2017 $'000**	Total 2016 $'000
Carrying amount at the beginning of the financial year	**6,720**	6,565	**33,795**	28,919
Amounts transferred out as part of administrative restructure (Note 20)	**-**	-	**-**	(58)
Additional provision recognised	**-**	-	**2,579**	5,930
Amounts used	**-**	-	**(1,306)**	(57)
Unused amounts reversed	**-**	-	**(610)**	(1,418)
Change in discount rate	**5**	155	**420**	479
Carrying amount at the end of the financial	**6,725**	6,720	**34,878**	33,795

CONSOLIDATED	Social Benefit Bonds		Restoration costs	
	Total 2017 $'000	Total 2016 $'000	**Total 2017 $'000**	Total 2016 $'000
Carrying amount at the beginning of the financial year	**6,720**	6,565	**33,795**	30,092
Amounts transferred in as part of administrative restructure	**-**	-	**-**	(1,276)
Additional provision recognised	**-**	-	**2,579**	5,930
Amounts used	**-**	-	**(1,306)**	(15)
Unused amounts reversed	**-**	-	**(610)**	(1,418)
Change in discount rate	**5**	155	**420**	482
Carrying amount at the end of the financial	**6,725**	6,720	**34,878**	33,795

17. Current/Non Current Liabilities - Other	PARENT		CONSOLIDATED	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Current				
Lease incentives	**299**	298	**299**	298
	299	298	**299**	298
Non-current				
Lease incentives	**306**	604	**306**	604
	306	604	**306**	604

18. Superannuation

PARENT ENTITY 2017	Note	SASS 30-Jun-17	SANCS 30-Jun-17	SSS 30-Jun-17	TOTAL 30-Jun-17
Member Numbers					
Contributors		-	-	-	-
Deferred benefits		-	-	-	-
Pensioners		-	-	7	7
Pensions fully commuted		-	-	-	-
Superannuation Position for AASB 119 purposes		$'000	$'000	$'000	$'000
Accrued liability (Note 1)		(3)	(1)	12,792	12,788
Estimated reserve account balance		(18)	(7)	(4,382)	(4,407)
1. Deficit/(surplus)		(21)	(8)	8,410	8,381
2. Future Service Liability (Note 2)		-	-	-	-
3. Surplus in excess of recovery available from schemes (-1. -2. and subject to a minimum of zero)		-	-	-	-
4. Net (asset)/liability to be recognised in statement of financial position (1. + 3.)	9/16	(21)	(8)	8,410	8,381

PARENT ENTITY 2016	Note	SASS 30-Jun-16	SANCS 30-Jun-16	SSS 30-Jun-16	TOTAL 30-Jun-16
Member Numbers					
Contributors		3	3	-	6
Deferred benefits		-	-	-	-
Pensioners		-	-	7	7
Pensions fully commuted		-	-	-	-
Superannuation Position for AASB 119 purposes		$'000	$'000	$'000	$'000
Accrued liability (Note 1)		1,353	277	14,936	16,566
Estimated reserve account balance		(470)	36	(5,095)	(5,529)
1. Deficit/(surplus)		883	313	9,841	11,037
2. Future Service Liability (Note 2)		274	115	-	389
3. Surplus in excess of recovery available from schemes (-1. -2. and subject to a minimum of zero)		-	-	-	-
4. Net (asset)/liability to be recognised in statement of financial position (1. + 3.)	16	883	313	9,841	11,037

CONSOLIDATED ENTITY 2017	Note	SASS 30-Jun-17	SANCS 30-Jun-17	SSS 30-Jun-17	TOTAL 30-Jun-17
Member Numbers					
Contributors		-	-	-	-
Deferred benefits		-	-	-	-
Pensioners		-	-	7	7
Pensions fully commuted		-	-	-	-
Superannuation Position for AASB 119 purposes		$'000	$'000	$'000	$'000
Accrued liability (Note 1)		314	35	15,428	15,777
Estimated reserve account balance		(15,499)	(170)	(6,106)	(21,775)
1. Deficit/(surplus)		(15,185)	(135)	9,322	(5,998)
2. Future Service Liability (Note 2)		53	9	-	62
3. Surplus in excess of recovery available from schemes (-1. -2. and subject to a minimum of zero)		14,199	119	-	14,318
4. Net (asset)/liability to be recognised in statement of financial position (1. + 3.)		(986)	(16)	9,322	8,320
Deduct		-			
Transfer HCS net asset fund balances to Crown		965	8	(912)	61
Net (asset)/liability to be recognised in statement of financial position (1. + 3.)	9/16	(21)	(8)	8,410	8,381

18. Superannuation (continued)

CONSOLIDATED ENTITY 2016	Note	**SASS 30-Jun-16**	**SANCS 30-Jun-16**	**SSS 30-Jun-16**	**TOTAL 30-Jun-16**
Member Numbers					
Contributors		6	6	-	12
Deferred benefits		-	-	-	-
Pensioners		-	-	10	10
Pensions fully commuted		-	-	1	1
Superannuation Position for AASB 119 purposes		$'000	$'000	$'000	$'000
Accrued liability (Note 1)		1,866	339	17,873	20,078
Estimated reserve account balance		(14,731)	(119)	(6,750)	(21,600)
1. Deficit/(surplus)		(12,865)	220	11,123	(1,522)
2. Future Service Liability (Note 2)		325	123	-	448
3. Surplus in excess of recovery available from schemes (-1. -2. and subject to a minimum of zero)		12,416	84	-	12,500
4. Net (asset)/liability to be recognised in statement of financial position (1. + 3.)		(449)	304	11,123	10,978
Deduct					
Transfer HCS net asset fund balances to Crown	9	1,332	9	-	1,341
Net (asset)/liability to be recognised in statement of financial position (1. + 3.)	16	883	313	11,123	12,319

Note 1:

The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%.

Note 2:

The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119 para 64). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the “surplus in excess of recovery” is zero, no asset ceiling limit is imposed. (Note: this also includes a contribution tax provision)

Nature of the benefits provided by the fund - Para 139 (a)(i).

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:
- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- Police Superannuation Scheme (PSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

All the Schemes are closed to new members.

Description of the regulatory framework - Para 139(a)(ii)

The schemes in the Pooled Fund are established and governed by the following NSW legislation: Superannuation Act 1916, State Authorities Superannuation Act 1987, Police Regulation (Superannuation) Act 1906, State Authorities Non-Contributory Superannuation Scheme Act 1987, and their associated regulations.

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the Commonwealth Superannuation Industry (Supervision) Act 1993 (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth’s retirement incomes policy relating to preservation, vesting and reporting to members and that members’ benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board’s adherence to the principles of the Commonwealth’s retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2015. The next actuarial investigation will be performed at 30 June 2018.

Description of other entities' responsibilities for the governance of the fund - Para 139(a)(iii)

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:

* Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
* Management and investment of the fund assets; and
* Compliance with other applicable regulations.

18. Superannuation (continued)

Description of risks - Para 139(b)

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

* **Investment risk** - The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
* **Longevity risk** – The risk that pensioners live longer than assumed, increasing future pensions.
* **Pension indexation risk** – The risk that pensions will increase at a rate greater than assumed, increasing future pensions.
* **Salary growth risk** - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
* **Legislative risk** - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

Description of significant events - Para 139(c)

There were no fund amendments, curtailments or settlements during the year.

Reconciliation of the Net Defined Benefit Liability/(Asset) - Para 140(a)

PARENT ENTITY 2017	SASS 2017 $'000	SANCS 2017 $'000	SSS 2017 $'000	TOTAL 2017 $'000
Net Defined Benefit Liability/(Asset) at start of year	883	313	9,841	11,037
Current service cost	47	9	-	56
Net Interest on the net defined benefit liability/(asset)	12	4	203	219
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	(21)	2	(336)	(355)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	-	-	(1,309)	(1,309)
Actuarial (gains)/losses arising from liability experience	(347)	(153)	(748)	(1,248)
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(595)	(183)	759	(19)
Net Defined Benefit Liability/(Asset) at end of year	**(21)**	**(8)**	**8,410**	**8,381**

PARENT ENTITY 2016	SASS 2016 $'000	SANCS 2016 $'000	SSS 2016 $'000	TOTAL 2016 $'000
Net Defined Benefit Liability/(Asset) at start of year	848	328	9,202	10,378
Current service cost	43	22	7	72
Net Interest on the net defined benefit liability/(asset)	24	9	280	313
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	(3)	5	5	7
Actuarial (gains)/losses arising from changes in demographic assumptions	4	(96)	289	197
Actuarial (gains)/losses arising from changes in financial assumptions	62	23	1,970	2,055
Actuarial (gains)/losses arising from liability experience	(9)	85	(1,982)	(1,906)
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(86)	(63)	70	(79)
Net Defined Benefit Liability/(Asset) at end of year	**883**	**313**	**9,841**	**11,037**

18. Superannuation (continued)

CONSOLIDATED ENTITY 2017	SASS 2017 $'000	SANCS 2017 $'000	SSS 2017 $'000	TOTAL 2017 $'000
Net Defined Benefit Liability/(Asset) at start of year	(449)	304	11,123	10,978
Current service cost	55	10	-	65
Net Interest on the net defined benefit liability/(asset)	(15)	4	229	218
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	(1,057)	(6)	(455)	(1,518)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	(5)	(1)	(1,559)	(1,565)
Actuarial (gains)/losses arising from liability experience	(450)	(176)	(775)	(1,401)
Adjustment for effect of asset ceiling	1,536	33	-	1,569
Employer contributions	(601)	(184)	759	(26)
Transfer from the Crown superannuation reserve account *	-	-	-	-
Transfer HCS net asset fund balances to Crown	965	8	(912)	61
Net Defined Benefit Liability/(Asset) at end of year	**(21)**	**(8)**	**8,410**	**8,381**

CONSOLIDATED ENTITY 2016	SASS 2016 $'000	SANCS 2016 $'000	SSS 2016 $'000	TOTAL 2016 $'000
Net Defined Benefit Liability/(Asset) at start of year	5,653	594	10,901	17,148
Current service cost	903	160	30	1,093
Net Interest on the net defined benefit liability/(asset)	(66)	12	333	279
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	(180)	80	14	(86)
Actuarial (gains)/losses arising from changes in demographic assumptions	4	(96)	374	282
Actuarial (gains)/losses arising from changes in financial assumptions	70	25	2,315	2,410
Actuarial (gains)/losses arising from liability experience	866	678	(2,985)	(1,441)
Adjustment for effect of asset ceiling	12,416	84	-	12,500
Employer contributions	(3,594)	(439)	141	(3,892)
Transfer from the Crown superannuation reserve account *	(13,620)	-	-	(13,620)
Effect of transfers out due to business combinations and disposals	(2,901)	(794)	-	(3,695)
Net Defined Benefit Liability/(Asset) at end of year	**(449)**	**304**	**11,123**	**10,978**

* The transfer from the Crown superannuation reserve account to the reserve account of Home Care Service Staff Agency (HCSSA) was based on State Super's advice to Treasury that a 'top-up' of this amount would be required to avoid Home Care's Reserve Account going into negative when State Super Scheme contributors are transferred from HCSSA to Australian Unity Home Care Service Pty Ltd (AUS) a subsidiary of (AU).

Reconciliation of the Fair Value of Fund Assets - Para 140(a)(i)

PARENT ENTITY 2017	SASS 2017 $'000	SANCS 2017 $'000	SSS 2017 $'000	TOTAL 2017 $'000
Fair value of Fund assets at beginning of the period	470	(36)	5,095	5,529
Interest income	13	1	91	105
Actual return on Fund assets less Interest income	21	(2)	336	355
Employer contributions	595	183	(759)	19
Contributions by participants	18	-	-	18
Benefits paid	(1,094)	(140)	(441)	(1,675)
Taxes, premiums & expenses paid	(5)	1	60	56
Transfers in	-	-	-	-
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of Fund assets at end of the year	**18**	**7**	**4,382**	**4,407**

PARENT ENTITY 2016	SASS 2016 $'000	SANCS 2016 $'000	SSS 2016 $'000	TOTAL 2016 $'000
Fair value of Fund assets at beginning of the period	366	259	5,761	6,386
Interest income	11	8	167	186
Actual return on Fund assets less Interest income	3	(5)	(5)	(7)
Employer contributions	86	63	(70)	79
Contributions by participants	16	-	49	65
Benefits paid	(3)	(357)	(801)	(1,161)
Taxes, premiums & expenses paid	(9)	(4)	(6)	(19)
Transfers in	-	-	-	-
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of Fund assets at end of the year	**470**	**(36)**	**5,095**	**5,529**

18. Superannuation (continued)

CONSOLIDATED ENTITY 2017	**SASS 2017 $'000**	**SANCS 2017 $'000**	**SSS 2017 $'000**	**TOTAL 2017 $'000**
Fair value of Fund assets at beginning of the period	14,731	119	6,750	21,600
Interest income	294	4	123	421
Actual return on Fund assets less Interest income	1,057	6	455	1,518
Employer contributions	601	184	(759)	26
Transfer from the Crown superannuation reserve account	18	-	-	18
Contributions by participants	(1,090)	(140)	(441)	(1,671)
Benefits paid	(101)	1	(40)	(140)
Taxes, premiums & expenses paid	(11)	(4)	18	3
Transfers out due to business combinations and disposals	-	-	-	-
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Transfer HCS net asset fund balances to Crown	(15,481)	(163)	(1,724)	(17,368)
Fair value of Fund assets at end of the year	**18**	**7**	**4,382**	**4,407**

CONSOLIDATED ENTITY 2016	**SASS 2016 $'000**	**SANCS 2016 $'000**	**SSS 2016 $'000**	**TOTAL 2016 $'000**
Fair value of Fund assets at beginning of the period	33,176	5,045	8,085	46,306
Interest income	776	102	229	1,107
Actual return on Fund assets less Interest income	180	(80)	(14)	86
Employer contributions	3,594	439	(141)	3,892
Transfer from the Crown superannuation reserve account	13,620	-	-	13,620
Contributions by participants	522	-	58	580
Benefits paid	(4,064)	(1,096)	(1,473)	(6,633)
Taxes, premiums & expenses paid	(618)	(53)	6	(665)
Transfers out due to business combinations and disposals	(32,455)	(4,238)	-	(36,693)
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of Fund assets at end of the year	**14,731**	**119**	**6,750**	**21,600**

Reconciliation of the Defined Benefit Obligation – Para 140(a)(ii)

PARENT ENTITY 2017	**SASS 2017 $'000**	**SANCS 2017 $'000**	**SSS 2017 $'000**	**TOTAL 2017 $'000**
Present value of defined benefit obligations at beginning of the period	1,353	277	14,936	16,566
Current service cost	47	9	-	56
Interest cost	25	5	294	324
Contributions by participants	18	-	-	18
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	-	-	(1,309)	(1,309)
Actuarial (gains)/losses arising from liability experience	(347)	(153)	(748)	(1,248)
Benefits paid	(1,094)	(140)	(441)	(1,675)
Taxes, premiums & expenses paid	(5)	1	60	56
Transfers out due to business combinations and disposals	-	-	-	-
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of the year	**(3)**	**(1)**	**12,792**	**12,788**

PARENT ENTITY 2016	**SASS 2016 $'000**	**SANCS 2016 $'000**	**SSS 2016 $'000**	**TOTAL 2016 $'000**
Present value of defined benefit obligations at beginning of the period	1,214	588	14,962	16,764
Current service cost	43	22	7	72
Interest cost	35	16	448	499
Contributions by participants	16	-	49	65
Actuarial (gains)/losses arising from changes in demographic assumptions	4	(96)	289	197
Actuarial (gains)/losses arising from changes in financial assumptions	62	23	1,970	2,055
Actuarial (gains)/losses arising from liability experience	(9)	85	(1,982)	(1,906)
Benefits paid	(3)	(357)	(801)	(1,161)
Taxes, premiums & expenses paid	(9)	(4)	(6)	(19)
Transfers out due to business combinations and disposals	-	-	-	-
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of the year	**1,353**	**277**	**14,936**	**16,566**

18. Superannuation (continued)

CONSOLIDATED ENTITY 2017	SASS 2017 $'000	SANCS 2017 $'000	SSS 2017 $'000	TOTAL 2017 $'000
Present value of defined benefit obligations at beginning of the period	1,866	339	17,873	20,078
Current service cost	55	10	-	65
Interest cost	33	6	351	390
Contributions by participants	22	-	-	22
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	(5)	(1)	(1,559)	(1,565)
Actuarial (gains)/losses arising from liability experience	(450)	(176)	(775)	(1,401)
Benefits paid	(1,190)	(140)	(541)	(1,871)
Taxes, premiums & expenses paid	(16)	(3)	78	59
Transfers out due to business combinations and disposals	-	-	-	-
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Transfer HCS net asset fund balances to Crown	(318)	(36)	(2,635)	(2,989)
Present value of defined benefit obligations at end of the year	**(3)**	**(1)**	**12,792**	**12,788**

CONSOLIDATED ENTITY 2016	SASS 2016 $'000	SANCS 2016 $'000	SSS 2016 $'000	TOTAL 2016 $'000
Present value of defined benefit obligations at beginning of the period	38,827	5,644	18,985	63,456
Current service cost	903	160	30	1,093
Interest cost	712	109	569	1,390
Contributions by participants	522	-	58	580
Actuarial (gains)/losses arising from changes in demographic assumptions	4	(96)	374	282
Actuarial (gains)/losses arising from changes in financial assumptions	70	25	2,315	2,410
Actuarial (gains)/losses arising from liability experience	866	678	(2,985)	(1,441)
Benefits paid	(4,064)	(1,096)	(1,473)	(6,633)
Taxes, premiums & expenses paid	(618)	(53)	-	(671)
Transfers out due to business combinations and disposals	(35,356)	(5,032)	-	(40,388)
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of the year	**1,866**	**339**	**17,873**	**20,078**

Reconciliation of the effect of the Asset Ceiling - Para 140(a)(iii)

PARENT ENTITY 2017	SASS 2017 $'000	SANCS 2017 $'000	SSS 2017 $'000	TOTAL 2017 $'000
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-	-

PARENT ENTITY 2016	SASS 2016 $'000	SANCS 2016 $'000	SSS 2016 $'000	TOTAL 2016 $'000
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-	-

CONSOLIDATED ENTITY 2017	SASS 2017 $'000	SANCS 2017 $'000	SSS 2017 $'000	TOTAL 2017 $'000
Adjustment for effect of asset ceiling at beginning of the year	12,416	84	-	12,500
Interest on the effect of asset ceiling	247	2	-	249
Change in the effect of asset ceiling	1,536	33	-	1,569
Adjustment for effect of asset ceiling at end of the year	14,199	119	-	14,318

CONSOLIDATED ENTITY 2016	SASS 2016 $'000	SANCS 2016 $'000	SSS 2016 $'000	TOTAL 2016 $'000
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	12,416	84	-	12,500
Adjustment for effect of asset ceiling at end of the year	12,416	84	-	12,500

The adjustments for the effect of the asset ceiling has been determined based on the maximum economic benefit available to the entity in the form of reductions in future employer contributions.

18. Superannuation (continued)

Fair value of Fund assets - Para 142

All Pooled Fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. **As such, the disclosures below relate to total assets of the Pooled Fund.**

As at 30 June 2017

Asset category	Total (A$'000)	Quoted prices in active markets for identical assets Level 1 (A$'000)	Significant observable inputs Level 2 (A$'000)	Unobservable inputs Level 3 (A$'000)
Short Term Securities	3,087,307	3,077,362	9,945	-
Australian Fixed Interest	2,500,725	997	2,499,728	-
International Fixed Interest	480,991	-	480,991	-
Australian Equities	9,446,079	8,947,483	498,572	24
International Equities	12,053,503	9,033,497	1,869,112	1,150,894
Property	3,453,108	926,105	533,191	1,993,812
Alternatives	9,066,056	390,899	5,068,137	3,607,020
Total*	**40,087,769**	**22,376,343**	**10,959,676**	**6,751,750**

As at 30 June 2016

Asset category	Total (A$'000)	Quoted prices in active markets for identical assets Level 1 (A$'000)	Significant observable inputs Level 2 (A$'000)	Unobservable inputs Level 3 (A$'000)
Short Term Securities	2,050,414	2,044,454	5,960	-
Australian Fixed Interest	2,720,590	2,725	2,717,865	-
International Fixed Interest	834,373	(1,358)	835,731	-
Australian Equities	9,720,878	9,171,767	549,087	24
International Equities	12,093,667	9,026,207	2,078,766	988,694
Property	3,650,267	1,113,253	618,946	1,918,068
Alternatives	7,115,949	470,130	3,122,185	3,523,634
Total*	**38,186,138**	**21,827,178**	**9,928,540**	**6,430,420**

* The percentage invested in each asset class at the reporting date is:

As at	30-Jun-17	30-Jun-16
Short Term Securities	7.7%	5.4%
Australian Fixed Interest	6.2%	7.1%
International Fixed Interest	1.2%	2.2%
Australian Equities	23.6%	25.5%
International Equities	30.1%	31.7%
Property	8.6%	9.6%
Alternatives	22.6%	18.5%
Total	**100.0%**	**100.0%**

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this levels are listed shares; listed unit trusts.
Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts containing where quoted prices are available in active markets for identical assets or liabilities.
Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cashflow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

18. Superannuation (continued)

Fair value of entity's own financial instruments - Para 143

The fair value of the Pooled Fund assets include as at 30 June 2017 of $354.0 million in NSW government bonds.

Of the direct properties owned by the Pooled Fund
- SAS Trustee Corporation occupies part of a property owned by the Pooled Fund with a fair value of $250 million (30 June 2016: $222 million)
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of $261 million (30 June 2016: $243 million)

Significant Actuarial Assumptions at the Reporting Date - Para 144

As at	30-Jun-17
Discount rate	3.03% pa
Salary increase rate (excluding promotional increases)	2.5% pa 2017/2018 and 2018/2019, 3.5% pa 2019/2020 and 2020/2021, 3.00% pa 2021/2022 to 2025/2026 and 3.5% pa thereafter
Rate of CPI increase	2.00% pa 2017/2018; 2.25% 2018/2019: and 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2015 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report from the trustee's website. The report shows the pension mortality rates for each age.

As at	30-Jun-16
Discount rate	3.03% pa
Salary increase rate (excluding promotional increases)	2.5% pa 2016/2017 to 2018/2019, 3.5% pa 2019/2020 and 2020/2021, 3.00% pa 2021/2022 to 2025/2026 and 3.5% pa thereafter
Rate of CPI increase	1.50% pa 2015/2016; 1.75% 2016/2017; 2.25% 2017/2018: and 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2015 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report from the trustee's website. The report shows the pension mortality rates for each age.

Sensitivity Analysis - Para 145

The entity's total defined benefit obligation as at 30 June 2017 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset value at 30 June 2017.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

PARENT ENTITY	2017	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
Discount rate		as above	as above less 1.0%	as above plus 1.0%
Rate of CPI increase		as above	as above	as above
Salary inflation rate		as above	as above	as above
Defined benefit obligation (A$)		12,787,795	14,898,557	11,075,860

	Base Case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rate plus 0.5% pa	above rate less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$)	12,787,795	13,801,781	11,866,449

	Base Case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5%	above rates less 0.5%
Defined benefit obligation (A$)	12,787,795	12,787,795	12,787,795

	Base Case	Scenario G Higher Mortality *	Scenario H Lower Mortality **
Defined benefit obligation (A$)	12,787,795	13,057,945	12,629,491

* Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2016 to 2021
** Assumes the short term pensioner mortality improvement factors for years 2016 - 2021 also apply for years after 2021
The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

18. Superannuation (continued)

PARENT ENTITY	2016	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
Discount rate		1.99%	0.99%	2.99%
Rate of CPI increase		as above	as above	as above
Salary inflation rate		as above	as above	as above
Defined benefit obligation (A$)		16,566,547	19,378,170	14,313,610

	Base Case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rate plus 0.5% pa	above rate less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$)	16,566,547	17,854,261	15,404,406

	Base Case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5%	above rates less 0.5%
Defined benefit obligation (A$)	16,566,547	16,609,752	16,525,810

	Base Case	Scenario G Higher Mortality *	Scenario H Lower Mortality **
Defined benefit obligation (A$)	16,566,547	16,377,319	16,924,508

CONSOLIDATED ENTITY	2017	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
Discount rate		as above	as above less 1.0%	as above plus 1.0%
Rate of CPI increase		as above	as above	as above
Salary inflation rate		as above	as above	as above
Defined benefit obligation (A$)		12,787,795	14,898,557	11,075,860

CONSOLIDATED ENTITY	Base Case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rate plus 0.5% pa	above rate less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$)	12,787,795	13,801,781	11,866,449

CONSOLIDATED ENTITY	Base Case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5%	above rates less 0.5%
Defined benefit obligation (A$)	12,787,795	12,787,795	12,787,795

	Base Case	Scenario G Higher Mortality *	Scenario H Lower Mortality **
Defined benefit obligation (A$)	12,787,795	13,057,945	12,629,491

* Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2016 to 2021
** Assumes the short term pensioner mortality improvement factors for years 2016 - 2021 also apply for years after 2021
The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

18. Superannuation (continued)

CONSOLIDATED ENTITY 2016	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	1.99%	0.99%	2.99%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$)	20,077,847	23,386,606	17,423,256

	Base Case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	e rate plus 0.5	e rate less 0.5
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$)	20,077,847	21,597,324	18,705,725

	Base Case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5%	above rates less 0.5%
Defined benefit obligation (A$)	20,077,847	20,125,802	20,032,500

	Base Case	Scenario G Higher Mortality *	Scenario H Lower Mortality **
Defined benefit obligation (A$)	20,077,847	19,857,839	20,491,130

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Asset-Liability matching strategies - Para 146

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cashflows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

Funding arrangements - Para 147(a)

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2015. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

18. Superannuation (continued)

Surplus/deficit

The following is a summary of the 30 June 2017 financial position of the Fund calculated in accordance with AAS 25 “Financial Reporting by Superannuation Plans”:

PARENT ENTITY	**SASS 30-Jun-17 $'000**	**SANCS 30-Jun-17 $'000**	**SSS 30-Jun-17 $'000**	**Total 30-Jun-17 $'000**
Accrued benefits	0	0	6,409	6,409
Net market value of Fund assets	(18)	(7)	(4,382)	(4,407)
Net (surplus)/deficit	(18)	(7)	2,027	2,002

PARENT ENTITY	**SASS 30-Jun-16 $'000**	**SANCS 30-Jun-16 $'000**	**SSS 30-Jun-16 $'000**	**Total 30-Jun-16 $'000**
Accrued benefits	1,040	166	6,629	7,835
Net market value of Fund assets	(470)	36	(5,095)	(5,529)
Net (surplus)/deficit	570	202	1,534	2,306

CONSOLIDATED ENTITY	**SASS 30-Jun-17 $'000**	**SANCS 30-Jun-17 $'000**	**SSS 30-Jun-17 $'000**	**Total 30-Jun-17 $'000**
Accrued benefits	292	31	7,879	8,202
Net market value of Fund assets	(15,499)	(170)	(6,106)	(21,775)
Net (surplus)/deficit	(15,207)	(139)	1,773	(13,573)

CONSOLIDATED ENTITY	**SASS 30-Jun-16 $'000**	**SANCS 30-Jun-16 $'000**	**SSS 30-Jun-16 $'000**	**Total 30-Jun-16 $'000**
Accrued benefits	1,521	221	8,100	9,842
Net market value of Fund assets	(14,731)	(119)	(6,750)	(21,600)
Net (surplus)/deficit	(13,210)	102	1,350	(11,758)

Contribution recommendations

Recommended contribution rates for the entity are:

2017	**SASS multiple of member contribution**	**SANCS % member salary**	**SSS multiple of member contribution**
	1.9	2.5	0.9

2016	**SASS multiple of member contribution**	**SANCS % member salary**	**SSS multiple of member contribution**
	0 - 1.9	0 - 2.5	0 - 0.9

Economic assumptions

The economic assumptions adopted for the 30 June 2017 AASB 1056 Accounting Standard "Superannuation Entities":

Weighted-Average Assumptions	2017	2016
Expected rate of return on Fund assets backing current pension liabilities	7.4%	7.8% pa
Expected rate of return on Fund assets backing other liabilities	6.4%	6.8% pa
Expected salary increase rate (excluding promotional salary increases)	2.7% to 30 June 2019 then 3.2% pa thereafter	3.0% to 30 June 2019 then 3.5% pa thereafter
Expected rate of CPI increase	2.2% pa	2.5% pa

18. Superannuation (continued)

Expected contributions - Para 147(b)

PARENT ENTITY	2017	SASS Financial Year to 30 June 2018 $'000	SANCS Financial Year to 30 June 2018 $'000	SSS Financial Year to 30 June 2018 $'000	Total Financial Year to 30 June 2018 $'000
Expected employer contributions		0	7	0	7

PARENT ENTITY	2016	SASS Financial Year to 30 June 2017 $'000	SANCS Financial Year to 30 June 2017 $'000	SSS Financial Year to 30 June 2017 $'000	Total Financial Year to 30 June 2017 $'000
Expected employer contributions		30	19	46	95

CONSOLIDATED ENTITY	2017	SASS Financial Year to 30 June 2018 $'000	SANCS Financial Year to 30 June 2018 $'000	SSS Financial Year to 30 June 2018 $'000	Total Financial Year to 30 June 2018 $'000
Expected employer contributions		0	7	0	7

CONSOLIDATED ENTITY	2016	SASS Financial Year to 30 June 2017 $'000	SANCS Financial Year to 30 June 2017 $'000	SSS Financial Year to 30 June 2017 $'000	Total Financial Year to 30 June 2017 $'000
Expected employer contributions		30	19	46	95

Maturity profile of defined benefit obligation - Para 147(c)

The weighted average duration of the defined benefit obligation is 14.3 years (2016: 15 years).

Profit and Loss Impact

PARENT ENTITY	2017	SASS Financial Year to 30 June 2017 $'000	SANCS Financial Year to 30 June 2017 $'000	SSS Financial Year to 30 June 2017 $'000	Total Financial Year to 30 June 2017 $'000
Current service cost		47	9	-	56
Net interest		12	4	203	219
Past service cost		-	-	-	-
(Gains)/Loss on settlement		-	-	-	-
Defined benefit cost		**59**	**13**	**203**	**275**

PARENT ENTITY	2016	SASS Financial Year to 30 June 2016 $'000	SANCS Financial Year to 30 June 2016 $'000	SSS Financial Year to 30 June 2016 $'000	Total Financial Year to 30 June 2016 $'000
Current service cost		43	22	7	72
Net interest		24	9	280	313
Past service cost		-	-	-	-
(Gains)/Loss on settlement		-	-	-	-
Defined benefit cost		**67**	**31**	**287**	**385**

CONSOLIDATED ENTITY	2017	SASS Financial Year to 30 June 2017 $'000	SANCS Financial Year to 30 June 2017 $'000	SSS Financial Year to 30 June 2017 $'000	Total Financial Year to 30 June 2017 $'000
Current service cost		55	11	-	66
Net interest		(15)	4	228	217
Past service cost		-	-	-	-
(Gains)/Loss on settlement		-	-	-	-
Defined benefit cost		**40**	**15**	**228**	**283**

18. Superannuation (continued)

CONSOLIDATED ENTITY (continued)	**2016**	**SASS Financial Year to 30 June 2016 $'000**	**SANCS Financial Year to 30 June 2016 $'000**	**SSS Financial Year to 30 June 2016 $'000**	**Total Financial Year to 30 June 2016 $'000**
Current service cost		903	160	30	1,093
Net interest		(66)	12	333	279
Past service cost		-	-	-	-
(Gains)/Loss on settlement		-	-	-	-
Defined benefit cost		**837**	**172**	**363**	**1,372**

Other Comprehensive Income

PARENT ENTITY	**2017**	**SASS Financial Year to 30 June 2017 $'000**	**SANCS Financial Year to 30 June 2017 $'000**	**SSS Financial Year to 30 June 2017 $'000**	**Total Financial Year to 30 June 2017 $'000**
Actuarial (gains) losses on liabilities		(347)	(153)	(2,057)	(2,557)
Actual return on Fund assets less Interest income		(21)	2	(336)	(355)
Adjustment for effect of asset ceiling		-	-	-	-
Total remeasurement in Other Comprehensive Income		(368)	(151)	(2,393)	(2,912)

PARENT ENTITY	**2016**	**SASS Financial Year to 30 June 2016 $'000**	**SANCS Financial Year to 30 June 2016 $'000**	**SSS Financial Year to 30 June 2016 $'000**	**Total Financial Year to 30 June 2016 $'000**
Actuarial (gains) losses on liabilities		57	13	277	347
Actual return on Fund assets less Interest income		(3)	5	5	7
Adjustment for effect of asset ceiling		-	-	-	-
Total remeasurement in Other Comprehensive Income		54	18	282	354

CONSOLIDATED ENTITY	**2017**	**SASS Financial Year to 30 June 2017 $'000**	**SANCS Financial Year to 30 June 2017 $'000**	**SSS Financial Year to 30 June 2017 $'000**	**Total Financial Year to 30 June 2017 $'000**
Actuarial (gains) losses on liabilities		(455)	(177)	(2,334)	(2,966)
Actual return on Fund assets less Interest income		(1,057)	(6)	(455)	(1,518)
Change in the effect of asset ceiling		1,536	33	-	1,569
Total remeasurement in Other Comprehensive Income		24	(150)	(2,789)	(2,915)

CONSOLIDATED ENTITY	**2016**	**SASS Financial Year to 30 June 2016 $'000**	**SANCS Financial Year to 30 June 2016 $'000**	**SSS Financial Year to 30 June 2016 $'000**	**Total Financial Year to 30 June 2016 $'000**
Actuarial (gains) losses on liabilities		941	607	(296)	1,252
Actual return on Fund assets less Interest income		(180)	80	14	(86)
Adjustment for effect of asset ceiling		12,416	84	-	12,500
Total remeasurement in Other Comprehensive Income		13,177	771	(282)	13,666

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

During the financial year ending 30 June 2017 the following equity transfers occurred.

- From 1 April 2017, Women NSW was transferred to FACS from the Ministry of Health.
- On 28 June 2017, the remaining net assets of Home Care Service of New South Wales 'HCS' were transferred to the Crown following the dissolution of HCS.

2017	Women NSW $'000	**Parent Net Assets transferred to FaCS** $'000	HCS Transfer to the Crown $'000	**Consolidated Net Assets transferred to FaCS $'000**
ASSETS				
Current Assets				
Cash and cash equivalents	109	**109**	(32,032)	**(31,923)**
Receivables	-	**-**	(3,964)	**(3,964)**
Total Current Assets	109	**109**	(35,996)	**(35,887)**
Non-Current Assets				
Total Non-Current Assets	-	**-**	-	**-**
Total Assets	109	**109**	(35,996)	**(35,887)**
LIABILITIES				
Current Liabilities				
Provisions	109	**109**	(912)	**(803)**
Total Current Liabilities	109	**109**	(912)	**(803)**
Non-Current Liabilities				
Total Non-Current Liabilities	-	**-**	-	**-**
Total Liabilities	109	**109**	(912)	**(803)**
Net Assets	-	**-**	(35,084)	**(35,084)**
Decrease in net assets from equity transfers				**(35,084)**

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

During the financial year ending 30 June 2016 the following equity transfers occurred.

- From 1 July 2015, the Office of Communities (OOC) (except the Office of Aboriginal Affairs) transferred from the Department of Education to FACS. Included in OOC is the Advocate for Children and Young People (ACYP)
- From 1 July 2015, Women NSW was transferred from FACS to the Ministry of Health. No assets or liabilities were transferred to or recognised by the Ministry of Health as part of the transfer
- On 19 February 2016, assets and liabilities of Home Care Services of NSW (HCS) were transferred via a vesting order to an Implementation Company, established by the State Government to facilitate the sale of HCS to Australian Unity Limited.

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies are designated or required by Accounting Standards to be treated as contributions by owners and 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.

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 Department recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the Department does not recognise that asset.

2016	FACS Transfer to Implementation Co. $'000	OOC transfer to FACS $'000	**Parent** **Net Assets transferred to FACS $'000**	HCS Transfer to Implementation Co. $'000	**Consolidated** **Net Assets transferred to FaCS $'000**
ASSETS					
Current Assets					
Cash and cash equivalents	(1,101)	2,075	**974**	(54,106)	**(53,132)**
Receivables	-	397	**397**	(3,977)	**(3,580)**
Total Current Assets	(1,101)	2,472	**1,371**	(58,083)	**(56,712)**
Non-Current Assets					
Land and buildings	-	-	**-**	(534)	**(534)**
Plant and equipment	(200)	29	**(171)**	(192)	**(363)**
Total property, plant and equipment	(200)	29	**(171)**	(726)	**(897)**
Intangible assets	-	54	**54**	-	**54**
Total Non-Current Assets	(200)	83	**(117)**	(726)	**(843)**
Total Assets	(1,301)	2,555	**1,254**	(58,809)	**(57,555)**
LIABILITIES					
Current Liabilities					
Payables	-	(304)	**(304)**	29,942	**29,638**
Provisions	426	(644)	**(218)**	35,840	**35,622**
Total Current Liabilities	426	(948)	**(522)**	65,782	**65,260**
Non-Current Liabilities					
Provisions	675	(166)	**509**	-	**509**
Total Non-Current Liabilities	675	(166)	**509**	-	**509**
Total Liabilities	1,101	(1,114)	**(13)**	65,782	**65,769**
Net Assets	(200)	1,441	**1,241**	6,973	**8,214**
Increase in net assets from equity transfers					**8,214**

	PARENT		CONSOLIDATED	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000

20. Commitments for Expenditure

(a) Capital Commitments

Aggregate capital expenditure contracted for at balance date and not provided for:

	PARENT 2017 $'000	PARENT 2016 $'000	CONSOLIDATED 2017 $'000	CONSOLIDATED 2016 $'000
Not later than one year	**44,023**	69,633	**44,023**	69,633
Later than one and not later than five years	**-**	10,771	**-**	10,771
Total (including GST)	**44,023**	80,404	**44,023**	80,404

(b) Operating Lease Commitments

Future non-cancellable operating lease rentals not provided for and payable:

	PARENT 2017 $'000	PARENT 2016 $'000	CONSOLIDATED 2017 $'000	CONSOLIDATED 2016 $'000
Not later than one year	**88,372**	90,573	**88,372**	90,573
Later than one year but not later than five years	**124,685**	156,090	**124,685**	156,090
Later than five years	**40,439**	31,960	**40,439**	31,960
Total (including GST)	**253,496**	278,623	**253,496**	278,623

Operating leases relate to office accommodation, community service centres and motor vehicles. The entity does not have an option to purchase the leased asset at the expiry of the lease period. These commitments will be met from future appropriations.

The commitments in (a) and (b) above are not recognised in the financial statements as liabilities. The total commitments above include input tax credits of $27.047 million (2016: $32.639 million) that are expected to be recovered from the Australian Taxation Office.

21. Contingent Liabilities and Contingent Assets

Contingent Liabilities

Claims have been made against FACS, which if the claimant is successful, the legal costs, disbursements and financial settlements estimated to be $1.21 million (2016 $1.42 million) will be met by FACS. Other claims have been made against FACS whereby any damages or penalties awarded are to be met by FACS, $Nil (2016 $0.05 million).

Various claims have been made against FACS, which if the claimant is successful, the settlements will be met by NSW Treasury Managed Fund.

Various other claims totalling $66.1 million (2016: $34.8 million) have also been made against FACS, which, if successful, would be met by the Crown from the solvency fund. These claims are not contingent liabilities of FACS as they are pre NSW Treasury Managed Fund claims.

Contingent Assets

No claims have been made by FACS which, if successful, would result in financial benefits to FACS.

22. Social Benefit Bonds Trial

FACS has entered into two Social Benefit Bond (SBB) Trials as part of the government's initiative to improve social outcomes. The SBB's are financial instruments that are issued to private investors, where the returns the investors receive are based on the achievement of agreed social outcomes. The capital provided by the private investors will be used to fund specific social services to the community by a selected Non-Government Organisation ("NGO").

(a) The Benevolent Society Social Benefit Trust No: 1

The Benevolent Society Social Benefit Trust No: 1 ("TBS") has been contracted by FACS to provide a Family Preservation Services over the next 5 years to families in western, south west and central Sydney. The terms between FACS and TBS are covered in the Outcome Based Agreement ("OBA") effective 30 June 2013.

FACS paid in 2013-14 a standing charge of $5.750 million, which can be recovered if the OBA is terminated early for cause. Under the OBA FACS has a requirement to refer a minimum number of families to TBS. At the end of year 5, based on agreed outcomes, FACS is expected to pay a performance fee in addition to the upfront standing charge based on an agreed performance improvement percentage as covered in the OBA. There is no intention by FACS to provide additional financial support to TBS in the future. A prepayment for the standing charge has been made calculated at $1.4 million (2016 $2.6 million) present value and is included under prepayments at Note 9.

22. Social Benefit Bonds Trial (continued)

(b) Newpin Society Social Benefit Bond

FACS has estimated the performance payment at $7.0 million to be payable at 30 June 2018. This is included as a provision under note 16 at a present value of $6.7 million (2016: $6.7 million). FACS maximum exposure to the Special Purpose Entity (SPE) is $20.75 million ($5.75 million upfront payment and $15 million performance payment) in the event a performance improvement percentage of 40% is achieved .

The Newpin Society Social Benefit Bond through the Uniting Care NSW.ACT (the Organisation) has been contracted by FACS to provide a Intensive Restorations Service through support and counselling programs to eligible families over the next 7 years. The terms between FACS and the organisation are covered in the Deed of implementation Agreement executed on 21 March 2013.

FACS has agreed to pay a standing quarterly charge, paid in arrears. The agreement provides for three groups of families. The level of outcome payments to be made is dependant on the performance of the Organisation with respect to each group. An accrual based on performance of $9.5 million (2016: $7.0 million) has been made and is included at Note 15.

23. National Disability Insurance Scheme (NDIS) and Transfer of Disability Services to the Non Government Sector

FACS operates Disability Services that are transitioning to the Non Government Organisation (NGO) sector as part of the NSW Government implementation of the NDIS during 2017-18. Full implementation of the NDIS is forecast to occur by 30 June 2018. The *National Disability Insurance Scheme (NSW Enabling) Act 2013* authorises the establishment of Implementation Companies, to facilitate the transfer of nominated disability service related employees, assets, rights and liabilities from FACS.

An Implementation Company is being utilised for each transfer, as agreed under the Implementation and Sale Agreements (ISA). Each Implementation Company will be limited by guarantee with the membership in the Implementation Companies being held by the Minister for Disability on behalf of the State. On the completion date of each ISA, the membership will be transferred to the relevant NGO nominee.

During the year ending 30 June 2017 the NSW Government announced that nine Specialist Disability Service packages will be transitioned to the NGO sector. As part of the transfer arrangements, the following nine Implementation Companies have been established;

- Benevolent Australia – Disability Services Limited
- Northcott Supported Living Limited
- HWNS Services Limited
- LiveBetter Disability Services Limited
- HV Transfer Limited
- MNC Transfer Limited
- Life Without Barriers - Central Coast, Nepean Blue Mountains, South Eastern Sydney
- Cerebral Palsy Alliance (CPA) - Northern Sydney
- Achieve Australia - Norton Rd SSL and Metro Residences

In accordance with the ISA's, a one-off payment may be made to the Implementation Companies by the State subject to specified conditions of the ISA being met by the NGO. The total amount payable of one-off payments is a maximum of $39.0 million in 2017/18. Any payment made by FACS on behalf of the State in accordance with the ISA's will be recovered from the Crown Entity. Nil transactions have occurred within the Implementation Companies as at 30 June 2017.

24. Budget Review

The following analysis is provided comparing the 2016-17 Actual to Budget as shown on the financial statements

Net Result

The consolidated actual net result was higher than budget by $41.3 million.
Total expenditure was $145.5 million lower than budget, total revenue $128.2 million lower than budget and gains and losses $23.9 million higher than budget.

Expenditure

The variation to budget is due to the following items:

- lower employee expenses of $36.7 million including $18.3 million relating to personnel services expenses due to lower LAHC and AHO employee costs and lower crown accepted LSL expense $18.4 million due to favourable year end actuarial calculation.
- lower other operating expenses of $33.3 million due primarily to higher contractor expenditure $42.3 million due to short term labour requirements and lower operating costs of $75.6 million due to timing of expenditure.
- lower depreciation expense of $8.7 million due to the timing of capitalisation of assets.
- lower grants and subsidies expense of $67.3 million due to the timing of grant payments.
- finance costs $0.4 million not budgeted
- higher gains and losses of $23.9 million due to the deferral of the sale of Rydalmere asset, budgeted loss of $22.7 million and the write-off associated with assets transferred to the NGO sector of $1.1 million.

Revenue

The variation to budget is due to the following items:

- higher sale of goods and services revenue of $29.4 million due to higher management fees and NDIS services revenue of $18.4 million.
- lower revenue recovery for personnel services of $18.3 million.
- higher investment revenue of $5.2 million due to higher cash balances during the year.
- higher grants and contributions of $1.2 million
- lower acceptance by the Crown Entity of employee benefits of $21.4 million as a result of the year end LSL valuation.
- lower other revenue of $1.8 million due to an increased TMF workers compensation hindsight adjustment, $9.6 million offset by lower other revenue of $11.4 million including fees for services.
- lower net appropriations of $122.5 million due to reduced expenditure requirements.

Assets and Liabilities

Consolidated Total Assets were above budget by $235.3 million primarily due to:

- higher closing cash position of $43.5 million due to higher opening cash versus budget of $15.8 million, higher cash inflows from operating activities $61.2 million offset by lower proceeds from sale of land and buildings $25.7 million and transfer of HCS operating cash of $5.5 million and lower purchases $2.2 million.
- higher receivables of $21.0 million due to the timing of cash receipts.
- carrying value of land and buildings of $144.5 million higher than budget due to, higher opening balance of $46.7 million, revaluation increments of $85.5 million for the year and net additions of $39.1 million less depreciation expense of $26.8 million. Assets classified as held for sale are $2.1 million higher and intangibles $36.3 million higher due to timing of capitalisation.
- Assets classified as held for sale are $2.1 million higher and intangibles $36.3 million higher due to timing of capitalisation.
- lower plant and equipment closing balance of $12.6 million due to lower net additions of $17.8 million less depreciation expense $30.4 million due to timing of capitalisation of assets.

Consolidated Total Liabilities were above budget by $246.2 million primarily due to:

- higher provisions of $180.8 million as a result of the provision for transfer payments and redundancy expenses of $160.7 million and other provisions $20.1 million.
- higher payables of $65.4 million due to operating and capital expenditure accruals including ChildStory project costs.

Cash Flows

Consolidated Net Cash inflows from operating activities was $61.2 million higher than budget due to:

- lower cash receipts of $65.4 million due to lower appropriations $122.5 million, resulting from lower expenditure requirements and higher receivables of $21.0 million. This was partially offset by Reimbursements from the Crown of $12.8 million, higher interest of $2.1 million and higher GST recoveries.
- lower cash payments of $126.6 million due to lower expenditure and higher payables $65.2 million.

Net cash outflows from Investing Activities were $1.5 million higher due to the delay of the Rydalmere asset sale to 2017-18, $25.7 million partially offset by proceeds from redemption of T Corp investment by Home Care $26.5 million. Capital and other purchases were $2.3 million higher due to timing of works.

	PARENT		CONSOLIDATED	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
25. Reconciliation of cash flows from operating actvities to net result as reported in the Statement of Comprehensive Income as follows:				
Net cash used on operating activities	**130,563**	(326,794)	**134,204**	(334,351)
Net gain / (loss) on disposal of assets	**4,262**	(10,929)	**4,262**	(10,953)
Net gain / (loss) on revaluation of land and buildings	**-**	-	**481**	1,031
Net gain/ (loss) on investments	**-**	-	**-**	285
Impairment on carrying value of land and buildings	**(1,107)**	(1,976)	**(1,107)**	(1,976)
Abandoned projects	**(15)**	(199)	**(15)**	(199)
Assets recognised for the first time	**45**	353	**45**	353
Allowance for impairment	**(3,213)**	(1,839)	**(3,213)**	(2,404)
Revenue not received (TMF Hindsight)	**-**	9,988	**-**	14,258
Bad debts written off	**(255)**	(120)	**(289)**	(120)
Depreciation and amortisation	**(78,600)**	(82,062)	**(78,736)**	(82,501)
Provision for redundancy and other costs	**6,013**	(182,427)	**6,013**	(182,427)
Funding support for Government agencies	**-**	(1,071)	**-**	(1,071)
Superannuation actuarial (gains)/losses	**(2,912)**	354	**(2,915)**	1,166
Write back of unused make good provision	**610**	1,418	**610**	1,418
Finance costs	**(425)**	(634)	**(425)**	(637)
Decrease / (increase) in creditors	**(47,890)**	290,915	**(46,972)**	265,850
Decrease / (increase) in provisions	**14,838**	4,508	**15,373**	9,937
Increase / (decrease) in prepayments and other assets	**(24,427)**	25,795	**(26,800)**	27,800
Net result	**(2,513)**	(274,720)	**516**	(294,541)

26. Trust Funds

FACS holds money in miscellaneous trust funds which are used for Wards and other persons in care and for natural disasters. These monies are excluded from the financial statements as FACS cannot use them for the achievement of its objectives. The following is a summary of the transactions in the Trust accounts.

a) Wards Trust Fund

Cash balance at the beginning of the financial year	**56**	55	**56**	55
Add: Receipts	**1**	1	**1**	1
Cash balance at the end of the financial year	**57**	56	**57**	56

b) Client Funds

FACS holds monies in bank trust accounts which are used for persons in residential care. These monies are excluded from the financial statements as FACS cannot use them for the achievement of its objectives

Cash balance at the beginning of the financial year	**(19)**	172	**(19)**	172
Add: Receipts	**3,301**	3,567	**3,301**	3,567
Less: Expenditure	**(3,138)**	(3,758)	**(3,138)**	(3,758)
Cash balance at the end of the financial year	**144**	(19)	**144**	(19)

27. Financial Instruments

The entity's principal financial instruments are outlined below. These financial instruments arise directly from the entity's operations or are required to finance the entity's operations. The entity does not enter into or trade financial instruments for speculative purposes. The entity's main risks arising from financial instruments are outlined below, together with the entity's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial statement. The Secretary 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 the entity, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the Internal Auditor.

(a) Financial Instrument Categories

2017

Financial Assets	Note	Category	PARENT Carrying Amount	CONSOLIDATED Carrying Amount
Class:			**$'000**	**$'000**
Cash and cash equivalents	8	N/A	142,235	143,887
Receivables (1)	9	Receivables (at amortised cost)	71,337	71,350

Financial Liabilities	Note	Category	PARENT Carrying Amount	CONSOLIDATED Carrying Amount
Class:			**$'000**	**$'000**
Payables (2)	15	Financial liabilities measured at amortised cost	51,401	51,401
Other liabilities	15	Financial liabilities measured at amortised cost	107,376	107,389

2016

Financial Assets	Note	Category	PARENT Carrying Amount	CONSOLIDATED Carrying Amount
Class:			**$'000**	**$'000**
Cash and cash equivalents	8	N/A	113,791	117,363
Receivables (1)	9	Receivables (at amortised cost)	79,396	86,880
Financial assets at fair value	11	At fair value through profit or loss	-	24,131

Financial Liabilities	Note	Category	PARENT Carrying Amount	CONSOLIDATED Carrying Amount
Class:			**$'000**	**$'000**
Payables (2)	15	Financial liabilities measured at amortised cost	42,510	42,513
Other liabilities	15	Financial liabilities measured at amortised cost	64,419	64,652

(1) Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)
(2) Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

27. Financial Instruments (continued)

(b) Credit Risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the entity. 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 the financial assets of the entity, including cash, receivables and authority deposits. No collateral is held by the entity. The entity has not granted any financial guarantees. Credit risk associated with the entity'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 within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury. The TCorp Hour Glass cash facility is discussed in paragraph (d) below.

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 Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity 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. Sales are made on 30 day terms.

The entity is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2017: $47.377 million; 2016: $59.437 million) and not less than 6 months past due (2017: $14.001 million; 2016: $12.876 million) are not considered impaired and together these represent 75% (2016: 77%) of the total trade debtors.

The only financial assets that are past due or impaired are 'sales of goods and services' in the 'receivables' category of the statement of financial position.

PARENT

	$'000	$'000	$'000
2017	**Total**	**Past due but not impaired**	**Considered Impaired**
< 3 months overdue	13,384	13,384	-
3 months - 6 months overdue	617	617	-
> 6 months overdue	20,377	10,892	9,485

2016	**Total**	**Past due but not impaired**	**Considered Impaired**
< 3 months overdue	11,789	11,611	178
3 months - 6 months overdue	1,423	1,265	158
> 6 months overdue	20,840	14,363	6,477

CONSOLIDATED

2017	**Total**	**Past due but not impaired**	**Considered Impaired**
< 3 months overdue	13,384	13,384	-
3 months - 6 months overdue	617	617	-
> 6 months overdue	20,377	10,892	9,485

2016	**Total**	**Past due but not impaired**	**Considered Impaired**
< 3 months overdue	11,789	11,611	178
3 months - 6 months overdue	1,423	1,265	158
> 6 months overdue	20,840	14,363	6,477

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 receivable total recognised in the statement of financial position.
Each column in the table reports gross receivables.

27. Financial Instruments (continued)

Authority Deposits

FACS has placed its Wards Trust funds on deposit with TCorp, which has been rated “AAA” by Standard and Poors. These deposits are similar to money market or bank deposits and are placed for a fixed term. The interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit.

The deposits at balance date were earning an average interest rate of (2017: 1.81%; 2016: 2.25%) while over the year the weighted average interest rate was (2017: 1.81%; 2016: 2.22%) on a weighted average balance during the year of (2017: $56,604; 2016: $55,431). None of these assets are past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that the entity will be unable to meet its payment obligations when they fall due. The entity 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.

No assets have been pledged as collateral. The entity's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. 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 out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made no 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 payments to other suppliers, the Secretary may automatically pay the supplier simple interest. The rate of interest applied at year end was 9.78%: 2016: 10.28%.

The table below summarises the maturity profile of the entity’s financial liabilities, together with the interest rate exposure.

Maturity Analysis and interest rate exposure of financial liabilities

		$'000	$'000 Interest Rate exposure	$'000 Maturity Dates	$'000
2017	**Weighted Average Effective Interest rate**	**Nominal Amount (1)**	**Non Interest Bearing**	**< 1 year**	**1-5 years**
PARENT					
Payables:					
Payables	N/A	51,401	51,401	51,401	-
Other	N/A	107,376	107,376	107,376	-
Total Financial Liabilities		**158,777**	**158,777**	**158,777**	**-**
CONSOLIDATED					
Payables:					
Payables	N/A	51,401	51,401	51,401	-
Other	N/A	107,389	107,389	107,389	-
Total Financial Liabilities		**158,790**	**158,790**	**158,790**	**-**

(1) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the entity can be required to pay. Therefore the amounts disclosed will not reconcile to the statement of financial position.

27. Financial Instruments (continued)

Maturity Analysis and interest rate exposure of financial liabilities (continued)

		$'000	$'000 Interest Rate exposure	$'000 Maturity Dates	$'000
2016	**Weighted Average Effective Interest rate**	**Nominal Amount (1)**	**Non Interest Bearing**	**< 1 year**	**1-5 years**
PARENT					
Payables:					
Payables	N/A	42,510	42,510	42,510	-
Other	N/A	64,419	64,419	64,419	-
Total Financial Liabilities		**106,929**	**106,929**	**106,929**	**-**
CONSOLIDATED					
Payables:					
Payables	N/A	42,513	42,513	42,513	-
Other	N/A	64,652	64,652	64,652	-
Total Financial Liabilities		**107,165**	**107,165**	**107,165**	**-**

(1) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the entity can be required to pay. Therefore the amounts disclosed will not reconcile to the statement of financial position.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. FACS's exposure to market risk is primarily through interest rate risk on the FACS's cash balances and other price risks associated with the movement in the unit price of the Hour Glass Investment Facilities. FACS 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 entity 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 as for 2016. The analysis assumes that all other variables remain constant.

27. Financial Instruments (continued)

(d) Market risk cont'd

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The entity's exposure to interest rate risk is set out below.

	$'000				
	Carrying Amount	**Profit**	**Equity**	**Profit**	**Equity**
2017		**-1%**		**+1%**	
PARENT					
Financial Assets					
Cash at bank	141,842	(1,418)	(1,418)	1,418	1,418
CONSOLIDATED					
Financial Assets					
Cash at bank	143,494	(1,435)	(1,435)	1,435	1,435

	Carrying Amount	**Profit**	**Equity**	**Profit**	**Equity**
2016		**-1%**		**+1%**	
PARENT					
Financial Assets					
Cash at bank	113,388	(1,134)	(1,134)	1,134	1,134
CONSOLIDATED					
Financial Assets					
Cash at bank	116,960	(1,170)	(1,170)	1,170	1,170
Financial assets at fair value	24,131	(241)	(241)	241	241

27. Financial Instruments (continued)

Other Price Risk - Tcorp Hour-Glass facilities

Exposure to 'other price risk' primarily arises though the investment in the TCorp Hour-Glass Investment Facilities, which are held for strategic rather than trading purposes. The entity has no direct equity investments. The entity holds units in the following Hour-Glass investment trusts.

Facility	Investment Sectors	Investment Horizon	**Consolidated 2017 $'000**
Cash facility	Cash, money market instruments	Up to 1.5 years	-
Strategic cash facility	Cash, money market instruments	1.5 years to 3 years	-
Medium-term growth facility	Cash, money market instruments, Australian bonds, listed property, Australian and international shares	3 to 7 years	-
Long-term growth facility	Cash, money market instruments, Australian bonds, listed property, Australian and international shares	7 years and over	-

Facility	Investment Sectors	Investment Horizon	**Consolidated 2016 $'000**
Cash facility	Cash, money market instruments	Up to 1.5 years	-
Strategic cash facility	Cash, money market instruments	1.5 years to 3 years	-
Medium-term growth facility	Cash, money market instruments, Australian bonds, listed property, Australian and international shares	3 to 7 years	9,325
Long-term growth facility	Cash, money market instruments, Australian bonds, listed property, Australian and international shares	7 years and over	14,806

The unit price of each facility is equal to the total fair value of the net assets held by the facility divided by the number of units on issue for that facility. Unit prices are calculated and published daily.

NSW TCorp as trustee for each of the above facilities and is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. TCorp has also leveraged off internal expertise to manage certain fixed income assets for the Hour-Glass facility. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the Hour-Glass facilities limits the entity's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the investment facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (i.e. 95% probability). The TCorp Hour-Glass Investment facilities are designated at fair value through profit or loss and therefore any change in the unit price impact directly on profit (rather than equity). A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from Hour-Glass statement).

27. Financial Instruments (continued)

PARENT

	Change in unit price	Impact on profit/loss 2017 $'000	2016 $'000
Hour-Glass Investment - Cash facility	+/ - 1%	-	-
Hour-Glass Investment - Strategic cash facility		-	-
Hour-Glass Investment - Medium-term growth facility	+/ - 7%	-	-
Hour-Glass Investment - Long-term growth facility	+/ - 15%	-	-

CONSOLIDATED

	Change in unit price rate	Impact on profit/loss 2017 $'000	2016 $'000
Hour-Glass Investment - Cash facility	+/ - 1%	-	-
Hour-Glass Investment - Strategic cash facility		-	-
Hour-Glass Investment - Medium-term growth facility	+/ - 6%	-	-
Hour-Glass Investment - Medium-term growth facility	+/ - 7%	-	+/- 653
Hour-Glass Investment - Long-term growth facility	+/ - 15%	-	-
Hour-Glass Investment - Long-term growth facility	+/ - 16%	-	+/- 2369

(e) Fair Value measurement

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities which are measured at fair value. The value of the Hour-Glass Investments is based on the entity's share of the value of the underlying assets of the facility, based on market value. All of the Hour Glass facilities are valued using 'redemption' pricing. The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short term nature of many of the financial instruments.

(f) Fair Value recognised in the statement of financial position

The entity uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

* Level 1 - Derived from quoted prices in active markets for identical assets/liabilities

* Level 2 - Derived from inputs other than quoted prices that are observable directly or indirectly.

* Level 3 - Derived from valuation techniques that include inputs for the asset/liability not based on observable market data (unobservable inputs).

Consolidated	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**2017 Total $'000**
Financial assets at fair value				
TCorp Hour Glass Investment Facility	-	-	-	-
	-	**-**	**-**	**-**

Consolidated	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**2016 Total $'000**
Financial assets at fair value				
TCorp Hour Glass Investment Facility	-	24,131	-	24,131
	-	**24,131**	**-**	**24,131**

The table above only includes financial assets, as no financial liabilities were measured at fair value in the statement of financial position.

There were no transfers between level 1 and 2 during the periods ended 30 June 2017 and 30 June 2016.

28. Related Parties

A related party is a person or entity that is related to the entity that is preparing financial statements. As a general government agency 100% controlled by the NSW Government, FACS is a related party of all NSW Government controlled agencies and State Owned Corporations.

Specifically the following government agencies are within the FACS cluster and are related parties of FACS:

- John Williams Memorial Charitable Trust – a controlled entity of FACS
- Home Care Service of NSW – a controlled entity of FACS
- Aboriginal Housing Office 'AHO'
- Land and Housing Corporation 'LAHC'
- Multicultural NSW 'MNSW'
- Office of the Children's Guardian ' OCG'

a) Key Management Personnel

In accordance with AASB 124 Related party disclosures, Key Management Personnel 'KMP' are those having authority and responsibility for planning, directing and controlling the activities of the entity including whether executive or otherwise.

The Ministers and the executive board comprising the Secretary, Deputy Secretaries and the Executive director of Service System Reform and Chief Executive of the Aboriginal Housing Office have been identified as the KMP of FACS.

Key management personnel compensation

Ministers are compensated by NSW Legislature and FACS is not obligated to reimburse the Legislature. Ministerial compensation has been centrally compiled by Treasury and Department of Premier and Cabinet for distribution to agencies for inclusion in their financial statements. Treasury confirmed there were no material related party transactions between FACS, Cabinet Ministers, their close family members or entities controlled or jointly controlled thereof. FACS is not aware of any non-monetary benefits provided by FACS to the Ministers.

The entity's key management personnel compensation is as follows:

	2017 **$'000**
Short-term employee benefits:	3,830
Other long-term employee benefits	39
Post-employment benefits	198
Total remuneration	4,067

The above compensation disclosures are based on actual payments made to KMP during the year.

KMP Related party information

There were no other related party transactions that occurred during the year with KMP or close family members of KMP.

b) Other related party transactions

Cluster agencies

A funding agreement exists between LAHC and FACS which is reviewed and updated annually. Under the agreement LAHC pays FACS for tenancy management fees and corporate services.

For the year ending 30 June 2017, FACS received $125.701 million as revenue and this amount is disclosed in Note 3 (b) Sale of goods and services - Management Fees Land and Housing Corporation.

Under the agreement, FACS pays LAHC a subsidy amount for head leasing costs and a grant for Social Housing Assistance Program.

For the year ending 30 June 2017, FACS incurred $96.934 million in head leasing costs and grant expenses and these amounts are disclosed in Note 2 (d) Grants and subsidies.

FACS provides personnel services to LAHC and AHO. Personnel services revenue for the year ending 30 June 2017 for LAHC and AHO were $66.296 million and $8.795 million respectively and these amounts are disclosed separately as Revenue in the Statement of comprehensive income.

FACS pays transfer payments to AHO and MNSW. For the year ending 30 June 2017 FACS has paid $46.747 million to AHO and $18.984 million to MNSW.

Other government agencies

FACS transacts with other government agencies in the normal course of activities. The transactions include transfers of cash to/from other government agencies in relation to the transfer of annual leave entitlements for employees that transfer in and out of FACS.

29. Events after the Reporting Period

As detailed in Note 23, FACS operates Disability Services that are transitioning to the Non Government Organisation (NGO) sector as part of the NSW Government implementation of the NDIS during 2017-18.

Other than the above FACS is not aware of any events since balance date that would materially affect the disclosures outlined in this report.

End of Audited Financial Statements

1.2 Home Care Service of NSW

AUDITOR-GENERAL NEW SOUTH WALES

INDEPENDENT AUDITOR'S REPORT

Home Care Service of New South Wales

To Members of the New South Wales Parliament and Members of Home Care Service of New South Wales

Opinion

I have audited the accompanying financial statements of Home Care Service of New South Wales (the Service), which comprise the statements of financial position as at 28 June 2017, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the period 1 July 2016 to 28 June 2017, notes comprising a summary of significant accounting policies and other explanatory information of the Service and the consolidated entity. The consolidated entity comprises the Company 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:

- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015 including:
  - giving a true and fair view of the Service and consolidated entity's financial position as at 28 June 2017 and their performance for the period 1 July 2016 to 28 June 2017
  - complying with Australian Accounting Standards

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 Service and the consolidated entity in accordance with the requirements of the:

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

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

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

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

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

Level 15, 1 Margaret Street, Sydney NSW 2000 I GPO Box 12, Sydney NSW 2001 I t 02 9275 7101 I f 02 9275 7179 I e mail@audit.nsw.gov.au I auditnsw.gov.au

The Secretary's Responsibility for the Financial Statements

The Secretary of the Department of Family and Community Services is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the PF&A Act and for such internal control as the he determine 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 directors must assess the ability of the Service and the consolidated entity to continue as a going concern unless they intend to liquidate or cease operations. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar7.pdf The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Service or the consolidated entity carried out their activities effectively, efficiently and economically
- 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.

Karen Taylor
Director, Financial Audit Services

18 September 2017
SYDNEY

HOME CARE SERVICE OF NSW

FINANCIAL STATEMENTS

For the Period 1 July 2016 to 28 June 2017

CERTIFICATION OF ACCOUNTS

Pursuant to Section 41C(1B) and (1C) of *the Public Finance and Audit Act 1983* (Act), we state that:

a) the accompanying financial statements of Home Care Service of NSW (HCS) being the parent entity and the consolidated entity, comprising HCS and its controlled entity, Home Care Service Staff Agency's activities for the period 1 July 2016 to 28 June 2017 have been prepared in accordance with the requirements of applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of *the Public Finance and Audit Act 1983*, and Public Finance and Audit Regulation 2015 and Directions issued by the Treasurer under section 9(2)(n) of the Act.

b) the financial statements and notes exhibit a true and fair view of the financial position and transactions of HCS and its controlled entity.

c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Michael Coutts-Trotter
Secretary
Date: 15 September 2017

Denise Dawson
Chief Financial Officer
Date: 15 September 2017

Home Care Service of New South Wales
Consolidated Statement of Comprehensive Income
for the period 1 July 2016 to 28 June 2017

	Notes	**Parent Actual 2017 $'000**	Parent Actual 2016 $'000	**Consolidated Actual 2017 $'000**	**Consolidated Budget 2017 $'000**	Consolidated Actual 2016 $'000
Expenses excluding losses						
Operating expenses						
Employee related	2(a)	**-**	-	**198**	**-**	128,130
Personnel services	2(a)	**(428)**	118,869	**-**	**-**	-
Other operating expenses	2(b)	**17**	35,667	**17**	**-**	35,667
Depreciation and amortisation	2(c)	**-**	318	**-**	**-**	318
Total expenses excluding losses		**(411)**	154,854	**215**	**-**	164,115
Revenue						
Sale of goods and services	3(a)	**-**	19,167	**-**	**-**	19,167
Investment revenue	3(b)	**2,350**	1,169	**2,350**	**-**	1,169
Grants and contributions	3(c)	**-**	117,930	**-**	**-**	117,930
Other revenue	3(d)	**-**	517	**656**	**-**	6,189
Total revenue		**2,350**	138,783	**3,006**	**-**	144,455
Gain / (loss) on disposal	4	**-**	(24)	**-**	**-**	(24)
Other gains / (losses)	5	**-**	(615)	**(34)**	**-**	(1,029)
Net result		**2,761**	(16,710)	**2,757**	**-**	(20,713)
Other comprehensive income						
Superannuation actuarial gain / (loss)	13	**-**	-	**4**	**-**	(812)
Other superannuation fund value changes		**-**	-	**-**	**-**	(12,500)
Total other comprehensive income		**-**	-	**4**	**-**	(13,312)
TOTAL COMPREHENSIVE INCOME		**2,761**	(16,710)	**2,761**	**-**	(34,025)

The accompanying notes form part of these financial statements

Home Care Service of New South Wales

Consolidated Statement of Financial Position

as at 28 June 2017

	Notes	**Parent Actual 2017 $'000**	Parent Actual 2016 $'000	**Consolidated Actual 2017 $'000**	**Consolidated Budget 2017 $'000**	Consolidated Actual 2016 $'000
ASSETS						
Current assets						
Cash and cash equivalents	7	-	1,843	-	-	1,843
Receivables	8	-	7,690	-	-	9,089
Total current assets		-	9,533	-	-	10,932
Non-current assets						
Financial assets at fair value	9	-	24,131	-	-	24,131
Total non-current assets		-	24,131	-	-	24,131
Total assets		-	33,664	-	-	35,063
LIABILITIES						
Current liabilities						
Payables	11	-	915	-	-	919
Provisions	12	-	426	-	-	1,821
Other		-	-	-	-	-
Total current liabilities		-	1,341	-	-	2,740
Total liabilities		-	1,341	-	-	2,740
Net assets		-	32,323	-	-	32,323
Equity						
Accumulated funds		-	32,323	-	-	32,323
Total equity		-	32,323	-	-	32,323

The accompanying notes form part of these financial statements

Home Care Service of New South Wales
Consolidated Statement of Changes in Equity
for the period 1 July 2016 to 28 June 2017

		Parent			Consolidated		
	Note	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total $'000	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total $'000
Balance at 1 July 2016		**32,323**	**-**	**32,323**	**32,323**	**-**	**32,323**
Net result for the year		**2,761**	**-**	**2,761**	**2,757**	**-**	**2,757**
Other comprehensive income:							
Superannuation actuarial gains / (losses)		**-**	**-**	**-**	**4**	**-**	**4**
Other superannuation fund value changes		**-**	**-**	**-**	**-**	**-**	**-**
Total other comprehensive income		**-**	**-**	**-**	**4**	**-**	**4**
Total comprehensive income for the year		**2,761**	**-**	**2,761**	**2,761**	**-**	**2,761**
Transactions with owners in their capacity as owners							
Increase/(decrease) in net assets from equity transfers	19	**(35,084)**	**-**	**(35,084)**	**(35,084)**	**-**	**(35,084)**
Balance at 28 June 2017		**-**	**-**	**-**	**-**	**-**	**-**
Balance at 1 July 2015		45,383	372	45,755	45,383	372	45,755
Net result for the year		(16,710)	-	(16,710)	(20,713)	-	(20,713)
Other comprehensive income:							
Net increase / (decrease) in property, plant and equipment		372	(372)	-	372	(372)	-
Superannuation actuarial gains / (losses)		-	-	-	(812)	-	(812)
Other superannuation fund value changes		-	-	-	(12,500)	-	(12,500)
Total other comprehensive income		372	(372)	-	(12,940)	(372)	(13,312)
Total comprehensive income for the year		(16,338)	(372)	(16,710)	(33,653)	(372)	(34,025)
Transactions with owners in their capacity as owners							
Transfer from the Crown superannuation reserve account		-	-	-	13,620	-	13,620
Increase/(decrease) in net assets from equity transfers	19	3,278	-	3,278	6,973	-	6,973
Balance at 30 June 2016		32,323	-	32,323	32,323	-	32,323

The accompanying notes form part of these financial statements.

Home Care Service of New South Wales
Consolidated Statement of Cash Flows
for the period 1 July 2016 to 28 June 2017

	Notes	**Parent Actual 2017 $'000**	Parent Actual 2016 $'000	**Consolidated Actual 2017 $'000**	**Consolidated Budget 2017 $'000**	Consolidated Actual 2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Personnel services		**(729)**	(131,512)	-	-	-
Employee related		-	-	**(729)**	-	(131,512)
Other		**(17)**	(17,335)	**(17)**	-	(17,335)
Total payments		**(746)**	(148,847)	**(746)**	-	(148,847)
Receipts						
Sale of goods and services		-	19,510	-	-	19,510
Interest received		-	884	-	-	884
Grants and contributions		-	117,930	-	-	117,930
Other		**4,454**	1,920	**4,454**	-	1,920
Total receipts		**4,454**	140,244	**4,454**	-	140,244
NET CASH FLOWS FROM OPERATING ACTIVITIES	17	**3,708**	(8,603)	**3,708**	-	(8,603)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of land and buildings, plant and equipment		-	6	-	-	6
Proceeds from sale of investments		**26,481**	-	**26,481**	-	-
Purchases of land and buildings, plant and equipment		-	-	-	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		**26,481**	6	**26,481**	-	6
NET INCREASE / (DECREASE) IN CASH		**30,189**	(8,597)	**30,189**	-	(8,597)
Opening cash and cash equivalents		**1,843**	64,546	**1,843**	-	64,546
Cash transferred in (out) as a result of administrative restructuring	19	**(32,032)**	(54,106)	**(32,032)**	-	(54,106)
CLOSING CASH AND CASH EQUIVALENTS	7	-	1,843	-	-	1,843

The accompanying notes form part of these financial statements.

1. Summary of Significant Accounting Policies

(a) Reporting entity

Home Care Service of New South Wales (HCS) is a NSW statutory authority and a controlled entity of the Department of Family and Community Services (FACS). HCS is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

HCS as a reporting entity, comprises the entity under its control, namely: Home Care Service Staff Agency (HCS Staff Agency). HCS Staff Agency is a controlled entity established pursuant to Part 2 of Schedule 1 to the *Government Sector Employment Act 2013 (GSE Act)*. The Staff Agency's objective is to provide personnel services to HCS.

In the process of preparing the consolidated financial statements for the economic entity consisting of the controlling and controlled entity, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

These financial statements for the period 1 July 2016 to 28 June 2017 have been authorised for issue by the Secretary, Department of Family and Community Services on 15 September 2017.

(b) Administrative restructures

The Statute Law (Miscellaneous Provisions) Bill 2016 that proposed the repeal of the Home Care Service Act 1988 was proclaimed and approved on 28 June 2017. As a result, the Home Care Service of New South Wales was dissolved and the remaining assets and liabilities transferred to the Crown entity on 28 June 2017. The assets and liabilities transferred comprised cash and superannuation balances.

Per Schedule 5 of The Statute Law (Miscellaneous Provisions) Bill 2016 , the Home Care Service Staff Agency was removed from Schedule 1, Public Service Agencies of the Government Sector Employment Act 2013.

(c) Basis of preparation

HCS's consolidated financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2015 and
- the Financial Reporting Directions mandated by the Treasurer.

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

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

The financial statements have been prepared on the basis that HCS ceased operations on 28 June 2017, the dissolution date. The financial statements incorporate the results of the operations of HCS up until this date.

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

(d) Statement of compliance

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

1. Summary of Significant Accounting Policies (continued)

(e) Insurance

HCS' 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 claims experience.

(f) Accounting for the Goods and Services Tax (GST)

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

- amount of GST incurred by HCS 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 is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(g) Income recognition

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

i. Grants and contributions from other bodies

Grants and contributions from other bodies (including government grants and donations) are generally recognised as income when HCS obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash. Where there is an agreement that unexpended grants will be returned to the funder in the event that an agreed level of performance has not been met (e.g. number of service delivery hours) and it has been past practice to return such funds, HCS recognises these funds as a liability.

ii. Sale of goods

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

iii. Rendering of services

Revenue is recognised when the service is provided.

iv. Investment revenue

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

(h) Assets

i. Acquisition of assets

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

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

Fair value is the 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. deferred payment amount is effectively discounted over the period of credit.

1. Summary of Significant Accounting Policies (continued)

ii. Capitalisation thresholds

Property, plant and equipment costing $5,000 and above individually (or forming part of a network costing more than $5,000) are capitalised.

iii. Revaluation of property, plant and equipment

As a result of the transfer of assets and liabilities to an Implementation Company on 19 February 2016 to facilitate the sale to Australian Unity, no revaluation was conducted during the financial year ended 30 June 2016 or the period during 1 July 2016 to 28 June 2017.

iv. 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, impairment can only arise in the rare circumstances where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

v. 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 HCS.

All material identifiable components of assets are depreciated separately over their useful lives. Land is not a depreciable asset.

The useful life by asset category is:

	Years
Buildings	40
Motor vehicles	4 to 7
Plant, furniture and equipment – general and commercial	4 to 7
Plant, furniture and equipment – industrial	20
Leasehold improvements	Shorter of estimated useful life of improvements or term of the lease

vi. Major inspection costs

When each major inspection is performed, the labour cost of performing major inspections for faults is recognised in the carrying amount of an asset as a replacement of a part, if the recognition criteria are satisfied.

vii. Restoration costs

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

viii. 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.

ix. 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 does not transfer substantially all the risks and rewards.

HCS has not entered into any finance leases.

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

1. Summary of Significant Accounting Policies (continued)

x. Receivables

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 for the year 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.

xi. Investments

Investments are initially recognised at fair value plus, in the case of investments not at fair value through the profit or loss, transaction costs. HCS 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 - HCS investments in TCorp Hour-Glass Medium-Term and Long-Term Facilities are designated at fair value through profit or loss using the second leg of the fair value option under AASB139.9(b)(ii); i.e. these financial assets are managed and their performance is evaluated on a fair value basis by the Executive Committee on a continual basis. Information about the performance of these assets, including performance against industry benchmarks for each class of investment, is provided internally on a monthly basis to HCS' key management personnel including the Executive Committee for their endorsement of the investment strategy.

The movement in the fair value of the Hour-Glass Investment Facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

xii. Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to annual review for impairment. An allowance for impairment is established when there is objective evidence that HCS 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.

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.

xiii. Derecognition of financial assets and financial liabilities

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

- where substantially all the risks and rewards have been transferred or
- where HCS has not transferred substantially all the risks and rewards, if HCS has not retained control.

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

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

1. Summary of Significant Accounting Policies (continued)

(i) Liabilities

i. Payables

These amounts represent liabilities for goods and services provided to HCS 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.

ii. Employee benefits and other provisions

(a) Salaries and wages, annual leave, sick leave and on-costs

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

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 *Employee Benefits* (although short-cut methods are permitted). Actuarial advice obtained by NSW Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability (using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The entity has assessed the actuarial advice based on the entity's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

(b) Long service leave and superannuation

Long service leave entitlements are recognised as expenses and provisions when the obligations arise, which is usually through the rendering of service by employees.

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 NSWTC 15/09) to employees with five or more years of service, using current rates of pay. These factors were determined based on an independent actuarial review performed in 2013, to approximate present value.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. An actuarial assessment of the defined benefit is undertaken before each reporting date. The assessment uses the Projected Unit Credit Method and reflects estimated future salary increases and the benefits set out in the terms of the plan.

A liability or an asset in respect of the defined benefit superannuation plan is recognised in the Statement of Financial Position and is measured as the present value of the defined benefit obligation as at reporting date. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the market yield rate on government bonds of similar maturity to those obligations.

The amount recognised in the net result for superannuation is the total of current service cost and net interests as per AASB 119. Actuarial gains and losses are charged directly to Equity in the year they occur.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as expense when they are due. Prepaid contributions are recognised as an asset, to the extent that a cash refund or reduction in future payments is available.

1. Summary of Significant Accounting Policies (continued)

(c) 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.

iii. Other provisions

Other provisions exist when: HCS 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.

Provisions include make good costs on HCS' leased office premises. In the majority of cases the provision is calculated by using the make good rate per square metre implicit in each lease agreement, which is then discounted to present value using the government bond rate. The provisions are established by individual lease, and amortised over the term of the lease. The unamortised value of the obligation is recorded as an asset.

(j) Equity and reserves

i. Accumulated funds

The category 'Accumulated Funds' includes all current and prior period retained funds.

(k) Equity Transfers

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector entities are designated or required by Australian Accounting Standards to be treated as contributions by owners and 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 and for-profit government entities are recognised at the amount at which the assets and liabilities were 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 entity 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.

(l) Comparative information

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

(m) Changes in accounting policy, including new or revised Accounting Standards

i. Effective for the first time in 2016-17

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

- AASB124 Related Parties Disclosure

1. Summary of Significant Accounting Policies (continued)

(m) Changes in accounting policy, including new or revised Accounting Standards (cont'd)

ii. Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise.

A number of new Australian Accounting Standards have not been applied and are not yet effective as mandated by NSW Treasury Circular TC 17/04. HCS ceased operations on 28 June 2017 and will not be required to prepare financial statements in the future. HCS will therefore not be impacted by the issue of any new Australian Accounting Standards.

(n) Payroll Tax

HCS is exempt from paying payroll tax as legislated by *State Revenue Legislation (Miscellaneous Amendments) Act 1988 No104*, effective from 1 July 1998.

2. Expenses excluding losses

(a) Employee related expenses

	Parent 2017 $'000	Parent 2016 $'000	**Consolidated 2017 $'000**	Consolidated 2016 $'000
Salaries and wages (including annual leave)	**-**	-	**159**	108,504
Superannuation - defined benefit plans	**-**	-	**9**	986
Superannuation - defined contribution plans	**-**	-	**74**	9,061
Long service leave	**-**	-	**(44)**	703
Workers' compensation insurance	**-**	-	**-**	8,836
Fringe benefit tax	**-**	-	**-**	40
Personnel services	**(428)**	118,869	**-**	-
	(428)	118,869	**198**	128,130

Personnel services for the HCS are provided by the HCS Staff Agency, a special purpose entity to enable the HCS to exercise its functions.

(b) Other operating expenses include the following:

Auditor's remuneration				
- audit of financial statements	**17**	174	**17**	174
Shared services	**-**	9,836	**-**	9,836
Contract services	**-**	9,602	**-**	9,602
Administration expenses	**-**	2,758	**-**	2,758
Other service delivery	**-**	635	**-**	635
Insurance premiums	**-**	292	**-**	292
Travel	**-**	7,627	**-**	7,627
Operating lease rental expenses				
- minimum lease payments	**-**	2,560	**-**	2,560
Training	**-**	2,183	**-**	2,183
	17	35,667	**17**	35,667
**Reconciliation - Total Maintenance*				
Maintenance expense - contractor labour and other (non-employee related), as above	**-**	96	**-**	96
Employee related maintenance expense included in Note 2(a)	**-**	-	**-**	-
Total maintenance expenses included in Note 2(a) and 2(b)	**-**	96	**-**	96

2. Expenses excluding losses (continued)

(c) Depreciation and amortisation expense

	Parent 2017 $'000	Parent 2016 $'000	**Consolidated 2017 $'000**	Consolidated 2016 $'000
Depreciation				
Building	-	13	-	13
Plant and equipment	-	15	-	15
Motor vehicles	-	70	-	70
Amortisation				
Leasehold improvements	-	220	-	220
	-	318	-	318

3. Revenue

(a) Sale of goods and services

Home and Community Care (HACC) fees	-	10,593	-	10,593
Veterans' Home Care fees	-	4,004	-	4,004
Community Options program fees	-	8	-	8
Corporate client fees	-	2,676	-	2,676
Others	-	1,886	-	1,886
	-	19,167	-	19,167

HCS charges service fees to HACC customers for services based on the customers' ability to pay. Service to HACC customers does not depend on the payment of fees and service is not refused due to an inability to pay. The amount contributed by the HACC customer is determined by the HCS coordinator and assessor at the time of the customer assessment in accordance with HCS' guidelines. HCS also provides services to commercial, Commonwealth and State agencies where fees are charged to reflect cost recovery.

(b) Investment revenue

Interest revenue	-	884	-	884
TCorp Hour Glass Investment facilities designated as fair value through profit and loss	**2,350**	285	**2,350**	285
	2,350	1,169	**2,350**	1,169

HCS' banker pays interest on the aggregate net credit daily balance of the operating bank account. The interest rate is varied by the bank in line with money market rate movements and is credited to the account on a monthly basis.

Investment income was also earned on deposits at call with the NSW Treasury Corporation (TCorp), where unit value is determined on a daily basis.

3. Revenue (continued)

(c) Grants and contributions

	Parent 2017 $'000	Parent 2016 $'000	Consolidated 2017 $'000	Consolidated 2016 $'000
Commonwealth Grants				
Home and Community Care program	-	66,976	-	66,976
Other Commonwealth Grants	-	2,114	-	2,114
State Grants				
Community Care Support Grants	-	41,837	-	41,837
Attendant Care program	-	3,893	-	3,893
Other government grants	-	3,110	-	3,110
	-	117,930	-	117,930

(d) Other revenue

Sundry income	-	517	**656**	6,189
	-	517	**656**	6,189

4. Gain / (loss) on disposal

Gain/(loss) on disposal of plant and equipment				
Proceeds from disposal	-	6	-	6
Less: Written down value of assets	-	(30)	-	(30)
Net gain/(loss) on disposal	-	(24)	-	(24)

5. Other gains / (losses)

Gain/(loss) on impairment of receivables	-	(615)	**(34)**	(1,029)
Other gains / (losses)	-	(615)	**(34)**	(1,029)

6. Service groups of the entity

HCS has only one service group, therefore the financial statements reflect the related expenses, income, assets and liabilities. HCS did not have any administered income, expenses, assets or liabilities.

7. Current assets – cash and cash equivalents

	Parent 2017 $'000	Parent 2016 $'000	Consolidated 2017 $'000	Consolidated 2016 $'000
Cash at bank and on hand	-	1,843	-	1,843
	-	1,843	-	1,843

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand and short term deposits.

Cash 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:

Cash and cash equivalents (per statement of financial position)	-	1,843	-	1,843
Closing cash and cash equivalents (per statement of cash flows)	-	1,843	-	1,843

Refer to Note 18 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

8. Current assets – receivables

	Parent 2017 $'000	Parent 2016 $'000	Consolidated 2017 $'000	Consolidated 2016 $'000
Sale of goods and services	-	-	-	12
Superannuation receivable	-	-	-	1,342
Less: allowance for impairment	-	-	-	-
Sundry debtors	-	7,690	-	7,735
	-	7,690	-	9,089

Movement in allowance for impairment				
Balance at 1 July	-	872	-	1,009
Amounts written off during the year	-	(119)	-	(256)
Transfer on reorganisation	-	(1,318)	-	(1,318)
Increase/(decrease) in allowance recognised in profit or loss	-	565	-	565
Balance at 28 June	-	-	-	-

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 18.

9. Non-current assets – financial assets at fair value

	Parent 2017 $'000	Parent 2016 $'000	**Consolidated 2017 $'000**	Consolidated 2016 $'000
TCorp Hour-Glass Investment facilities				
Medium-Term Growth Facility Trust	-	9,325	-	9,325
Long-Term Growth Facility Trust	-	14,806	-	14,806
	-	24,131	-	24,131

Refer to Note 18 for further information regarding credit risk, liquidity risk and market risk rising from financial instruments.

10. Non-current assets – property, plant and equipment

Consolidated and parent	**Land and buildings $'000**	**Leasehold Improvements $'000**	**Computer Equipment $'000**	**Furniture and Equipment $'000**	**Motor Vehicles $'000**	**Total $'000**
At 1 July 2016 - fair value						
Gross carrying amount	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Net carrying amount	-	-	-	-	-	-
At 28 June 2017 - fair value						
Gross carrying amount	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Net carrying amount	-	-	-	-	-	-

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

Consolidated and parent **Year ended 28 June 2017**	**Land and buildings $'000**	**Leasehold improvements $'000**	**Computer Equipment $'000**	**Furniture and Equipment $'000**	**Motor Vehicles $'000**	**Total $'000**
Net carrying amount at start of year	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfer between classes	-	-	-	-	-	-
Increase/(decrease) in net assets from administrative restructuring	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-
Net revaluation decrements	-	-	-	-	-	-
Net carrying amount at end of year	-	-	-	-	-	-

Assets under construction (AUC) values are included in the asset balances recorded in the above table. In 2017, the AUC included in land and building of Nil (2016: Nil); leasehold improvements of Nil (2016: Nil).

10. Non-current assets – property, plant and equipment (continued)

Consolidated and parent	Land and buildings $'000	Leasehold Improvements $'000	Computer Equipment $'000	Furniture and Equipment $'000	Motor Vehicles $'000	Total $'000
At 1 July 2015 - fair value						
Gross carrying amount	635	6,156	248	714	1,561	9,314
Accumulated depreciation	-	(5,972)	(248)	(694)	(1,326)	(8,240)
Net carrying amount	635	184	-	20	235	1,074
At 30 June 2016 - fair value						
Gross carrying amount	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Net carrying amount	-	-	-	-	-	-

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the previous reporting period is set out below:

Consolidated and parent Year ended 30 June 2016	Land and buildings $'000	Leasehold improvements $'000	Computer Equipment $'000	Furniture and Equipment $'000	Motor Vehicles $'000	Total $'000
Net carrying amount at start of year	635	184	-	20	235	1,074
Additions	-	-	-	-	-	-
Disposals	-	(30)	-	-	-	(30)
Transfer between classes	(88)	88	-	-	-	-
Increase/(decrease) in net assets from administrative restructuring	(534)	(22)	-	(5)	(165)	(726)
Depreciation expense	(13)	(220)	-	(15)	(70)	(318)
Net revaluation decrements	-	-	-	-	-	-
Net carrying amount at end of year	-	-	-	-	-	-

Assets under construction (AUC) values are included in the asset balances recorded in the above table. In 2016, the AUC included in land and building of Nil (2015: Nil); leasehold improvements of Nil (2015: $Nil).

11. Current liabilities - payables

	Parent 2017 $'000	Parent 2016 $'000	**Consolidated 2017 $'000**	Consolidated 2016 $'000
Accrued salaries, wages and on-costs	-	-	-	4
Creditors	-	820	-	820
Other creditors	-	95	-	95
	-	915	-	919

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 18.

12. Current liabilities - provisions

	Parent 2017 $'000	Parent 2016 $'000	**Consolidated 2017 $'000**	Consolidated 2016 $'000
Current				
Employee benefits and related on-costs				
Annual leave	-	-	-	290
Long service leave	-	-	-	243
Personnel services liability	-	426	-	5
Superannuation	-	-	-	1,283
	-	426	-	1,821
Total current	-	426	-	1,821
Aggregate employee benefits and related on-costs				
Provisions - current	-	426	-	1,821
Accrued salaries, wages and on-costs (note 12)	-	-	-	4
	-	426	-	1,825
Movements in provisions (other than employee benefits)				
Carrying amount at the beginning of financial year	-	1,173	-	1,173
Amounts transferred out as part of administrative restructure	-	(1,218)	-	(1,218)
Unused amounts reversed	-	42	-	42
Change in discount rate	-	3	-	3
Carrying amount at the end of financial year	-	-	-	-

Details regarding the make good provision are disclosed in Note 1 (i)iii

Employee entitlements for current annual and long service leave include short-term (expected to be settled no more than 12 months after the reporting date) and long-term liability (expected to be settled after more than 12 months) as follows:

	Parent 2017 $'000	Parent 2016 $'000	**Consolidated 2017 $'000**	Consolidated 2016 $'000
Short-term				
Annual leave	-	-	-	290
Long service leave	-	-	-	243
	-	-	-	533
Long-term				
Annual leave	-	-	-	-
Long service leave	-	-	-	-
	-	-	-	-

Annual and Long Service Leave

Up until the dissolution date, employee entitlements for annual leave and long service leave amounting to nil (30 June 2016: $0.5m) were funded by investments of $24.1m (30 June 2016: $24.1m) in the TCorp Hour-Glass Investment Facility (Note 9) with the balance reflected in working capital.

Home Care Service of New South Wales

Notes to and forming part of the financial statements

for the period 1 July 2016 to 28 June 2017

13. Superannuation

Nature of the benefits provided by the fund

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

All the Schemes are closed to new members.

Description of the regulatory framework

The schemes in the Pooled Fund are established and governed by the following NSW legislation: Superannuation Act 1916, State Authorities Superannuation Act 1987, Police Regulation (Superannuation) Act 1906, State Authorities Non-Contributory Superannuation Scheme Act 1987, and their associated regulations.

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the Commonwealth Superannuation Industry (Supervision) Act 1993 (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2015. The next actuarial investigation is due as at 30 June 2018.

Description of other entities' responsibilities for the governance of the fund

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:

* Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;

* Management and investment of the fund assets; and

* Compliance with other applicable regulations.

13. Superannuation (continued)

Description of risks

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

* **Investment risk** - The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.

* **Longevity risk** – The risk that pensioners live longer than assumed, increasing future pensions.

* **Pension indexation risk** – The risk that pensions will increase at a rate greater than assumed, increasing future pensions.

* **Salary growth risk** - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.

* **Legislative risk** - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

Description of significant events

There were no fund amendments, curtailments or settlements during the year.

Reconciliation of the Net Defined Benefit Liability/(Asset)

	SASS 2017 $'000	SASS 2016 $'000	**SANCS 2017 $'000**	SANCS 2016 $'000	**SSS 2017 $'000**	SSS 2016 $'000	**Total 2017 $'000**	Total 2016 $'000
Net Defined Benefit Liability/(Asset) at start of year	**(1,332)**	4,804	**(10)**	268	**1,283**	1,699	**(59)**	6,771
Current service cost	**8**	861	**2**	137	**-**	23	**10**	1,021
Net Interest on the net defined benefit liability/(asset)	**(27)**	(90)	**-**	3	**25**	53	**(2)**	(34)
Actual return on Fund assets less Interest income	**(1,036)**	(177)	**(8)**	75	**(119)**	9	**(1,163)**	(93)
Actuarial (gains)/losses arising from changes in demographic assumptions	**-**	-	**-**	-	**-**	85	**-**	85
Actuarial (gains)/losses arising from changes in financial assumptions	**(5)**	8	**(1)**	1	**(250)**	346	**(256)**	355
Actuarial (gains)/losses arising from liability experience	**(103)**	875	**(23)**	592	**(27)**	(1,003)	**(153)**	464
Adjustment for effect of asset ceiling	**1,536**	12,416	**33**	85	**-**	-	**1,569**	12,501
Employer contributions	**(6)**	(3,508)	**(1)**	(377)	**-**	71	**(7)**	(3,814)
Employer contributions made by the Crown*	**-**	(13,620)	**-**	-	**-**	-	**-**	(13,620)
Effect of transfer out due to business combinations and disposals	**-**	(2,901)	**-**	(794)	**-**	-	**-**	(3,695)
Net Defined Benefit Liability/(Asset) at end of year*	**(965)**	(1,332)	**(8)**	(10)	**912**	1,283	**(61)**	(59)

* The transfer from the Crown superannuation reserve account to the reserve account of Home Care Service Staff Agency (HCSSA) was based on State Super's advice to Treasury that a 'top-up' of this amount would be required to avoid Home Care's Reserve Account going into negative when State Super Scheme contributors are transferred from HCSSA to Australian Unity Home Care Service Pty Ltd (AUS).

**The Superannuation assets and liabilities were transferred to the Crown at dissolution date (28 June 2017).

Home Care Service of New South Wales

Notes to and forming part of the financial statements

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13. Superannuation (continued)

The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%.

Reconciliation of the Fair Value of Fund Assets

	SASS	SASS	**SANCS**	SANCS	**SSS**	SSS	**Total**	Total
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Fair value of Fund assets at beginning of the year	**14,261**	32,810	**155**	4,788	**1,653**	2,322	**16,069**	39,920
Interest income	**281**	765	**3**	91	**32**	68	**316**	924
Actual return on Fund assets less Interest income	**1,036**	177	**8**	(75)	**119**	(9)	**1,163**	93
Employer contributions	**6**	3,508	**1**	377	**-**	(71)	**7**	3,814
Employer contributions made by the Crown	**-**	13,620	**-**	-	**-**	-	**-**	13,620
Contributions by participants	**4**	506	**-**	-	**-**	9	**4**	515
Benefits paid	**(96)**	(4,061)	**-**	(739)	**(100)**	(672)	**(196)**	(5,472)
Taxes, premiums & expenses paid	**(11)**	(609)	**(4)**	(49)	**18**	6	**3**	(652)
Transfers out due to business combinations and disposals	**-**	(32,455)	**-**	(4,238)	**-**	-	**-**	(36,693)
Contributions to accumulation section	**-**	-	**-**	-	**-**	-	**-**	-
Settlements	**-**	-	**-**	-	**-**	-	**-**	-
Exchange rate changes	**-**	-	**-**	-	**-**	-	**-**	-
Fair value of Fund assets at end of the year	**15,481**	14,261	**163**	155	**1,722**	1,653	**17,366**	16,069

Home Care Service of New South Wales

Notes to and forming part of the financial statements

for the period 1 July 2016 to 28 June 2017

13. Superannuation (continued)

Reconciliation of the Defined Benefit Obligation

	SASS 2017 $'000	SASS 2016 $'000	**SANCS 2017 $'000**	SANCS 2016 $'000	**SSS 2017 $'000**	SSS 2016 $'000	**Total 2017 $'000**	Total 2016 $'000
Present value of defined benefit obligations at beginning of the year	**512**	37,613	**61**	5,057	**2,936**	4,021	**3,509**	46,691
Current service cost	**8**	861	**2**	137	**-**	23	**10**	1,021
Interest cost	**8**	675	**1**	94	**57**	121	**66**	890
Contributions by participants	**4**	506	**-**	-	**-**	9	**4**	515
Actuarial (gains)/losses arising from changes in demographic assumptions	**-**	-	**-**	-	**-**	85	**-**	85
Actuarial (gains)/losses arising from changes in financial assumptions	**(5)**	8	**(1)**	1	**(250)**	346	**(256)**	355
Actuarial (gains)/losses arising from liability experience	**(103)**	875	**(23)**	592	**(27)**	(1,003)	**(153)**	464
Benefits paid	**(96)**	(4,061)	**-**	(739)	**(100)**	(672)	**(196)**	(5,472)
Taxes, premiums & expenses paid	**(11)**	(609)	**(4)**	(49)	**18**	6	**3**	(652)
Transfers in	**-**	(35,356)	**-**	(5,032)	**-**	-	**-**	(40,388)
Contributions to accumulation section	**-**	-	**-**	-	**-**	-	**-**	-
Past service cost	**-**	-	**-**	-	**-**	-	**-**	-
Settlements	**-**	-	**-**	-	**-**	-	**-**	-
Exchange rate changes	**-**	-	**-**	-	**-**	-	**-**	-
Present value of defined benefit obligations at end of the year	**317**	512	**36**	61	**2,634**	2,936	**2,987**	3,509

Reconciliation of the effect of the Asset Ceiling

	SASS 2017 $'000	SASS 2016 $'000	**SANCS 2017 $'000**	SANCS 2016 $'000	**SSS 2017 $'000**	SSS 2016 $'000	**Total 2017 $'000**	Total 2016 $'000
Adjustment for effect of asset ceiling at beginning of the year	**12,416**	-	**84**	-	**-**	-	**12,500**	-
Interest on the effect of asset ceiling	**247**	-	**2**	-	**-**	-	**249**	-
Change in the effect of asset ceiling	**1,536**	12,416	**33**	84	**-**	-	**1,569**	12,500
Adjustment for effect of asset ceiling at end of the year	**14,199**	12,416	**119**	84	**-**	-	**14,318**	12,500

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13. Superannuation (continued)

Fair value of Fund assets

All Pooled Fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers and assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund.

	2017 Total ($'000)	**2017** Quoted prices in active markets for identical assets Level 1 ($'000)	**2017** Significant observable inputs Level 2 ($'000)	**2017** Unobservable inputs Level 3 ($'000)	2016 Total ($'000)	2016 Quoted prices in active markets for identical assets Level 1 ($'000)	2016 Significant observable inputs Level 2 ($'000)	2016 Unobservable inputs Level 3 ($'000)
Cash	**3,087**	**3,077**	**10**	**-**	-	-	-	-
Short Term Securities	**-**	**-**	**-**	**-**	2,050	2,044	6	-
Australian Fixed Interest	**2,501**	**1**	**2,500**	**-**	2,721	3	2,718	-
International Fixed Interest	**481**	**-**	**481**	**-**	835	(1)	836	-
Australian Equities	**9,446**	**8,947**	**499**	**-**	9,721	9,172	549	-
International Equities	**12,053**	**9,033**	**1,869**	**1,151**	12,094	9,026	2,079	989
Property	**3,453**	**926**	**533**	**1,994**	3,650	1,113	619	1,918
Alternatives	**9,066**	**391**	**5,068**	**3,607**	7,116	470	3,122	3,524
Total	**40,087**	**22,375**	**10,960**	**6,752**	38,187	21,827	9,929	6,431

The percentage invested in each asset class at the balance date:

	June 2017	June 2016
Cash	**7.7%**	-
Short Term Securities	**-**	5.4%
Australian Fixed Interest	**6.2%**	7.1%
International Fixed Interest	**1.2%**	2.2%
Australian Equities	**23.6%**	25.5%
International Equities	**30.1%**	31.7%
Property	**8.6%**	9.6%
Alternatives	**22.6%**	18.6%
Total	**100.0%**	100.0%

13. Superannuation (continued)

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this levels are listed shares; listed unit trusts.
Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts containing where quoted prices are available in active markets for identical assets or liabilities.
Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cashflow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

Fair value of entity's own financial instruments

The disclosures below relate to total assets of the Pooled Fund.

The fair value of the Pooled Fund assets include as at 30 June 2017 of $354.0 million in NSW government bonds.
Of the direct properties owned by the Pooled Fund:
- SAS Trustee Corporation occupies part of property 100% owned by the Pooled Fund with a fair value of $250 million (30 June 2016: $222 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of $261 million (30 June 2016: $243 million).

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13. Superannuation (continued)

Significant Actuarial Assumptions at the Reporting Date

	June 2017	June 2016
Discount rate	2.62% pa	1.99% pa
Salary increase rate (excluding promotional increases)	2.50% 2017/2018 and 2018/2019; 3.50% 2019/2020 and 2020/2021; 3.00% pa 2021/2022 to 2025/2026; 3.50% pa thereafter	2.50% 2016/2017 to 2018/2019; 3.50% 2019/2020 and 2020/2021; 3.00% pa 2021/2022 to 2025/2026; 3.50% pa thereafter
Rate of CPI increase	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter	1.50% 2015/2016; 1.75% 2016/2017; 2.25% 2017/2018; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2015 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.	The pensioner mortality assumptions are as per the 2015 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age

Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2017 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2017.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

13. Superannuation (continued)

	2017	**2017**	**2017**	2016	2016	2016
	Base Case	**Scenario A -1.0% discount rate**	**Scenario B +1.0% discount rate**	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	2.62%	1.62%	3.62%	1.99%	0.99%	2.99%
Rate of CPI increase	as above	as above	as above	as above	as above	as above
Salary inflation rate	as above	as above	as above	as above	as above	as above
Defined benefit obligation ($'000)	**2,989**	**3,402**	**2,651**	3,511	4,008	3,110

	Base Case	**Scenario C +0.5% rate of CPI increase**	**Scenario D -0.5% rate of CPI increase**	Base Case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above	as above	as above	as above
Defined benefit obligation ($)	**2,989**	**3,183**	**2,812**	3,511	3,743	3,301

	Base Case	**Scenario E +0.5% salary increase rate**	**Scenario F -0.5% salary increase rate**	Base Case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above	as above	as above	as above
Rate of CPI increase	as above	as above	as above	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation ($)	**2,989**	**2,993**	**2,984**	3,511	3,516	3,507

	Base Case	**Scenario G Lower Mortality***	**Scenario H Higher Mortality****	Base Case	Scenario G +5% pensioner mortality rates	Scenario H -5% pensioner mortality rates
Defined benefit obligation ($)	**2,989**	**3,036**	**2,962**	3,511	3,481	3,567

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13. Superannuation (continued)

*Assumes the short term pensioner mortality improvement factors for years 2017-2021 also apply for years after 2021
**Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2017 to 2021

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Asset-Liability matching strategies

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cash flows to manage liquidity requirements.

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2015. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

The next triennial review is as at 30 June 2018.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

Surplus/deficit

The following is a summary of the 30 June 2017 financial position of the Fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans":

	SASS 2017 $'000	SASS 2016 $'000	**SANCS 2017 $'000**	SANCS 2016 $'000	**SSS 2017 $'000**	SSS 2016 $'000	**Total 2017 $'000**	Total 2016 $'000
Accrued benefits	**292**	481	**31**	55	**1,470**	1,471	**1,793**	2,007
Net market value of fund assets	**(15,481)**	(14,261)	**(163)**	(155)	**(1,722)**	(1,653)	**(17,366)**	(16,069)
Net (surplus)/deficit	**(15,189)**	(13,780)	**(132)**	(100)	**(252)**	(182)	**(15,573)**	(14,062)

13. Superannuation (continued)

Contribution recommendations

Recommended contribution rates for the entity are:

	SASS	SANCS	SSS
	multiple of member contributions	**% member salary**	**multiple of member contributions**
	1.9	**2.5**	**-**

Economic assumptions

The economic assumptions adopted for the 30 June 2015 actuarial investigation of the Pooled Fund are:

Weighted-average assumptions	**June 2017**	June 2016
Expected rate of return on fund assets backing current pension liabilities	7.4% pa	7.8% pa
Expected rate of return on fund assets backing other liabilities	6.4% pa	6.8% pa
Expected salary increase rate (excluding promotional salary increase)	2.7% to 30 June 2019 then 3.2% pa thereafter	SASS, SANCS, SSS 3.0% pa to 30 June 2019, then 3.5% pa thereafter
Expected rate of CPI increase	2.2% pa	2.5% pa

Expected contributions

	SASS 2017 $'000	SASS 2016 $'000	**SANCS 2017 $'000**	SANCS 2016 $'000	**SSS 2017 $'000**	SSS 2016 $'000	**Total 2017 $'000**	Total 2016 $'000
Expected employer contributions	**7,304**	1,038	**1,243**	195	**-**	-	**8,547**	1,233

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 13.4 years (2016: 13.8) years.

Home Care Service of New South Wales

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13. Superannuation (continued)

Profit and Loss Impact

	SASS 2017 $'000	SASS 2016 $'000	**SANCS 2017 $'000**	SANCS 2016 $'000	**SSS 2017 $'000**	SSS 2016 $'000	**Total 2017 $'000**	Total 2016 $'000
Current service cost	**8**	861	**2**	137	**-**	23	**10**	1,021
Net interest	**(27)**	(90)	**-**	3	**25**	53	**(2)**	(34)
Past service cost	**-**	-	**-**	-	**-**	-	**-**	-
(Gains)/Loss on settlement	**-**	-	**-**	-	**-**	-	**-**	-
Profit and Loss component of the Defined benefit cost	**(19)**	771	**2**	140	**25**	76	**8**	987

Other Comprehensive Income

	SASS 2017 $'000	SASS 2016 $'000	**SANCS 2017 $'000**	SANCS 2016 $'000	**SSS 2017 $'000**	SSS 2016 $'000	**Total 2017 $'000**	Total 2016 $'000
Actuarial (gains) losses on liabilities	**(108)**	884	**(24)**	594	**(277)**	(573)	**(409)**	905
Actual return on Fund assets less Interest income	**(1,036)**	(177)	**(8)**	75	**(119)**	9	**(1,163)**	(93)
Adjustment for effect of asset ceiling	**1,535**	12,416	**33**	84	**-**	-	**1,568**	12,500
Total remeasurement in Other Comprehensive Income	**391**	13,123	**1**	753	**(396)**	(564)	**(4)**	13,312

14. Commitments for expenditure

HCS does not have any capital expenditure or commitments expenditure as at 28 June 2017 (2016:Nil).

15. Contingent assets and contingent liabilities

HCS has no contingent liabilities and contingent assets at 28 June 2017 (2016: $Nil).

16. Budget Review

Following the transfer of the majority of HCS' assets, liabilities and employees to AU HCS on 19 February 2016, HCS has had limited operational activity. On this basis, no budget was prepared for HCS for 2016-17.

The Net result incorporates the activities of HCS from 1 July 2016 to 28 June 2017, the dissolution date.

17. Reconciliation of cash flows from operating activities to net result

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of Comprehensive Income.

	Parent 2017 $'000	Parent 2016 $'000	**Consolidated 2017 $'000**	Consolidated 2016 $'000
Net cash used on operating activities	**3,708**	(8,603)	**3,708**	(8,603)
Depreciation	**-**	(318)	**-**	(318)
Allowance for impairment	**-**	(565)	**-**	(565)
Gain/(loss) on investments	**-**	285	**-**	285
Decrease/(increase) in provisions	**426**	11,340	**1,821**	7,983
Increase/(decrease) in prepayments and other assets	**(2,288)**	6,692	**(3,691)**	1,086
Decrease/(increase) in creditors	**915**	(25,514)	**919**	(21,366)
Net gain/(loss) on sale of plant and equipment	-	(24)	-	(24)
Unwinding of discount on makegood provision	-	(3)	-	(3)
Superannuation actuarial (gains)/losses	-	-	-	812
Net result	**2,761**	(16,710)	**2,757**	(20,713)

18. Financial instruments

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

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

The 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 procedures are established to identify and analyse the risks faced by HCS, to set risk limits and controls and to monitor risks. Compliance with procedures is reviewed by the Executive on a continual basis.

(a) Financial instrument categories

Parent

Financial assets	**Note**	**Category**	**Carrying amount 2017 $'000**	Carrying amount 2016 $'000
Class:				
Cash and cash equivalents	7	N/A	-	1,843
Receivables[1]	8	Loans and receivables (at amortised cost)	-	7,690
Financial assets at fair value	9	At fair value through profit or loss	-	24,131

Financial liabilities	**Note**	**Category**	**Carrying amount 2017 $'000**	Carrying amount 2016 $'000
Class:				
Payables[2]	11	Financial liabilities measured at amortised cost	-	495

Consolidated

Financial assets	**Note**	**Category**	**Carrying amount 2017 $'000**	Carrying amount 2016 $'000
Class:				
Cash and cash equivalents	7	N/A	-	1,843
Receivables[1]	8	Loans and receivables (at amortised cost)	-	9,089
Financial assets at fair value	9	At fair value through profit or loss	-	24,131

Financial liabilities	**Note**	**Category**	**Carrying amount 2017 $'000**	Carrying amount 2016 $'000
Class:				
Payables[2]	11	Financial liabilities measured at amortised cost	-	495

Notes:

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).
2. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

18. Financial instruments (continued)

(b) Credit risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to HCS. 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 the financial assets of HCS, including cash and receivables. No collateral is held by HCS. HCS has not granted any financial guarantees. Credit risk associated with HCS' 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 within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average TCorp 11am unofficial cash rate, adjusted for a management fee to NSW Treasury. The TCorp Hour Glass cash facility is discussed in paragraph 18(d) below.

Receivables - trade debtors

All debtors are recognised as amounts receivable at balance date. Collectability of 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. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity 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 debtors. Sales are made on 30 day terms.

HCS is not materially exposed to concentrations of credit risk to a single debtor or group of debtors. Based on past experience, debtors that are not past due (2017: Nil; 2016: Nil) and less than 6 months past due (2017: Nil; 2016: Nil) are not considered impaired and together these represent 100.0% (2016: 100.0%) of the total debtors. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

18. Financial instruments (continued)

(c) Liquidity risk

Liquidity risk is the risk that HCS will be unable to meet its payment obligations when they fall due. HCS 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 continuity of funding.

No assets have been pledged as collateral. HCS' exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

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 out in NSWTC 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 payments to other suppliers, the Head of an authority (or a person appointed by the Head of an authority) may automatically pay the supplier simple interest. The interest paid during the financial year was Nil (2016: Nil).

HCS has access to the following line of credit with Westpac bank:

	2017	2016
	$'000	$'000
Corporate card	-	400

18. Financial instruments (continued)

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

Maturity analysis and interest rate exposure of financial liabilities

		$'000						
			Interest rate exposure			Maturity dates		
Parent	**Weighted average effective int. rate**	**Nominal amount[1]**	**Fixed interest rate**	**Variable interest rate**	**Non-interest bearing**	**< 1 yr**	**1-5 yrs**	**>5 yrs**
2017								
Nil								
2016								
Payables	N/A	495	-	-	495	495	-	-
Accrued Salaries, Wages and On-costs	N/A	-	-	-	-	-	-	-
		495	-	-	495	495	-	-

		$'000						
			Interest rate exposure			Maturity dates		
Consolidated	**Weighted average effective int. rate**	**Nominal amount[1]**	**Fixed interest rate**	**Variable interest rate**	**Non-interest bearing**	**< 1 yr**	**1-5 yrs**	**>5 yrs**
2017								
Nil								
2016								
Payables	N/A	495	-	-	495	495	-	-
Accrued Salaries, Wages and On-costs	N/A	-	-	-	-	-	-	-
		495	-	-	495	495	-	-

Notes
(1) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which HCS can be required to pay. The tables include both interest and principal cash flow and therefore will not reconcile to the statement of financial position.

18. Financial instruments (continued)

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. HCS' exposure to market risk is primarily through interest rate risk on HCS' cash balances and other price risks associated with the movement in the unit price of the Hour Glass Investment Facilities. HCS 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 HCS operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis for 2016. The analysis assumes that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. HCS' exposure to interest rate risk is set out below.

Parent		**-1%**		**+1%**	
	Carrying amount	**Profit**	**Equity**	**Profit**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
2017					
Nil					
2016					
Financial assets					
Cash and cash equivalents	1,843	(18)	(18)	18	18
Receivables	7,690	-	-	-	-
Financial assets at fair value	24,131	(241)	(241)	241	241
Financial liabilities					
Payables	495	-	-	-	-

18. Financial instruments (continued)

Consolidated		**-1%**		**+1%**	
	Carrying amount $'000	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
2017					
Nil					
2016					
Financial assets					
Cash and cash equivalents	1,843	(18)	(18)	18	18
Receivables	9,089	-	-	-	-
Financial assets at fair value	24,131	(241)	(241)	241	241
Financial liabilities					
Payables	495	-	-	-	-

Other price risk – TCorp Hour-Glass facilities

Exposure to 'other price risk' primarily arises through the investment in the TCorp Hour-Glass Investment Facilities, which are held for strategic rather than trading purposes. HCS has no direct equity investments. HCS holds units in the following Hour-Glass investment trusts:

Parent and Consolidated

Facility	**Investment Sectors**	**Investment Horizon**	**2017 $'000**	2016 $'000
Cash facility	Cash and money market instruments	Up to 1.5 years	-	-
Medium-term growth facility	Cash, money market instruments, Australian and international bonds, listed property and Australian shares	3 years to 7 years	-	9,325
Long-term growth facility	Cash, money market instruments, Australian and international bonds, listed property and Australian shares	7 years and over	-	14,806

The unit price of each facility is equal to the total fair value of the net assets held by the facility divided by the number of units on issue for that facility. Unit prices are calculated and published daily.

TCorp as trustee for each of the above facilities is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. TCorp has also leveraged off internal expertise to manage certain fixed income assets for the Hour-Glass facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the Hour-Glass facilities limits HCS' exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

18. Financial instruments (continued)

NSW TCorp provides sensitivity analysis information for each of the Investment facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (i.e. 95% probability). The TCorp Hour-Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity). A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 28 June each year for each facility (balance from Hour- Glass statement).

Parent and Consolidated

	Change in unit price		Impact on profit/loss	
			2017	2016
			$'000	$'000
Hour Glass Investment - Cash facility	-	**+/- 1%**	**+/- 0**	+/- 0
Hour Glass Investment - Medium-term growth facility	-	**+/- 7%**	**+/- 0**	+/- 653
Hour Glass Investment - Long-term growth facility	-	**+/- 16%**	**+/- 0**	+/- 2369

(e) Fair value measurement

i. Fair value compared to carrying amount

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities, which are measured at fair value.

The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short term nature of many of the financial instruments.

ii. Fair value recognised in the statement of financial position

	Level 1	**Level 2**	**Level 3**	**2017 Total**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets at fair value				
TCorp Hour-Glass Investment facility	-	-	-	-

	Level 1	Level 2	Level 3	2016 Total
	$'000	$'000	$'000	$'000
Financial assets at fair value				
TCorp Hour-Glass Investment facility	-	24,131	-	24,131

There were no transfers between level 1 and 2 during the period ended 28 June 2017 (2016: none).

The value of the Hour-Glass Investments is based on the entities share of the value of the underlying asset of the facility, based on the market value. All of the Hour-Glass facilities are valued using 'redemption' pricing.

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

The Statute Law (Miscellaneous Provisions) Bill 2016 that proposed the repeal of the Home Care Service Act 1988 was proclaimed and approved on 28 June 2017. As a result, the Home Care Service of New South Wales was dissolved and the remaining assets and liabilities transferred to the Crown entity on 28 June 2017. The assets and liabilities transferred comprised cash and superannuation balances.

This note discloses the assets and liabilities of HCS and HCS Staff Agency that transferred to the Crown entity on the 28 June 2017.

2017	**Transfer to the Crown Entity**	
	Parent	**Consolidated**
	$'000	**$'000**
ASSETS		
Current Assets		
Cash and cash equivalents	**(32,032)**	**(32,032)**
Receivables	**(3,964)**	**(3,964)**
Total Current Assets	**(35,996)**	**(35,996)**
Non-Current Assets		
Property, plant and equipment		
Land and buildings	-	-
Plant and equipment	-	-
Total property, plant and equipment	-	-
Total Non-Current Assets	-	-
Total Assets	**(35,996)**	**(35,996)**
LIABILITIES		
Current Liabilities		
Payables	**(912)**	**(912)**
Provisions	-	-
Total Current Liabilities	**(912)**	**(912)**
Total Liabilities	**(912)**	**(912)**
Increase in Net Assets from Equity Transfers	**(35,084)**	**(35,084)**

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

On the 19 February 2016, assets and liabilities of HCS and HCS Staff Agency were transferred via a vesting order to an Implementation Company, Australian Unity Home Care Pty Ltd (AU HCS) established to facilitate the transfer of HCS to Australian Unity. The majority of HCS Staff Agency employees and their leave entitlements were transferred to Australian Unity.

This note discloses the assets and liabilities of HCS and HCS Staff Agency that transferred to an AU HCS (Implementation Company) on 19 February 2016.

2016	**Transfer to AU HCS**	
	Parent	**Consolidated**
	$'000	**$'000**
ASSETS		
Current Assets		
Cash and cash equivalents	(54,106)	(54,106)
Receivables	(3,977)	(3,977)
Total Current Assets	(58,083)	(58,083)
Non-Current Assets		
Property, plant and equipment		
Land and buildings	(534)	(534)
Plant and equipment	(192)	(192)
Total property, plant and equipment	(726)	(726)
Total Non-Current Assets	(726)	(726)
Total Assets	(58,809)	(58,809)
LIABILITIES		
Current Liabilities		
Payables	(29,942)	(29,942)
Provisions	(32,145)	(35,840)
Total Current Liabilities	(62,087)	(65,782)
Total Liabilities	(62,087)	(65,782)
Increase / (Decrease) in Net Assets from Equity Transfers	**3,278**	**6,973**

20. Related Party Disclosures

A related party is a person or entity that is related to the entity that is preparing financial statements. As a general government agency and a controlled entity of the Department of Family and Community Services 'FACS', HCS was a related party of all NSW Government controlled agencies and State Owned Corporations up until it was dissolved on 28 June 2017.

The following government agencies are within the FACS cluster and are related parties of HCS:

- Department of Family and Community Services – parent entity
- John Williams Memorial Charitable Trust – a controlled entity of FACS
- Aboriginal Housing Office 'AHO'
- Land and Housing Corporation 'LAHC'
- Multicultural NSW 'MNSW'

(a) Key Management Personnel

In accordance with AASB 124 Related party disclosures, Key Management Personnel 'KMP' are those having authority and responsibility for planning, directing and controlling the activities of the entity including whether executive or otherwise.

The Ministers and the Executive Board comprising the Secretary, Deputy Secretaries and the Executive Director and Chief Executive of the Aboriginal Housing Office have been identified as the KMP of FACS. The FACS Executive Board has direct oversight of the activities of HCS and was responsible for ensuring the necessary steps were undertaken to dissolve HCS following the transfer of employees, assets and liabilities to AU Limited on 19 February 2016.

<u>Key management personnel compensation</u>
Ministers are compensated by NSW Legislature. Ministerial compensation has been centrally compiled by Treasury and Department of Premier and Cabinet for distribution to agencies for inclusion in the agencies financial statements. Treasury has advised that Ministerial compensation will not be available until 1 September 2017.

KMP compensation is to be disclosed in the financial statements of the principle department of the cluster. KMP compensation of the FACS Executive Board for the financial year ending 30 June 2017 is disclosed in the 30 June 2017 financial statements of FACS.

(b) Related Party Transactions

There were no related party transactions during the period 1 July 2016 to 28 June 2017 with related entities of HCS or Key Management Personnel.

21. Events after the reporting date

HCS is not aware of any matter or circumstance that would materially affect the disclosures outlined in this report.

End of audited financial statements

1.3 Home Care Service Staff Agency

INDEPENDENT AUDITOR'S REPORT

Home Care Service Staff Agency

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Home Care Service Staff Agency (the Staff Agency), which comprise the statement of financial position as at 28 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 1 July 2016 to 28 June 2017, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Staff Agency as at 28 June 2017, and of its financial performance and its cash flows for the period 1 July 2016 to 28 June 2017 in accordance with Australian Accounting Standards
- are in accordance with section 41B 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 Staff Agency in accordance with the requirements of the:

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

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

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

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

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

Level 15, 1 Margaret Street, Sydney NSW 2000 | GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 I f 02 9275 7179 | e mail@audit.nsw.gov.au I audit.nsw.gov.au

The Secretary's Responsibility for the Financial Statements

The Secretary of the Department of Family and Community Services 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 he determine 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 Secretary must assess the Staff Agency's ability to continue as a going concern unless the Staff Agency will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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

Karen Taylor
Director, Financial Audit Services

18 September 2017
SYDNEY

HOME CARE SERVICE STAFF AGENCY

For the Period 1 July 2016 to 28 June 2017

CERTIFICATION OF ACCOUNTS

Pursuant to Section 41C(1B) and (1C) of *the Public Finance and Audit Act, 1983* (Act), we state that:

a) the accompanying financial statements of Home Care Service Staff Agency's activities for the period 1 July 2016 to 28 June 2017 have been prepared in accordance with the requirements of applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of *the Public Finance and Audit Act 1983*, and Public Finance and Audit Regulation 2015 and Directions issued by the Treasurer under section 9(2)(n) of the Act.

b) the financial statements and notes exhibit a true and fair view of the financial position and transactions of the Home Care Service Staff Agency.

c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Michael Coutts-Trotter
Secretary
Date: 15 September 2017

Denise Dawson
Chief Financial Officer
Date: 15 September 2017

Home Care Service Staff Agency

Statement of Comprehensive Income

for the period 1 July 2016 to 28 June 2017

	Notes	**Actual 2017 $'000**	Actual 2016 $'000
Expenses excluding losses			
Operating expenses			
Employee related	2	**198**	128,130
Total expenses excluding losses		**198**	128,130
Revenue			
Personnel services	3a	**(428)**	118,869
Other revenue	3b	**656**	5,672
Total revenue		**228**	124,541
Other gains / (losses)	4	**(34)**	(414)
Net result		**(4)**	(4,003)
Other comprehensive income			
Superannuation actuarial gains/(losses)		**4**	(812)
Other superannuation fund value changes		**-**	(12,500)
Total other comprehensive income		**4**	(13,312)
TOTAL COMPREHENSIVE INCOME		**-**	(17,315)

The accompanying notes form part of these financial statements.

Home Care Service Staff Agency
Statement of Financial Position
as at 28 June 2017

	Notes	Actual 2017 $'000	Actual 2016 $'000
Assets			
Current assets			
Receivables	6	-	1,820
Total current assets		-	1,820
Non-current assets			
Receivables	6	-	-
Total non-current assets		-	-
Total assets		-	1,820
Liabilities			
Current liabilities			
Payables	7	-	4
Provisions	8	-	1,816
Total current liabilities		-	1,820
Non-current liabilities			
Provisions	8	-	-
Total non-current liabilities		-	-
Total liabilities		-	1,820
Net assets		-	-
Equity			
Accumulated funds		-	-
Total equity		-	-

The accompanying notes form part of these financial statements.

Home Care Service Staff Agency

Statement of Changes in Equity

for the period 1 July 2016 to 28 June 2017

	Notes	Accumulated Funds $'000	Total Equity $'000
Balance at 1 July 2016		**-**	**-**
Net result for the year		**(4)**	**(4)**
Other comprehensive income:			
Superannuation actuarial gains/(losses)		**4**	**4**
Other superanuation fund value changes		**-**	**-**
Transfer of Super Reserves from the Crown		**-**	**-**
Total other comprehensive income		**4**	**4**
Total comprehensive income for the year		**-**	**-**
Transactions with owners in their capacity as owners			
Increase/(decrease) in net assets from equity transfers	14	**-**	**-**
Balance at 28 June 2017		**-**	**-**
Balance at 1 July 2015		-	-
Net result for the year		(4,003)	(4,003)
Other comprehensive income:			
Superannuation actuarial gains/(losses)		(812)	(812)
Other superanuation fund value changes		(12,500)	(12,500)
Transfer of Super Reserves from the Crown		-	-
Total other comprehensive income		(13,312)	(13,312)
Total comprehensive income for the year		(17,315)	(17,315)
Transactions with owners in their capacity as owners			
Transfer from the Crown superannuation reserve account		13,620	13,620
Increase/(decrease) in net assets from equity transfers	14	3,695	3,695
Balance at 30 June 2016		-	-

The accompanying notes form part of these financial statements.

Home Care Service Staff Agency
Statement of Cash Flows
for the period 1 July 2016 to 28 June 2017

	Notes	**Actual 2017 $'000**	Actual 2016 $'000
NET CASH FLOWS FROM OPERATING ACTIVITIES		**-**	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		**-**	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		**-**	-
NET INCREASE/(DECREASE) IN CASH		-	-
Opening cash and cash equivalents		**-**	-
CLOSING CASH AND CASH EQUIVALENTS		**-**	-

The HCS Staff Agency does not hold any cash or cash equivalent assets and therefore there are nil cash flows.

The accompanying notes form part of these financial statements.

Home Care Service Staff Agency
Notes to and forming part of the financial statements
for the period 1 July 2016 to 28 June 2017

1. Summary of Significant Accounting Policies

a. Reporting entity

Home Care Service Staff Agency (HCS Staff Agency) is a controlled entity established pursuant to Part 2 of Schedule 1 to the *Government Sector Employment Act 2013 (GSE Act)*. The Staff Agency's objective is to provide personnel services to Home Care Service of NSW (HCS).The HCS Staff Agency was formerly known as Home Care Service Division (HCS Division). The Administrative Arrangements Order 2014 in conjunction with the GSE Act required the renaming of HCS Division to HCS Staff Agency effective 24 February, 2014 without any impact to the former Division's operations.

HCS Staff Agency is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

The financial statements for the period 1 July 2016 to 28 June 2017 have been authorised for issue by the Secretary, Department of Family and Community Services on 15 September 2017.

b. Administrative restructures

The Statute Law (Miscellaneous Provisions) Bill 2016 that proposed the repeal of the Home Care Service Act 1988 was proclaimed and approved on 28 June 2017. As a result, the Home Care Service of New South Wales was dissolved and the remaining assets and liabilities transferred to the Crown entity on 28 June 2017. The assets and liabilities transferred comprised cash and superannuation balances.

Per Schedule 5 of The Statute Law (Miscellaneous Provisions) Bill 2016 , the Home Care Service Staff Agency was removed from Schedule 1, Public Service Agencies of the Government Sector Employment Act 2013.

c. Basis of preparation

HCS Staff Agency's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015* and
- the Financial Reporting Directions mandated by the Treasurer.

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

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

The financial statements have been prepared on the basis that HCS Staff Agency ceased operations on 28 June 2017, the dissolution date. The financial statements incorporate the results of the operations of HCS Staff Agency up until this date.

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

1. Summary of Significant Accounting Policies (continued)

d. Statement of compliance

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

e. Insurance

HCS Staff Agency'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.

f. Accounting for the Goods and Services Tax (GST)

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

- amount of GST incurred by HCS Staff Agency as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an assets cost of acquisition or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

g. Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable.

i. Rendering of services

Revenue from the rendering of personnel services is recognised when the service is provided.

h. Assets

i. Receivables

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 for the year 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.

Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

ii. Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to 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.

1. Summary of Significant Accounting Policies (continued)

Where there is objective evidence, reversals of previously recognised impairment losses are reversed in the net result for the year. Reversals of impairment losses on 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.

iii. Derecognition of financial assets and financial liabilities

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

- where substantially all the risks and rewards have been transferred; or
- where HCS Staff Agency has not transferred substantially all the risks and rewards, if the agency has not retained control.

Where HCS Staff Agency has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of HCS Staff 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.

i. Liabilities

i. Payables

Payables include accrued wages, salaries and related on-costs where there is certainty as to the amount and timing of settlement. These amounts represent liabilities for goods and services provided to HCS Staff Agency. Payables are recognised initially at fair value, usually based on the transaction cost or face value of the underlying transaction. 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.

ii. Employee benefits and other provisions

a) Salaries and wages, annual leave, sick leave and on-costs

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

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with *AASB 119 Employee Benefits* (although short-cut methods are permitted). Actuarial advice obtained by Treasury has confirmed that the use of an approach using nominal annual leave plus annual leave on the nominal liability (using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The entity has assessed the actuarial advice based on the entity's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

1. Summary of Significant Accounting Policies (continued)

b) Long service leave and superannuation

Long service leave entitlements are recognised as expenses and provisions when the obligations arise, which is usually through the rendering of service by employees.

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 NSWTC 15/09) to employees with five or more years of service, using current rates of pay. These factors were determined based on an independent actuarial review performed in 2013, to approximate present value.

i. Defined benefit superannuation plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. An actuarial assessment of the defined benefit is undertaken before each reporting date. The assessment uses the Projected Unit Credit Method and reflects estimated future salary increases and the benefits set out in the terms of the plan.

A liability or an asset in respect of the defined benefit superannuation plan is recognised in the Statement of Financial Position and is measured as the present value of the defined benefit obligation as at reporting date. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the market yield rate on government bonds of similar maturity to those obligations.

The amount recognised in the net result for superannuation is the total of current service cost and net interest as per AASB 119. Actuarial gains and losses are charged directly to Equity in the year they occur.

ii. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense when they are due. Prepaid contributions are recognised as an asset, to the extent that a cash refund or reduction in future payments is available.

c) 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.

1. Summary of Significant Accounting Policies (continued)

j. Equity transfers

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

Transfers arising from an administrative restructure involving not-for-profit and for-profit government entities are recognised at the amount at which the assets and liabilities were 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 entity 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.

k. 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.

l. Changes in accounting policy, including new or revised Australian Accounting Standards

i. Effective for the first time in 2016-17

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

- AASB124 Related Parties Disclosure

ii. Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise.

A number of new Australian Accounting Standards have not been applied and are not yet effective as mandated by NSW Treasury Circular TC 17/04. HCS ceased operations on 28 June 2017 and will not be required to prepare financial statements in the future. HCS will therefore not be impacted by the issue of any new Australian Accounting Standards.

m. Payroll Tax

HCS Staff Agency is exempt from paying payroll tax as legislated by *State Revenue Legislation (Miscellaneous Amendments) Act 1988 No 104*, effective from 1 July 1998.

Home Care Service Staff Agency
Notes to and forming part of the financial statements
for the period 1 July 2016 to 28 June 2017

2. Expenses Excluding Losses

	2017 $'000	2016 $'000
Salaries and wages (including annual leave)	**159**	108,504
Defined benefit superannuation	**9**	986
Defined contribution superannuation	**74**	9,061
Long service leave	**(44)**	703
Workers' compensation insurance	**-**	8,836
Fringe benefit tax	**-**	40
	198	128,130

3. Revenue

a. Personnel services

	2017	2016
Revenue from personnel services	**(428)**	118,869
	(428)	118,869

HCS Staff Agency provides personnel services to HCS at cost.

b. Other revenue

	2017	2016
TMF hindsight adjustment	**618**	5,672
Miscellenous revenue	**38**	-
	656	5,672

4. Other Gains/(Losses)

	2017	2016
Gain/(Loss) on impairment of receivables	**(34)**	(414)
	(34)	(414)

5. Service Groups of the Entity

HCS Staff Agency’s sole purpose is to provide personnel services to HCS. Accordingly, Service Group classifications are not applicable.

6. Current/Non-Current – Receivables

	2017	2016
	$'000	$'000
Current		
Personnel services receivable	-	421
Superannuation receivable	-	1,342
Workers' compensation debtor	-	12
Sundry debtors	-	45
Less: Allowance for impairment	-	-
Total Current	-	1,820

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 13.

Movements in the allowance for impairment		
Balance at 1 July	-	137
Amounts written off during the year	-	(414)
Increase / (decrease) in allowance recognised in profit or loss	-	277
Balance at 28 June	-	-

7. Current Liabilities – Payables

Accrued salaries, wages and on-costs	-	-
Payable to Australian Taxation Office - PAYG	-	4
Other payables	-	-
Total	-	4

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 13.

8. Current/Non-Current Liabilities – Provisions

	2017	2016
	$'000	$'000
Current		
Employee Benefit and Related on-costs		
Annual leave	-	290
Long service leave	-	243
Fringe Benefit Tax	-	-
Superannuation	-	1,283
Total Current	-	1,816
Non-current		
Employee Benefit and Related on-costs		
Long service leave	-	-
Superannuation	-	-
Total Non-Current	-	-
Total Provisions	-	1,816
Aggregate employee benefits and related on-costs		
Provisions - current	-	1,816
Provisions - non-current	-	-
Accrued salaries, wages and on-costs (Note 7)	-	-
	-	1,816

Employee entitlements for current annual and long service leave include short-term (expected to be settled no more than 12 months after the reporting date) and long-term liabilities (expected to be settled after more than 12 months) as follows:

Short-term		
Annual leave	-	290
Long service leave	-	263
	-	553
Long-term		
Annual leave	-	-
Long service leave	-	-
	-	-

Home Care Service Staff Agency
Notes to and forming part of the financial statements
for the period 1 July 2016 to 28 June 2017

9. Superannuation

Nature of the benefits provided by the fund

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

All the Schemes are closed to new members.

Description of the regulatory framework

The schemes in the Pooled Fund are established and governed by the following NSW legislation: Superannuation Act 1916, State Authorities Superannuation Act 1987, Police Regulation (Superannuation) Act 1906, State Authorities Non-Contributory Superannuation Scheme Act 1987, and their associated regulations.

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the Commonwealth Superannuation Industry (Supervision) Act 1993 (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2015. The next actuarial investigation is due as at 30 June 2018.

Description of other entities' responsibilities for the governance of the fund

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:

* Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;

* Management and investment of the fund assets; and

* Compliance with other applicable regulations.

9. Superannuation (continued)

Description of risks
There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

* **Investment risk** - The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.

* **Longevity risk** – The risk that pensioners live longer than assumed, increasing future pensions.

* **Pension indexation risk** – The risk that pensions will increase at a rate greater than assumed, increasing future pensions.

* **Salary growth risk** - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.

* **Legislative risk** - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

Description of significant events
There were no fund amendments, curtailments or settlements during the year.

Reconciliation of the Net Defined Benefit Liability/(Asset)

	SASS 2017 $'000	SASS 2016 $'000	**SANCS 2017 $'000**	SANCS 2016 $'000	**SSS 2017 $'000**	SSS 2016 $'000	**Total 2017 $'000**	Total 2016 $'000
Net Defined Benefit Liability/(Asset) at start of year	**(1,332)**	4,804	**(10)**	268	**1,283**	1,699	**(59)**	6,771
Current service cost	**8**	861	**2**	137	**-**	23	**10**	1,021
Net Interest on the net defined benefit liability/(asset)	**(27)**	(90)	**-**	3	**25**	53	**(2)**	(34)
Actual return on Fund assets less Interest income	**(1,036)**	(177)	**(8)**	75	**(119)**	9	**(1,163)**	(93)
Actuarial (gains)/losses arising from changes in demographic assumptions	**-**	-	**-**	-	**-**	85	**-**	85
Actuarial (gains)/losses arising from changes in financial assumptions	**(5)**	8	**(1)**	1	**(250)**	346	**(256)**	355
Actuarial (gains)/losses arising from liability experience	**(103)**	875	**(23)**	592	**(27)**	(1,003)	**(153)**	464
Adjustment for effect of asset ceiling	**1,536**	12,416	**33**	85	**-**	-	**1,569**	12,501
Employer contributions	**(6)**	(3,508)	**(1)**	(377)	**-**	71	**(7)**	(3,814)
Employer contributions made by the Crown*	**-**	(13,620)	**-**	-	**-**	-	**-**	(13,620)
Effect of transfer out due to business combinations and disposals	**-**	(2,901)	**-**	(794)	**-**	-	**-**	(3,695)
Net Defined Benefit Liability/(Asset) at end of year*	**(965)**	(1,332)	**(8)**	(10)	**912**	1,283	**(61)**	(59)

* The transfer from the Crown superannuation reserve account to the reserve account of Home Care Service Staff Agency (HCSSA) was based on State Super's advice to Treasury that a 'top-up' of this amount would be required to avoid Home Care's Reserve Account going into negative when State Super Scheme contributors are transferred from HCSSA to AUS (a subsidiary of AU).

**The Superannuation assets and liabilities were transferred to the Crown at dissolution date (28 June 2017).

Home Care Service Staff Agency
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9. Superannuation (continued)

The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%.

Reconciliation of the Fair Value of Fund Assets

	SASS	SASS	**SANCS**	SANCS	**SSS**	SSS	**Total**	Total
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Fair value of Fund assets at beginning of the year	**14,261**	32,810	**155**	4,788	**1,653**	2,322	**16,069**	39,920
Interest income	**281**	765	**3**	91	**32**	68	**316**	924
Actual return on Fund assets less Interest income	**1,036**	177	**8**	(75)	**119**	(9)	**1,163**	93
Employer contributions	**6**	3,508	**1**	377	**-**	(71)	**7**	3,814
Employer contributions made by the Crown	**-**	13,620	**-**	-	**-**	-	**-**	13,620
Contributions by participants	**4**	506	**-**	-	**-**	9	**4**	515
Benefits paid	**(96)**	(4,061)	**-**	(739)	**(100)**	(672)	**(196)**	(5,472)
Taxes, premiums & expenses paid	**(11)**	(609)	**(4)**	(49)	**18**	6	**3**	(652)
Transfers out due to business combinations and disposals	**-**	(32,455)	**-**	(4,238)	**-**	-	**-**	(36,693)
Contributions to accumulation section	**-**	-	**-**	-	**-**	-	**-**	-
Settlements	**-**	-	**-**	-	**-**	-	**-**	-
Exchange rate changes	**-**	-	**-**	-	**-**	-	**-**	-
Fair value of Fund assets at end of the year	**15,481**	14,261	**163**	155	**1,722**	1,653	**17,366**	16,069

9. Superannuation (continued)

Reconciliation of the Defined Benefit Obligation

	SASS 2017 $'000	SASS 2016 $'000	**SANCS 2017 $'000**	SANCS 2016 $'000	**SSS 2017 $'000**	SSS 2016 $'000	**Total 2017 $'000**	Total 2016 $'000
Present value of defined benefit obligations at beginning of the year	**512**	37,613	**61**	5,057	**2,936**	4,021	**3,509**	46,691
Current service cost	**8**	861	**2**	137	**-**	23	**10**	1,021
Interest cost	**8**	675	**1**	94	**57**	121	**66**	890
Contributions by participants	**4**	506	**-**	-	**-**	9	**4**	515
Actuarial (gains)/losses arising from changes in demographic assumptions	**-**	-	**-**	-	**-**	85	**-**	85
Actuarial (gains)/losses arising from changes in financial assumptions	**(5)**	8	**(1)**	1	**(250)**	346	**(256)**	355
Actuarial (gains)/losses arising from liability experience	**(103)**	875	**(23)**	592	**(27)**	(1,003)	**(153)**	464
Benefits paid	**(96)**	(4,061)	**-**	(739)	**(100)**	(672)	**(196)**	(5,472)
Taxes, premiums & expenses paid	**(11)**	(609)	**(4)**	(49)	**18**	6	**3**	(652)
Transfers out due to business combinations and disposals	**-**	(35,356)	**-**	(5,032)	**-**	-	**-**	(40,388)
Contributions to accumulation section	**-**	-	**-**	-	**-**	-	**-**	-
Past service cost	**-**	-	**-**	-	**-**	-	**-**	-
Settlements	**-**	-	**-**	-	**-**	-	**-**	-
Exchange rate changes	**-**	-	**-**	-	**-**	-	**-**	-
Present value of defined benefit obligations at end of the year	**317**	512	**36**	61	**2,634**	2,936	**2,987**	3,509

Reconciliation of the effect of the Asset Ceiling

	SASS 2017 $'000	SASS 2016 $'000	**SANCS 2017 $'000**	SANCS 2016 $'000	**SSS 2017 $'000**	SSS 2016 $'000	**Total 2017 $'000**	Total 2016 $'000
Adjustment for effect of asset ceiling at beginning of the year	**12,416**	-	**84**	-	**-**	-	**12,500**	-
Interest on the effect of asset ceiling	**247**	-	**2**	-	**-**	-	**249**	-
Change in the effect of asset ceiling	**1,536**	12,416	**33**	84	**-**	-	**1,569**	12,500
Adjustment for effect of asset ceiling at end of the year	**14,199**	12,416	**119**	84	**-**	-	**14,318**	12,500

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9. Superannuation (continued)

Fair value of Fund assets

All Pooled Fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers and assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund.

	2017	**2017**	**2017**	**2017**	2016	2016	2016	2016
	Total ($'000)	**Quoted prices in active markets for identical assets Level 1 ($'000)**	**Significant observable inputs Level 2 ($'000)**	**Unobservable inputs Level 3 ($'000)**	Total ($'000)	Quoted prices in active markets for identical assets Level 1 ($'000)	Significant observable inputs Level 2 ($'000)	Unobservable inputs Level 3 ($'000)
Cash	**3,087**	**3,077**	**10**	**-**	-	-	-	-
Short Term Securities	**-**	**-**	**-**	**-**	2,050	2,044	6	-
Australian Fixed Interest	**2,501**	**1**	**2,500**	**-**	2,721	3	2,718	-
International Fixed Interest	**481**	**-**	**481**	**-**	835	(1)	836	-
Australian Equities	**9,446**	**8,947**	**499**	**-**	9,721	9,172	549	-
International Equities	**12,053**	**9,033**	**1,869**	**1,151**	12,094	9,026	2,079	989
Property	**3,453**	**926**	**533**	**1,994**	3,650	1,113	619	1,918
Alternatives	**9,066**	**391**	**5,068**	**3,607**	7,116	470	3,122	3,524
Total	**40,087**	**22,375**	**10,960**	**6,752**	38,187	21,827	9,929	6,431

The percentage invested in each asset class at the balance date:

	June 2017	June 2016
Cash	**7.7%**	0.0%
Short Term Securities	**0.0%**	5.3%
Australian Fixed Interest	**6.2%**	7.1%
International Fixed Interest	**1.2%**	2.2%
Australian Equities	**23.6%**	25.5%
International Equities	**30.1%**	31.7%
Property	**8.6%**	9.6%
Alternatives	**22.6%**	18.6%
Total	**100.0%**	100.0%

9. Superannuation (continued)

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this levels are listed shares; listed unit trusts.
Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts containing where quoted prices are available in active markets for identical assets or liabilities.
Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cashflow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

Fair value of entity's own financial instruments

The disclosures below relate to total assets of the Pooled Fund.

The fair value of the Pooled Fund assets include as at 30 June 2017 of $354.0 million in NSW government bonds.
Of the direct properties owned by the Pooled Fund:
- SAS Trustee Corporation occupies part of property 100% owned by the Pooled Fund with a fair value of $250 million (30 June 2016: $222 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of $261 million (30 June 2016: $243 million).

Home Care Service Staff Agency
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9. Superannuation (continued)

Significant Actuarial Assumptions at the Reporting Date

	June 2017	June 2016
Discount rate	2.62% pa	1.99% pa
Salary increase rate (excluding promotional increases)	2.50% 2017/2018 and 2018/2019; 3.50% 2019/2020 and 2020/2021; 3.00% pa 2021/2022 to 2025/2026; 3.50% pa thereafter	2.50% 2016/2017 to 2018/2019; 3.50% 2019/2020 and 2020/2021; 3.00% pa 2021/2022 to 2025/2026; 3.50% pa thereafter
Rate of CPI increase	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter	1.50% 2015/2016; 1.75% 2016/2017; 2.25% 2017/2018; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2015 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.	The pensioner mortality assumptions are as per the 2015 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age

Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2017 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2017.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

9. Superannuation (continued)

	2017	**2017**	**2017**	2016	2016	2016
	Base Case	**Scenario A -1.0% discount rate**	**Scenario B +1.0% discount rate**	Base Case	Scenario A +1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	2.62%	1.62%	3.62%	1.99%	0.99%	2.99%
Rate of CPI increase	as above	as above	as above	as above	as above	as above
Salary inflation rate	as above	as above	as above	as above	as above	as above
Defined benefit obligation ($'000)	**2,989**	**3,402**	**2,651**	3,511	4,008	3,110

	Base Case	**Scenario C +0.5% rate of CPI increase**	**Scenario D -0.5% rate of CPI increase**	Base Case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above	as above	as above	as above
Defined benefit obligation ($'000)	**2,989**	**3,183**	**2,812**	3,511	3,743	3,301

	Base Case	**Scenario E +0.5% salary increase rate**	**Scenario F -0.5% salary increase rate**	Base Case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above	as above	as above	as above
Rate of CPI increase	as above	as above	as above	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation ($'000)	**2,989**	**2,993**	**2,984**	3,511	3,516	3,507

	Base Case	**Scenario G Lower Mortality***	**Scenario H Higher Mortality****	Base Case	Scenario G +0.5% pensioner mortality rates	Scenario H -0.5% pensioner mortality rates
Defined benefit obligation ($'000)	**2,989**	**3,036**	**2,962**	3,511	3,481	3,567

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9. Superannuation (continued)

*Assumes the short term pensioner mortality improvement factors for years 2017-2021 also apply for years after 2021
**Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2017 to 2021

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Asset-Liability matching strategies

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cash flows to manage liquidity requirements.

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2015. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

The next triennial review is as at 30 June 2018.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

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9. Superannuation (continued)

Surplus/deficit

The following is a summary of the 30 June 2017 financial position of the Fund calculated in accordance with AAS 25 “Financial Reporting by Superannuation Plans”:

	SASS 2017 $'000	SASS 2016 $'000	**SANCS 2017 $'000**	SANCS 2016 $'000	**SSS 2017 $'000**	SSS 2016 $'000	**Total 2017 $'000**	Total 2016 $'000
Accrued benefits	**292**	481	**31**	55	**1,470**	1,471	**1,793**	2,007
Net market value of fund assets	**(15,481)**	(14,261)	**(163)**	(155)	**(1,722)**	(1,653)	**(17,366)**	(16,069)
Net (surplus)/deficit	**(15,189)**	(13,780)	**(132)**	(100)	**(252)**	(182)	**(15,573)**	(14,062)

Contribution recommendations
Recommended contribution rates for the entity are:

	SASS	**SANCS**	**SSS**
	multiple of member contributions	**% member salary**	**multiple of member contributions**
	1.9	**2.5**	**-**

Economic assumptions

The economic assumptions adopted for the 30 June 2015 actuarial investigation of the Pooled Fund are:

Weighted-average assumptions	**June 2017**	June 2016
Expected rate of return on fund assets backing current pension liabilities	7.4% pa	7.8% pa
Expected rate of return on fund assets backing other liabilities	6.4% pa	6.8% pa
Expected salary increase rate (excluding promotional salary increase)	2.7% to 30 June 2019 then 3.2% pa thereafter	SASS, SANCS, SSS 3.0% pa to 30 June 2019, then 3.5% pa thereafter
Expected rate of CPI increase	2.2% pa	2.5% pa

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9. Superannuation (continued)

Expected contributions

	SASS 2017 $'000	SASS 2016 $'000	**SANCS 2017 $'000**	SANCS 2016 $'000	**SSS 2017 $'000**	SSS 2016 $'000	**Total 2017 $'000**	Total 2016 $'000
Expected employer contributions	**7,304**	1,038	**1,243**	195	**-**	-	**8,547**	1,233

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 13.4 years (2016: 13.8) years.

Profit and Loss Impact

	SASS 2017 $'000	SASS 2016 $'000	**SANCS 2017 $'000**	SANCS 2016 $'000	**SSS 2017 $'000**	SSS 2016 $'000	**Total 2017 $'000**	Total 2016 $'000
Current service cost	**8**	861	**2**	137	**-**	23	**10**	1,021
Net interest	**(27)**	(90)	**-**	3	**25**	53	**(2)**	(34)
Past service cost	**-**	-	**-**	-	**-**	-	**-**	-
(Gains)/Loss on settlement	**-**	-	**-**	-	**-**	-	**-**	-
Profit and Loss component of the Defined benefit cost	**(19)**	771	**2**	140	**25**	76	**8**	987

Other Comprehensive Income

	SASS 2017 $'000	SASS 2016 $'000	**SANCS 2017 $'000**	SANCS 2016 $'000	**SSS 2017 $'000**	SSS 2016 $'000	**Total 2017 $'000**	Total 2016 $'000
Actuarial (gains) losses on liabilities	**(108)**	884	**(24)**	594	**(277)**	(573)	**(409)**	905
Actual return on Fund assets less Interest income	**(1,036)**	(177)	**(8)**	75	**(119)**	9	**(1,163)**	(93)
Adjustment for effect of asset ceiling	**1,535**	12,416	**33**	84	**-**	-	**1,568**	12,500
Total remeasurement in Other Comprehensive Income	**391**	13,123	**1**	753	**(396)**	(564)	**(4)**	13,312

10. Contingent Liabilities and Contingent Assets

HCS Staff Agency has no contingent liabilities and contingent assets at 28 June 2017 (30 June 2016: Nil).

11. Reconciliation of cash flows from operating activities to net results

	2017	2016
	$'000	$'000
Net cash used on operating activities	**-**	-
Decrease/(increase) in provisions	**1,816**	6,299
Increase / (decrease) in receivables	**(1,820)**	(17,547)
Decrease/(increase) in creditors	**4**	6,433
Superannuation actuarial losses	**(4)**	812
Net result	**(4)**	(4,003)

12. Commitments for Expenditure

HCS Staff Agency has no commitments as at 28 June 2017 (30 June 2016: Nil).

13. Financial Instruments

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

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

The 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 procedures are established to identify and analyse the risks faced by HCS Staff Agency, to set risk limits and controls and to monitor risks. Compliance with procedures is reviewed by the Executive on a continual basis.

a. Financial Instrument Categories

Financial Assets	**Note**	**Category**	**Carrying amount 2017**	Carrying amount 2016
Class:			**$'000**	$'000
Receivables (1)	6	Loans and receivables (at amortised cost)	-	1,820

Financial Liabilities	**Note**	**Category**	**Carrying amount 2017**	Carrying amount 2016
Class:			**$'000**	$'000
Payables (2)	7	Financial liabilities measured at amortised cost	-	-

Notes:
(1) Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).
(2) Excludes statutory payables and unearned revenue (i.e. within scope of AASB 7).

13. Financial Instruments (continued)

b. Credit Risk

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

Credit risk arises from the financial assets of HCS Staff Agency, including receivables. No collateral is held by HCS Staff Agency. HCS Staff Agency has not granted any financial guarantees.

Receivables

All debtors are recognised as amounts receivable at balance date. HCS Staff Agency's exposure to credit risk on its receivables is considered minimal because of the nature of its majority debtor (HCS) being a government body. An allowance for impairment is raised when there is objective evidence that the entity 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 debtors.

HCS Staff Agency Staff Agency is not materially exposed to concentrations of credit risk to a single debtor or group of debtors. Based on past experience, debtors that are not past due (2017: $Nil; 2016: $Nil) and less than 6 months past due (2017: $Nil; 2016: $Nil) are not considered impaired and together these represent 0% (2016: 0%) of the total debtors. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

	Total[1,2] $'000	Past due but not impaired[1,2] $'000	Considered impaired[1,2] $'000
2017			
< 3 months overdue	-	-	-
3 months - 6 months overdue	-	-	-
> 6 months overdue	-	-	-
2016			
< 3 months overdue	-	-	-
3 months - 6 months overdue	-	-	-
> 6 months overdue	-	-	-

Notes:
1. Each column in the table reports "gross receivables".
2. The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 Financial Instruments: Disclosures and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables total recognised in the Statement of Financial Position.

c. Liquidity Risk

Liquidity risk is the risk that HCS Staff Agency will be unable to meet its payment obligations when they fall due. HCS Staff Agency continuously manages risk through monitoring future cash flows. HCS Staff Agency exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

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 out in NSWTC 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 specific time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Head of an authority (or

13. Financial Instruments (continued)

a person appointed by the Head of an authority) may automatically pay the supplier simple interest. No late interest payments were made in the period 1 July 2016 to 28 June 2017 (2016: $Nil).

The table below summarises the maturity profile of HCS Staff Agency'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 Int. Rate	**Nominal Amount [1]**	**Fixed Interest Rate**	**Variable Interest Rate**	**Non-interest Bearing**	**< 1 year**	**1 -5 years**	**> 5 years**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2017								
Financial Liabilities:								
Payables	**N/A**	-	-	-	-	-	-	-
Accrued Salaries, Wages and on-costs	**N/A**	-	-	-	-	-	-	-
Total Financial Liabilities		-	-	-	-	-	-	-
2016								
Financial Liabilities:								
Payables	N/A	-	-	-	-	-	-	-
Accrued Salaries, Wages and on-costs	N/A	-	-	-	-	-	-	-
Total Financial Liabilities		-	-	-	-	-	-	-

Notes:

(1) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which HCS Staff Agency can be required to pay. The tables include both interest and principal cash flow and therefore will not reconcile to the statement of financial position.

d. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. HCS Staff Agency is not exposed to interest rate risk, as it does not have cash or cash equivalents and its financial assets and financial liabilities are not subject to interest rate movements. HCS Staff Agency has no exposure to foreign currency risk and does not enter into commodity contracts.

e. Fair value compared to carrying amount

Financial instruments are recognised at cost. The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value compared to carrying amount, because of the short-term nature of many of the financial instruments.

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

2017

The Statute Law (Miscellaneous Provisions) Bill 2016 that proposed the repeal of the Home Care Service Act 1988 was proclaimed and approved on 28 June 2017. As a result, the Home Care Service of New South Wales was dissolved and the remaining assets and liabilities transferred to the Crown entity on 28 June 2017. The assets and liabilities transferred comprised cash and superannuation balances.

Total Assets of $36.0m and total liabilities of $0.9m were transferred to NSW Treasury from HCS and HCS Staff Agency. Included in the liabilities transferred was superannuation balance of HCS Staff Agency and are incorporated in the HCS Consolidated Financial Statements.

2016

On the 19 February 2016, assets and liabilities of HCS and HCS Staff Agency and employees of HCS Staff Agency were transferred via a vesting order to an Implementation Company, Australian Unity Home Care Pty Ltd (AU HCS) established to facilitate the transfer of HCS to Australian Unity. The majority of HCS Staff Agency employees and their leave entitlements were transferred to AU HCS.

Total Assets of $58.8m and total liabilities of $62.1m were transferred to AU HCS from HCS and HCS Staff Agency. Included in the liabilities transferred were annual leave and long service leave provisions of HCS Staff Agency, including on-costs of $32.1m and are incorporated in the HCS Consolidated Financial Statements.

15. Related Party Disclosures

A related party is a person or entity that is related to the entity that is preparing financial statements. As a general government agency and a controlled entity of the Department of Family and Community Services 'FACS', HCS was a related party of all NSW Government controlled agencies and State Owned Corporations up until it was dissolved on 28 June 2017.

The following government agencies are within the FACS cluster and are related parties of HCS:

- Department of Family and Community Services – parent entity
- John Williams Memorial Charitable Trust – a controlled entity of FACS
- Aboriginal Housing Office 'AHO'
- Land and Housing Corporation 'LAHC'
- Multicultural NSW 'MNSW'

a. Key Management Personnel

In accordance with AASB 124 Related party disclosures, Key Management Personnel 'KMP' are those having authority and responsibility for planning, directing and controlling the activities of the entity including whether executive or otherwise.

The Ministers and the Executive Board comprising the Secretary, Deputy Secretaries and the Executive Director and Chief Executive of the Aboriginal Housing Office have been identified as the KMP of FACS. The FACS Executive Board has direct oversight of the activities of HCS and was responsible for ensuring the necessary steps were undertaken to dissolve HCS following the transfer of employees, assets and liabilities to AU Limited on 19 February 2016.

<u>Key management personnel compensation</u>

Ministers are compensated by NSW Legislature. Ministerial compensation has been centrally compiled by Treasury and Department of Premier and Cabinet for distribution to agencies for inclusion in the agencies financial statements. Treasury has advised that Ministerial compensation will not be available until 1 September 2017.

KMP compensation is to be disclosed in the financial statements of the principle department of the cluster. KMP compensation of the FACS Executive Board for the financial year ending 30 June 2017 is disclosed in the 30 June 2017 financial statements of FACS.

15. Related Parties Disclosure (continued)

b. Related Party Transactions

There were no related party transactions during the period 1 July 2016 to 28 June 2017 with related entities of HCS Staff Agency or Key Management Personnel.

16. Events after the reporting period

HCS Staff Agency is not aware of any matter or circumstance that would materially affect the disclosures outlined in this report.

End of Audited Financial Statements

1.4 John Williams Memorial Charitable Trust

INDEPENDENT AUDITOR'S REPORT

John Williams Memorial Charitable Trust

To Members of the New South Wales Parliament

Opinion

I have audited the financial statements of John Williams Memorial Charitable Trust (the Trust), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion the financial statements:

- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015, including
  - giving a true and fair view of the Trust's financial position as at 30 June 2017 and its performance for the year ended on that date
  - complying with Australian Accounting Standards.

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 Trust 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.

Level 15, 1 Margaret Street, Sydney NSW 2000 I GPO Box 12. Sydney NSW 2001 I t 02 9275 7101 I f 02 9275 7179 | e mail@audit.nsw.gov.au | audit.nsw.gov.au

The Secretary's Responsibility for the Financial Statements

The Secretary of the Department of Family and Community Services is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the PF&A Act and for such internal control as the directors determine 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 directors must assess the Trust's ability to continue as a going concern except where they intend to liquidate the Trust or cease operations. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Trust carried out its activities effectively, efficiently and economically
- 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.

Karen Taylor
Director, Financial Audit Services

19 September 2017
SYDNEY

JOHN WILLIAMS MEMORIAL CHARITABLE TRUST

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

CERTIFICATION OF ACOUNTS

Pursuant to Section 41C(1B) and (1C) of the Public Finance and Audit Act, 1983 (Act), we state that:

a) *the accompanying financial statements for the year ended 30 June 2017 have been prepared in accordance with the requirements of applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2015 and Directions issued by the Treasurer under section 9(2)(n) of the Act.*

b) *the statements and notes exhibit a true and fair view of the financial position and transactions of the John Williams Memorial Charitable Trust.*

c) *there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.*

Michael Coutts-Trotter
Secretary
Date: 15 September 2017

Denise Dawson
Chief Financial Officer
Date: 15 September 2017

John Williams Memorial Charitable Trust
Statement of Comprehensive Income
for the year ended 30 June 2017

	Notes	Actual 2017 $'000	Actual 2016 $'000
Expenses excluding losses			
Auditors remuneration - audit of financial statements		**7**	7
Maintenance expenses		**131**	84
Depreciation	2	**136**	121
Total Expenses excluding losses		**274**	212
Revenue			
Investment revenue	3a	**25**	39
In-kind contribution revenue	3b	**41**	31
Total Revenue		**66**	70
Other gains / (losses)	4	**481**	1,031
Net result		**273**	889
Total other comprehensive income		**162**	-
TOTAL COMPREHENSIVE INCOME		**435**	889

The accompanying notes form part of these financial statements.

John Williams Memorial Charitable Trust
Statement of Financial Position
as at 30 June 2017

	Notes	Actual 2017 $'000	Actual 2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	**1,652**	1,729
Receivables	6	**13**	19
Total Current Assets		**1,665**	1,748
Non-Current Assets			
Property, plant and equipment	7		
- Land and buildings		**9,433**	8,917
- Plant and equipment		**-**	-
Total Property, plant and equipment		**9,433**	8,917
Total Non-Current Assets		**9,433**	8,917
TOTAL ASSETS		**11,098**	10,665
LIABILITIES			
Current Liabilities			
Payables	9	**15**	18
Total Current Liabilities		**15**	18
TOTAL LIABILITIES		**15**	18
NET ASSETS		**11,083**	10,647
EQUITY			
Reserves		**162**	-
Accumulated funds		**10,921**	10,647
TOTAL EQUITY		**11,083**	10,647

The accompanying notes form part of these financial statements.

John Williams Memorial Charitable Trust
Statement of Changes in Equity
for the year ended 30 June 2017

	Notes	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total Equity $'000
Balance at 1 July 2016		**10,647**	**-**	**10,647**
Net result for the year		**273**	**-**	**273**
Total other comprehensive income		**-**	**162**	**162**
Total comprehensive income for the year		**273**	**162**	**435**
Balance at 30 June 2017		**10,920**	**162**	**11,082**
Balance at 1 July 2015		9,758	-	9,758
Net result for the year		889	-	889
Total other comprehensive income		-	-	-
Total comprehensive income for the year		889	-	889
Balance at 30 June 2016		10,647	-	10,647

The accompanying notes form part of these financial statements.

John Williams Memorial Charitable Trust
Statement of Cash Flows
for the year ended 30 June 2017

	Notes	Actual 2017 $'000	Actual 2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Other		**(100)**	(86)
Total Payments		**(100)**	(86)
Receipts			
Interest received		**32**	31
Total Receipts		**32**	31
NET CASH FLOWS FROM OPERATING ACTIVITIES	11	**(68)**	(55)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of plant and equipment		**(9)**	(134)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(9)**	(134)
NET INCREASE/(DECREASE) IN CASH			
Opening cash and cash equivalents		**1,729**	1,918
Net increase/(decrease) in cash		**(77)**	(189)
CLOSING CASH AND CASH EQUIVALENTS	5	**1,652**	1,729

The accompanying notes form part of these financial statements.

1. Summary of Significant Accounting Policies

a. Reporting entity

The Crown in the right of the State of NSW is the trustee of the John Williams Memorial Charitable Trust (the Trust). In 2005, the Director-General of the then Department of Ageing, Disability and Home Care now known as Department of Family and Community Services, Ageing, Disability and Home Care (ADHC), as an emanation of the Crown, was authorised to administer the Trust. Effective from 1 July 2009, the Secretary, formerly known as the Director-General of the Department of Human Services (DHS), became administrator of the Trust, as a result of the *Public Sector Employment and Management (Departmental Amalgamations) Order 2009.* In December 2010, pursuant to S12 of the *Charitable Trusts Act 1993,* the administration of the Trust was transferred from the Secretary, formerly known as Director General of DHS, to the Deputy Secretary of ADHC.

On 3 April 2011, DHS changed its name to the Department of Family and Community Services (FACS) as a result of the *Public Sector Employment and Management (Departments) Order 2011*.

The purpose of the Trust is to provide respite care and accommodation for children with disabilities. The Trust accomplishes this purpose by providing properties to be used for this purpose by children with a disability.

The Trust is a special purpose reporting entity. It is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the FACS financial statements and the NSW Total State Sector Accounts.

These financial statements for the year ended 30 June 2017 have been authorised for issue by the Secretary, Department of Family and Community Services, on 15 September 2017.

b. Basis of preparation

The Trust's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with:

- applicable Australian Accounting Standards (including Australian Accounting Interpretations).
- the requirements of the *Public Finance and Audit Act 1983* (PFAA) and the *Public Finance and Audit Regulation 2015*.
- the Financial Reporting Directions mandated by the NSW Treasurer.

Property, plant and equipment and financial assets at 'fair value through profit and loss' are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

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

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

c. Statement of Compliance

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

d. Insurance

The Trust'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 claims experience.

1. Summary of Significant Accounting Policies (continued)

e. Accounting for the Goods and Services Tax (GST)

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

- the amount of GST incurred by the Trust 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 is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

f. 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 income are discussed below.

i. Investment revenue

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

ii. In-kind contributions

The Trust's properties are utilised by FACS and Non Government Organisations (NGOs) to provide respite care to children with disabilities. In-kind contributions have been received from these organisations during 2016–17 in the form of maintenance of the properties. These contributions have been recognised in the Trust's financial statements as maintenance expense and in-kind contribution revenue, at the values assessed by these organisations.

g. Assets

i. Acquisition of assets

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

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

Fair value is the 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. deferred payment amount is effectively discounted at an asset-specific rate.

ii. Capitalisation thresholds

Property, plant and equipment costing $5,000 and above individually (or forming part of a network costing more than $5,000) are capitalised.

1. Summary of Significant Accounting Policies (continued)

iii. Revaluation of property, plant and equipment

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 and* AASB 116 *Property, Plant and Equipment*.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 7 and Note 8 for further information regarding fair value.

The Trust revalues land and buildings at least every three years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The Trust's land and building assets were revalued as at 30 June 2017 by application of relevant indices by an external valuer. In the intervening reporting periods, when a revaluation is not undertaken, the carrying amount of land and buildings is assessed to ensure it represents fair value.

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

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated.

For other assets valued using other valuation techniques, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the revaluation surplus in respect of the same class of assets, they are debited directly to the revaluation surplus.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

iv. 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, impairment can only arise in the rare circumstances where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

1. Summary of Significant Accounting Policies (continued)

v. Depreciation of property, plant and equipment

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

All material identifiable components of assets are depreciated separately over their useful lives.

Land is not a depreciable asset.

The useful life by asset category is:

	Years
Buildings	40
Plant, furniture and equipment – general and commercial	4 to 7
Plant, furniture and equipment – industrial	20

vi. Major inspection costs

When each major inspection is performed, the labour cost of performing major inspections for faults is recognised in the carrying amount of an asset as a replacement of a part, if the recognition criteria are satisfied. In all other circumstances, the labour costs are expensed.

vii. 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.

viii. Receivables

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

ix. Investments

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

Gains or losses on these assets are recognised in the net result for the year.

The movement in the fair value of the T-Corp Hour-Glass Cash Facility incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

x. Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to 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.

1. Summary of Significant Accounting Policies (continued)

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. Reversals of impairment losses on 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.

h. Liabilities

i. Payables

These amounts represent liabilities for goods and services provided to the Trust 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.

i. Fair value hierarchy

A number of the entity'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, the entity categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted 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).

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

Refer Note 8 and Note 13 for further disclosures regarding fair value measurements of financial and non-financial assets.

j. 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 Trust's policy on the revaluation of property, plant and equipment as discussed in note 1(g) (iii).

ii. Accumulated funds

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

k. 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 disclosed in the financial statements.

l. Changes in accounting policy, including new or revised Australian Accounting Standards

i. Effective for the first time in 2016-17

The accounting policies applied in 2016-17 are consistent with those of previous years except as a result of the following new or revised standards and amendments adopted for the first time in the financial year ended 30 June 2017:

1. Summary of Significant Accounting Policies (continued)

-AASB 124 Related Party Disclosures
-AASB 2015-7 Amendments to Asutralian Accounting Standards – Fair Value Disclosures of Not-for-profit Public Sector Entities

Adoption of this standard and the amendments has not had a material effect of the financial position or performance of John Williams Memorial Charitable Trust or presentation and disclosures in the Financial Statements.

ii. Issued but not yet 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 (refer Treasury Circular NSWTC 17-04 Mandates of Options and Major Policy Decisions under Australian Accounting Standards):

Standards/Interpretations	Operative Date
AASB 9 and AASB 2014-7 regarding financial instruments	1 January 2018
AASB 15, AASB 2014-5, AASB 2015-8 and AASB 2016-3 regarding Revenue From Contracts with Customers	1 January 2018
AASB 1058 regarding Income of Not-for-profit Entities	1 January 2019

The Trust's assessment of the impact of these new standards and interpretations is that they will not materially affect any of the amounts recognised in the financial statements or significantly impact the disclosures in relation to the entity.

2. Depreciation

	2017 $'000	2016 $'000
Buildings	**136**	121
	136	121

3. Revenue

a. Investment revenue

Interest received on bank accounts	**25**	39
	25	39

The Trust's banker pays interest on the aggregate net credit daily balance of the bank accounts. The interest rate is varied by the bank in line with money market rate movements and is credited to the individual accounts on a monthly basis.

b. In Kind contribution revenue

Maintenance provided free of charge by agencies utilising the Trust's properties	**41**	31
	41	31

4. Other Gains / (Losses)

Property, plant and equipment revaluation gains/(losses)	**481**	1,031
	481	1,031

5. Current Assets – Cash and Cash Equivalents

Cash at bank	**1,652**	1,729
	1,652	1,729

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand, short-term deposits and 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:

Cash and cash equivalents (per Statement of Financial Position)	**1,652**	1,729
Closing cash and cash equivalents (per Statement of Cash Flows)	**1,652**	1,729

Refer to Note 13 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

6. Current Assets – Receivables

	2017 **$'000**	2016 $'000
Other receivables	**13**	19
	13	19

7. Non-Current Assets – Property, plant and equipment

	Land and Buildings $'000	Plant and Equipment $'000	Total $'000
At 1 July 2016 - At fair value			
Gross carrying amount	**9,389**	**83**	**9,472**
Accumulated depreciation and impairment	**(472)**	**(83)**	**(555)**
Net carrying amount	**8,917**	**-**	**8,917**
At 30 June 2017 - At fair value			
Gross carrying amount	**9,986**	**-**	**9,986**
Accumulated depreciation and impairment	**(553)**	**-**	**(553)**
Net carrying amount	**9,433**	**-**	**9,433**
Year ended 30 June 2017			
Net carrying amount at start of year	**8,917**	**-**	**8,917**
Additions	**9**	**-**	**9**
Depreciation expense	**(136)**	**-**	**(136)**
Net revaluation increments	**643**	**-**	**643**
Net carrying amount at end of year	**9,433**	**-**	**9,433**

	Land and Buildings $'000	Plant and Equipment $'000	Total $'000
At 1 July 2015 - At fair value			
Gross carrying amount	8,268	103	8,371
Accumulated depreciation and impairment	(395)	(103)	(498)
Net carrying amount	7,873	-	7,873
At 30 June 2016 - At fair value			
Gross carrying amount	9,389	83	9,472
Accumulated depreciation and impairment	(472)	(83)	(555)
Net carrying amount	8,917	-	8,917
Year ended 30 June 2016			
Net carrying amount at start of year	7,873	-	7,873
Additions	134	-	134
Depreciation expense	(121)	-	(121)
Net revaluation increments	1,031	-	1,031
Net carrying amount at end of year	8,917	-	8,917

8. Fair value measurement of non-financial assets

a. Fair value hierarchy

2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Property, plant and equipment				
Land and buildings	-	5,358	4,075	9,433
	-	5,358	4,075	9,433

b. Valuation techniques, inputs and processes

The Trust's land and building assets were revalued as at 30 June 2017 by application of relevant indices provided by an external valuer.

Level	Asset class	Valuation technique	Inputs	Processes
2	Land - homes - with minor modification	Market approach	Observable inputs - recent sales considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment	Direct comparison approach against recent sales considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment
3	Land - with purpose built or significantly modified buildings	Market approach	Observable inputs - recent sales in the residential property market considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment.	Direct comparison approach against recent sales considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment. The unobservable level 3 inputs are not considered to impact on the values determined by the market approach considering existing use of the asset
2	Buildings - homes with minor modification	Market approach	Observable inputs - recent sales of comparable properties with adjustment for condition, location, comparability etc.	Visual inspection of the properties and assessment against recent sales of comparable properties with adjustment for condition, location, comparability etc.
3	Buildings - purpose built or significantly modified homes	Cost approach using costs incurred in the construction of purpose built or significantly modified properties	Observable inputs - actual construction costs are used for these purpose built and significantly modified buildings located on residential land.	Actual construction costs are checked against Rawlinson's Construction Handbook 2016

8. Fair value measurement of non-financial assets (continued)

c. Reconciliation of recurring Level 3 fair value measurements

2017	Land and Buildings $'000	Plant and Equipment $'000	Non-current asset held for sale $'000	Total $'000
Fair value as at 1 July 2016	**3,847**	**-**	**-**	**3,847**
Additions	**3**	**-**	**-**	**3**
Revaluation increments/decrements recognised in Net result - included in the line items 'Other gains/(losses)'	**282**	**-**	**-**	**282**
Depreciation	**(57)**	**-**	**-**	**(57)**
	4,075	**-**	**-**	**4,075**

9. Current Liabilities – Payables

	2017 $'000	2016 $'000
Creditors	**15**	18
	15	18

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 13.

10. Contingent Liabilities and Contingent Assets

The Trust has no contingent liabilities and contingent assets at 30 June 2017 (2016: $Nil).

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

	2017 $'000	2016 $'000
Net cash used on operating activities	**(68)**	(55)
Depreciation	**(136)**	(121)
Increase/(decrease) in prepayments and other assets	**(7)**	8
Decrease/(increase) in creditors	**3**	26
Property, plant and equipment revaluation gains/(losses)	**481**	1,031
Surplus/(deficit) for the year	**273**	889

12. Commitments for Expenditure

The Trust has no expenditure commitments as at 30 June 2017 (2016: $Nil).

13. Financial instruments

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

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

The Deputy Secretary of Department of Family and Community Services – Ageing, Disability and Home Care has responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks.

a. Financial instrument categories

Financial Assets	Note	Category	Carrying Amount	
			2017	2016
			$'000	$'000
Class:				
Cash and cash equivalents[1]	5	N/A	**1,652**	1,729
Receivables	6	Loans and receivables (at amortised cost)	**13**	19

Financial Liabilities	Note	Category	Carrying Amount	
			2017	2016
			$'000	$'000
Class:				
Payables[2]	9	Financial liabilities measured at amortised cost	**15**	18

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)
2. Excludes statutory payables and unearned revenue (i.e. within scope of AASB 7)

b. Credit risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the Trust. 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 the financial assets of the Trust, including cash and receivables. No collateral is held by the Trust. The Trust has not granted any financial guarantees. Credit risk associated with the Trust'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 Treasury Corporation (TCorp) are guaranteed by the State.

Cash

Cash comprises cash on hand and bank balances with Westpac Bank. Interest was earned on daily bank balances at the monthly average TCorp 11am unofficial cash rate, adjusted for a management fee to NSW Treasury. The TCorp Hour Glass cash facility is discussed in paragraph (d) below. The TCorp cash facility was transferred to the Westpac operating bank account as part of the Treasury Banking System on 1 April 2015.

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 Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts

13. Financial instruments (continued)

which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity 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 Trust is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2017: $Nil; 2016: $Nil) and less than three months past due (2017: $Nil; 2016:$Nil) are not considered impaired and together these represent 100.0% (2016: 100.0%) of the total trade debtors. There are no debts that are past due.

There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

c. Liquidity risk

Liquidity risk is the risk that the Trust will be unable to meet its payment obligations when they fall due. The Trust 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 continuity of funding.

No assets have been pledged as collateral. The Trust's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

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 out in NSWTC 11/12. For the 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 payments is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Head of an authority (or a person appointed by the Head of an authority) may automatically pay the supplier simple interest. No late interest payments were made in the year ending 30 June 2017 (2016: $Nil).

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

Maturity analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Int.Rate	Interest Rate Exposure $'000				Maturity Dates		
		Nominal Amount	Fixed Interest Rate	Variable Interest Rate	Non-interest bearing	< 1 year	1 -5 years	> years
2017								
Financial Liabilities:								
Payables	**N/A**	**15**	**-**	**-**	**15**	**15**	**-**	**-**
Total Financial Liabilities		**15**	**-**	**-**	**15**	**15**	**-**	**-**
2016								
Financial Liabilities:								
Payables	N/A	18	-	-	18	18	-	-
Total Financial Liabilities		18	-	-	18	18	-	-

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 Trust can be required to pay. The tables include both interest and principal cash flow and therefore will not reconcile to the statement of financial position.

13. Financial instruments (continued)

d. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Trust's exposure to market risk is primarily through interest rate risk on the Trust's cash balances and other price risks associated with the movement in the unit price of the Hour Glass Investment Facilities. The Trust 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 Trust operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2016. The analysis assumes that all other variables remain constant.

e. Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Trust's exposure to interest rate risk is set out below.

			$'000		
	Carrying Amount	**Profit**	**Equity**	**Profit**	**Equity**
		-1%		**+1%**	
2017					
Financial assets					
Cash and cash equivalents	**1,652**	**(17)**	**(17)**	**17**	**17**
Receivables	**13**	**-**	**-**	**-**	**-**
Financial Liabilities					
Payables	**15**	**-**	**-**	**-**	**-**
2016					
Financial assets					
Cash and cash equivalents	1,729	(17)	(17)	**17**	**17**
Receivables	19	-	-	-	-
Financial liabilities					
Payables	18	-	-	-	-

f. Fair value measurement

i. Fair value compared to carrying amount

Financial instruments are generally recognised at cost.

The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short term nature of many of the financial instruments.

14. Related party disclosures

A related party is a person or entity that is related to the entity that is preparing financial statements. As a controlled entity of the Department of Family and Community Services 'FACS', the Trust is a related party of all NSW Government controlled agencies and State Owned Corporations.

The following government agencies are within the FACS cluster and are related parties of JWT:

- Department of Family and Community Services – parent entity
- Home Care Service of New South Wales - a controlled entity of FACS
- Aboriginal Housing Office 'AHO'
- Land and Housing Corporation 'LAHC'
- Multicultural NSW 'MNSW'

(a) Key Management Personnel

In accordance with AASB 124 Related party disclosures, Key Management Personnel 'KMP' are those having authority and responsibility for planning, directing and controlling the activities of the entity including whether executive or otherwise.

The Ministers and the Executive Board comprising the Secretary, Deputy Secretaries including the Deputy Secretary of ADHC and the Executive Director and Chief Executive of the Aboriginal Housing Office have been identified as the KMP of FACS. Through the Deputy Secretary of ADHC, the FACS Executive Board has direct oversight of the activities of the Trust.

Key management personnel compensation
Ministers are compensated by NSW Legislature. Ministerial compensation has been centrally compiled by Treasury and Department of Premier and Cabinet for distribution to agencies for inclusion in the agencies financial statements. Treasury has advised that Ministerial compensation will not be available until 1 September 2017.

KMP compensation is to be disclosed in the financial statements of the principle department of the cluster. KMP compensation of the FACS Executive Board for the financial year ending 30 June 2017 is disclosed in the 30 June 2017 Financial Statements of FACS.

(b) Related Party Transactions

There were no related party transactions during the year ended 30 June 2017 with related entities of the Trust or Key Management Personnel.

15. Events after the reporting period

The Trust's management is not aware of any circumstances that occurred after balance date which would render particulars included in the financial statements to be misleading.

End of audited financial statements.

2. Aboriginal Housing Office

INDEPENDENT AUDITOR'S REPORT

Aboriginal Housing Office

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Aboriginal Housing Office (the Office), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Office and the consolidated entity. The consolidated entity comprises the Office 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 Office and the consolidated entity as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B 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 Office 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.

Level 15, 1 Margaret Street, Sydney NSW 2000 | GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | f 02 9275 7179 | e mail@audit.nsw.gov.au | audit.nsw.gov.au

The Secretary's Responsibility for the Financial Statements

The Secretary of the Department of Family and Community Services 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 Secretary determine 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 Secretary must assess the ability of the Office and the consolidated entity to continue as a going concern except where operations will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Office or the consolidated entity carried out its activities effectively, efficiently and economically
- 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.

Karen Taylor

Karen Taylor
Director, Financial Audit Services

27 September 2017
SYDNEY

ABORIGINAL HOUSING OFFICE

STATEMENT BY THE SECRETARY

For and on behalf of the ABORIGINAL HOUSING OFFICE

Pursuant to section 41C of the *Public Finance and Audit Act 1983* , I, state that in my opinion:

1. the accompanying consolidated financial statements and notes thereto exhibit a true and fair view of the financial position of the Aboriginal Housing Office as at 30 June 2017 and its financial performance for the year then ended.
2. have been prepared in accordance with the Australian Accounting Standards (which include Australian Accounting Interpretations) and the requirements of the *Public Finance and Audit Act 1983* , the *Public Finance and Audit Regulation 2015* and Directions issued by the Treasurer under Section 9(2)(n) of the Act.

As at 22 September, 2017, I am not aware of any circumstances, which would render any particulars included in the consolidated financial statements to be misleading or inaccurate.

Michael Coutts-Trotter
Secretary of the Department of Family and Community Services
For and on behalf of
Aboriginal Housing Office

22 September 2017

Aboriginal Housing Office

Consolidated Statement of comprehensive income for the year ended 30 June 2017

	Notes	Actual 2017 $'000	Budget 2017 $'000	Actual 2016 $'000
Expenses excluding losses				
Operating expenses				
Personnel Services	2(a)	8,795	11,666	12,928
Other operating expenses	2(b)	54,389	52,271	48,382
Depreciation and amortisation	2(c)	18,080	19,174	16,910
Grants and Subsidies	2(d)	10,081	26,677	23,008
Total Expenses excluding losses		91,345	109,788	101,228
Revenue				
Rent and other tenant charges	3(a)	53,625	54,967	53,887
Investment revenue	3(b)	-	-	271
Grants and contributions	3(c)	49,147	79,589	57,520
Other income	3(d)	564	-	1,572
Total Revenue		103,336	134,556	113,250
Gain / (loss) on disposal of property, plant and equipment	4	(4,147)	(900)	(1,734)
Other losses	5	(264)	(537)	(832)
Net result		7,580	23,331	9,456
Other comprehensive income				
Items that will not be reclassified to net result				
Net increase / (decrease) in property, plant and equipment revaluation surplus		139,173	85,381	190,949
Total other comprehensive income for the year		139,173	85,381	190,949
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		146,753	108,712	200,405

The accompanying notes form part of these financial statements

Aboriginal Housing Office

Consolidated Statement of financial position as at 30 June 2017

	Notes	Actual 2017 $'000	Budget 2017 $'000	Actual 2016 $'000
ASSETS				
Current Assets				
Cash and cash equivalents	6	28,391	11,588	30,954
Receivables	7	3,973	6,052	6,293
Total Current Assets		32,364	17,640	37,247
Non-Current Assets				
Property, plant and equipment	8	1,931,418	1,926,845	1,785,355
Total Non-Current Assets		1,931,418	1,926,845	1,785,355
Total Assets		1,963,782	1,944,485	1,822,602
LIABILITIES				
Current Liabilities				
Payables	10	24,369	25,161	30,463
Provisions	11	-	396	-
Total Current Liabilities		24,369	25,557	30,463
Non-Current Liabilities				
Provisions	11	733	-	212
Total Non-Current Liabilities		733	-	212
Total Liabilities		25,102	25,557	30,675
Net Assets		1,938,680	1,918,928	1,791,927
EQUITY				
Asset Revaluation Reserve		998,239	970,603	861,185
Accumulated funds		940,441	948,325	930,742
Total Equity		1,938,680	1,918,928	1,791,927

The accompanying notes form part of these financial statements

Aboriginal Housing Office

Consolidated Statement of cash flows for the year ended 30 June 2017

	Notes	Actual 2017 $'000	Budget 2017 $'000	Actual 2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Personnel services and other expenses		(13,875)	(11,666)	(12,928)
Payment to suppliers		(63,973)	(52,681)	(46,231)
Grants and subsidies paid		(10,082)	(26,677)	(23,008)
Total Payments		(87,930)	(91,024)	(82,167)
Receipts				
Rent and other tenant charges received		63,762	54,967	51,984
Interest received		-	-	271
Grants and contributions received		49,147	79,589	57,520
Other		564	(705)	1,282
Total Receipts		113,473	133,851	111,057
NET CASH FLOWS FROM OPERATING ACTIVITIES	14	25,543	42,827	28,890
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of property and plant and equipment		693	1,960	4,552
Purchases of property and plant and equipment		(28,799)	(59,144)	(28,685)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(28,106)	(57,184)	(24,133)
NET INCREASE/(DECREASE) IN CASH		(2,563)	(14,357)	4,757
Opening cash and cash equivalents		30,954	25,945	26,197
CLOSING CASH AND CASH EQUIVALENTS	6	28,391	11,588	30,954

The accompanying notes form part of these financial statements

Aboriginal Housing Office

Consolidated Statement of changes in equity for the year ended 30 June 2017

2017	Notes	Accumulated Funds $'000	Asset Revaluation Reserve $'000	Total $'000
Balance at 1 July 2016		930,742	861,185	1,791,927
Net result for the year		7,580	-	7,580
Other comprehensive income:				
Net increase/(decrease) in property, plant and equipment	8	-	139,173	139,173
Total other comprehensive income		-	139,173	139,173
Total comprehensive income for the year		7,580	139,173	146,753
Transfer between equity items				
Transfer arising from disposals of property plant and equipment		2,119	(2,119)	-
Balance at 30 June 2017		940,441	998,239	1,938,680

2016	Notes	Accumulated Funds $'000	Asset Revaluation Reserve $'000	Total $'000
Balance at 1 July 2015		918,475	673,047	1,591,522
Net result for the year		9,456	-	9,456
Other comprehensive income:				
Net increase/(decrease) in property, plant and equipment	8	-	190,949	190,949
Total other comprehensive income		-	190,949	190,949
Total comprehensive income for the year		9,456	190,949	200,405
Transfer between equity items				
Transfer arising from disposals of property plant and equipment		2,811	(2,811)	-
Balance at 30 June 2016		930,742	861,185	1,791,927

The accompanying notes form part of these financial statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. The Reporting Entity

(a) The Aboriginal Housing Office (AHO) is a statutory authority established in 1998 pursuant to the Aboriginal Housing Act 1998. The AHO as a reporting entity, comprises the controlled entity of the Dunghutti Aboriginal Elders Tribal Council Trust (Trust). In the process of preparing the consolidated financial statements for the economic entity consisting of the AHO and the Trust, all inter-entity transactions and balances have been eliminated and like transactions and other events are accounted for using uniform accounting policies.

Separate financial statements for AHO as the parent entity have not been prepared as the financial information disclosed would not be materially different to the financial information of the reporting entity. Refer to Note 16 Parent Entity for details of the parent entity and it's financial activities for the year ended 30 June 2017.

It is responsible for planning and administering the policies, programs and asset base for Aboriginal public housing in New South Wales. This includes resource allocation, sector wide policy, strategic planning and monitoring outcomes and performance in the Aboriginal public housing sector.

The Chief Executive/Secretary has determined the AHO is a not-for-profit entity for financial reporting purposes (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

AHO is within the cluster of the Department of Family and Community Services (DFACS) and is not a controlled entity.

The financial statements for the year ended 30 June 2017 have been authorised for issue by the Secretary on 22 September 2017.

(b) Basis of Preparation

The AHO's financial statements are general purpose financial statements, which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations) and the requirements of the *Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2015* and the Financial Reporting Directions mandated by the Treasurer.

(c) Statement of compliance

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

(d) Basis of measurement

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

(e) Currency presentation

The financial statements are presented in Australian dollars and all amounts rounded to the nearest thousand dollars.

(f) Use of estimates and judgements

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

(g) Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Accounting policies on recognition of specific types of income are discussed below:

(i) Rent and other tenant charges

Rent is charged one week in advance and recognised as revenue on an accrual basis.

The AHO charges rent for tenants, subject to individual limitations. Tenants, however, are only charged an amount equivalent to a pre-determined percentage of their household income. The difference between the market rent and the amount tenants are charged is referred to as a rental rebate. Estimated market rent and other tenant related charges, net of estimated rental rebates, are recognised and reported in the Statement of comprehensive income as Rent and other tenant charges.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Grants and contributions

Government grants and contributions from other bodies are recognised as income when the AHO gains control over the grants and contributions. Control is normally obtained when cash is received.

(iii) Investment revenue

Investment revenue is recognised as it accrues using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement* .

(iv) Sale of assets

Sale of assets is recognised when the conditions set out in paragraph 14 of AASB 118 *Revenue* are met. When property assets are sold, revenue from the sale is recognised at the contract settlement date.

(h) Personnel services and payable for personnel services

AHO does not have any employees. Personnel services to the AHO are provided and charged by the Department of Family and Community Services. These charges include:

(i) Salaries and wages, annual leave, sick leave and on-costs

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

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits. The entity has assessed the actuarial advice based on the entity's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

(ii) Long service leave and superannuation

Long service leave is measured at present value in accordance with AASB 119 Employee Benefits. This is based on the application of certain factors 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.

Expected future payments are discounted using Commonwealth government bond rate of 1.64% at the reporting date.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment. In the case of the AHO, this refers specifically to benefits provided to employees through superannuation schemes. Superannuation schemes are classified as either defined contribution or defined benefit.

- Defined contribution superannuation schemes

AHO contributes to the First State Superannuation Scheme, a defined contribution scheme in the NSW public sector, as well as other private schemes to a lesser extent. Contributions to these schemes are recognised as an expense in net result as incurred. The liability recognised at the reporting date represents the contributions to be paid to these schemes in the following month.

- Defined benefit superannuation schemes

AHO contributes to three defined benefit superannuation schemes in the NSW public sector Pooled Fund. These are: State Superannuation Scheme (SSS), State Authorities Superannuation Scheme (SASS) and State Authorities Non-Contributory Superannuation Scheme (SANCS).

The AHO's net obligation in respect of these schemes is calculated separately for each scheme by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior reporting periods. That benefit is discounted to determine its present value, and the fair value of any scheme assets is deducted.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The discount rate is the yield at the reporting date on Government bonds that have maturity dates approximating to the terms of the AHO's obligations. Calculations are performed by the Pooled Fund's actuary using the projected unit credit method and they are advised to individual agencies for recognition and disclosure purposes in their financial statements.

Where the present value of the defined benefit obligation in respect of a scheme exceeds the fair value of the scheme's assets, a liability for the difference is recognised in the statement of financial position. Where the fair value of a scheme's assets exceeds the present value of the scheme's defined benefit obligation, an asset is recognised in the statement of financial position.

Any superannuation asset recognised is limited to the total of any unrecognised past service and the present value of any economic benefits that may be available in the form of refunds from the schemes or reductions in future contributions to the schemes, as advised by the Pooled Fund's actuary.

Re-measurements of the net defined benefit liability or asset are recognised in other comprehensive income (directly through accumulated funds) in the reporting period in which they occur. Such re-measurements include actuarial gains or losses, the return on plan assets (excluding amounts included in net interest on the defined benefit liability or asset) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the defined benefit liability or asset).

(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 payroll tax, workers' compensation insurance premiums and fringe benefits tax.

(i) Insurance

The Treasury Managed Fund (TMF) provides coverage for most government agencies' business operations. TMF provides coverage for AHO's insurable risks relating to its operations and property portfolio.

Insurance against property and liability damage (fire damage, vehicle impact and tempest) less than $250,000 on AHO's property portfolio is self-insured by the AHO. Based on past experience and research, this option is considered to be the most economical.

(j) Accounting for the Goods and Services Tax (GST)

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

- the amount of GST incurred by the AHO as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- 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 ATO are classified as operating cash flows.

(k) Financial instruments

(i) Non-derivative financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and cash on hand which may be restricted.

Receivables

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 to initial recognition, receivables are measured at amortised cost using the effective interest method, less an allowance for any impairment losses. Changes are recognised in the net result for the year 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 considered to be immaterial.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Non-derivative financial liabilities

Trade and other payables

These represent liabilities for goods and services provided to the AHO. Payables are recognised initially at fair value, usually based on the transaction cost or fair value. However, short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. Subsequent to initial recognition, trade and other payables are measured at amortised cost using the effective interest method.

(l) De-recognition of financial assets and liabilities

(i) Financial assets

Financial assets are de-recognised when the contractual rights to the cash flows from the financial assets expire; or when the AHO transfers financial assets under the following circumstances:

a) the AHO transfers substantially all the risks and rewards associated with the financial assets, or

b) the AHO does not transfer substantially all the risks and rewards, but the AHO does not retain control

Where the AHO has neither transferred nor retained substantially all the risks and rewards or transferred control, financial assets are recognised only to the extent of the AHO's continuing involvement in the assets.

(ii) Financial liabilities

Financial liabilities are de-recognised when the obligations specified in the contracts expire, are discharged or cancelled.

(m) Property, plant and equipment

(i) Capitalisation threshold

Property, plant and equipment, including leasehold improvements costing $5,000 and above are capitalised, if it is probable that future economic benefits will flow to the AHO and the cost of the asset can be reliably measured. Grouped assets forming part of a network costing more than $5,000 are capitalised.

(ii) Recognition and measurement

The cost method of accounting is used in the initial recording of all asset acquisitions controlled by the AHO.

Cost includes expenditures that are directly attributable to the acquisition of the asset, such as cash or cash equivalents paid or the fair value of other consideration given to acquire the asset at the time of its acquisition or construction, or where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards. The cost of dismantling and removing an asset and restoring the site on which they are located is included in the cost of an asset, to the extent that it is recognised as a liability. The AHO recognises a liability when it has a legal and constructive obligation to restore the asset.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Where the payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, that is, the deferred payment amount is effectively discounted at an asset-specific rate.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, with the net amount being recognised within the Statement of comprehensive income.

(iii) Subsequent costs

a) Major inspection costs

The labour cost of performing major inspections for faults is capitalised as an addition to the asset, when the recognition criteria is satisfied.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Repairs and maintenance

The AHO expenses the cost of routine repairs and maintenance necessarily incurred to maintain its property portfolio at pre-determined standards, except where they relate to replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

A percentage of repairs and maintenance on properties costing in aggregate more than $10,000 are capitalised. Individual repairs and maintenance costing more than $5,000 are capitalised.

Value of unpaid repairs and maintenance at reporting date are accrued. The AHO estimates this accrual by applying a pre-determined percentage of the value of works orders issued to maintenance contractors. The pre-determined percentage is assessed every year depending on the status of the works orders as at reporting date.

c) Capital improvements

The AHO incurs costs necessary to bring older dwellings within its property portfolio to the benchmark condition. When the work undertaken results in the improved dwellings exceeding the original standard of the dwellings, the costs incurred are capitalised.

(iv) Revaluation

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 and AASB 116 Property, Plant and Equipment.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 9 for further information regarding fair value.

AHO revalues each class of property, plant and equipment annually to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at the reporting date.

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

When revaluing non-current assets the accumulated depreciation of an asset at the revaluation date is credited to the asset's account. The resulting net balance in the asset account is increased or decreased to bring the asset's value to fair value.

Revaluation increments are credited directly to revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the net result. The remaining balance is directly credited to the revaluation reserve.

Revaluation decrements relating to an asset class is first offset against the existing credit balance in the revaluation reserve for that asset class. The remaining balance is recognised as an expense in the net result reported in the Statement of Comprehensive Income.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not against assets than belong to a different asset class.

Where an asset that has previously been revalued is disposed of, any balance remaining in the revaluation reserve in respect of that asset is transferred to accumulated funds.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Depreciation

Property, plant and equipment, other than land is depreciated on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life. The residual values and useful lives of assets are reviewed at each balance date and adjusted, if appropriate. AHO undertakes ongoing maintenance and upgrading in order to maintain properties at a certain standard.

The depreciation rates are as follows:

	2017 % Rate	2016 % Rate
Property		
Building	2	2
Plant & Equipment		
Office furniture and fittings	33	33
Office equipment	14	14
Computer equipment	25	25

Leasehold improvements are amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter.

(vi) Transfer of Assets

On a regular basis, the NSW Land and Housing Corporation (LAHC) transfers properties (including legal title) to the AHO to assist in meeting Aboriginal housing needs. AHO also transfers properties to LAHC, such as when the relevant properties no longer meets the requirements of Aboriginal households. The AHO and LAHC regularly undertake a reconciliation of the value of property transfers in and out (quantity and dollar values).

The AHO records as revenue the value of properties transferred from LAHC and records as an expense the value of properties transferred to LAHC.

(n) Intangible assets

Intangible assets costing $5,000 and above are capitalised only if it is probable that future economic benefits will flow to the AHO and the cost of the asset can be reliably measured.

The cost method of accounting is used in the initial recording of intangible assets acquired by the AHO. However, intangible assets acquired at no or nominal cost, are measured at fair value.

Where computer software is acquired externally and forms an integral part of a related computer hardware, it is considered to form part of the computer hardware and is classified as Property, Plant and Equipment. However, where externally acquired computer software does not form an integral part of the related computer hardware, it is classified as an intangible asset.

After initial recognition, intangible assets are measured at fair value, where an active market exists. The intangible assets held by the AHO have no active markets and consequently, they are carried at cost less accumulated amortisation and impairment losses, where applicable.

Amortisation of intangible assets is calculated on a straight line basis over the assets' estimated useful lives, which are assessed each year. In general, the current useful life of intangible assets is four years.

(o) Leased assets

Leases in terms of which the AHO assumes substantially all the risks and benefits of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases (those in terms of which the AHO does not assume substantially all the risks and benefits of ownership) are classified as operating leases and not recognised in the AHO's Statement of financial position. However, lease payments in respect of the use of the leased assets are recognised as an expense on a straight-line basis over the lease term.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Impairment

(i) 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 AHO 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 assets' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of impairment loss is recognised in the net result reported in the Statement of comprehensive income.

Where there is objective evidence, previously recognised impairment losses are reversed in the net result for the year. Reversals of impairment losses on 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.

Receivables

The allowance for impairment estimated is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Uncollectible amounts are recognised as bad debts and written off when one of the following conditions in the Treasurer's Directions 450.05 *Recovery of Debts to the State* is met:

a) the debtor cannot be located;

b) it is uneconomical to finalise recovery action due to the relatively small value of the debt;

c) the medical, financial or domestic circumstances of a particular debtor do not warrant the taking of further recovery action; or

d) legal proceedings through the courts have proved, or on legal advice, would prove unsuccessful.

(ii) Property, plant and equipment and intangible assets

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

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

(q) Provisions

The AHO has no employees and therefore has no employee related provisions.

A provision is recognised if, as a result of a past event, the AHO has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Restoration provision is the present value of the AHO's obligation to make-good leased premises at the reporting date. The assumed settlement is based on contractual lease term. The amount and timing of each estimate is reassessed annually.

Provision for property replacements cost relates to the AHO's obligation to purchase suitable replacement properties for the ACHPs. This amount is reassessed on an annual basis.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

A number of the entity'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, the entity categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

* Level 1 - quoted 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).

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

Refer Note 9 and Note 15 for further disclosures regarding fair value measurements of financial and non-financial assets.

(s) Equity and reserves

(i) Revaluation reserve

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

(ii) Accumulated funds

The category 'Accumulated Funds' includes all current and prior period retained funds.

(t) Equity transfer

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs / functions and parts thereof between NSW public sector entities and 'equity appropriations' are designated or required by Australian Accounting Standards to be treated as contributions by owners and 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 and for-profit government entities are recognised at the amount at which the assets and liabilities were 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 entity 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.

(u) Application of new and revised Accounting Standards

The Aboriginal Housing Office has consistently applied the accounting policies set out at Note 1 to all periods presented in these financial statements:

AHO's assessment of the impact of these new standards and interpretations is that they do not materially affect any of the amounts recognised in the financial statements or significantly impact the disclosures in relation to the AHO except for AASB 124 Related Party Disclosures, refer to Note 20 for disclosures regarding Related Party Transactions.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfers of functions between entities as a result of Administrative Arrangement Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed on the primary financial statements are explained in Note 17.

(w) Comparative information

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

(x) Changes in accounting policy, including new or revised Australian Accounting Standards

NSW public sector entities are not permitted to early adopt new Australian accounting Standards, unless Treasury determines otherwise.

The following new Australian Accounting Standards and interpretations have not been applied and are not yet effective.

	Operative Date
AASB 9 regarding financial instruments	1-Jan-18
AASB 15, AASB 2014-5, AASB 2015-8 and AASB 2016-3 regarding Revenue from Contracts with Customers	1-Jan-18
AASB 16 Leases	1-Jan-19
AASB 1058 regarding *Income of Not-for-profit Entities*	1-Jan-19
AASB 2016-2 regarding amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107	1-Jan-17
AASB 2016-4 regarding amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Assets of Not-for-Profit Entities	1-Jan-17
AASB 2016-7 regarding amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities	1-Jan-17
AASB 2016-8 regarding amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities	1-Jan-19

AHO's assessment of the impact of these new standards and interpretations is that they will not materially affect any of the amounts recognised in the financial statements or significantly impact the disclosures in relation to the entity except the following.

- AASB 16 *Leases* operative from 1 January 2019 will require entities to recognise an additional asset on the Statement of Financial Position representing the economic benefit of having the 'right of use' of a leased asset in return for making regular lease payments. A lease liability will also be required to be recognised representing the obligation to make lease payments over the term of the lease. Lease contracts of 12 months or less are excluded from the requirements of AASB 16.

Management is of the view that AASB 16 *Leases* will not have a material impact on the financial statements of the AHO and will assess the impact in the next 12 months.

	2017 $'000	2016 $'000

2. Expenses Excluding Losses

(a) Personnel services

	2017 $'000	2016 $'000
Salaries and wages (including annual leave)	**7,317**	7,781
Superannuation - defined contribution plans	**605**	858
Superannuation - defined benefit plans	**(2,636)**	641
Salary and wages (Temporary Staff)	**2,822**	2,593
Long service leave	**21**	50
Workers' compensation insurance	**102**	79
Payroll tax and fringe benefit tax	**543**	511
Redundancy payments	**-**	391
Other	**21**	24
Fee for personnel services from AHO Group of Staff (DFACS)	**8,795**	12,928

The AHO's personnel services fee includes a component of 2017: $2.656M (2016: $0.354M) for the actuarial superannuation liability.

(b) Other operating expenses

	2017 $'000	2016 $'000
Auditor's remuneration - audit of the financial report	**74**	72
Advertising and promotions	**221**	92
Data processing services	**77**	29
Other contractors	**4,212**	2,015
DFACS Business Services fee	**1,207**	1,346
Fee for services rendered	**7,921**	7,750
Insurance	**497**	477
Legal costs	**-**	15
Office maintenance (i)	**10**	(204)
Minor equipment purchases	**30**	5
Motor vehicle expenses	**36**	56
Motor vehicle leasing costs	**79**	118
Rent and accommodation expense	**406**	647
Telephone	**56**	69
Postage and freight	**17**	11
Printing and stationery	**50**	60
Training and development expense	**412**	131
Travelling, removal and subsistence	**487**	451
Building maintenance and utilities expense	**37,802**	34,842
Other	**795**	400
	54,389	48,382

	2017 $'000	2016 $'000
(i) Reconciliation - Total Maintenance		
Maintenance expense - contractor labour and other	**10**	4
Write-back of un-used make good provision	**-**	(208)
Total maintenance expenses included in Note 2 (b)	**10**	(204)

		2017	2016
		$'000	$'000
(c)	**Depreciation and amortisation expense**		
	Depreciation		
	Buildings	**18,072**	16,829
	Leasehold improvements	**5**	74
	Furniture and equipment	**-**	6
	Plant and equipment	**3**	1
		18,080	16,910

(d) Grants and subsidies

The Commonwealth National Partnership Agreement on Remote Indigenous Housing (NPARIH) provides funds towards the repair and maintenance of Aboriginal community housing and the support of the Aboriginal Community Housing Providers (ACHP).

The AHO has engaged the Asset Division of the NSW Land and Housing Corporation (LAHC) to provide project and program management services in the delivery of NPARIH. The AHO also provides financial and administrative support for the ACHP's.

The expenditure below relates to recurrent expenditure provided to the ACHP's.

	2017	2016
National Partnership Agreement on Remote Indigenous Housing (NPARIH)	**4,774**	16,453
Other grants	**5,307**	6,555
	10,081	23,008

	2017 $'000	2016 $'000
3. Revenues		
(a) Rent and other tenant charges		
Market rental	**77,008**	75,306
Less: Rental rebates	**(26,338)**	(24,810)
	50,670	50,496
Tenant charges	**2,955**	3,391
	53,625	53,887
(b) Investment revenue		
Interest received on bank accounts	**-**	271
	-	271
(c) Grants and contributions		
State Social Housing	**4,487**	4,486
National Affordable Housing Agreement (NAHA)	**28,452**	28,095
National Partnership Agreement on Remote Indigenous Housing (NPARIH)	**13,808**	24,898
Grant from other government agency	**2,400**	41
	49,147	57,520

Grants are received through NSW Treasury from the Commonwealth Government under the National Partnership Agreement on Remote Indigenous Housing (NPARIH) and National Affordable Housing Agreement (NAHA). Additional contribution is also received from the State Government under State Social Housing.

	2017 $'000	2016 $'000
(d) Other contributions		
Assets acquired free of liability	**-**	290
Other	**564**	1,282
	564	1,572

No assets (2016: $0.29m) were recognised for the first time.

	2017 $'000	2016 $'000
4. (i) Gain/(Loss) on disposal of property, plant and equipment		
Proceeds from disposal	**725**	4,651
Disposal costs	**(32)**	(99)
Carrying amount of assets disposed	**(746)**	(4,426)
Net Gain/(Loss) on disposal of property	**(53)**	126
(ii) Loss on transfers/demolitions and retirements		
Written down value of assets demolished	**(4,066)**	(1,786)
Written down value of assets retired	**(28)**	(74)
	(4,094)	(1,860)
Total Net Gain/(Loss) on Disposal	**(4,147)**	(1,734)

	2017 $'000	2016 $'000
5. Other losses		
Allowance for impairment of receivables	**(264)**	(832)
	(264)	(832)

6. Current assets - cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank and on hand	**28,391**	30,954
	28,391	30,954

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and cash at bank that may be restricted. There is an amount of $475,969 for 2017 (2016: $633,908) which relates to restricted cash held for purchase of replacement properties for the ACHPs.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of financial year to the statement of cash flows as follows:

	2017 $'000	2016 $'000
Cash and cash equivalents (per statement of financial position)	**28,391**	30,954
Closing cash and cash equivalents (per statement of cash flows)	**28,391**	30,954

Refer Note 15 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

7. Current/non-current assets - receivables

	2017 $'000	2016 $'000
Current		
Rental debtors	**4,755**	5,488
Less : allowance for impairment	**(3,565)**	(3,756)
Sundry debtors	**206**	425
Receivables from Land and Housing Corporation	**106**	4,081
Receivables from Office of Environment and Heritage	**2,400**	-
	3,902	6,238
GST receivable (net)	**71**	55
Total receivables	**3,973**	6,293
Movement in the allowance for impairment		
Balance at 1 July	**(3,756)**	(3,433)
Amounts written off during the year	**455**	509
Increase/(decrease) in allowance recognised in comprehensive income	**(264)**	(832)
Balance at 30 June	**(3,565)**	(3,756)

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 15.

8. Non-current assets -property, plant and equipment

2017	Land and Buildings $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
At 1 July 2016 -fair value				
Gross carrying amount	1,767,277	255	18,061	1,785,593
Accumulated depreciation and impairment	(14)	(224)	-	(238)
Net Carrying Amount	1,767,263	31	18,061	1,785,355
At 30 June 2017 - fair value				
Gross carrying amount	1,915,186	656	15,812	1,931,654
Accumulated depreciation and impairment	(4)	(232)	-	(236)
Net Carrying Amount	1,915,182	424	15,812	1,931,418

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

2017 **Period ended 30 June 2017**	Land and Buildings $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
Net Carrying Amount at start of year	1,767,263	31	18,061	1,785,355
Additions	10,651	359	18,758	29,768
Make good	-	42	-	42
Transfers from work in progress	20,979	-	(20,979)	-
Disposals	(746)	-	-	(746)
Write-off	-	-	(28)	(28)
Demolition	(4,066)	-	-	(4,066)
Net revaluation increment	139,173	-	-	139,173
Depreciation expense	(18,072)	(8)	-	(18,080)
Net Carrying Amount at end of year	1,915,182	424	15,812	1,931,418

2016	Land and Buildings $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
At 1 July 2015 -fair value				
Gross carrying amount	1,571,047	968	16,730	1,588,745
Accumulated depreciation and impairment	(136)	(876)	-	(1,012)
Net Carrying Amount	1,570,911	92	16,730	1,587,733
At 30 June 2016 - fair value				
Gross carrying amount	1,767,277	255	18,061	1,785,593
Accumulated depreciation and impairment	(14)	(224)	-	(238)
Net Carrying Amount	1,767,263	31	18,061	1,785,355

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

2016 **Year ended 30 June 2016**	Land and Buildings $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
Net Carrying Amount at start of year	1,570,911	92	16,730	1,587,733
Additions	6,420	-	23,139	29,559
Assets recognised for the first time	290	-	-	290
Make good	-	20	-	20
Transfers from work in progress	21,734	-	(21,734)	-
Disposals	(4,426)	-	-	(4,426)
Write-off	-	-	(74)	(74)
Demolition	(1,786)	-	-	(1,786)
Net revaluation increment	190,949	-	-	190,949
Depreciation expense	(16,829)	(81)	-	(16,910)
Net Carrying Amount at end of year	1,767,263	31	18,061	1,785,355

9. Fair value measurement of non-financial assets

a) Fair value hierarchy

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Property, plant and equipment					
Land and buildings	8	-	-	1,915,182	1,915,182
		-	-	1,915,182	1,915,182

There were no transfers between Level 1 or 2 during the period.

b) Valuation techniques, inputs and processes

Fair values are determined by applying an annual rolling benchmark valuation approach whereby a third of the benchmark properties are valued by accredited property valuers with reference to market sales comparisons to calculate a market movement index. The market movement index is applied to the remaining two-thirds of the benchmark properties. All benchmark properties are grouped within thirteen geographical reporting regions. The median value increase in each geographical group is then applied to the entire property portfolio. Adjustments to each property are made for any significant different characteristic from benchmark properties. The rolling benchmark valuation process is calculated annually as at 31 December. As such, an uplift market movement factor is provided from a registered valuer for the six months period ended 30 June. The uplift market movement for the six months ended 30 June 2017 is nil.

This methodology involves a physical independent valuation each year of one-third of the benchmark properties. This has the advantage of engaging an independent assessment annually.

Significant inputs

- Market sales comparison approach utilising recent sales of comparable properties.
- Adjustments for any different attributes to benchmark properties- number of bedrooms, street appeal, aspect, dwelling size, yard size, internal condition and car accommodation
- Where a single title exists over multiple properties, a block title adjustment is made to reflect the required costs for sub-division.
- Uplift market movement for six months ended 30 June.

Inter-relationship between significant inputs and fair value measurement

- Higher (lower) market sales values reflect higher (lower) valuations.
- Better / lesser attributes for location, condition, size, aspect and street appeal over benchmark properties result in higher / (lower) valuation.
- Depending on the complexity of the conversion to single title, valuations are reduced by conversion costs.
- Higher / (lower) six monthly uplift market movement will result in higher / (lower) valuation.

Due to the extent of extrapolation and calculations for block title adjustments and uplift factors, management considers that an overall type 3 input level is appropriate.

10. Current liabilities - payables

	2017 $'000	2016 $'000
Payable for personnel services (i) #	**8,410**	13,490
Creditors - trade	**1,120**	172
Creditors - sundry	**1,275**	2,305
Accrued operating expenditure	**5,000**	7,000
Accrued capital expenditure	**8,463**	7,496
Creditors - inter-agency	**101**	-
	24,369	30,463

All the AHO's liabilities for personnel have been transferred to Department of Family and Community Services (DFACS) during the current financial year.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are included in Note 15.

11. Non-current liabilities - provisions

	2017 $'000	2016 $'000
Other provisions		
Property replacement cost	**476**	-
Restoration	**257**	212
Total Provisions	**733**	212

Movement in provisions (other than employee benefits)

2017	**Property replacement $'000**	**Restoration $'000**	**Total $'000**
Carrying amount at the beginning of the financial year	**-**	**212**	**212**
Additional provision recognised	**476**	**42**	**518**
Change in discount rate	**-**	**3**	**3**
Carrying amount at the end of the financial year	**476**	**257**	**733**

	2017 $'000	2016 $'000

12. Commitments for expenditure

(a) Capital commitments

Aggregate capital expenditure contracted for the purpose of providing housing for Aboriginal people at balance date and not provided for:

	2017 $'000	2016 $'000
Not later than one year	**2,906**	2,042
Later than one and not later than five years	**-**	-
Total (including GST)	**2,906**	2,042

(b) Operating lease commitments

Future non-cancellable operating lease rentals not provided for and payable:

	2017 $'000	2016 $'000
Not later than one year	**422**	660
Later than one year but not later than five years	**1,489**	2,380
Total (including GST)	**1,911**	3,040

The commitments in (a) and (b) above are not recognised in the financial statements as liabilities. The total commitments above include input tax credits of $0.332m (2016: - $0.349m) that are expected to be recovered from the Australian Taxation Office.

13. Contingent Liabilities and Contingent Assets

AHO does not have any contingent assets or liabilities to be reported as at 30 June 2017 (2016 - $Nil)

14. Reconciliation of cash flows from operating activities to net result

	2017 $'000	2016 $'000
Net cash from operating activities	**25,543**	28,890
Net gain / (loss) on disposal of assets	**(4,147)**	(1,734)
Depreciation and amortisation	**(18,080)**	(16,910)
Assets acquired free of liabilities	**-**	290
Allowance for impairment	**(264)**	(832)
Unwinding of discount on make good provision	**(3)**	(4)
Write back of unused make good provision	-	208
Increase / (decrease) in receivables	**(2,055)**	2,564
Decrease / (increase) in provisions	**(476)**	-
Decrease / (increase) in payables	**7,062**	(3,016)
Net result	**7,580**	9,456

15. Financial Instruments

The AHO's principal financial instruments are outlined below. These financial instruments arise directly from the AHO's operations or are required to finance the AHO's operations. The AHO does not enter into or trade financial instruments for speculative purposes. The AHO does not use financial derivatives.

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

The AHO's 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 the AHO, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the Audit & Risk Management Committee on a continuous basis.

(a) Financial Instrument Categories

			2017	2016
Financial Assets	**Note**	**Category**	**Carrying Amount**	**Carrying Amount**
Class:			**$'000**	**$'000**
Cash and cash equivalents	6	N/A	28,391	30,954
Receivables (1)	7	Loans and receivables (at amortised cost)	3,902	6,238
Total financial assets			32,293	37,192

Financial Liabilities	**Note**	**Category**	**Carrying Amount**	**Carrying Amount**
Class:			**$'000**	**$'000**
Payables (2)	10	Financial liabilities measured (at amortised cost)	24,369	30,463
Total financial liabilities			24,369	30,463

(1) Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)
(2) Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

(b) Credit risk

Credit risk arises when there is a possibility of the AHO’s debtors defaulting on their contractual obligations, resulting in a financial loss to the AHO. 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 the financial assets of the AHO, including cash, receivables. No collateral is held by the AHO. The AHO has not granted any financial guarantees.

Cash

Cash comprises cash on hand and bank balances with Westpac Banking Corporation. Interest is earned on daily bank balances.

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 Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity 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.

15. Financial Instruments (continued)

(b) Credit risk (continued)

The only financial assets that are past due or impaired are rent, other tenant charges and sundry debtors in the 'receivables' category of the statement of financial position.

2017	$'000 Total (1,2)	$'000 Past due but not impaired (1,2)	$'000 Considered Impaired (1,2)
< 3 months overdue	1,257	1,244	13
3 months - 6 months overdue	4	-	4
> 6 months overdue	3,548	-	3,548

2016	Total (1,2)	Past due but not impaired (1,2)	Considered Impaired (1,2)
< 3 months overdue	1,777	1,755	22
3 months - 6 months overdue	11	-	11
> 6 months overdue	4,125	402	3,723

(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 receivable total recognised in the statement of financial position.

(c) Liquidity risk

Liquidity risk is the risk that the AHO will be unable to meet its payment obligations when they fall due. The AHO continuously manages risk through monitoring future cash flows and commitments maturities. No assets have been pledged as collateral. The AHO's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

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 out in NSW TC 11/12. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. NSW TC 11/12 allows the Minister to award interest for late payment. An amount of $Nil interest for late payment was made during the 2017 year (2016: $Nil).

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

At 30 June 2017	Interest Rate Exposure	Maturity Dates			
	Nominal Amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Payable for personnel services	8,410	8,410	-	-	8,410
Creditors	15,959	15,959	-	-	15,959
Total	24,369	24,369	-	-	24,369

At 30 June 2016	Interest Rate Exposure	Maturity Dates			
	Nominal Amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Payable for personnel services	13,490	13,490	-	-	13,490
Creditors	16,973	16,973	-	-	16,973
Total	30,463	30,463	-	-	30,463

The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the AHO can be required to pay. These are non-interest bearing liabilities.

15. Financial Instruments (continued)

The AHO has access to the following line of credit with Westpac Bank

	2017 $'000	2016 $'000
Tape Negotiation Authority	**20,000**	20,000

This facility authorises the bank to debit the Aboriginal Housing's Office operating bank account up to the above limit when processing the electronic payroll and accounts payables.

	2017	2016
The AHO has access to the following credit card facility with Westpac Bank	**100**	90

This facility was approved under the Public Authorities Financial Arrangements Act by the Treasurer on 2 February 2016 as a maximum limit for the AHO's corporate credit cards.

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The AHO's exposures to market risk are primarily through interest rate risk on cash and cash equivalents. The AHO has no exposure to foreign currency risk and does not trade in derivatives of any nature.

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. A reasonably possible change of +/- 1 per cent is used, consistent with current trends in interest rates. This basis will be reviewed annually and amended where there is a structural change in the level of interest volatility. The AHO's exposure to interest rate risk is set out below.

		-1.0%		+1.0%	
30 June 2017	Carrying amount	Profit	Equity	Profit	Equity
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash and cash equivalents	28,391	(284)	(284)	284	284
Trade and other receivables	3,902	-	-	-	-
Financial liabilities					
Trade and other payables	24,369	-	-	-	-
Total increase/(decrease)		(284)	(284)	284	284

		-1.0%		+1.0%	
30 June 2016	Carrying amount	Profit	Equity	Profit	Equity
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash and cash equivalents	30,954	(310)	(310)	310	310
Trade and other receivables	6,238	-	-	-	-
Financial liabilities					
Trade and other payables	30,463	-	-	-	-
Total increase/(decrease)		(310)	(310)	310	310

(e) Fair Value compared to carrying amount

The carrying value of receivables less any impairment provision is a reasonable approximation of their fair value due to their short term nature.

16. Parent entity

Information relating to the Aboriginal Housing Office as the Parent Entity:

	2017 $'000	2016 $'000
Statement of financial position		
Current assets	32,364	37,247
Non-current assets	1,926,175	1,780,813
Total assets	**1,958,539**	**1,818,060**
Current liabilities	24,845	30,463
Non-current liabilities	257	212
Total liabilities	**25,102**	**30,675**
Net assets	**1,933,437**	**1,787,385**
Asset Revaluation Reserve	995,005	858,556
Accumulated Funds	938,432	928,829
Total Equity	**1,933,437**	**1,787,385**
Statement of comprehensive income		
Surplus for the year	7,484	9,513
Other comprehensive income	138,568	190,350
Total comprehensive income for the year	**146,052**	**199,863**

The Parent Entity has capital commitments of $2.9m in relation to building improvements (2016: $2.0m). Refer to Note 12 for further details of the commitment.

The Parent Entity has not entered into any financial guarantees (Note 15) and does not have any contingent assets or liabilities (Note 13) as at 30 June 2017.

17. Budget review

Net Cost of Services (NCOS)

The NCOS was $7.6 million in surplus against the approved budget of $23.3 million. With the exception of the re-phasing of the NPARIH program, the Net Cost of Services (NCOS) was achieved.

The major variances to budget for revenue were:

NPARIH Grants were $32.3m lower largely due a re-phasing of the NPARIH capital and backlog community upgrade programs in order to place a greater emphasis on construction and as a result to increase Aboriginal employment outcomes. The NPARIH program was due to end in June 2018, however it has now been extended to June 2019. All revenue grants have been carried forward to future years.

Rental Income was lower by $1.3m. Mainly due to a small increase in the number of vacancies and a plateauing in the growth of Commonwealth Rental Assistance (CRA) receipts.

Grants from other agencies were higher by $2.4m for a grant received from the Office of Environment & Heritage to support our solar project.

The major variances to budget for expenditure were:

NPARIH Backlog expenditure was $11.5m lower. A re-phasing and refreshing of the program was initiated in 2016/17 to place a great emphasis on community involvement in both the decision making and the building works.

Personnel services were $2.9 lower than budget, caused by a large actuarial gain arising from the annual review of the defined benefit superannuation liabilities.

Grants and subsidies expense is $4.3m lower of which $2.3m can be attributed to lower administration costs under the NPARIH program. There was also a $1.2m IT infrastructure grant which has been re-allocated to the 2017/18 year to better meet the anticipated IT Training needs of the community.

Repairs and Maintenance expenditure was $1.7m higher due to a focus on vacant restoration resulting in a higher number of homes being renovated in 2016/17.

Assets and Liabilities

The major variances to budget were:

Cash was $17m higher than budget. Approximately $7m of this extra cash can be attributed to revenue and expenses in the current year. The AHO had lower grants and capital expenditure of $16m and $23m respectively and this was offset by lower rental income of $1m and grants (carried forward) income of $31m.

The other $10m of this variance was carried forward from the last financial year where the AHO received cash in June 2016 after the budget starting position was finalised.

Property, Plant and Equipment was $5m higher than budget which was due to the higher than anticipated revaluation.

The asset revaluation reserve movement was $28m higher, which is consistent with the strong property market.

Cash Flows

Analysis for cash movements are as per above in the Assets and Liabilities section.

18. Service group statement

AHO operates and reports in one service group. The Statement of Comprehensive Income and Statement of Financial Position show the service group information of AHO.

19. Defined Benefit Superannuation Plans

(a) DFACS

	SASS		SANCS		SSS		TOTAL	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016	30/06/2017	30/06/2016	30/06/2017	30/06/2016
Member Numbers								
Contributors	-	3	-	3	-	-	-	6
Pensioners	-	-	-	-	7	7	7	7
Superannuation Position	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accrued liability	(3)	1,353	(1)	277	12,792	14,936	12,788	16,566
							-	-
Estimated reserve account balance	(18)	(470)	(7)	36	(4,382)	(5,095)	(4,407)	(5,529)
Net liability recognised in statement of financial position	(21)	883	(8)	313	8,410	9,841	8,381	11,037

Details of the schemes and key assumptions on the actuarial assessments of the above superannuation position are disclosed in the financial statements of DFACS as employer of these employees.
DFACS provides personnel services to AHO as AHO does not have employees.

20. Related Party disclosures

A related party is a person or entity that is related to the entity that is preparing financial statements. AHO is a cluster agency of the Department of Family and Community Services (DFACS). As AHO is a statutory authority 100% controlled by the NSW Government, AHO is a related party of all NSW Government controlled agencies and State Owned Corporations.

(a) Key Management Personnel

In accordance with AASB 124 Related party disclosures, Key Management Personnel 'KMP' are those having authority and responsibility for planning, directing and controlling the activities of the entity including whether executive or otherwise.

The Minister, the Secretary of DFACS and Chief Executive of the Aboriginal Housing Office have been identified as the KMP of AHO.

Key management personnel compensation

Ministers are compensated by NSW Legislature and AHO is not obligated to reimburse the Legislature. Ministerial compensation has been centrally compiled by Treasury and Department of Premier and Cabinet for distribution to agencies for inclusion in their financial statements. Treasury has advised that Ministerial compensation for the financial year ended 30 June 2017 will not be available until 1 September 2017 and is therefore excluded from the table below. AHO is not aware of any non monetary benefits provided by AHO to the Minister. The Secretary is remunerated by DFACS as the principle department of the cluster and therefore compensation for the Secretary is also excluded from the table below.

The entity's key management personnel compensation is as follows:

	2017
	$'000
Short-term employee benefits:	292
Other long-term employee benefits	-
Post-employment benefits	24
Termination benefits	-
Total remuneration	316

The above compensation disclosures are based on actual payments made to KMP during the year.

KMP Related party information

There were no other related party transactions that occurred during the year with KMP or close family members of KMP.

(b) Other related party transactions

Cluster agencies

A management agreement exists between AHO and LAHC whereby LAHC provides project management, professional and technical advice, repairs and maintenance and related reporting services. During the period to 30 June 2017, AHO incurred $2,050,308 as management fees and this amount is disclosed in Note 2 (b) Fee for services rendered.

A management agreement exists between AHO and DFACS whereby DFACS provides tenancy and other housing assistance services. During the period to 30 June 2017, AHO incurred $5,870,700 as management fees and this amount is disclosed in Note 2 (b) Fee for services rendered.

A management agreement exists between AHO and DFACS whereby DFACS provides finance, human resources, information technology and business services. During the period to 30 June 2017, AHO incurred $1,207,080 as management fees and this amount is disclosed in Note 2 (b) DFACS Business Services fee.

Other government agencies

AHO transacts with other government agencies in the normal course of business at arm's length.

21. Events after the reporting period

There are no events subsequent to balance date which has significantly affected the disclosures of the financial statements.

3. NSW Land and Housing Corporation

INDEPENDENT AUDITOR'S REPORT

NSW Land and Housing Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the NSW Land and Housing Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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 Corporation 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.

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

Level 15, 1 Margaret Street, Sydney NSW 2000 | GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | f 02 9275 7179 | e mail@audit.nsw.gov.au | audit.nsw.gov.au

The Secretary's Responsibility for the Financial Statements

The Secretary of the Department of Family and Community Services 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 Secretary determine 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 Secretary must assess the Corporation's ability to continue as a going concern except where the Corporation will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Corporation carried out its activities effectively, efficiently and economically
- 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.

Karen Taylor
Director, Financial Audit Services

19 September 2017
SYDNEY

NSW LAND AND HOUSING CORPORATION

STATEMENT BY THE SECRETARY

For and on behalf of the NSW LAND AND HOUSING CORPORATION

Pursuant to section 41C of the *Public Finance and Audit Act 1983*, I state that in my opinion the accompanying financial statements and notes of the NSW Land and Housing Corporation:

1. exhibit a true and fair view of the financial position of the NSW Land and Housing Corporation as at 30 June 2017 and its financial performance for the year ended; and

2. have been prepared in accordance with the Australian Accounting Standards (which includes Australian Accounting Interpretations) and the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* and Directions issued by the Treasurer under Section 9(2)(n) of the Act.

I am not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Michael Coutts-Trotter
Secretary of the Department of Family and Community Services
For and on behalf of
NSW Land and Housing Corporation
15 September 2017

NSW LAND AND HOUSING CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 $'000	2016 $'000
Revenue			
Rent and other tenant charges	4	869 402	866 918
Government grants	5	151 690	177 987
Investment revenue	6	6 333	6 355
Management fees	7	9 061	12 771
Other revenue	8	14 002	39 779
Total Revenue		**1 050 488**	**1 103 810**
Expenses			
Repairs and maintenance	9	408 420	296 095
Council rates		131 106	126 810
Water rates		96 717	101 038
Tenancy management	3(d)	112 163	115 100
Personnel services	10	59 608	61 600
Depreciation and amortisation	12	477 329	424 857
Grants and subsidies	13	3 000	63 414
Finance costs	14	55 237	58 734
Allowance for impairment	18*(iii)*	2 768	4 906
Other expenses	11	155 264	144 607
Total Expenses excluding gains		**1 501 612**	**1 397 161**
Gain on disposal of assets	15	**(49 732)**	**(96 447)**
NET RESULT		**(401 392)**	**(196 904)**
Other comprehensive income			
Items that will not be reclassified to net result:			
Net increase in property, plant and equipment asset revaluation reserve	21*(i)*,*(ii)*	4 789 296	6 351 061
Other comprehensive income for the period		**4 789 296**	**6 351 061**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**4 387 904**	**6 154 157**

The accompanying notes form part of these financial statements.

NSW LAND AND HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Notes	2017 $'000	2016 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	16	120 210	115 519
Receivables	17	23 023	18 187
Other financial assets	18	153 711	185 294
Other	19	13 295	8 075
Assets held for sale	20	36 803	42 765
Total Current Assets		**347 042**	**369 840**
Non-Current Assets			
Other financial assets	18	873	1 003
Property, plant and equipment	21	49 781 149	45 338 976
Intangible assets	22	4 305	5 178
Total Non-Current Assets		**49 786 327**	**45 345 157**
TOTAL ASSETS		**50 133 369**	**45 714 997**
LIABILITIES			
Current Liabilities			
Payables	23	274 246	215 094
Borrowings	24	27 410	46 580
Provisions	25	7 196	19 262
Total Current Liabilities		**308 852**	**280 936**
Non-Current Liabilities			
Payables	23	-	278
Borrowings	24	527 661	524 831
Total Non-Current Liabilities		**527 661**	**525 109**
TOTAL LIABILITIES		**836 513**	**806 045**
NET ASSETS		**49 296 856**	**44 908 952**
EQUITY			
Revaluation Reserves		39 169 956	34 703 883
Accumulated Funds		10 126 900	10 205 069
TOTAL EQUITY		**49 296 856**	**44 908 952**

The accompanying notes form part of these financial statements.

NSW LAND AND HOUSING CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

		Accumulated Funds		Asset Revaluation Reserve		Total	
		2017	2016	2017	2016	2017	2016
	Notes	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July		10 205 069	10 069 977	34 703 883	28 684 818	44 908 952	38 754 795
Net result for the year		(401 392)	(196 904)	-	-	(401 392)	(196 904)
Other Comprehensive Income:							
Net increase in property, plant and equipment asset valuations	21*(i)*,*(ii)*	-	-	4 789 296	6 351 061	4 789 296	6 351 061
Total other comprehensive income		-	-	4 789 296	6 351 061	4 789 296	6 351 061
Total comprehensive income for the year		(401 392)	(196 904)	4 789 296	6 351 061	4 387 904	6 154 157
Transfer between equity items:							
Transfers on disposal of assets		323 223	331 996	(323 223)	(331 996)	-	-
Total Transfer between equity items		323 223	331 996	(323 223)	(331 996)	-	-
Balance at 30 June		**10 126 900**	**10 205 069**	**39 169 956**	**34 703 883**	**49 296 856**	**44 908 952**

The accompanying notes form part of these financial statements.

NSW LAND AND HOUSING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 $'000	2016 $'000
Cash flows from Operating Activities			
Receipts			
Rent and other tenant charges		870 921	874 499
Government grants - other NSW government agencies		151 690	177 987
Interest received		6 650	5 914
Management fees		9 061	12 772
Other		1 406	17 197
Total receipts		**1 039 728**	**1 088 369**
Payments			
Property and residential tenancy		(687 537)	(609 897)
Tenancy Management		(112 163)	(115 100)
Personnel services		(58 478)	(54 545)
Finance costs		(39 794)	(43 844)
Grants and subsidies		(3 000)	(3 512)
Other		(53 235)	(81 342)
Total payments		**(954 207)**	**(908 240)**
Net cash flows from Operating Activities	29	**85 521**	**180 129**
Cash flows from Investing Activities			
Receipts			
Proceeds from sale of property, plant and equipment		377 057	466 895
Proceeds from redemption of investments		31 389	-
Total receipts		**408 446**	**466 895**
Payments			
Purchase of property, plant and equipment		(458 627)	(506 846)
Purchase of investments		-	(47 104)
Total payments		**(458 627)**	**(553 950)**
Net cash flows from Investing Activities		**(50 181)**	**(87 055)**
Cash flows from Financing Activities			
Payments			
Repayments of borrowings		(30 649)	(67 461)
Net cash flows from Financing Activities		**(30 649)**	**(67 461)**
Net increase in cash and cash equivalents		**4 691**	**25 613**
Opening cash and cash equivalents		115 519	89 906
CLOSING CASH AND CASH EQUIVALENTS	16	**120 210**	**115 519**

The accompanying notes form part of these financial statements.

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: THE REPORTING ENTITY

The NSW Land and Housing Corporation (LAHC) is a NSW Government entity. It is a Statutory Body and has no controlled entities.

LAHC is a *not-for-profit* entity as profit is not its principle objective and it has no cash generating units. It administers the *Housing Act 2001* (Housing Act) and its principal objective is to manage the State's housing portfolio on behalf of the New South Wales Government. In addition, LAHC administers the Housing Reserve Fund (HRF) which was established by the *Home Purchase Assistance Authority (HPAA) Act of 1993*, and is now incorporated into the *Housing Act*.

LAHC is a member of the Department of Family and Community Services (FACS) cluster of agencies, but is not controlled by FACS for financial reporting purposes. The financial statements of LAHC are consolidated with the NSW Total State Sector Accounts.

These financial statements for the year ended 30 June 2017 have been authorised by the Secretary on 15 September 2017.

NOTE 2: BASIS OF PREPARATION

LAHC's financial statements are general purpose financial statements which have been prepared on an accruals basis in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulations 2015*; and
- Financial Reporting Directions mandated by the Treasurer.

a) Statement of Compliance

LAHC's financial statements and notes comply with applicable Australian Accounting Standards, which include Australian Accounting Interpretations.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except:

- Property, plant and equipment are measured at fair value;
- Assets held for sale are measured at the lower of carrying amount and fair value less cost to sell;
- Interest free or low interest borrowings are initially measured at fair value and at amortised cost thereafter.

c) Currency presentation

The financial statements are presented in Australian dollars and all amounts are rounded to the nearest one thousand dollars.

d) Comparative information

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

NOTE 2: BASIS OF PREPARATION (continued)

e) Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts for assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year the estimates are revised and in future years.

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

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all reporting years presented in these financial statements.

a) Revenue recognition

Revenue is measured at the fair value of the consideration or contribution received or receivable.

Accounting policies on recognition of specific types of revenue are discussed below:

i) Rent and other tenant charges

Rent and other tenant charges are recognised in accordance with AASB 117 *Leases* on a straight line basis over the term of the lease.

Public housing

Rental revenue is accrued one week in advance and recognised as revenue on a straight-line basis.

LAHC estimates market rent for its properties. Public housing tenants are required to pay an amount equivalent to a pre-determined percentage of their household income. The difference between market rent and the amount tenants are required to pay is referred to as a rental subsidy.

Community housing

LAHC enters into lease agreements with registered community housing providers, generally on a three year term, at a nominal rent of $1.

ii) Government grants

Government grants are recognised as revenue when LAHC gains control over the grants. Control is normally obtained when cash is received.

iii) Investment revenue

Investment revenue is recognised as it accrues using the effective interest method.

iv) Management fees and other revenue

Management fees and other revenue are recognised on an accrual basis when services are provided.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Revenue recognition (continued)

v) Sale of assets

The gain or loss from the sale of assets is recognised in the Statement of Comprehensive Income when LAHC transfers the risks or rewards of the asset for a reliably measurable price and it is probable that LAHC will receive the benefits. When property assets are sold, the gain or loss from the sale is recognised at the contract settlement date.

b) Finance costs

Finance costs are recognised as expenses in the year in which they are incurred.

c) Insurance

LAHC manages its insurance activities through insurance brokers. Insurance premiums are prepaid annually and are recognised as an expense on a straight line basis over the period covered.

d) Tenancy management

LAHC engages FACS to undertake tenancy management services including establishing and maintaining tenancies, management of tenant complaints and appeals, collection of rent and other charges, investigation of and drafting of responses to Ministerial and other enquires regarding delivery of services.

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

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

- the amount of GST incurred by LAHC as a purchaser, that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition or as part of an item's 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. The GST components of cash flows arising from operating, investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

f) Financial Instruments

i) Non-derivative financial assets

<u>Cash and cash equivalents</u>

Cash and cash equivalents include cash at bank which may be restricted (refer Note 16).

<u>Loans, investments and receivables</u>

Loans, investments and other receivables are financial assets that are not quoted in an active market and with fixed or determinable payments. Such assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent to initial recognition, loans, investments and other receivables are measured at amortised cost using the effective interest method, less any impairment loss (refer Note 18). Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

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

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial Instruments (continued)

ii) Non-derivative financial liabilities

Trade and other payables

Payables represent liabilities for goods and services received by LAHC. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent to initial recognition, long term trade and other payables are measured 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.

Borrowings

Borrowings, including low interest loans, are measured initially at fair value net of transaction costs incurred. Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest method. Gains or losses arising from subsequent valuation are recognised in the net result for the year.

g) De-recognition of financial assets and financial liabilities

i) Financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or if LAHC transfers the financial assets:

- where substantially all the risks and rewards have been transferred; or
- where LAHC has not transferred substantially all the risks and rewards, if LAHC has not retained control.

Where LAHC has neither transferred nor retained substantially all the risks and rewards or transferred control, financial assets are recognised only to the extent of LAHC's continuing involvement in the assets.

ii) Financial liabilities

Financial liabilities are de-recognised when the obligations specified in the contracts expire, are discharged or cancelled.

h) Property, plant and equipment

i) Capitalisation threshold

Property, plant and equipment, including leasehold improvements, generally over $5,000 are capitalised if it is probable that the future economic benefits will flow to LAHC and the cost of the asset can be reliably measured.

ii) Recognition and measurement

Assets are initially recognised at cost.

Cost includes expenditures that are directly attributable to the acquisition of the asset, such as cash or cash equivalents paid or the fair value of other consideration given to acquire the asset at the time of its acquisition or construction, or where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Property, plant and equipment (continued)

The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the asset to a working condition for its intended use; and
- the costs of dismantling and removing the items and restoring the site on which they are located.

LAHC recognises a liability when it has a legal or constructive obligation to restore an asset.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Fair value is the price that would be received if an asset is sold in an orderly transaction between market participants at a measurement date.

Where the payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is discounted at a rate that appropriately applies to each specific asset.

Residential properties acquired are recognised as property, plant and equipment upon settlement.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment. The net gain or loss is recognised within the Statement of Comprehensive Income.

iii) Subsequent costs

Major inspection costs

The labour cost of performing major inspections for faults is recognised in the carrying amount of an asset as a replacement of a part or component of an asset, when the asset recognition criteria are satisfied.

Repairs and maintenance

LAHC expenses the cost of routine repairs and maintenance as incurred to maintain its property portfolio at certain standards, except where they relate to the replacement of a part or component of an asset in which case the costs are capitalised and depreciated.

Capital improvements

LAHC incurs costs necessary to bring aged dwellings within its property portfolio to LAHC's standard condition. These costs are capitalised when the improved dwellings exceed their original standard as a result of the work undertaken.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Property, plant and equipment (continued)

iv) Revaluation

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* and AASB 116 *Property, Plant and Equipment*.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a year that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 21 (*iii*) for further information regarding fair value.

LAHC revalues each class of property, plant and equipment annually to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date.

For non-specialised property, plant and equipment with short useful lives, historical cost is considered to approximate fair value. LAHC has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

When revaluing non-current assets, the accumulated depreciation balance of an asset as at the revaluation date is credited to that asset's account balance. The resulting net balance in the asset account is increased or decreased to bring the asset's value to fair value.

Revaluation increments/decrements

Revaluation increments are credited directly to the Asset Revaluation Reserve, except to the extent that an increment reverses a revaluation decrement in respect of the same class of asset previously recognised as an expense. In this instance, the increment is recognised immediately as revenue in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except to the extent that a credit balance exists in the Asset Revaluation Reserve in respect of the same class of assets. In this instance, they are debited directly to the Asset Revaluation Reserve.

As LAHC is a not-for-profit entity, the revaluation increment or decrement relating to individual assets within an asset class are offset against one another, but not against assets that belong to a different asset class.

Where an asset that has previously been revalued is disposed of, any balance remaining in the Asset Revaluation Reserve in respect of that asset is transferred to Accumulated Funds.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Property, plant and equipment (continued)

v) Depreciation

Property, plant and equipment, other than land, are depreciated on a straight line basis. The residual values and useful lives of assets are reviewed at each balance date and adjusted, if appropriate. LAHC undertakes ongoing maintenance and upgrading in order to maintain properties at a certain standard. The estimated useful lives of the depreciable assets are:

Asset class	Estimated useful life for the current and previous year
Residential properties	50 years
Residential properties marked for demolition	1 to 5 years
Controlled assets under lease	shorter of the lease term or the life of the underlying assets
Commercial properties	50 years
Community purpose built properties	50 years
Motor vehicles	3 years
Computer hardware	3 years
Office furniture and equipment	3 years

Leasehold improvements are depreciated over the shorter of the estimated useful life of the improvements and the unexpired term of the lease.

vi) Vested assets

Assets which are vested to community housing providers are expensed when all government approvals are obtained and substantially all the risks and rewards incidental to those assets have been transferred.

i) Intangible assets

Intangible assets costing $5,000 and above are capitalised if it is probable that future economic benefits will flow to LAHC and the cost of the asset can be reliably measured.

The cost method of accounting is used in the initial recording of intangible assets acquired or developed by LAHC. However, intangible assets acquired at no or nominal costs are measured at fair value.

For computer software developed internally by LAHC, research costs are expensed while development costs that meet specific criteria are capitalised provided they are directly attributable to the asset. Where externally acquired computer software forms an integral part of the related computer hardware, it is considered to form part of the computer hardware and is classified as Property, Plant and Equipment.

However, where externally acquired computer software does not form an integral part of the related computer hardware, it is classified as an intangible asset. As there are no active markets for LAHC’s intangible assets they are carried at cost less accumulated amortisation.

Amortisation of intangible assets is calculated on a straight line basis over the assets’ estimated useful lives, which are assessed each year. The current estimated useful life for intangible assets is 3 years.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Leased assets

i) Finance leases

LAHC classifies a long-term lease as a finance lease if it substantially transfers all the risks and rewards incidental to ownership of the assets from the lessor to the lessee and the lease payments represent substantially all of the fair value of the underlying assets.

As a lessee, LAHC recognises a finance leased asset at the lower of its fair value and the present value of minimum lease payments at the commencement of the lease term. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

As a lessor, LAHC recognises the present value of lease receipts as receivables, where material. Lease receipts are recognised in two components, one as a reduction of the lease receivables and the other as finance income. However, in instances of peppercorn leases where lease receipts are deemed immaterial, lease income is recognised on an accrued basis.

ii) Controlled assets under lease

Controlled assets under lease represent properties which are not owned by LAHC but are under long term lease arrangements whereby substantially all the risks and rewards incidental to ownership of the assets have been transferred to LAHC. Where the lease payments are substantially less than the underlying fair value of the assets (peppercorn rent of $1), then these assets are brought to account initially at fair value and depreciated over the shorter of the lease term or the life of the underlying asset.

iii) Operating leases

Other leases, where LAHC does not assume substantially all the risks and rewards of ownership, are classified as operating leases and not recognised in the Statement of Financial Position. Operating lease payments are recognised as an expense on a straight-line basis over the lease term in the Statement of Comprehensive Income.

k) Impairment

i) Financial assets

All financial assets, except those measured at fair value through the Statement of Comprehensive Income, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that LAHC 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 impairment loss is recognised in the net result reported in the Statement of Comprehensive Income.

Where there is objective evidence, previously recognised impairment losses are reversed in the net result for the year. Reversals of impairment losses on 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.

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NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Impairment (continued)

ii) Short term receivables, loans and other receivables

The allowance for estimated impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Uncollectible amounts are recognised as bad debts and written off when one of the following conditions in the Treasurer's Directions *450.05 Recovery of Debts to the State* is met:

- the debtor cannot be located;
- it is uneconomical to finalise recovery action due to the relatively small value of the debt;
- the medical, financial or domestic circumstances of a particular debtor do not warrant the taking of further recovery action; or
- legal proceedings through the courts have proved, or on legal advice, would prove unsuccessful.

iii) Property, plant and equipment and intangible assets

As a *not-for-profit* 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, impairment can only arise in the rare circumstances where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that *AASB 136* modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount of an intangible asset is less than its carrying amount, the carrying amount is reduced to the recoverable amount and the reduction is recognised as an impairment loss.

l) Non-current assets classified as held for sale

LAHC has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs of disposal.

Any loss on initial classification of a non-current asset as held for sale and subsequent gains or losses on re-measurement are recognised in the net result. Gains on re-measurement are recognised in the net result only to the extent of the cumulative impairment loss that has been recognised.

Assets classified as 'held for sale' are not depreciated while the held for sale classification criteria continues to be met.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Liabilities

i) Personnel services

LAHC does not have any employees. FACS provides personnel services to LAHC using the following components:

Salaries and wages, annual leave and sick leave

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

Where material, annual leave that is not expected to be taken within twelve months after the end of the annual reporting year is measured at present value in accordance with AASB 119 Employee Benefits.

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.

Long service leave and defined benefit superannuation

LAHC's liabilities for long service leave and defined benefit superannuation are assumed by the Crown. LAHC accounts for the liabilities as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue items described as 'accepted by the Crown'.

From 1 December 2016 FACS facilitates the recovery of any long service leave and defined benefit superannuation directly with the Crown.

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 TC 15-09) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The defined benefits 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 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.

Defined contribution superannuation

The defined contribution superannuation expense is calculated based on the Government Super Guarantee Charge percentage and the employee's salary. For financial year 2016-17, the rate is 9.5%.

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 payroll tax, workers' compensation insurance premiums and fringe benefits tax.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Liabilities (continued)

ii) Other provisions

A provision is recognised if, as a result of a past event, LAHC has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

A provision for restructuring is recognised when LAHC has a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly, resulting in a valid expectation in those affected that the restructuring plan will be implemented.

n) Fair value hierarchy

A number of LAHC'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, LAHC categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical or similar assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable either directly or indirectly (observable inputs).
- Level 3: inputs that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assets and liabilities measured at fair value is included in the following notes:

- Note 20 – Assets Held For Sale;
- Note 21 – Non-current assets – Property, Plant and Equipment; and
- Note 31 – Financial Instruments

o) Equity and reserves

i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements arising from the revaluation of non-current assets. This is in accordance with LAHC's accounting policy on the revaluation of property, plant and equipment as discussed in Note 3 h) *iv).*

ii) Accumulated funds

Accumulated funds - includes all current and prior years' net results.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Equity transfers

In accordance with AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners made to Wholly-owned Public Sector Entities*, the transfer of net assets between NSW public sector entities as a result of an administrative restructure, within government, is designated as a contribution by owners and recognised as an adjustment to accumulated funds.

Transfers arising from an administrative restructure between not-for-profit and for-profit government entities are recognised at the amount at which they were recognised by the transferor department immediately prior to the restructure. 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 by the transferor at amortised cost because there is no active market, LAHC recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, no asset is recognised by LAHC.

q) New Australian Accounting Standards and Interpretations

i) Effective for the first time in 2016-17

The following new standards have been applied for the first time in 2016-17. The impact of these standards is set out below:

Standard	Summary of key requirements/changes	Impact on LAHC's 2016-17 Financial Statements
AASB 124, AASB 2015-6 regarding Related Party Disclosures	The objective of this Standard is to extend the scope of AASB 124 *Related Party Disclosures* to include not-for-profit public sector entities.	Disclosures of LAHC's related party transactions and its KMP are included in Note 32.
AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*	This amending standard provides relief from certain AASB 13 *Fair Value Measurement* disclosures. The relief applies to items of property, plant and equipment within level 3 of the fair value hierarchy that are held primarily for their current service potential rather than to generate future cash inflows.	Although the amending standard could result in reduced fair value disclosure in Note 21 *(iii)*, management has maintained the additional disclosure provided in prior years.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) New Australian Accounting Standards and Interpretations (continued)

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 standards have not been applied as they are not yet effective. Management's assessment of their implications to LAHC in the period of initial application is set out below:

Standard	Summary of key requirements/ changes	Applicable to annual reporting periods beginning on or after	Expected impact to LAHC on initial application
AASB 9 *Financial Instruments*	Supersedes AASB 139 *Financial Instruments: Recognition and Measurement*. The standard introduces new requirements for the classification and measurement of financial assets and liabilities, including a forward-looking 'expected loss' impairment model and a substantially changed approach to hedge accounting.	1 Jan 2018	All existing financial instruments will need to be classified according to the AASB 9 criteria and transitional requirements. Management is assessing the potential impact of this standard on LAHC's financial assets and liabilities.
AASB 15, AASB 2014-5, AASB 2015-8, 2016-3 and 2016-7 regarding Revenue from Contracts with Customers	Establishes principles to report useful information about nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The mandatory effective date of AASB 15 for not-for-profit entities has been amended to annual reporting periods beginning on or after 1 January 2019.	1 Jan 2019	Management is assessing the potential impact of this standard on LAHC's sources of funds, being mainly rental income, grants and management fees.
AASB 16 *Leases*	Supersedes AASB 117 *Leases*. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value.	1 Jan 2019	There will be minimal implications to leases where LAHC is a lessor as the new standard still requires leases to be classified as either operating or finance lease. However, as a lessee, the initial application of this standard will result in LAHC bringing to account the right-to-use asset and liability to represent the lease payment obligation for its operating leases.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) New Australian Accounting Standards and Interpretations (continued)

Standard	Summary of key requirements/ changes	Applicable to annual reporting periods beginning on or after	Expected impact to LAHC on initial application
AASB 1058 *Income of Not-for-Profit Entities*	AASB 1058 supersedes AASB 1004 *Contributions.* The standard clarifies and simplifies the recognition, measurement and disclosure requirements that apply to not-for-profit entities, in conjunction with AASB 15 *Revenue from Contracts with Customers*.	1 Jan 2019	Management is assessing the potential impact of this standard, particularly where LAHC receives consideration that is significantly less than the fair value of the asset acquired in order to support its objectives.
AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*	Amends AASB 107 *Statement of Cash Flows* by requiring Tier 1 reporting entities to provide disclosures of cash and non-cash changes in liabilities arising from financing activities.	1 Jan 2017	Additional disclosures will be made on LAHC's Statement of Cash Flows as prescribed by the standard.
AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*	Amends requirements for not-for-profit entities in AASB 136 *Impairment of Assets* as it: • removes 'depreciated replacement cost' as a measure of value in use; and • clarifies that the recoverable amount of specialised, non-cash-generating assets held for service capacity purpose is the same as fair value determined under AASB 13 *Fair Value Measurement.*	1 Jan 2017	There will be minimal implications to LAHC as the majority of its assets are regularly re-valued to fair value under the revaluation model. Since regular revaluation ensures each asset is carried at an amount that is not materially different from fair value, any impairment is taken into account as part of the revaluation.
AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*	Inserts Australian requirements and authoritative implementation guidance that will assist not-for-profit entities in applying AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers.*	1 Jan 2019	Management is reviewing the guidance provided in this standard to assess the potential impact of AASB 9 and AASB 15.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) New Australian Accounting Standards and Interpretations (continued)

The following new standards issued but not yet effective are not applicable to LAHC and thus, have no impact on LAHC's accounting policy:

- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*;
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*;
- AASB 2016-6 *Amendments to Australian Accounting Standards – Applying AASB 9 with AASB 4 Insurance Contracts*;
- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfer of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*;
- AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*;
- Interpretation 22 *Foreign Currency Transactions and Advance Consideration*.

NSW LAND AND HOUSING CORPORATION
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NOTE 4: RENT AND OTHER TENANT CHARGES

	2017 $'000	2016 $'000
Market rent and other tenant charges (notional)	2 009 943	1 948 458
Less: rental subsidies to tenants (notional)	(1 181 516)	(1 122 050)
Water usage charges	40 975	40 510
Total rent and other tenant charges	**869 402**	**866 918**

NOTE 5: GOVERNMENT GRANTS

Other government agencies		
NSW Department of Family & Community Services	151 690	177 987
Total Government grants	**151 690**	**177 987**

LAHC receives government grants for initiatives not covered by the National Affordable Housing Agreement. During the year LAHC received grants from the NSW Department of Family & Community Services for programs such as head leasing, repairs & maintenance on crisis accommodation and capital works.

NOTE 6: INVESTMENT REVENUE

Interest earned by LAHC is in respect of the following investments:		
Bank deposits	6 054	6 130
Other	279	225
Total investment revenue	**6 333**	**6 355**

NOTE 7: MANAGEMENT FEES

Project management fees	7 011	10 749
Property management fees	2 050	2 022
Total management fees	**9 061**	**12 771**

NOTE 8: OTHER REVENUE

Long service leave & superannuation accepted by the Crown (note 3 m*(i) &* note 10)	2 492	6 946
Bad debts recovered	102	227
Property related income	3 392	26 860
Sundry	8 016	5 746
Total other revenue	**14 002**	**39 779**

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9: REPAIRS AND MAINTENANCE

	2017 $'000	2016 $'000
Residential properties	408 023	295 819
Commercial properties	222	172
Other	175	104
Total repairs and maintenance	**408 420**	**296 095**

NOTE 10: PERSONNEL SERVICES

Salaries	45 128	42 258
Annual leave and leave loading	3 891	4 698
Long service leave - assumed by the Crown (note 3 m*(i)* & note 8)	1 547	5 627
Superannuation - defined benefit plan assumed by the Crown (note 3 m*(i)* & note 8)	945	1 319
Superannuation - defined contribution plan	4 152	4 130
Workers' compensation insurance	201	213
Payroll and fringe benefits tax	3 722	3 322
Other	22	33
Total personnel services	**59 608**	**61 600**

Personnel services are provided by the Department of Family and Community Services.

NOTE 11: OTHER EXPENSES

Management and other fees	17 295	11 444
Operating lease rental expense - minimum lease payments *(i)*	67 879	65 997
Property related expenses	12 708	11 042
Motor vehicle, travel & telecommunications	2 579	2 378
Professional services and contractors	31 655	33 014
Auditors' remuneration	388	372
Other audit assurance services	604	297
Department of Family and Community Services - Business Services *(ii)*	13 538	13 208
Other	8 618	6 855
Total other expenses	**155 264**	**144 607**

(i) LAHC leases residential properties from the private market to supplement its housing stock in order to support client demand for social housing. These leased residential properties are sub-let to eligible clients.

(ii) Department of Family and Community Services - Business Services is the shared service provider for LAHC. The services provided include corporate support services in respect of finance transactions, information technology and human resource functions.

NSW LAND AND HOUSING CORPORATION
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NOTE 12: DEPRECIATION AND AMORTISATION

	2017 $'000	2016 $'000
Depreciation		
Residential properties	474 603	423 284
Commercial properties	354	405
Community purpose built properties	457	483
Controlled assets under lease	119	-
Computer hardware	26	20
Office furniture and equipment	9	7
Motor vehicles	24	106
Leasehold improvements	461	423
Total depreciation	**476 053**	**424 728**
Amortisation		
Intangible assets	1 276	129
Total amortisation	**1 276**	**129**
Total depreciation and amortisation	**477 329**	**424 857**

NOTE 13: GRANTS AND SUBSIDIES

	2017 $'000	2016 $'000
Grants to community groups - vested properties *(a)* (note 21 *(i)* & *(ii)*)	-	60 228
Amortisation of write down on borrowing (note 24 *(i)*)	-	79
Other	3 000	3 107
Total grants and subsidies expense	**3 000**	**63 414**

(a) In order to support the Government's priority to improve housing affordability, properties are being vested to community housing providers that are able to leverage these assets to borrow funds from the private sector and invest in additional housing stock. During the year there were no approvals for vesting (2016: 160 properties and one parcel of land $60.2 million). In 2016 and prior years 6,277 properties with a carrying value of $1,537.6 million were vested to community housing providers.

NOTE 14: FINANCE COSTS

	2017 $'000	2016 $'000
Finance costs comprise:		
Interest on interest bearing liabilities:		
State Advances – Commonwealth loans	46 323	47 564
NSW Treasury Corporation	7 950	10 169
Crown Entity	-	611
Other	964	390
Total finance costs	**55 237**	**58 734**

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 15: GAIN/(LOSS) ON DISPOSAL

	2017 $'000	2016 $'000
(i) **Sale of assets**		
Residential properties		
Sales proceeds	231 731	286 532
Less: selling expenses	(11 588)	(13 503)
Net proceeds	220 143	273 029
Less: carrying amount of assets sold	(182 531)	(171 044)
Gain	**37 612**	**101 985**
Community Purpose Properties		
Sales proceeds	318	7 000
Less: selling expenses	-	-
Net proceeds	318	7 000
Less: carrying amount of assets sold	-	(5 513)
Gain	**318**	**1 487**
Land		
Sales proceeds	82 353	135 509
Less: selling expenses	(5 414)	(3 990)
Net proceeds	76 939	131 519
Less: carrying amount of assets sold	(61 954)	(121 729)
Gain	**14 985**	**9 790**
Motor Vehicles		
Sales proceeds	197	205
Less: selling expenses	(6)	-
Net proceeds	191	205
Less: carrying amount of assets sold	(56)	(159)
Gain	**135**	**46**
Gain	**53 050**	**113 308**
Total asset sales of property, plant and equipment		
Sales proceeds	314 599	429 246
Less: selling expenses	(17 008)	(17 493)
Net proceeds	297 591	411 753
Less: carrying amount of assets sold (note 21 *(i) & (ii)*)	(244 541)	(298 445)
Gain	**53 050**	**113 308**

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 15: GAIN/(LOSS) ON DISPOSAL (continued)

	2017 $'000	2016 $'000
(ii) **Assets demolished**		
Carrying amount of demolished properties (note 21 *(i) & (ii))*	**(22 037)**	**(20 528)**

In accordance with LAHC's strategic asset management program, properties that meet certain criteria may be demolished to provide for redevelopments.

	2017 $'000	2016 $'000
(iii) **Assets written off and impaired**		
Property, plant and equipment (note 21 *(i) & (ii))*	(19 237)	(4 887)
Property rectification	(487)	(2 293)
Impairment – non-current assets classified as held for sale (note 20)	(503)	(658)
Assets written off and impaired	**(20 227)**	**(7 838)**
Gain on disposal of property, plant and equipment	**10 786**	**84 942**
(iv) **Sale of assets held for sale**		
Residential properties		
Sales proceeds	79 306	27 355
Less: selling expenses	(702)	(226)
Net proceeds	78 604	27 129
Less: carrying amount of assets sold	(39 622)	(18 190)
Gain	**38 982**	**8 939**
Community Purpose Properties		
Sales proceeds	-	2 760
Less: selling expenses	-	-
Net proceeds	-	2 760
Less: carrying amount of assets sold	-	(3 078)
(Loss)	**-**	**(318)**
Vacant Land		
Sales proceeds	862	26 073
Less: selling expenses	-	(820)
Net proceeds	862	25 253
Less: carrying amount of assets sold	(898)	(22 369)
(Loss)/Gain	**(36)**	**2 884**
Gain on sale of assets held for sale	**38 946**	**11 505**
Total sales of assets held for sale		
Sales proceeds	80 168	56 188
Less: selling expenses	(702)	(1 046)
Net proceeds	79 466	55 142
Less: carrying amount of assets sold (note 20)	(40 520)	(43 637)
Gain on sale of assets held for sale	**38 946**	**11 505**
Total gain on disposal of assets	**49 732**	**96 447**

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NOTE 16: CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2017 $'000	2016 $'000
Cash on hand, at bank and in transit	120 210	115 519
Total cash and cash equivalents *(i)*	**120 210**	**115 519**

(i) Cash and cash equivalents include amounts that have been restricted in terms of their use as follows:

Housing Reserve Fund (HRF) (note 1)	1 404	2 199
Housing Affordability Fund (HAF) *(ii)* and security deposits	4 337	3 186
Millers Point Restricted Funds (note 26)	28 641	26 061
Restricted cash and cash equivalents	**34 382**	**31 446**

(ii) In prior years, LAHC entered into a number of HAF agreements with the former Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs.

NOTE 17: CURRENT ASSETS – RECEIVABLES

Current		
Rental and Sundry debtors	38 393	34 788
Less: allowance for impairment *(i)*	(26 848)	(29 056)
Net Rental and Sundry debtors	11 545	5 732
Receivables – other government departments	11 478	12 455
Total current receivables	**23 023**	**18 187**

(i) The movement in the aggregate allowance for impairment in receivables is as follows:

Balance, beginning of year	29 056	27 994
Debts written off	(4 976)	(3 844)
Increase in allowance for impairment	2 768	4 906
Balance, end of year	**26 848**	**29 056**

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 18: CURRENT/NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

LAHC derives its investment powers from Part 2, Schedule 4 of the *Public Authorities (Financial Arrangements) Act 1987.* Other financial assets comprise the following:

	2017 $'000	2016 $'000
Current		
Loans and Investments		
Term deposits *(i)*	153 504	185 039
Mortgage Assistance Scheme	218	266
Less: allowance for impairment *(ii)*	(11)	(11)
Net	207	255
Total loans and investments	153 711	185 294
Total current other financial assets	**153 711**	**185 294**
Non-current		
Loans and Investments		
Mortgage Assistance Scheme	873	1 003
Total loans and investments	873	1 003
Total non-current other financial assets	**873**	**1 003**
Total other financial assets	**154 584**	**186 297**

(i) Other financial assets include deposits that are restricted in terms of their use as follows:

Housing Reserve Fund (HRF) (note 1)	87 703	80 663
Total	**87 703**	**80 663**

(ii) The movement in the allowance for impairment in loans under the Mortgage Assistance Scheme is below:

Current		
Balance, beginning of year	11	18
Debts written off	-	(7)
Balance, end of year	**11**	**11**

Total movement in allowance for impairment in receivables and loans under the Mortgage Assistance Scheme is as follows:

Current		
Balance, beginning of year	29 067	28 012
Debts written off	(4 976)	(3 851)
Allowance for impairment (note 17*(i)* and note 18*(ii)*)	2 768	4 906
Balance, end of year	**26 859**	**29 067**

NOTE 19: CURRENT / NON-CURRENT ASSETS – OTHER

	2017 $'000	2016 $'000
Current		
Head leasing	7 798	7 149
Other	5 497	926
Total current other	**13 295**	**8 075**

NOTE 20: ASSETS HELD FOR SALE

Residential properties	33 648	41 061
Vacant land	3 155	1 704
Total assets classified as held for sale	**36 803**	**42 765**

These assets are expected to be sold in the following financial year through a number of disposal options including auctioning the properties. An impairment loss on the measurement of assets classified as held for sale to fair value less cost to sell has been recognised and is included in Assets Written Off (refer note 15 *(iii))*. The fair value measurements are categorised within Level 3 of the fair value hierarchy. The impairment loss comprises:

Residential properties:		
Fair value (Net carrying amount at the time of reclassification)	34 097	41 779
Less: Cost to sell	(449)	(718)
Fair value less cost to sell	33 648	41 061
Impairment loss	449	718
Vacant land:		
Fair value (Net carrying amount at the time of reclassification)	3 209	1 731
Less: Cost to sell	(54)	(27)
Fair value less cost to sell	3 155	1 704
Impairment loss	54	27
Impairment loss on measurement of assets held for sale	**503**	**745**
Impairment writeback on reinstatement of non-current assets	-	(87)
Impairment – non-current assets classified as held for sale (note 15 *(iii)*)	**503**	**658**

Reconciliations

Reconciliations of the total carrying amounts of assets classified as held for sale at the beginning and end of the current and previous financial year are set out below:

Carrying amount at start of year	42 765	49 295
Sale of assets – carrying amount (note 15 *(iv)*)	(40 520)	(43 637)
Impairment loss	(503)	(745)
Impairment writeback on reinstatement of non-current assets	-	87
Reclassified from non-current assets to assets held for sale (note 21 *(i) & (ii)*)	35 061	42 519
Reclassified from assets held for sale to non-current assets (note 21 *(i) & (ii)*)	-	(4 754)
Carrying amount at end of year	**36 803**	**42 765**

NSW LAND AND HOUSING CORPORATION
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NOTE 21: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	2017 $'000	2016 $'000
Property		
Residential properties		
Land, at gross carrying amount	25 177 731	22 475 499
Buildings, at gross carrying amount	23 663 293	21 927 136
Less: Accumulated depreciation	(17 462)	(650)
Buildings - net carrying amount	23 645 831	21 926 486
Residential properties - net carrying amount	**48 823 562**	**44 401 985**
Commercial properties		
Land, at gross carrying amount	35 485	30 831
Buildings, at gross carrying amount	15 520	17 371
Less: Accumulated depreciation	(183)	(211)
Buildings - net carrying amount	15 337	17 160
Commercial properties – net carrying amount	**50 822**	**47 991**
Controlled assets under lease		
Controlled assets under lease	8 988	-
Less: Accumulated depreciation	(119)	-
Controlled assets under lease - net carrying amount	**8 869**	**-**
Community purpose built properties		
Land, at gross carrying amount	93 611	67 744
Buildings, at gross carrying amount	20 558	23 287
Less: Accumulated depreciation	(209)	(245)
Buildings - net carrying amount	20 349	23 042
Community purpose built properties – net carrying amount	**113 960**	**90 786**
Land for redevelopment	**380 636**	**363 615**
Vacant land	**45 614**	**41 429**
Land under roads	**76 085**	**65 205**
Work in progress, at gross carrying amount	**279 095**	**325 369**
Leasehold improvements		
Leasehold improvements, at cost	3 335	2 860
Less: Accumulated depreciation	(884)	(423)
Leasehold improvements	**2 451**	**2 437**
Total property – net carrying amount	**49 781 094**	**45 338 817**

NOTE 21: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

	2017 $'000	2016 $'000
Plant and Equipment		
Computer hardware, at gross carrying amount	97	131
Less: Accumulated depreciation	(55)	(68)
Computer hardware - net carrying amount	**42**	**63**
Office furniture and equipment, at gross carrying amount	29	34
Less: Accumulated depreciation	(16)	(18)
Office furniture and equipment - net carrying amount	**13**	**16**
Motor vehicles, at gross carrying amount	-	479
Less: Accumulated depreciation	-	(399)
Motor vehicles - net carrying amount	**-**	**80**
Total plant and equipment – net carrying amount	**55**	**159**
Total property, plant and equipment – net carrying amount	**49 781 149**	**45 338 976**

In accordance with LAHC's capitalisation policy as stated in note 3 h) *(i),(ii) & (iii)*, costs directly attributable to the acquisition of assets have been capitalised. These costs include personnel services amounting to $9.2 million (2016: $8.5 million). The cost of personnel services reported in note 10 is net of this capitalised amount.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 21: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

(i) ***Reconciliations:*** *of the net carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below.*

2017	Residential Properties $'000	Commercial Properties $'000	Controlled Assets under Lease $'000	Community Purpose Built Properties $'000	Land held for Redevelop-ment $'000	Vacant Land $'000	Land under Roads $'000	Work in Progress $'000	Leasehold Improve-ments $'000	Computer Hardware, Office Furniture & Equipment $'000	Motor Vehicle $'000	Total $'000
Net carrying amount at start of year	44 401 985	47 991	-	90 786	363 615	41 429	65 205	325 369	2 437	79	80	45 338 976
Additions/capital improvements	173 136	-	-	-	1 638	-	-	274 546	475	11	-	449 806
Transfers to completed properties	334 377	925	-	-	60 417	-	-	(395 719)	-	-	-	-
Reclassified from non-current assets to assets held for sale (note 20)	(32 658)	-	-	-	(2 228)	(175)	-	-	-	-	-	(35 061)
Carrying amount of assets sold (note 15)	(182 531)	-	-	-	(58 643)	(3 311)	-	-	-	-	(56)	(244 541)
Transfers between classes	(96 015)	(1 465)	8 988	20	10 596	2 977	-	74 899	-	-	-	-
Demolitions (note 15 *(ii)*)	(22 037)	-	-	-	-	-	-	-	-	-	-	(22 037)
Write-off (note 15 *(iii)*)	(9 051)	(2 237)	-	(7 949)	-	-	-	-	-	-	-	(19 237)
Revaluation increment	4 730 959	5 962	-	31 560	5 241	4 694	10 880	-	-	-	-	4 789 296
Depreciation expense (note 12)	(474 603)	(354)	(119)	(457)	-	-	-	-	(461)	(35)	(24)	(476 053)
Net carrying amount at end of year	**48 823 562**	**50 822**	**8 869**	**113 960**	**380 636**	**45 614**	**76 085**	**279 095**	**2 451**	**55**	**-**	**49 781 149**

NOTE 21: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Disclosure: *of the gross carrying amount and accumulated depreciation for each class of property, plant and equipment at the beginning and end of the reporting period:*

	Residential Properties	Commercial Properties	Controlled Assets under Lease	Community Purpose Built Properties	Land held for Redevelop-ment	Vacant Land	Land under Roads	Work in Progress	Leasehold Improve-ments	Computer Hardware, Office Furniture & Equipment	Motor Vehicle	Total
Fair Value Hierarchy:	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	N/A	N/A	N/A	N/A	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2016 - fair value												
Gross carrying amount	44 402 635	48 202	-	91 031	363 615	41 429	65 205	325 369	2 860	165	479	45 340 990
Accumulated depreciation and impairment	(650)	(211)	-	(245)	-	-	-	-	(423)	(86)	(399)	(2 014)
Net carrying amount	44 401 985	47 991	-	90 786	363 615	41 429	65 205	325 369	2 437	79	80	45 338 976
At 30 June 2017 - fair value												
Gross carrying amount	48 841 024	51 005	8 988	114 169	380 636	45 614	76 085	279 095	3 335	126	-	49 800 077
Accumulated depreciation and impairment	(17 462)	(183)	(119)	(209)	-	-	-	-	(884)	(71)	-	(18 928)
Net carrying amount	48 823 562	50 822	8 869	113 960	380 636	45 614	76 085	279 095	2 451	55	-	49 781 149

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NOTE 21: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

(ii) ***Reconciliations:*** *of the net carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below.*

2016	Residential Properties $'000	Commercial Properties $'000	Community Purpose Built Properties $'000	Land held for Redevelop-ment $'000	Vacant Land $'000	Land under Roads $'000	Work in Progress $'000	Leasehold Improve-ments $'000	Computer Hardware, Office Furniture & Equipment $'000	Motor Vehicle $'000	Total $'000
Net carrying amount at start of year	38 555 573	48 706	75 403	319 666	41 079	54 745	247 755	407	9	345	39 343 688
Additions/capital improvements	208 655	830	9 921	1 493	261	-	266 692	2 476	74	-	490 402
Input tax credits - vested properties	406	-	-	-	-	-	-	-	-	-	406
Transfers to completed properties	195 772	-	-	85 233	30 743	-	(311 748)	-	-	-	-
Reclassified from non-current assets to assets held for sale (note 20)	(40 788)	-	-	(573)	(1 158)	-	-	-	-	-	(42 519)
Reclassified from assets held for sale to non-current assets (note 20)	4 754	-	-	-	-	-	-	-	-	-	4 754
Carrying amount of assets sold (note 15)	(171 044)	-	(5 513)	(58 271)	(63 458)	-	-	-	-	(159)	(298 445)
Transfers between classes	(86 192)	-	1 127	(37 605)	-	-	122 670	(23)	23	-	-
Demolitions (note 15 (ii))	(20 528)	-	-	-	-	-	-	-	-	-	(20 528)
Write-off (note 15 (iii))	(3 102)	-	-	(1 785)	-	-	-	-	-	-	(4 887)
Community Housing vested properties (note 13)	(45 978)	-	-	(14 250)	-	-	-	-	-	-	(60 228)
Revaluation increment	6 227 741	(1 140)	10 331	69 707	33 962	10 460	-	-	-	-	6 351 061
Depreciation expense (note 12)	(423 284)	(405)	(483)	-	-	-	-	(423)	(27)	(106)	(424 728)
Net carrying amount at end of year	**44 401 985**	**47 991**	**90 786**	**363 615**	**41 429**	**65 205**	**325 369**	**2 437**	**79**	**80**	**45 338 976**

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 21: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

(ii) Disclosure: *of the gross carrying amount and accumulated depreciation for each class of property, plant and equipment at the beginning and end of the reporting period:*

	Residential Properties	Commercial Properties	Community Purpose Built Properties	Land held for Redevelop-ment	Vacant Land	Land under Roads	Work in Progress	Leasehold Improve-ments	Computer Hardware, Office Furniture & Equipment	Motor Vehicle	Total
Fair Value Hierarchy:	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	N/A	N/A	N/A	N/A	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2015 - fair value											
Gross carrying amount	38 556 302	48 951	75 629	319 666	41 079	54 745	247 755	1 751	71	950	39 346 899
Accumulated depreciation and impairment	(729)	(245)	(226)	-	-	-	-	(1 344)	(62)	(605)	(3 211)
Net carrying amount	38 555 573	48 706	75 403	319 666	41 079	54 745	247 755	407	9	345	39 343 688
At 30 June 2016 - fair value											
Gross carrying amount	44 402 635	48 202	91 031	363 615	41 429	65 205	325 369	2 860	165	479	45 340 990
Accumulated depreciation and impairment	(650)	(211)	(245)	-	-	-	-	(423)	(86)	(399)	(2 014)
Net carrying amount	44 401 985	47 991	90 786	363 615	41 429	65 205	325 369	2 437	79	80	45 338 976

NOTE 21: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

(iii) Property revaluation methodology by asset class

a) Land and Building

LAHC's property portfolio is a large and dynamic portfolio with properties constantly being bought, sold, redeveloped and refurbished. In developing the valuation methodology for each asset class, LAHC minimises the use of unobservable significant inputs. The table below shows the valuation techniques used in the determination of fair values as well as the significant inputs used in the valuation models. Management has determined that as the application of the mass appraisal methodology applies to residential properties (which represents over 98% of the asset class), all assets in this class will be categorised within Level 3 of the fair value hierarchy table. Management considers it unlikely that any change to the inputs will significantly affect the net result for the year as any impact will be on the asset revaluation reserve and the underlying asset class.

<table>
<tr><th>Residential properties</th></tr>
<tr><td>Valuation Approach
Fair values are determined by applying a mass appraisal methodology with an annual rolling benchmark valuation approach whereby a third of LAHC's benchmark properties (approximately 1,600) are valued by accredited property valuers with reference to market sales comparisons to calculate a market movement index. The market movement index is applied to the remaining two-thirds of the benchmark properties. All benchmark properties are grouped within thirteen geographical reporting regions. The median value increase in each geographical group is applied to the respective group of properties within the property portfolio of the group. Adjustments to each property are made for any significant different characteristic from benchmark properties. The rolling benchmark valuation process is performed annually as at 31 December. An uplift market movement factor is then provided by a registered valuer for the six months ending 30 June.</td></tr>
<tr><td>Significant inputs
• Market sales comparison utilising recent sales of comparable properties.
• Adjustments for any different attributes to benchmark properties - number of bedrooms, street appeal, aspect, dwelling size, yard size, internal condition and car accommodation to create a LAHC property value reference matrix.
• Where a single title exists over multiple properties, a block title adjustment is made to reflect the required costs for sub-division.
• For partial interests in properties, the valuation is calculated by applying the ownership percentage.
• Uplift market movement for six months ended 30 June 2017 is nil.</td></tr>
<tr><td>Inter-relationship between significant inputs and fair value measurement
• Higher (lower) market sales values reflect higher (lower) valuations.
• Better / lesser attributes for location, condition, size, aspect and street appeal over benchmark properties result in higher / (lower) valuation.
• Depending on the complexity of the conversion to single title, valuations are reduced by conversion costs.
• Valuation will only reflect proportion of ownership.
• Higher / (lower) six monthly uplift market movement will result in higher / (lower) valuation.</td></tr>
</table>

NOTE 21: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

(iii) Property revaluation methodology by asset class (continued)

Significant unobservable inputs
The block title adjustment has been applied to approximately 60% of the properties in the residential portfolio with an estimated discount to the overall valuation of $8,202 million. The adjustment is dependent on a cost matrix of four variable factors to effect the sub-division and individual separation of a unique property from a super lot or group block of properties. The four variables are a combination of fixed dollar amounts ($) and percentage costs (%). These are:

i) Title costs ($) – including estimates for legal fees and council fees (ranging from $4,700 to $26,000);
ii) Remedial works ($) - including costs for separate facilities such as water and sewerage plus costs to support current environmental council codes (ranging from $2,400 to $4,500);
iii) Developer's selling costs (%) – including agents' commission and marketing costs (ranging from 2.0% to 3.0%); and
iv) Profit and risk allowance (%) – including an allowance for profit margin for a developer undertaking the required sub-division (ranging from 9.0% to 25.0%).

Further explanations on the above four variables are provided below.

- The dollar and percentage costs vary depending on the size of the block to be sub-divided and the number of properties on the super lot or group lot of properties.
- Title costs and remedial works are fixed costs related to unit numbers and are not directly impacted by the valuation of the property.
- Developer's selling costs and profit and risk allowance are derived as a percentage of property values and have a strong correlation to the valuation.
- As valuations increase, the greater the impact of selling costs and profit and risk allowance on the block title adjustment.

An increase / (decrease) in any one of the above costs will lead to a (decrease) / increase in valuation of the property.

Commercial properties

Valuation Approach
The fair value of each asset within this class is determined annually by external independent registered property valuers having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. Valuation methods used to determine the fair value include market sales comparisons and capitalisation rate. All methodologies adjust fair values for any differences in quality or nature of the building, location, occupancy rate and lease / tenant profile.

Significant inputs

- Market sales comparison: The sales comparison approach utilises recent sales of comparable properties.
- Capitalisation rate: The valuation adopts an assessment of the capitalised gross income in perpetuity based on contracted rents, market rents, operating costs and future income on vacant space. The capitalisation rate reflects the nature, location and tenancy profile of the property together with current market sales evidence.

Inter-relationship between significant inputs and fair value measurement

- Higher (lower) market sales values reflect higher (lower) valuations.
- The estimated fair value would increase (decrease) if:
  (i) expected market rental growth were higher (lower);
  (ii) void years were shorter (longer);
  (iii) the occupancy rates were higher (lower);
  (iv) the rent-free years were shorter (longer); or
  (v) the capitalisation rate is lower (higher)

Significant unobservable inputs
Capitalisation rates range from 4.0% to 10.0%

NOTE 21: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

(iii) Property revaluation methodology by asset class (continued)

Community purpose properties
Valuation Approach This group of properties consist of specialised properties which are across various asset types, equity interest and concession lease arrangements and undertakings. Due to the special purpose for which these properties are held, each asset within this class is valued annually by independent registered valuers. The methodology to value each asset varies and includes market sales comparison or replacement cost.
Significant inputs • Market sales comparison: The market sales comparison approach utilises recent sales of comparable properties. • Replacement cost: In the absence of other valuation methodologies, fair value will be determined with reference to the current replacement cost after allowance for any encumbrance or deterioration (functional or financial). Land is based on the Valuer General property information contained in the valuation database for rating and taxation purposes.
Inter-relationship between significant inputs and fair value measurement • Higher (lower) market sales values reflect higher (lower) valuations. • The estimated fair value would increase (decrease) if: (i) The replacement cost is higher (lower) (ii) Obsolescence is lower (higher).
Significant unobservable inputs Replacement cost rates for building construction based on industry experts.

Land held for redevelopment / vacant land
Valuation Approach Land held for redevelopment and vacant land (which has a registered title) is revalued annually and is based on the Valuer General property information contained in the valuation database for rating and taxation purposes.
Significant inputs Valuer General's unimproved capital value.
Inter-relationship between significant inputs and fair value measurement The estimated fair value would increase / (decrease) if the Valuer General's unimproved capital value would increase / (decrease).
Significant unobservable inputs Nil.

Land under roads
Valuation Approach Land under roads is revalued annually and although it has no feasible alternative use, is valued at existing use based on an englobo (pre-subdivision) approach. The value is based on the average Valuer General property information contained in the valuation database for rating and taxation purposes for an entire Local Government Area (LGA). The resulting value is discounted by a factor to effectively reduce value levels to an englobo rate and will reflect the value at existing use. The current discount as assessed by an accredited property valuer is 80%.
Significant inputs Valuer General's unimproved capital value. Assessment of the current discount factor.
Inter-relationship between significant inputs and fair value measurement The estimated fair value would increase / (decrease) if the Valuer General's unimproved capital value would increase / (decrease) or the applied discount factor would (decrease) / increase.
Significant unobservable inputs Current discount factor.

NOTE 21 (iii): NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

(iii) Property revaluation methodology by asset class (continued)

Controlled assets under lease
Valuation Approach Controlled assets under lease represent properties which are not owned by LAHC but are under long term lease arrangements whereby substantially all the risks and rewards incidental to ownership of the assets have been transferred to LAHC. Where the lease payments are substantially less than the underlying fair value of the assets (peppercorn rent of $1), then these assets are brought to account initially at fair value and depreciated over the shorter of the lease term or the life of the underlying asset.
Significant inputs • The initial valuation is consistent with the underlying asset class to which the leased asset belongs. • The lease or arrangement term.
Inter-relationship between significant inputs and fair value measurement • Refer to the underlying asset class. • The shorter / (longer) lease term would increase / (decrease) the depreciation of the initial fair value of the leased asset.
Significant unobservable inputs Refer to the underlying asset class for initial fair value.

b) Plant and Equipment

As plant and equipment are non-specialised assets with short useful lives, recognition is at depreciated historical cost.

c) Fair value hierarchy of Property, Plant and Equipment

Management has determined that as a result of a range of significant inputs in the property portfolio being classified as unobservable plus the substantial value of the residential portfolio, the entire property assets class will be categorised as level 3 for the purpose of the fair value hierarchy table. The table in note 21 *(i)* & *(ii)* reflects transfers between all property, plant and equipment.

NOTE 22: INTANGIBLE ASSETS

	2017 $'000	2016 $'000
Software, cost	5 914	5 566
Less: accumulated amortisation	(1 609)	(388)
Total intangible assets	**4 305**	**5 178**

(i) Reconciliations

Reconciliations of the carrying amounts of software at the beginning and end of the current and previous financial year are set out below.

	2017 $'000	2016 $'000
Carrying amount at start of year	5 178	3 807
Additions/capital improvements	403	1 500
Amortisation (note 12)	(1 276)	(129)
Carrying amount at end of year	**4 305**	**5 178**

Disclosure for each class of intangible assets, the gross carrying amount and accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the period is below:

	Software $'000	Total $'000
At 1 July 2016		
Cost (gross carrying amount)	5 566	5 566
Accumulated amortisation and impairment	(388)	(388)
Net carrying amount	5 178	5 178
At 30 June 2017		
Cost (gross carrying amount)	5 914	5 914
Accumulated amortisation and impairment	(1 609)	(1 609)
Net carrying amount	4 305	4 305

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NOTE 23: CURRENT/NON-CURRENT LIABILITIES – PAYABLES

	2017 $'000	2016 $'000
Current		
Trade creditors	51 423	6 966
Rent received in advance	45 231	43 107
Other creditors – credit balances in sundry debtors	221	3 330
Department of Family & Community Services - personnel services	10 487	11 771
Accrued operating expenditure	68 862	73 802
Accrued capital expenditure	38 070	46 002
Department of Family & Community Services - HNSW	3 563	2 762
Other creditors and accruals	56 389	27 354
Total current payables	**274 246**	**215 094**
Non-current		
Department of Family & Community Services - personnel	-	278
Total non-current payables	**-**	**278**
Total payables	**274 246**	**215 372**

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NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 24: CURRENT/NON-CURRENT LIABILITIES – BORROWINGS

	2017 $'000	2016 $'000
Current - unsecured		
State advances – Commonwealth loans	15 394	15 144
NSW Treasury Corporation	11 555	30 986
Other	461	450
Total current interest bearing liabilities	**27 410**	**46 580**
Non-current - unsecured		
State advances – Commonwealth loans	373 950	389 344
NSW Treasury Corporation	148 458	129 773
Other	5 253	5 714
Total non-current interest bearing liabilities	**527 661**	**524 831**
Total interest bearing liabilities *(i)*	**555 071**	**571 411**

(i) The nominal value of borrowings are reconciled to the balance reported in the Statement of Financial Position as follows:

Nominal value of borrowings	813 729	849 175
Less: Re-measurement adjustment	(258 658)	(277 764)
Balance reported in Statement of Financial Position	**555 071**	**571 411**

(ii) The nominal value of borrowings is expected to be repaid as follows:

	Principal 2017 $'000	Interest 2017 $'000	2017 Total $'000
Not later than one year	42 648	37 868	80 516
Later than one year but no later than five years	195 534	128 281	323 815
Later than five years	575 547	213 804	789 351
Total cash outflow	**813 729**	**379 953**	**1 193 682**

	Principal 2016 $'000	Interest 2016 $'000	2016 Total $'000
Not later than one year	61 635	39 769	101 404
Later than one year but no later than five years	195 921	130 716	326 637
Later than five years	591 619	238 782	830 401
Total cash outflow	**849 175**	**409 267**	**1 258 442**

Interest payable was accrued on the basis of prevailing interest rates at each reporting period.

NOTE 25: CURRENT/NON-CURRENT LIABILITIES – PROVISIONS

	2017 $'000	2016 $'000
Current		
Third party claims *(i) & (ii)(a)*	7 143	4 928
Head leasing refurbishments *(ii)(b)*	53	52
Other *(ii)(c)*	-	14 282
Total current provisions	**7 196**	**19 262**

(i) This provision is an estimate of LAHC's liability in respect of current insurance and legal claims.

(ii) **Movement in provisions:**

(a) The movement in current provisions for third party claim is as follows:

	2017	2016
Balance, beginning of year	4 928	5 065
Payment	(2 170)	(3 475)
Increase in provision	4 385	3 338
Balance, end of year	**7 143**	**4 928**

(b) The movement in current provisions for head leasing refurbishments is as follows:

	2017	2016
Balance, beginning of year	52	50
Payment	-	(69)
Increase in provision	1	71
Balance, end of year	**53**	**52**

(c) The movement in current provisions for Social Housing Subsidy Program is as follows:

	2017	2016
Balance, beginning of year	14 282	-
Transfer to payables	(13 031)	-
(Decrease)/Increase in provision	(1 251)	14 282
Balance, end of year	**-**	**14 282**

(d) The movement in non-current provisions for head leasing refurbishments is as follows:

	2017	2016
Balance, beginning of year	-	75
Payment	-	(36)
(Decrease) in provision	-	(39)
Balance, end of year	**-**	**-**

(e) The movement for non-current provisions for Social Housing Subsidy Program is as follows:

	2017	2016
Balance, beginning of year	-	14 282
Transfer to current provision	-	(14 282)
Balance, end of year	**-**	**-**

NSW LAND AND HOUSING CORPORATION
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NOTE 26: MILLERS POINT RESTRICTED FUNDS BANK ACCOUNT

	2017 $'000	2016 $'000
Statement of Cash Receipts and Payments		
Receipts		
Net proceeds from Millers Point property sales *(i)*	125 242	160 530
Interest	185	4
Other	5	4
Total Receipts	**125 432**	**160 538**
Payments		
Expenditures relating to Millers Point accommodation plan *(ii)*	13 466	18 044
Expenditures relating to reinvestment *(iii)*	109 386	101 447
Other Millers Point Third Party Payments	-	4
Total Payments	**122 852**	**119 495**
Movement for the year *(iv)*	**2 580**	**41 043**
Opening Balance of Bank Account	**26 061**	**3 837**
Movement for the year	2 580	41 043
Repayment to LAHC working capital *(v)*	-	(18 819)
Closing Balance of Bank Account	**28 641**	**26 061**

A dedicated bank account was established to hold funds associated with Millers Point sales and their reinvestments to the supply of over 1,500 new dwellings.

(i) Net proceeds from sales reflects gross sales proceeds less selling expenses.
(ii) Expenditures relating to Millers Point Accommodation Plan represent the costs incurred to bring Millers Point properties to sale, including infrastructure and titling, tenancy relocation and marketing costs.
(iii) Expenditures relating to reinvestment represent the costs of new dwellings. Commitments to new dwellings are approved by the Minister of Family and Community Services as part of LAHC's annual budget process.
(iv) Movement for the year reflects the overall movement of the Millers Point bank account.
(v) In the event where there is a shortfall, LAHC will provide funding from its working capital.

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 27: COMMITMENTS FOR EXPENDITURE

The commitments reported below are inclusive of Goods and Services Tax.

	2017 $'000	2016 $'000
(i)* Capital expenditure *(a)		
Aggregate capital expenditure for the acquisition of property, plant and equipment, contracted for at balance date and not provided for:		
Not later than one year	100 982	99 610
Later than 1 year but not later than 5 years	6 440	258
Later than 5 years	-	-
	107 422	**99 868**
(ii)* Operating Leases - Head leasing *(b)		
Future non-cancellable rentals not provided for and payable:		
Not later than one year	33 883	46 362
Later than 1 year but not later than 5 years	16 480	26 289
Later than 5 years	-	-
	50 363	**72 651**
(iii)* Operating Leases – Office accommodation *(c)		
Future non-cancellable rentals not provided for and payable:		
Not later than one year	2 973	-
Later than 1 year but not later than 5 years	7 063	-
Later than 5 years	-	-
	10 036	**-**

(a) These commitments relate mainly to costs attributable to LAHC properties which will be used in the provision of rental accommodation. The costs are GST inclusive as they directly relate to an input taxed activity where GST cannot be claimed from the ATO.

(b) These represent rent expenditure of residential properties leased from the private market to supplement LAHC's housing stock which are sub-let to eligible tenants. The commitments are GST inclusive as they directly relate to an input taxed activity where GST cannot be claimed from the ATO. Headleasing expenditure is fully funded from tenant subleases and grants from FACS (refer Note 5).

(c) Commitments are provided for rental charges on the primary premises that LAHC occupies. In previous year, these have been provided by FACS being the main lessee of the lease arrangements on premises shared with LAHC.

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 28: CONTINGENT ASSETS / CONTINGENT LIABILITIES

Contingent Assets

LAHC has contingent assets from outstanding claims, caveats or rights on assets which are subject to third party conditions and long term leases which LAHC has granted to third parties. Whilst the outcomes of these are uncertain and cannot be reliably measured at balance date, the outstanding claims have been estimated at $16.0 million (2016: $17.8 million) and the long term leases at $13.6 million.

Contingent Liabilities

As at the end of the reporting period, LAHC is not aware of any contingent liability, which will materially affect its financial position. There are a number of claims totalling $3.2 million (2016: $6.6 million) for which LAHC may be liable.

In addition, LAHC has received a number of claims from private sector parties which are currently being assessed. However, the amount of liability that may arise cannot be reliably measured at this time.

NOTE 29: RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT

	2017 $'000	2016 $'000
Net result for the year	**(401 392)**	**(196 904)**
Grants to community groups - vested properties (note 13)	-	60 228
Other non-cash items	(4 752)	(18 971)
(Gain) on sale of assets (note 15*(i),(iv))*	(91 996)	(124 813)
Assets demolished (note 15*(ii)*)	22 037	20 528
Assets written off (note 15(*iii)*)	20 227	7 838
Depreciation and amortisation (note 12)	477 329	424 857
Re-measurement adjustment of borrowings	19 106	17 429
(Decrease) / Increase in provision for impairment of receivables	(2 208)	1 062
(Increase) / Decrease in receivables	(2 628)	6 544
(Decrease) in other provisions	(12 066)	(210)
Increase / (Decrease) in payables	67 084	(15 564)
(Increase) in other assets	(5 220)	(1 895)
Net cash flows from operating activities	**85 521**	**180 129**

NOTE 30: NON-CASH FINANCING AND INVESTING ACTIVITIES

LAHC did not vest properties to community housing providers during the year (2016: $60.2 million) (refer Note 13 (a) and Note 21 (i) & (ii)).

Vesting properties does not result in cash flows, but affected the assets and liabilities reported on the Statement of Financial Position.

NOTE 31: FINANCIAL INSTRUMENTS

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

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

Treasury management policies have been established to identify and analyse the risks faced by LAHC, to set risk limits and controls and to monitor risks. Compliance with the policies are reported to the Executive and the Audit and Risk Committee.

LAHC has exposure to the following risks from the use of financial instruments:
- Credit Risk
- Liquidity Risk
- Market Risk

(a) Credit Risk

Credit risk arises when there is the possibility of LAHC's debtors defaulting on their contractual obligations, resulting in a financial loss to LAHC. 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 the financial assets of LAHC, including cash, receivables and authority deposits. No collateral is held by LAHC. It has not granted any financial guarantees.

Credit risk associated with LAHC's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Investments in term deposits are made in accordance with LAHC's treasury management policy and NSW Treasury guidelines ensuring institutions maintain an approved level of credit rating.

LAHC's maximum exposure is the carrying amount of financial assets, net of allowance for impairment as detailed further in the following note disclosures.

Cash

Cash comprises cash on hand, bank balances. LAHC's main transaction banking account is held with Westpac Banking Corporation. Interest earned on the Westpac bank account is based on the Reserve Bank of Australia's cash rate.

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 31: FINANCIAL INSTRUMENTS (continued)

Receivables

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 Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience, current and expected changes in economic conditions, as well as, debtor credit ratings if available. No interest is earned on trade debtors.

i) Rental debtors

Rental debtors relate to the rental housing assistance provided to people on low to moderate income across NSW. As such, the credit quality of debts that are neither past due nor impaired is considered to be correspondingly low to moderate. LAHC is not materially exposed to concentrations of credit risk to a single debtor or group of debtors.
Arrears management policies and processes are applied to manage credit risk associated with these receivables. These policies and procedures include:

- Speedy follow up of debtors who fall into arrears via letters, telephone calls, or direct contact.
- Negotiation of payment arrangement with debtors.
- Use of debt collection agencies for certain debtors.

ii) Other debtors

The credit quality of debts other than rental debtors, that are neither past due nor impaired is considered to be moderate. LAHC is not materially exposed to concentrations of credit risk to a single debtor or group of debtors. To minimise risk, timely monitoring and management of overdue accounts is conducted, including follow up of outstanding debts with letters and phone calls. A debt collection agency is used for certain debts.

Ageing of Financial Assets by Class for Assets Past Due or Impaired:

	Past due but not impaired[1,2] $'000	Considered impaired[1,2] $'000	Total[1,2] $'000
2017			
< 3 months overdue	5 264	5 939	11 203
3 months - 6 months overdue	-	994	994
> 6 months overdue	-	19 915	19 915
2016			
< 3 months overdue	4 306	6 395	10 701
3 months - 6 months overdue	-	1 193	1 193
> 6 months overdue	-	21 468	21 468

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.

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 31: FINANCIAL INSTRUMENTS (continued)

iii) Mortgage Assistance Scheme (MAS)

The Mortgage Assistance Scheme provides short-term help for people experiencing temporary difficulties with their home loan repayments because of an unavoidable change in circumstances. Mortgage assistance is not a grant but a loan to be repaid at a future time.

Mortgage assistance is provided as a loan which is paid directly to the home lender. The loan is usually payment of home loan arrears and/or subsidy towards the home loan repayments of the debtor. LAHC lodges a caveat on the property to protect its interests.

Authority Deposits with Financial Institutions and Fixed Interest Investments

LAHC has invested in fixed term deposits with financial institutions in accordance with LAHC's treasury management policy and NSW Treasury guidelines.

The interest rates for fixed term deposits are negotiated initially and are fixed for the term of the investment, while the interest rate payable on at call deposits can vary. Over the year the weighted average interest rate on the investment portfolio was 2.10% (2016: 2.44%) on an average balance during the year of $288 million (2016: $249 million). None of these assets are past due or impaired.

(b) Liquidity Risk

Liquidity risk is the risk that LAHC will be unable to meet its payment obligations when they fall due. LAHC continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

During the current and prior year, there were no defaults of loans payable. No assets have been pledged as collateral. LAHC's exposure to liquidity risk has been managed in accordance with LAHC's Treasury Management Policy.

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 out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made no later than 30 days from the date of receipt of a correctly rendered tax 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 a tax invoice or a statement is received. For small business suppliers, where payment is not made within the 30 day period, simple interest is normally paid unless an existing contract specifies otherwise.

LAHC, as in prior years, expects to maintain its strategic assets sales program to generate sufficient cash flows to enable all liabilities to be met as and when they fall due. During the past 5 years there have been no defaults or breaches on any loans or liabilities payable.

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 31: FINANCIAL INSTRUMENTS (continued)

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

Maturity Analysis and interest rate exposure of financial liabilities

2017	Weighted Avg. Effective Interest Rate %	Nominal Amount $'000	Interest Rate Exposure: Fixed Interest Rate $'000	Interest Rate Exposure: Variable Interest Rate $'000	Interest Rate Exposure: Non-interest bearing $'000	Maturity Dates: < 1 yr $'000	Maturity Dates: 1-5 yrs $'000	Maturity Dates: > 5 yrs $'000
Financial liabilities *(i)*								
Payables *(ii)*:								
FACS - personnel services	-	10 487	-	-	10 487	10 487	-	-
Trade creditors	-	101 747	-	-	101 747	101 747	-	-
Accrued operating expenditure	-	68 862	-	-	68 862	68 862	-	-
Accrued capital expenditure	-	38 070	-	-	38 070	38 070	-	-
Other	-	9 542	-	-	9 542	9 542	-	-
Borrowings:								
Commonwealth loans	4.54	658 374	658 374	-	-	30 632	123 891	503 851
NSW Treasury Corporation loans								
MRP Loan	3.98	149 641	149 641	-	-	11 555	69 776	68 310
Other	4.56	5 714	5 714	-	-	461	1 867	3 386
Total financial liabilities		**1 042 437**	**813 729**	**-**	**228 708**	**271 356**	**195 534**	**575 547**

Notes:

(i) The amounts disclosed are the contractual undiscounted cash flows of financial liabilities. Hence they do not reconcile to the Statement of Financial Position.

(ii) Excludes statutory payables and unearned revenue (ie. not within the scope of AASB 7).

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 31: FINANCIAL INSTRUMENTS (continued)

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

Maturity Analysis and interest rate exposure of financial liabilities

2016	Weighted Avg. Effective Interest Rate %	Nominal Amount $'000	Interest Rate Exposure: Fixed Interest Rate $'000	Interest Rate Exposure: Variable Interest Rate $'000	Interest Rate Exposure: Non-interest bearing $'000	Maturity Dates: < 1 yr $'000	Maturity Dates: 1-5 yrs $'000	Maturity Dates: > 5 yrs $'000
Financial liabilities *(i)*								
Payables *(ii)*:								
Personnel Services	-	3 952	-	-	3 952	3 674	278	-
Trade creditors	-	22 439	-	-	22 439	22 439	-	-
Accrued operating expenditure	-	73 802	-	-	73 802	73 802	-	-
Accrued capital expenditure	-	46 002	-	-	46 002	46 002	-	-
Other	-	14 338	-	-	14 338	14 338	-	-
Borrowings:								
Commonwealth loans	4.54	688 573	688 573	-	-	30 199	123 481	534 893
NSW Treasury Corporation loans								
MRP Loan	4.88	154 438	154 438	-	-	30 986	70 586	52 866
Other	4.56	6 164	6 164	-	-	450	1 854	3 860
Total financial liabilities		**1 009 708**	**849 175**	-	**160 533**	**221 890**	**196 199**	**591 619**

Notes:

(i) The amounts disclosed are the contractual undiscounted cash flows of financial liabilities. Hence they do not reconcile to the Statement of Financial Position.

(ii) Excludes statutory payables and unearned revenue (ie. not within the scope of AASB 7).

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 31: FINANCIAL INSTRUMENTS (continued)

(c) Market Risk

Market Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. LAHC's exposures to market risk are primarily through interest rate risk on borrowings and short-term deposits. LAHC 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 LAHC operates and the timeframe 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 as the prior year and assumes all other variables remain constant.

Interest Rate Risk

Exposure to interest rate risk arises primarily through LAHC's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW TCorp. LAHC does not account for any fixed rate financial instruments at fair value through profit or loss or as available for sale. A reasonably possible change of interest rates of +/-1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. LAHC's exposure to interest rate risk is set out below.

	Carrying	1%		-1%	
$'000	amount	Profit	Equity	Profit	Equity
2017					
Financial assets					
Cash and cash equivalents	120 210	1 202	1 202	(1 202)	(1 202)
Loans and receivables at amortised cost :					
Receivables	23 023	230	230	(230)	(230)
Term Deposits	153 504	1 535	1 535	(1 535)	(1 535)
Mortgage Assistance Scheme	1 080	11	11	(11)	(11)
Financial liabilities					
Financial liabilities measured at amortised cost :					
Payables	(178 384)	(1 784)	(1 784)	1 784	1 784
State advances - Commonwealth loans	(389 344)	(3 893)	(3 893)	3 893	3 893
NSW Treasury Corporation loans	(160 013)	(1 600)	(1 600)	1 600	1 600
Other	(5 714)	(57)	(57)	57	57
2016					
Financial assets					
Cash and cash equivalents	115 519	1 155	1 155	(1 155)	(1 155)
Loans and receivables at amortised cost :					
Receivables	18 187	182	182	(182)	(182)
Term Deposits	185 294	1 853	1 853	(1 853)	(1 853)
Mortgage Assistance Scheme	1 003	10	10	(10)	(10)
Financial liabilities					
Financial liabilities measured at amortised cost :					
Payables	(160 533)	(1 605)	(1 605)	1 605	1 605
State advances - Commonwealth loans	(404 488)	(4 045)	(4 045)	4 045	4 045
NSW Treasury Corporation loans	(160 759)	(1 608)	(1 608)	1 608	1 608
Other	(6 164)	(62)	(62)	62	62

NOTE 31: FINANCIAL INSTRUMENTS (continued)

d) Fair value compared to carrying amount

Except where specified below, the amortised cost of the financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short term nature of many of the financial instruments. The following table details the financial instruments where the fair value differs from the carrying amount.

	Net Carrying Amount		Fair Value	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Financial liabilities				
NSW Treasury Corporation loans	160 013	160 759	166 734	174 144

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NOTE 32: RELATED PARTY DISCLOSURES

a) Key Management Personnel (KMP)

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of LAHC, directly or indirectly. This comprises persons whom during the relevant reporting period occupied the positions of Minister for Family and Community Services, Minister for Social Housing, Secretary of FACS and Deputy Secretary of LAHC.

During the year, LAHC incurred the following expenditures in respect of KMP services that were provided by a separate management entity, i.e. FACS.

	2017 $'000
Short-term employee benefits *(i)*	341
Other long-term employee benefits	21
Post-employment benefits	20
Termination benefits	-
Total KMP compensation[(ii)]	**382**

(i) Short-term employee benefits include salaries, other monetary allowances and non-monetary benefits.

(ii) The amounts paid / payable for all personnel services provided by FACS (including KMP) are disclosed in Notes 10 and 23.

(iii) The NSW Legislature pays Ministerial compensation and LAHC is not obligated to reimburse NSW Legislature for those KMP services obtained. Therefore, any monetary benefits paid to NSW Ministers are excluded from the above disclosures (Ministerial compensation is disclosed in the Total State Sector Accounts). Similarly, disclosure required for the Secretary of FACS is included in the principal department's financial statements.

<u>KMP related transactions</u>

During the year, LAHC did not enter into transactions with its KMP, their close family members and controlled or jointly controlled entities thereof.

b) Other related party transactions

LAHC is a controlled entity of the NSW Government. Refer to Note 1 for further information on the nature of LAHC's relationship with the NSW Government.

During the year, LAHC entered into transactions with other entities that are controlled / jointly controlled / significantly influenced by the NSW Government. These transactions may be considered to be individually or collectively significant.

<u>FACS cluster agencies</u>

LAHC regularly transacts with other FACS cluster agencies in the normal course of its activities, including:

- FACS is engaged to provide tenancy management services under an agreed policy framework and corporate support services; refer Notes 3d), 11, 17, 23 and the Statement of Comprehensive Income;
- LAHC is engaged by FACS and cluster agencies such as the Aboriginal Housing Office for the acquisition, property management and project management of social housing assets. Property and Project Management Fees generated from these activities are disclosed in Note 7;
- LAHC receives grants from FACS, the nature and total amount is disclosed in Note 5;
- Other related party transactions between LAHC and FACS cluster agencies include property transfers which will be disclosed in Notes 8, 13 and 21 (if material).

NOTE 32: RELATED PARTY DISCLOSURES (continued)

b) Other Related Party transactions (continued)

Other NSW Government-related entities

LAHC also regularly transacts with other NSW government-related entities in the normal course of its activities, including:

- UrbanGrowth NSW (a NSW State Owned Corporation) is engaged to be the developer on urban transformation projects such as One Minto, Airds Bradbury and Claymore. These projects utilise land owned by LAHC to supply social housing;
- NSW Treasury Corporation and NSW Treasury (Crown) provide financial services to supply LAHC with (i) the provision of finance; (ii) the management, administration or advice on management of assets and liabilities; as well as (iii) the acceptance of funds for investment. Transactions and outstanding balances from these activities are disclosed in Notes 13, 14, 24 and 31;
- LAHC and Property NSW are jointly managing the sale of government owned properties in Millers Point. Further information regarding Millers Point is contained in Note 26.

LAHC also frequently utilises NSW public services in the course of delivering its public service objectives. Where these occur on terms and conditions no different to those applying to the general public, they are not considered to be material for separate disclosure as related party transactions. These include payment for utilities, such as to Sydney Water (a NSW State Owned Corporation) which comprises a major portion of the water rates disclosed in the Statement of Comprehensive Income.

NOTE 33: EVENTS AFTER THE REPORTING DATE

The vision of the NSW Government for social housing as set out in its publication *Future Directions for Social Housing in NSW* requires transferring significant tenancy management responsibility to non-government housing providers, such that the community housing sector will eventually manage up to 35% of all social housing in NSW.

To support current government strategy, LAHC is undertaking a management transfer program, to increase the share of its social housing portfolio that is managed by community housing providers, over the next three years. In March 2017, community housing providers were invited to tender for the management of LAHC owned properties. It is expected that contracts will be awarded during the 2017-18 financial year with transfers commencing shortly thereafter and progressively over the next three years.

Preliminary indications are that net rental revenues are expected to reduce as a result of the proposed change in tenancy management arrangements. An estimate of the financial effect cannot be made at this stage, as disclosure of such information would prejudice LAHC's position in the competitive tender process.

Other than the above mentioned, there has not been any matter or circumstance occurring subsequent to the end of the period that has significantly affected the operations, the results of those operations, or the state of affairs of LAHC in future financial years.

-------------------- END OF AUDITED FINANCIAL STATEMENTS --------------------

Register of Land Held

STATEMENT OF FINANCIAL POSITION	2017 $'000	2016 $'000
Residential properties	25 177 731	22 475 499
Land for redevelopment	380 636	363 615
Vacant land	45 614	41 429
Land under Roads	76 085	65 205
Commercial properties	35 485	30 831
Community purpose built properties	93 611	67 744
Assets held for sale		
Residential properties	23 868	29 433
Vacant Land	3 155	1 704
Total	**25 836 185**	**23 075 460**

Land values as per notes to the financial statements and in documentation supporting the notes.

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4. Home Purchase Assistance Fund

The Home Purchase Assistance Fund (HPAF), established as a formal trust fund in 1989, is the primary support fund for NSW's home purchase assistance programs. The HPAF financial statements are not consolidated into those of the NSW Department of Family and Community Services. Given that responsibility for administration of the HPAF falls within the State's Ministerial Housing Portfolio, the financial statements are included in this report in the interests of full disclosure.

INDEPENDENT AUDITOR'S REPORT

Home Purchase Assistance Fund

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Home Purchase Assistance Fund (the Fund), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B 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 Fund 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.

Level 15, 1 Margaret Street, Sydney NSW 2000 | GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | f 02 9275 7179 | e mail@audit.nsw.gov.au | audit.nsw.gov.au

The Trustee's Responsibility for the Financial Statements

The Trustee 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 Trustee 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 Trustee must assess the Fund's ability to continue as a going concern except where the Fund will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

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

Karen Taylor
Director, Financial Audit Services

3 October 2017
SYDNEY

Home Purchase Assistance Fund

Statement by Trustee

In accordance with a resolution of the Trustee of the Home Purchase Assistance Fund (the "Trust" or the "Fund"), I declare on behalf of the Trust that in our opinion:

1. The accompanying financial statements and notes thereto exhibit a true and fair view of the financial position of the Home Purchase Assistance Fund as at 30 June 2017 and its financial performance for the year then ended.

2. The accompanying financial statements and notes thereto have been prepared in accordance with the terms of the Trust Deed dated 14 February 1989, the Australian Accounting Standards (which include Australian Accounting Interpretations), the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2015 and the Financial Reporting Directions issued by the Treasurer under section 9(2)(n) of the Act.

Further, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Kelvyn Ee,
Alternate Director, Permanent Custodians Ltd

Sydney, 29 September 2017

Home Purchase Assistance Fund

Statement of Comprehensive Income
For the year ended 30 June 2017

	Actual 2017 $'000	Budget 2017 $'000	Actual 2016 $'000
Expenses			
Grants and subsidies under the National Rental Affordability Scheme	3,438	9,360	3,228
Trustee's remuneration	134	153	141
Auditor's remuneration (audit of financial statements)	35	37	35
Indemnity paid for defaulting mortgages	-	14	12
Other expenses	33	31	30
Total expenses	**3,640**	**9,595**	**3,446**
Revenue			
Interest from mortgage loans	3	5	6
Interest from investments – related parties	923	643	655
Interest from investments – non-related parties	7,185	8,107	7,999
Total interest revenue	8,111	8,755	8,660
Other revenue	-	9	10
Total revenue	**8,111**	**8,764**	**8,670**
Net result	**4,471**	**(831)**	**5,224**
Other comprehensive income	-	-	-
Total comprehensive income for the year	**4,471**	**(831)**	**5,224**

The accompanying notes form part of the financial statements.

Home Purchase Assistance Fund

Statement of Financial Position
As at 30 June 2017

	Notes	Actual 2017 $'000	Budget 2017 $'000	Actual 2016 $'000
Assets				
Current assets				
Cash and cash equivalents	2(a)	195,490	187,004	206,605
Receivables	3	2,350	2,297	2,324
Other financial assets	4	49,900	52,509	52,748
Total current assets		**247,740**	**241,810**	**261,677**
Non-current assets				
Receivables	3	26	76	81
Other financial assets	4	7,591	7,074	8,479
Total non-current assets		**7,617**	**7,150**	**8,560**
Total assets		**255,357**	**248,960**	**270,237**
Liabilities				
Current liabilities				
Payables	5	51	56	32
Provisions	6	49	54	49
Total current liabilities		**100**	**110**	**81**
Total liabilities		**100**	**110**	**81**
Net assets		**255,257**	**248,850**	**270,156**
Equity				
Accumulated funds		255,257	248,850	270,156
Total equity		**255,257**	**248,850**	**270,156**

The accompanying notes form part of the financial statements.

Home Purchase Assistance Fund

Statement of Changes in Equity
For the year ended 30 June 2017

	Notes	Accumulated Funds 2017 $'000	Accumulated Funds 2016 $'000
Balance as at 1 July		270,156	285,039
Net result		4,471	5,224
Other comprehensive income		-	-
Total comprehensive income for the year		**274,627**	**290,263**
Transactions with owners in their capacity as owners			
Distribution to beneficiaries	8	(19,370)	(20,107)
Total transactions with owners in their capacity as owners		**(19,370)**	**(20,107)**
Balance as at 30 June		**255,257**	**270,156**

The accompanying notes form part of the financial statements.

Home Purchase Assistance Fund

Statement of Cash Flows
For the year ended 30 June 2017

	Notes	Actual 2017 $'000	Budget 2017 $'000	Actual 2016 $'000
Cash flows from operating activities				
Receipts				
Interest received:				
Interest from mortgage loans		3	5	6
Investments - related parties		923	643	655
Investments - non-related parties		7,123	8,107	8,111
Other non-related parties		62	31	67
Mortgage loans		29	69	15
Other income		-	9	10
Total receipts		**8,138**	**8,864**	**8,864**
Payments				
Payments for grants and subsidies		(3,438)	(9,360)	(3,228)
Indemnity paid for defaulting mortgages		-	(14)	(12)
Trustee's remuneration		(134)	(153)	(141)
Auditor's remuneration		(28)	(37)	(33)
Other expenses		(19)	(29)	(50)
Total payments		**(3,619)**	**(9,593)**	**(3,464)**
Net cash received/(used in) from operating activities	2(b)	**4,519**	**(729)**	**5,400**
Cash flows from investing activities				
Cash inflow from investments in interest bearing bonds		1,536	250,009	2,227
Proceeds from sale/(purchase) of short term deposits		2,200	(241,248)	21,300
Net cash received from investing activities		**3,736**	**8,761**	**23,527**
Cash flows from financing activities				
Payments to New South Wales Treasury		(19,166)	(19,166)	(19,613)
Payments to Special Beneficiaries		(204)	(515)	(494)
Net cash used in financing activities		**(19,370)**	**(19,681)**	**(20,107)**
Net (decrease)/increase in cash and cash equivalents		**(11,115)**	**(11,649)**	**8,820**
Cash and cash equivalents at the beginning of the year		**206,605**	**198,653**	**197,785**
Cash and cash equivalents at the end of the year	2(a)	**195,490**	**187,004**	**206,605**

The accompanying notes form part of the financial statements.

Home Purchase Assistance Fund

Notes to the Financial Statements
For the year ended 30 June 2017

Reporting entity

Home Purchase Assistance Fund (the "Fund" or the "Trust") is consolidated as a part of the New South Wales (the State) Total State Sector Accounts. The Fund was established by a Trust Deed dated 14 February 1989 and operates as a not-for-profit entity for the purpose of supporting and administering the State's Home Purchase programmes.

The parties to the Trust Deed are the Housing NSW (formerly known as NSW Department of Housing) and the New South Wales Treasury representing the State (the beneficiary), Permanent Custodians Limited as Trustee and Trust Company Fiduciary Services Limited as Guarantor (formerly known as Permanent Trustee Company Limited). The special beneficiary is Trust Company Fiduciary Services Limited as Trustee for the FANMAC Trusts.

Under arrangements existing prior to the appointment of Permanent Custodians Limited as Trustee of the Fund, the New South Wales Treasury incurred loan liabilities with the Commonwealth on behalf of the Home Purchase Assistance Scheme as a capital contribution (refer to note 8). When the Trust was established in 1989, NSW Land and Housing Corporation's existing home purchase assistance programmes which included a number of home loan portfolios resulting from earlier lending programmes, were transferred to the Fund.

The beneficiary of the Fund is the Minister administering the *Housing Act 2001*. The special beneficiary is Permanent Trustee Company Limited as Trustee for all of the FANMAC Trusts and the Shared Equity Schemes.

Under the Trust Deed the beneficiary is entitled to all the income of the Fund on 30 June less amounts to which each special beneficiary is entitled. Income distributions may be requested by the beneficiary at its discretion. Trust distributions can be made from the surplus for the year (refer to note 8).

The Trustee, in accordance with paragraph 3.4 of the Trust Deed shall distribute the remaining capital of the Trust Fund to the beneficiary on the vesting date. The vesting date (paragraph 1.1) is defined as the first to occur of the following dates:

a) the date of expiration of the period of 80 years from the date of commencement of the Trust, which is 14 February 1989;
b) the date upon which the Trust is terminated pursuant to the terms of this deed, Statute or general law.

Distributions paid are included in cash flows from financing activities in the statement of cash flows.

The financial statements for the year ended 30 June 2017 were authorised for issue by the Trustee on 29 September 2017.

Home Purchase Assistance Fund

Notes to the Financial Statements
For the year ended 30 June 2017

1. Summary of significant accounting policies

(a) Basis of preparation

The financial statements of the Fund are general purpose financial statements which have been prepared on accrual basis and in accordance with Australian Accounting Standards (which include Australian Accounting Interpretations), the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2015 and the Financial Reporting Directions issued by the Treasurer.

The financial statements have been prepared on the basis of historical cost convention, except for the valuation of certain financial instruments. All amounts are rounded to the nearest thousand dollars expressed in Australian currency. Accounting policies are consistent with those of the previous year.

(b) Income recognition – interest revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 "*Financial Instruments: Recognition and Measurement*". Interest revenue on cash and cash equivalents are recognised at nominal value. Other revenue relates to recovery of indemnity claims during the reporting period.

(c) Accounting for goods and services tax (GST)

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

- amount of GST incurred by the Fund 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.

(d) Investments

i) Short term money market deposits

The Fund invests in short term money market deposits with Australian banks and Australian subsidiaries of international banks. These deposits have a maturity day greater than 90 days and lower than 365 days.

ii) Non-quoted securities

The First Australian National Mortgage Acceptance Corporation Limited (FANMAC) Bond is a non-tradable security which is specific to the requirements of the Fund. It is measured at cost which represents fair value as this instrument does not have a tradable market and was not purchased with a premium or discount.

1. Summary of significant accounting policies (continued)

(e) Income tax
The surplus arising out of the Fund is fully distributed to the beneficiaries and accordingly no income tax is payable by the Fund.

(f) Payables
Payables and accruals are recognised when the Fund becomes obliged to make future payments resulting from the purchase of services.

(g) Receivables
Mortgage and other receivables are recognised as amounts receivable at reporting date using amortised cost method. All receivables are reviewed on an ongoing basis and any debts that are known to be uncollectible are written off. In addition, an allowance for impairment is raised when there is some objective evidence that the Fund will not be able to collect all amounts due.

(h) Cash and cash equivalents
Cash and cash equivalents comprise cash at bank, short term deposits with the maturity date of three months or less from reporting date.

(i) Accounting estimates and judgments
The preparation of financial statements in accordance with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. They are disclosed in the relevant notes in the financial statements.

(j) New Australian Accounting Standards Issued but not effective
During the current reporting period, the Fund adopted all the new and revised Standards and Interpretations issued by the AASB that are relevant to the operations of the Fund and effective for the current reporting period. Related party information has been expanded to include the key management personnel disclosure to meet the requirements of AASB 124 Related Party Disclosures. Refer to Note 7 for related party information.

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period. In accordance with the NSW Treasury mandate (TC 17/04), the Fund did not early adopt any of these accounting standards and interpretations that are not yet effective.

The Fund's assessment of the impact of these new standards and interpretations is that they will not materially affect any of the amounts recognised in the financial statements or significantly impact the disclosures in relation to the Fund. It is considered that the impact of these new standards and interpretations in future years will have no material impact on the financial statements of the Fund.

Home Purchase Assistance Fund

Notes to the Financial Statements
For the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

(k) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period, as adjusted for section 24 of the *Public Finance and Audit Act 1983* where there has been a transfer of functions between agencies. However, amounts disclosed in the budget paper as current and non-current borrowings at amortised cost in the Statement of Financial Position have been re-classified from debt to equity and finance costs in the Statement of Comprehensive Income have been removed from the Fund's budgeted amounts as the Fund accounts for the advance from NSW Treasury as a contribution to equity and not as debt.

This is to achieve consistency with the accounting treatment of the actual repayments of the NSW Treasury advance as distributions out of the net assets of the Fund and not as principal and interest payments. In the Statement of Cash Flows, budgeted finance costs and payments to special beneficiaries budgeted for in other expenses have been reclassified from cash flows from operating activities to cash flows from financing activities. Other amendments made to the budget are not reflected in the budgeted amounts.

(l) Comparative information

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

2. Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash at bank, short-term (on demand) deposits and bank bills.

	2017 $'000	2016 $'000
(a) Cash and cash equivalents consists of:		
Cash and cash equivalents at bank	990	2,205
Term deposits with the maturity within 90 days	194,500	204,400
	195,490	206,605

(b) Reconciliation of net result for the year to net cash received from operating activities

	2017 $'000	2016 $'000
Net result	4,471	5,224
Net repayment of loans receivable:		
Mortgage loans	29	15
Changes in net assets and liabilities:		
(Increase)/decrease in interest receivable	(2)	179
Decrease/(increase) in goods and services tax recoverable	2	(1)
Increase/(decrease) in sundry payables and provisions	19	(17)
Net cash received from operating activities	4,519	5,400

Refer to note 9 Financial Instruments for details regarding credit risk, liquidity risk and market risk.

3. Receivables

	2017 $'000	2016 $'000
Mortgage loans	31	5
Interest receivable - non-related parties	2,317	2,315
Goods and services tax recoverable	2	4
Total current receivables	2,350	2,324
Mortgage loans	26	81
Total non-current receivables:	26	81

Refer to note 9 Financial Instruments for details regarding credit risk, liquidity risk and market risk.

4. Other financial assets

Short term money market deposits	48,700	50,900
Investment in non-quoted securities at cost (i)	1,200	1,848
Total current other financial assets	49,900	52,748
Investment in non-quoted securities at cost (i)	7,591	8,479
Total non-current other financial assets	7,591	8,479

(i) Investment in the FANMAC Master Trust which was established in 2001 for the specific purpose of providing a consolidated entity to house the Fund's current holding of FANMAC mortgages and its future purchase obligations from maturing FANMAC Trusts. The total value of the investment in the FANMAC Master Trust at 30 June 2017 was $8.8 million (30 June 2016: $10.3 million). The Master Trust securities are not traded in the financial markets.

Refer to note 9 Financial Instruments for details regarding credit risk, liquidity risk and market risk.

5. Payables

Accounting fees	20	8
Audit fees	31	24
Total payables	51	32

Refer to note 9 Financial Instruments for details regarding credit risk, liquidity risk and market risk.

6. Provisions

	2017 $'000	2016 $'000
Government Guaranteed Loan Scheme	49	49

7. Related party information

During the reporting period, the Fund transacted with the following related entities: the State (the beneficiary of the Trust), Permanent Custodians Limited.

Apart from administrative services all other transactions with related parties were conducted on a normal commercial basis and are disclosed in the statement of financial position, statement of comprehensive income, statement of cash flows and the accompanying notes to the financial statements.

Administrative services were provided by NSW Department of Family and Community Services Staff to the Fund during the reporting period on a free-of-charge basis.

Key Management Personnel

The key management personnel of the Fund are deemed to be the directors of Permanent Custodians Limited. No amounts were paid by the Fund directly to the directors of Permanent Custodians Limited (2016: nil).

Compensation paid to the Trustee, Permanent Custodians Limited is separately disclosed in the Statement of Comprehensive Income as Trustee's remuneration.

8. Accumulated Funds

Repayment schedule
The nominal value of loan under the Home Purchase Assistance Program is detailed in the table below:

	Principal 30 June 2017 $'000	Interest 30 June 2017 $'000	2017 Total $'000	Principal 30 June 2016 $'000	Interest 30 June 2016 $'000	2016 Total $'000
Not later than one year	11,439	7,313	18,752	11,342	7,824	19,166
Later than one year but not later than five years	45,530	24,028	69,558	45,706	26,119	71,825
Later than five years	103,807	26,402	130,209	115,070	31,624	146,694
Total cash outflow	**160,776**	**57,743**	**218,519**	**172,118**	**65,567**	**237,685**

8. Accumulated Funds (continued)

Distributions to beneficiaries

Under the terms of the Home Purchase Assistance Fund Trust Deed, at the direction of Treasury and Department of Family and Community Services (which direction is made annually), repayments of principal and interest on the loans owed to NSW Treasury will be paid out of the net assets attributable to beneficiaries and/or income of the Fund through distributions.

FANMAC Trust	283	372
Shared Equity Schemes	(79)	122
NSW Treasury	19,166	19,613
	19,370	20,107

9. Financial instruments

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

(a) Cash and cash equivalents

Cash comprises cash at bank, while cash equivalents comprise short term deposits with Australian banks. Term deposits have specific maturity dates for terms of up to 90 days. Interest on cash is earned on a daily basis and paid monthly while interest on the term deposits is calculated on a yearly basis and paid at maturity of each instrument.

(b) Term deposits with maturity more than 90 days

These represent term deposits with Australian banks and the Australian subsidiaries of international banks. These deposits have a maturity day greater than 90 days and lower than 365 days.

(c) FANMAC Master Trust Bonds (long-term securities)

Bonds issued by the Master Trust have been wholly-owned by the Fund since the trust was established in 2001 through the consolidation of several other FANMAC Trusts. The bonds have a maturity date in 2070. Interest and principal are paid on the bonds monthly.

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

Risk management policies are established to identify and analyse the risks faced by the fund, to set risk limits and controls and to monitor risks. Investments are only carried out by officers with approved financial delegations.

9. Financial instruments (continued)

The net carrying amount of the financial assets and financial liabilities are outlined below:

Categories of Financial Instruments

	Notes	Category	2017 $'000	2016 $'000
Financial assets				
Cash and cash equivalents	2	N/A	195,490	206,605
Receivables[(i)]	3	Loans and receivables (at amortised cost)	2,374	2,401
Other financial assets	4	Other financial assets	57,491	61,227
Total financial assets			**255,355**	**270,233**
Financial liabilities				
Payables[(ii)]	5	Financial liabilities	51	32
Total financial liabilities			**51**	**32**

(i) exclude statutory receivables and prepayments (i.e. not within the scope of AASB 7)
(ii) exclude statutory payables and unearned revenue (i.e. not within the scope of AASB 7)

Financial assets that are past due or impaired

There are no financial assets that are past due or impaired as at 30 June 2017 (30 June 2016: Nil).

Credit risk
Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation there under. The Fund's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the statement of financial position. Mortgage and other receivables are recognised as amounts receivable at balance date. All receivables are reviewed on an ongoing basis. In addition, an allowance for impairment is raised when there is some objective evidence that the fund will not be able to collect all amounts due.

9. Financial instruments (continued)

The table below outlines the maturity analysis based on carrying amounts for all financial assets of the Fund:

2017	Weighted average interest rate %	Variable interest rate $'m	Fixed interest rate <1 year $'m	Fixed interest rate 1-5 yrs. $'m	Fixed interest rate >5 year $'m	Non-interest bearing $'m	Total $'m
Financial assets							
Cash and cash equivalents	2.71%	1.0	194.5	-	-	-	195.5
Receivables	4.83%	-	-	-	-	2.4	2.4
Other financial assets	3.06%	7.6	49.9	-	-	-	57.5
Total financial assets		**8.6**	**244.4**	**-**	**-**	**2.4**	**255.4**

2016	Weighted average interest rate %	Variable interest rate $'m	Fixed interest rate <1 year $'m	Fixed interest rate 1-5 yrs. $'m	Fixed interest rate >5 year $'m	Non-interest bearing $'m	Total $'m
Financial assets							
Cash and cash equivalents	2.87%	2.2	204.4	-	-	-	206.6
Receivables	3.06%	0.1	-	-	-	2.3	2.4
Other financial assets	3.45%	8.5	52.7	-	-	-	61.2
Total financial assets		**10.8**	**257.1**	**-**	**-**	**2.3**	**270.2**

The table below outlines the concentration of categories of financial assets for the Fund:

2017	Governments $'m	Banks $'m	Other $'m	Total $'m
Financial assets				
Cash and cash equivalents	-	195.5	-	195.5
Receivables	-	2.4	-	2.4
Other financial assets	-	48.7	8.8	57.5
Total financial assets	**-**	**246.6**	**8.8**	**255.4**

2016	Governments $'m	Banks $'m	Other $'m	Total $'m
Financial assets				
Cash and cash equivalents	-	206.6	-	206.6
Receivables	-	2.3	0.1	2.4
Other financial assets	-	50.9	10.3	61.2
Total financial assets	**-**	**259.8**	**10.4**	**270.2**

Receivables

Collectability of all debtors is reviewed on an ongoing basis. Procedures are followed to recover any outstanding amounts; these include the issuing of letters of demand. The Fund is not exposed to concentrations of credit risk to a single debtor or group of debtors. Based on past experience, debtors that are not past due and less the 6 months past due are not considered impaired. No receivables were past due or impaired at 30 June 2017 (30 June 2016: Nil).

9. Financial Instruments (continued)

Authority deposits and fixed interest investments

The Fund has placed funds on fixed term deposit with Australian Banks (CBA, WBC, ANZ, NAB, St. George, Bankwest, Suncorp, Bendigo Bank and Bank of Queensland) and Australian subsidiaries of foreign banks (ING).

Standard and Poor's credit ratings as at the reporting date for the Australian banks (CBA, WBC, ANZ, NAB, St. George and Bankwest) are A1+ for short term investments and AA- for long term investments. Suncorp is rated A1 for short term and A+ for long term. ING is rated A2 for short term investments and A- for long term investments. Bendigo Bank and Bank of Queensland are rated A2 for short term and BBB+ for long term.

The weighted average interest rate on the investment portfolio as at 30 June 2017 was 2.71% (30 June 2016: 2.87%). None of these assets are past due or impaired.

The following information is provided in accordance with the provisions of AASB 7 "*Financial Instruments: Disclosures*". The Fund monitors and manages the financial risks relating its operations. These risks include market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Fund will be unable to meet its payment obligations when they fall due. The Fund continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. No assets have been pledged as collateral. The funds exposure to liquidity risk is deemed insignificant based on prior years' data and current assessment of risk.

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 out in Treasury's Circular NSW TC 11/12 dated 14 July 2011. If trade terms are not specified, payments must be made within 30 days of receipt of a correctly rendered invoice, unless an existing contract or standing offer (i.e. pre 14 July 2011) provides for an alternative time period. If payment is not made within the specified time period, simple interest must be paid automatically.

9. Financial Instruments (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Fund's exposures to market risk are primarily through interest rate risk on the Investment Funds. The Fund 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. The Fund is not exposed to any other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the fund 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 reporting date. The analysis is performed on the same basis for 2017. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through the Fund's investments portfolio. This risk is minimised by undertaking mainly fixed rate Investments, primarily with Australian Banks and Treasury Corporations in NSW.

The Fund does not account for any fixed rate financial instruments at fair value through statement of comprehensive income or as available for sale.

A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Fund's exposure to interest rate risk is set out on the following page.

9. Financial instruments (continued)

		+1%		-1%	
	Carrying amount $'000	Net Result $'000	Equity $'000	-Net Result $'000	Equity $'000
2017					
Financial assets					
Cash and cash equivalents	195,490	1,955	1,955	(1,955)	(1,955)
Receivables	2,374	24	24	(24)	(24)
Other financial assets	57,491	575	575	(575)	(575)
Total financial assets	**255,355**	**2,554**	**2,554**	**(2,554)**	**(2,554)**
Payables	51	-	-	-	-
Total financial liabilities	**51**	**-**	**-**	**-**	**-**

		+1%		-1%	
	Carrying amount $'000	Net Result $'000	Equity $'000	-Net Result $'000	Equity $'000
2016					
Financial assets					
Cash and cash equivalents	206,605	2,066	2,066	(2,066)	(2,066)
Receivables	2,401	24	24	(24)	(24)
Other financial assets	61,227	612	612	(612)	(612)
Total financial assets	**270,233**	**2,702**	**2,702**	**(2,702)**	**(2,702)**
Payables	32	-	-	-	-
Total financial liabilities	**32**	**-**	**-**	**-**	**-**

Fair value measurement

The carrying amount of financial instruments recognised in the statement of financial position approximates the fair value due to short term nature of many of the financial instruments.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- level 3: unobservable inputs for the asset or liability

The Fund had no assets or liabilities measured at fair value on a non-recurring basis as at 30 June 2017 (30 June 2016: Nil).

10. Contingent liability

Under clause 4 of the Home Purchase Assistance Fund Trust Deed and a Memorandum of Understanding with the Registry of Co-operatives and Associations, the Trustee, from time to time as and when required must purchase mortgages and defaulting mortgages in the Home Fund Loan program and meet claims in the Government Guaranteed loan Scheme.

No payments were required to be made on defaulting FANMAC mortgages for the year ended 30 June 2017 (30 June 2016: Nil).

11. Commitments

The Fund is committed to support the National Rental Affordable Scheme, over 10 years as follows:

	2017 $'000	2016 $'000
Not later than one year	7,500	4,500
Later than one year but not later than five years	31,921	30,000
Later than five years	21,842	29,342
Total	**61,263**	**63,842**

12. Investment powers compliance

Under the Public Authorities (Financial Arrangements) Regulation 2005, the Trustee of the Home Purchase Assistance Fund (the "Fund") is defined as an entity included in the definition of an "authority", thereby having Part 2 investment powers under Public Authorities (Financial Arrangements) Act 1987 (the "Act").

The following investments are authorised for an authority which may exercise Part 2 investment powers:

a) deposits with a bank or the Treasury Corporation and deposits with or withdrawable shares in a building society or credit union (not including certificates of deposit or other transferable securities),

b) investments in an Hour-Glass investment facility of the Treasury Corporation (being a facility under which the Treasury Corporation accepts funds on behalf of Government and public or other authorities for investment by Fund Managers approved by the Treasury Corporation),

c) investments with, issued by, or guaranteed by, the Government of New South Wales or an eligible entity which is the Government of any other State or of the Commonwealth or of a Territory,

12. Investment powers compliance (continued)

d) bills of exchange that have been accepted by a bank, building society or credit union,

e) a loan to an eligible entity which is a dealer in the short-term money market and in relation to which, at the time the loan is made, the Reserve Bank of Australia stands as lender of last resort,

f) certificates of deposit issued by a bank, building society or credit union,

g) such additional investments as are prescribed.

The legislative change to increase the investment powers of the Fund under the Act from Part 1 to Part 2 was effective from 13 January 2010.

13. Budget Review

Net Result

For the year ended 30 June 2017, the net result of the Fund was favourable by $5.30m as compared to the budgeted amount.
The favourable result was primarily attributable to the following:

a) Interest income earned was $0.64m lower than the budgeted amount due to lower than budgeted interest rates for the underlying investments (i.e. term deposits) during the year; and

b) National Rental Affordability Scheme grant payments to Family and Community Services were $5.92m lower than the budgeted allocation due to timing of the payments.

Assets and liabilities

a) Assets – cash and cash equivalents were higher than the budgeted amount by $8.49m, principally due to sale of current other financial assets during the year. Overall, total assets were in line with the budgeted amount.

b) Liabilities – Total Liabilities of the Fund were in line with the budgeted amount.

13. Budget Review (continued)

Cash flows

a) Cash flows from operating activities – The actual cash inflow provided by operating activities were favourable as compared to the budgeted amount by $5.25m. The reason for the favourable inflow from operating activities is listed below:

- Lower payment in relation to National Rental Affordability Scheme of $5.92m which was offset by the receipt of interest income that was $0.70m below the budgeted amount.

b) Cash flows from investing activities – The actual cash flow provided by investing activities was unfavourable as compared to the budgeted amount by $5.03m, due to lower than budgeted purchases of short term deposits and lower than budgeted cash inflow from investments on interest bearing bonds.

c) Cash flows from financing activities – The actual cash flows used in financing activities was favourable as compared to the budgeted amount by $0.31m due to lower payment to special beneficiaries Fanmac Trust and Shared Equity Scheme.

14. Subsequent events

There are no events subsequent to the balance sheet date which affect the financial statements.

15. Additional Fund information

Home Purchase Assistance Fund is registered in and operates in Australia.

Registered office
Permanent Custodians Limited
Level 2, 1 Bligh Street
Sydney NSW 2000

****END OF AUDITED FINANCIAL STATEMENTS****

NSW GOVERNMENT

Family & Community Services

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