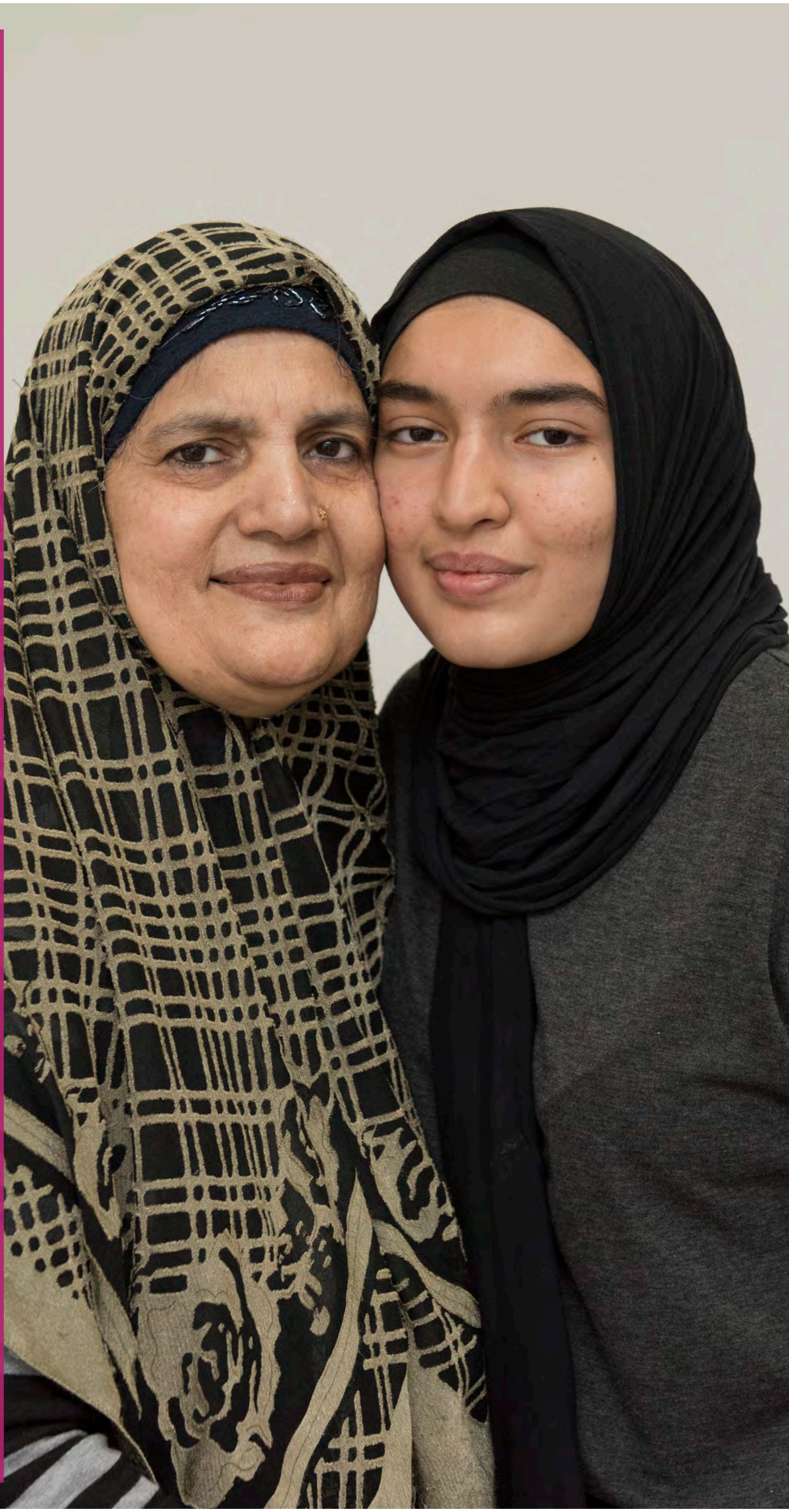
NSW GOVERNMENT

Family and Community Services

2018–19 ANNUAL REPORT

Volume 2 Audited consolidated financial statements for the year ended 30 June 2019



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1.1 Department of Family and Community Services: Parent Financial Report

Financial statements for the year ended 30 June 2019

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 Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a 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 2019, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

I am independent of the Department 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 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | f 02 9275 7179 | mail@audit.nsw.gov.au | audit.nsw.gov.au

Other Information

The Department's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary of the Department is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Certification of Accounts.

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

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

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

I have nothing to report in this regard.

Secretary's Responsibilities for the Financial Statements

The Secretary of the Department of Communities and Justice 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 is responsible for assessing the Department's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the 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 of New South Wales

16 September 2019
SYDNEY

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

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 2019 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 Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or 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
13 September 2019

Libby Stratford
Chief Financial Officer
13 September 2019

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

Statement of comprehensive income for the year ended 30 June 2019

	Notes	PARENT			CONSOLIDATED		
		Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
Continuing operations							
Expenses excluding losses							
Employee-related expenses	2(a)	**1,121,184**	1,031,046	1,267,871	**1,121,184**	1,031,046	1,267,871
Operating expenses	2(b)	**398,317**	326,053	405,479	**398,473**	326,053	405,631
Depreciation and amortisation	2(c)	**76,076**	95,808	80,560	**76,203**	95,808	80,697
Grants and subsidies	2(d)	**2,369,365**	5,068,975	4,745,061	**2,369,365**	5,068,975	4,745,061
Finance costs	2(e)	**802**	-	794	**802**	-	794
Total expenses excluding losses		**3,965,744**	6,521,882	6,499,765	**3,966,027**	6,521,882	6,500,054
Revenue							
Appropriation (net of transfer payments)	3(a)	**3,466,457**	6,147,395	6,235,407	**3,466,457**	6,147,395	6,235,407
Sale of goods and services	3(b)	**179,223**	139,009	205,556	**179,223**	139,009	205,556
Personnel services revenue - Aboriginal Housing Office		**16,372**	10,587	13,066	**16,372**	10,587	13,066
Personnel services revenue - Land and Housing Corporation		**69,560**	83,836	67,983	**69,560**	83,836	67,983
Investment revenue	3(c)	**641**	25,708	169	**664**	25,708	194
Grants and other contributions	3(d)	**58,860**	72,735	112,103	**58,860**	72,735	112,103
Acceptance by the Crown Entity of employee benefits and other liabilities	3(e)	**56,606**	36,391	43,154	**56,606**	36,391	43,154
Other revenue	3(f)	**74,556**	25,430	29,571	**74,602**	25,430	29,611
Total revenue		**3,922,275**	6,541,091	6,707,009	**3,922,344**	6,541,091	6,707,074
Operating result		**(43,469)**	19,209	207,244	**(43,683)**	19,209	207,020
Gains / (losses) on disposal	4	**(883)**	(225)	(3,181)	**(883)**	(225)	(3,181)
Impairment losses on financial assets		**(931)**	-	-	**(931)**	-	-
Other (losses)	5	**(5,033)**	(862)	(4,806)	**(5,033)**	(862)	(4,806)
Net result from continuing operations		**(50,316)**	18,122	199,257	**(50,530)**	18,122	199,033
Other comprehensive income							
Items that will not be reclassified to net result in subsequent periods							
Net (decrease) / increase in property, plant and equipment asset revaluation surplus	12	**(12,289)**	-	60,838	**(12,465)**	-	61,270
Net change in the revaluation reserve arising from a change in the restoration liability		**-**	-	-	**-**	-	-
Actuarial gains/(losses) on superannuation funds	18	**(2,039)**	-	42	**(2,039)**	-	42
Other superannuation fund value changes	18	**-**	-	-	**-**	-	-
Other net (decreases) in equity	19	**(79)**	-	(3,518)	**(79)**	-	(3,518)
Total other comprehensive income		**(14,407)**	**-**	57,362	**(14,583)**	**-**	57,794
TOTAL COMPREHENSIVE INCOME		**(64,723)**	18,122	256,619	**(65,113)**	18,122	256,827

The accompanying notes form part of these financial statements

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

Statement of financial position as at 30 June 2019

	Notes	PARENT			CONSOLIDATED		
		Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
ASSETS							
Current Assets							
Cash and cash equivalents	9	**100,666**	83,418	334,928	**102,145**	83,418	336,490
Receivables	10	**165,441**	81,175	107,984	**165,441**	81,175	107,984
		266,107	164,593	442,912	**267,586**	164,593	444,474
Non-current assets held for sale	11	**6,452**	-	109,901	**6,452**	-	109,901
Total Current Assets		**272,559**	164,593	552,813	**274,038**	164,593	554,375
Non-Current Assets							
Receivables	10	**2,465**	-	3,125	**2,465**	-	3,125
Financial assets at fair value		**-**	50	-	**-**	50	-
Property, plant and equipment							
Land and buildings	12	**1,373,342**	1,355,365	1,346,637	**1,382,767**	1,355,365	1,356,366
Plant and equipment	12	**87,820**	69,579	78,724	**87,820**	69,579	78,724
Total property, plant and equipment		**1,461,162**	1,424,944	1,425,361	**1,470,587**	1,424,944	1,435,090
Intangible assets	13	**174,325**	148,802	169,136	**174,325**	148,802	169,136
Total Non-Current Assets		**1,637,952**	1,573,796	1,597,622	**1,647,377**	1,573,796	1,607,351
Total Assets		**1,910,511**	1,738,389	2,150,435	**1,921,415**	1,738,389	2,161,726
LIABILITIES							
Current Liabilities							
Payables	15	**153,017**	84,294	346,949	**153,017**	84,294	346,946
Provisions	16	**161,711**	84,092	156,863	**161,711**	84,092	156,863
Other current liabilities	17	**30,959**	228	2,069	**30,959**	228	2,069
Total Current Liabilities		**345,687**	168,614	505,881	**345,687**	168,614	505,878
Non-Current Liabilities							
Provisions	16	**59,634**	44,248	75,407	**59,634**	44,248	75,407
Other non-current liabilities	17	**1,001**	160	235	**1,001**	160	235
Total Non-Current Liabilities		**60,635**	44,408	75,642	**60,635**	44,408	75,642
Total Liabilities		**406,322**	213,022	581,523	**406,322**	213,022	581,520
Net Assets		**1,504,189**	1,525,367	1,568,912	**1,515,093**	1,525,367	1,580,206
EQUITY							
Reserves		**272,665**	248,991	288,136	**273,083**	248,991	288,730
Accumulated funds		**1,231,524**	1,276,376	1,280,776	**1,242,010**	1,276,376	1,291,476
Total Equity		**1,504,189**	1,525,367	1,568,912	**1,515,093**	1,525,367	1,580,206

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 2019

PARENT	Notes	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total $'000
Balance at 1 July 2018		1,280,776	288,136	1,568,912
Net result for the year		(50,316)	-	(50,316)
Other comprehensive income:				
Net change in revaluation surplus of property, plant equipment	12	-	(12,289)	(12,289)
Actuarial gains/(losses) on superannuation funds	18	(2,039)	-	(2,039)
Asset revaluation reserve balance transferred to accumulated funds on disposal of asset		3,182	(3,182)	-
Total other comprehensive income		**1,143**	**(15,471)**	**(14,328)**
Total comprehensive income for the year		**(49,173)**	**(15,471)**	**(64,644)**
Transactions with owners in their capacity as owners				
(Decrease) in net assets from equity transfers	19	(79)	-	(79)
Balance at 30 June 2019		**1,231,524**	**272,665**	**1,504,189**

PARENT	Notes	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total $'000
Balance at 1 July 2017		1,080,905	231,388	1,312,293
Net result for the year		199,257	-	199,257
Other comprehensive income:				
Net change in revaluation surplus of property, plant equipment	12	-	60,838	60,838
Actuarial gains/(losses) on superannuation funds	18	42		42
Asset revaluation reserve balance transferred to accumulated funds on disposal of asset		4,090	(4,090)	-
Total other comprehensive income		**4,132**	**56,748**	**60,880**
Total comprehensive income for the year		**203,389**	**56,748**	**260,137**
Transactions with owners in their capacity as owners				
(Decrease) in net assets from equity transfers	19	(3,518)	-	(3,518)
Balance at 30 June 2018		**1,280,776**	**288,136**	**1,568,912**

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 2019

CONSOLIDATED	Notes	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total $'000
Balance at 1 July 2018		1,291,476	288,730	1,580,206
Net result for the year		(50,530)	-	(50,530)
Other comprehensive income:				
Net change in revaluation surplus of property, plant equipment	12	-	(12,465)	(12,465)
Actuarial gains/(losses) on superannuation funds	18	(2,039)	-	(2,039)
Asset revaluation reserve balance transferred to accumulated funds on disposal of asset		3,182	(3,182)	-
Total other comprehensive income		**1,143**	**(15,647)**	**(14,504)**
Total comprehensive income for the year		**(49,387)**	**(15,647)**	**(65,034)**
Transactions with owners in their capacity as owners				
(Decrease) in net assets from equity transfers	19	(79)	-	(79)
Balance at 30 June 2019		**1,242,010**	**273,083**	**1,515,093**

CONSOLIDATED	Notes	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total $'000
Balance at 1 July 2017		1,091,829	231,550	1,323,379
Net result for the year		199,033	-	199,033
Other comprehensive income:				
Net change in revaluation surplus of property, plant equipment	12	-	61,270	61,270
Actuarial gains/(losses) on superannuation funds	18	42	-	42
Asset revaluation reserve balance transferred to accumulated funds on disposal of asset		4,090	(4,090)	-
Total other comprehensive income		**4,132**	**57,180**	**61,312**
Total comprehensive income for the year		**203,165**	**57,180**	**260,345**
Transactions with owners in their capacity as owners				
(Decrease) in net assets from equity transfers	19	(3,518)	-	(3,518)
Balance at 30 June 2018		**1,291,476**	**288,730**	**1,580,206**

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 2019

	Notes	PARENT			CONSOLIDATED		
		Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Payments							
Employee related		**(1,000,539)**	(1,007,684)	(1,245,450)	**(1,000,539)**	(1,007,684)	(1,245,450)
Suppliers for goods and services		**(427,747)**	(633,525)	(447,182)	**(427,899)**	(633,525)	(447,316)
Grants and subsidies		**(2,740,403)**	(5,068,975)	(4,800,524)	**(2,740,403)**	(5,068,975)	(4,800,524)
Total Payments		**(4,168,689)**	(6,710,184)	(6,493,156)	**(4,168,841)**	(6,710,184)	(6,493,290)
Receipts							
Appropriations (excluding equity appropriations)	3a	**3,466,457**	6,147,395	6,167,958	**3,466,457**	6,147,395	6,167,958
Reimbursements from the Crown Entity		**-**	-	97,174	**-**	-	97,174
Sale of goods and services		**179,222**	234,160	220,994	**179,222**	234,160	220,994
Interest received		**641**	25,708	169	**710**	25,708	213
GST recoveries		**184,925**	-	273,937	**184,925**	-	273,937
Grants and contributions		**58,860**	72,735	15,368	**58,860**	72,735	15,368
Other		**74,387**	313,496	45,280	**74,387**	313,496	45,280
Total Receipts		**3,964,492**	6,793,494	6,820,880	**3,964,561**	6,793,494	6,820,924
NET CASH FLOWS FROM OPERATING ACTIVITIES	24	**(204,197)**	83,310	327,724	**(204,280)**	83,310	327,634
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale of land and buildings and plant and equipment	4	**42,820**	35	16,107	**42,820**	35	16,107
Purchase of land and buildings and plant and equipment		**(36,489)**	(39,660)	(42,429)	**(36,489)**	(39,660)	(42,429)
Other		**(35,105)**	7,167	(71,912)	**(35,105)**	7,167	(71,912)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(28,774)**	(32,458)	(98,234)	**(28,774)**	(32,458)	(98,234)
NET INCREASE/(DECREASE) IN CASH		**(232,971)**	50,852	229,490	**(233,054)**	50,852	229,400
Opening cash and cash equivalents		**334,928**	32,566	142,235	**336,490**	32,566	143,887
Cash transferred in / (out) as a result of administrative restructuring and equity transfer	19	**(1,291)**	-	(36,797)	**(1,291)**	-	(36,797)
CLOSING CASH AND CASH EQUIVALENTS	9	**100,666**	83,418	334,928	**102,145**	83,418	336,490

The accompanying notes form part of these financial statements

1. Summary of significant accounting policies (continued)

(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 recoverable from, or payable to, the ATO relating to cash flows arising from investing and financing activities are classified as operating cash flows.

(g) 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 12 and Note 14.

ii) Accumulated funds

Accumulated funds include all current and prior period retained funds.

(h) 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 Contributions 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 except for intangibles.

Equity transfers for Intangible are not recognised at fair value. 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.

(i) 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 2019 and as at 30 June 2018. Refer Note 21 regarding disclosures on contingent liabilities.

(j) 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 23.

1. Summary of significant accounting policies (continued)

(k) 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. The following changes have been made to the comparative information in 2018-19:

Cluster grants to Aboriginal Housing Office ($50.7m) and Multicultural NSW ($16.7m) considered as administered items in 2017-18 are recognised as FACS controlled payments 2018-19 resulting in changes to comparatives. Under appropriations legislation in NSW, Ministers are given the authority to apply appropriations up to the limit specified in the Appropriations Bill. This indicates that ministers have legal discretion over the use of appropriations, including how to allocate cluster grants among agencies and hence these transactions are to be considered as controlled transactions by the principal department. Refer Note 2(d) and Note 3(a).

Reclassifications made to comparative information to enhance the presentation and to align with TPP 19-04 Accounting Policy: Financial Reporting Code for NSW General Government Sector Entities are:

− Note 2 (d) Grants and subsidies : $185.9m grants expense for Social Housing and Homelessness group and $59.2m grant expense for Their Futures Matter were reclassified from other grants to individuals and other organisations to separate note lines due to materiality.

− Note 15 Current payables: $187.0m accrued grants expenditure was reclassified from accrued operating expenditure to a separate note line due to materiality.

− $13.9m rental income was reclassified from Note 3(c) Investment revenue to Note 3(f) Other revenue other revenue due to nature of transaction.

− Note 10 Receivables: $4.4m rental income receivable was reclassified from sundry receivables to a separate note line due to materiality.

− Note $2.0m unearned revenue was reclassified from Note 15- Current payables to Note 17 - Other liabilities.

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

i) Effective for the first time in 2018-19

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

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

(a) Classification and measurement of financial instruments

The classification and measurement requirements of AASB 9 did not have a significant impact to FACS.

The following are the changes in the classification of FACS' financial assets:
- Trade receivables and other financial assets classified as 'Loan and receivables' under AASB 139 as at 30 June 2018 are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. At 1 July 2018, these are classified and measured as financial assets measured at amortised cost.
- FACS has not designated any financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement for the entity's financial liabilities.

(b) Impairment

The adoption of AASB 9 has changed FACS's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires FACS to recognise an allowance for ECLs for all financial instruments not held at fair value through profit or loss. 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. Refer to Note 26 for disclosures regarding Financial Instruments.

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 to Treasury Circular NSWTC 19/04 Mandates of Options and Major Policy Decisions under Australian Accounting Standards).

	Operative Date
AASB 15, AASB 2014-5, AASB 2015-8 and AASB 2016-3 Revenue from Contracts with Customers	1 January 2019
AASB 16 Leases	1 January 2019
AASB 17 Insurance Contracts	1 January 2021
AASB 1058 Income of Not-for-profit	1 January 2019
AASB 1059 Service Concession Arrangements: Grantors	1 January 2019
AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities	1 January 2019
AASB 2017-1 Amendments to Australian Accounting Standards - Transfer of investment Property, Annual Improvements 2014-2016	1 January 2019
AASB 2017-4 Amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments	1 January 2019
AASB 2017-6 Amendments to Australian Accounting Standards - Prepayment Features with Negative Compensation	1 January 2019
AASB 2017-7 Amendments to Australian Accounting Standards - Long-term Interests in Associates and Joint Ventures	1 January 2019

1. Summary of significant accounting policies (continued)

ii) Issued but not effective

AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement	1 January 2019
AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements	1 January 2019
AASB 2018-4 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public	1 January 2019
AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059	1 January 2019
AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business	1 January 2020
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2020
AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities	1 January 2019

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;

iii) Transition disclosure

(a) AASB 15 Revenue from Contracts with Customers / AASB 1058 Income of Not-for-Profits

AASB 15 Revenue from Contracts with Customers (AASB 15) is effective for reporting periods commencing on or after 1 January 2019.

AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised when control of goods or services is transferred to the customer at amounts that reflect the consideration to which FACS expects to be entitled in exchange for transferring the goods or services to the customer. Under AASB 118 *Revenue* (AASB 118), revenue recognition is currently based on when risks and rewards are transferred.

AASB 1058 Income of Not-for-Profits (AASB 1058) is effective for reporting periods commencing on or after 1 January 2019 and will replace most of the existing requirements in AASB 1004 Contributions (AASB 1004). The scope of AASB 1004 is now limited mainly to parliamentary appropriations, administrative arrangements and contributions by owners. Under AASB 1058, FACS will need to determine whether a transaction is consideration received below fair value principally to enable it to further its objectives (accounted for under AASB 1058) or a revenue contract with a customer (accounted for under AASB 15).

The standards will result in the identification of separate performance obligations that will change the timing of recognition for some revenues, including revenues relating to sales of goods and services and specific purpose grants and subsidies.

Under AASB 1058, FACS will recognise as liabilities, obligations for funding received where there is an obligation to construct recognisable non-financial assets controlled by it. This is because all fundings are spent in the year they are received or because there is no sufficient performance obligation attached to the underlying contracts.

Based on the impact assessments FACS has undertaken on currently available information, FACS estimates that the adoption of AASB 15 and AASB 1058 will result in nil impact.

(b) AASB 16 Leases

AASB 16 *Leases (AASB 16)* is effective from reporting periods commencing on or after 1 January 2019.

For lessees, AASB 16 will result in most leases being recognised on the Statement of Financial Position, as the distinction between operating and finance leases is largely removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised at the commencement of the lease. The only exceptions are short-term and low-value leases. AASB 16 will therefore increase assets and liabilities reported on the Statement of Financial Position. It will also increase depreciation and interest expenses and reduce operating lease rental expenses on the Statement of Comprehensive Income. Expenses recognised in the earlier years of the lease term will be higher as the interest charges will be calculated on a larger lease liability balance. Existing finance leases are not expected to be significantly impacted from the transition to AASB 16.

FACS will adopt AASB 16 on 1 July 2019 through application of the partial retrospective approach, where only the current year is adjusted as though AASB 16 had always applied. Comparative information will not be restated. FACS will also adopt the practical expedient whereby the fair value of the right-of use asset will be the same as the lease liability at 1 July 2019.

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.

Based on the impact assessments FACS has undertaken on currently available information, FACS estimates additional right-of-use assets of $212.4 million and lease liabilities of $213.6 million will be recognised as at 1 July 2019 for leases in which FACS is a lessee. Most operating lease expenses will be replaced by depreciation of the right of use asset and interest on the lease liability. The impact on the statement of comprehensive income is expected to be $3.3 million.

The impact represents management's current best estimate and is still under review. It is possible that the amount recognised at 1 July 2019 in the Statement of Financial Position will differ from this estimate, as a result of further review of underlying lease data, if new leases are entered into or terminated or from re-assessment of any key management assumptions, such as the reasonable possibility that lease extension options will or will not be renewed.

Lease contracts of 12 months or less and low value lease contracts are excluded from the requirements of AASB 16.

(m) Change in accounting policies

There has been no change in the FACS' accounting policies except the change in measurement of impairment of financial assets to expected credit loss model as required under AASB 9 Financial Instruments. Refer to Note 10 and 26 for details.

	PARENT		CONSOLIDATED	
	2019	2018	**2019**	2018
	$'000	$'000	$'000	$'000
2. Expenses excluding losses				
(a) Employee related expenses				
Salaries and wages (including annual leave) [a]	**913,670**	1,071,451	**913,670**	1,071,451
Superannuation - defined contribution plans	**72,177**	84,681	**72,177**	84,681
Superannuation - defined benefit plans	**6,835**	9,228	**6,835**	9,228
Long service leave	**50,087**	34,319	**50,087**	34,319
Workers' compensation insurance	**24,956**	40,349	**24,956**	40,349
Payroll tax and fringe benefit tax	**53,036**	44,913	**53,036**	44,913
Transfer and redundancy expense [b]	**-**	(17,611)	**-**	(17,611)
Other	**423**	541	**423**	541
	1,121,184	1,267,871	**1,121,184**	1,267,871

a. Employee related costs capitalised in fixed asset accounts are excluded from the above and totalled $9.0 million (2018: $18.1 million).

b. During 2017-18 FACS reviewed the level of transfer and redundancy provision provided for in 2015-16 resulting in a reduction of $17.6 million. No adjustment was made in 2018-19. The reduction in 2017-18 reflects lower transfer and redundancy provisioning required due to higher staff transfers to the NGO sector and lower redundancies than initially provided for.

	PARENT 2019	PARENT 2018	CONSOLIDATED 2019	CONSOLIDATED 2018
(b) Other operating expenses				
Auditor's remuneration - audit of the financial statements	**630**	599	**637**	607
Internal Auditor's remuneration - other services	**611**	1,113	**611**	1,113
Advertising	**702**	1,578	**702**	1,578
Bad and doubtful debts	**158**	361	**158**	361
Cleaning	**7,759**	8,297	**7,759**	8,297
Computer maintenance, software licences and other related expenditure	**57,090**	45,660	**57,090**	45,660
Consultants	**68**	27	**68**	27
Other contract services	**65,742**	53,490	**65,742**	53,490
Contractors and short term staff	**1**	1,338	**1**	1,338
Equipment	**254**	891	**254**	891
Fee for services rendered	**11,717**	17,110	**11,717**	17,110
Groceries - group homes	**4,301**	9,485	**4,301**	9,485
Insurance	**5,612**	2,317	**5,612**	2,317
Legal costs	**21,902**	22,688	**21,902**	22,688
Maintenance [a]	**17,768**	19,035	**17,917**	19,180
Management and other fees	**31,318**	31,030	**31,318**	31,030
Medical support services	**334**	1,044	**334**	1,044
Motor vehicle running costs	**12,049**	19,819	**12,049**	19,819
Disability group home tenancy management fees	**9,464**	3,014	**9,464**	3,014
Operating lease rental expense-minimum lease payments	**72,643**	77,185	**72,643**	77,185
Telecommunications	**9,981**	11,882	**9,981**	11,882
Printing, postage and stationery	**4,092**	4,417	**4,092**	4,417
Property and residential expenses	**5,578**	6,415	**5,578**	6,415
Staff development	**17,858**	21,120	**17,858**	21,120
Travelling, removal and subsistence	**14,543**	13,398	**14,543**	13,398
Utilities	**7,432**	8,811	**7,432**	8,811
Other	**18,710**	23,355	**18,710**	23,354
	398,317	405,479	**398,473**	405,631
a. Reconciliation - Total Maintenance				
Maintenance expense - contractor labour and other (non employee related) as above	**17,768**	19,035	**17,917**	19,180
Employee related maintenance expense included in Note 2 (a)	**1,139**	1,886	**1,139**	1,886
Total maintenance expenses included in Note 2 (a) and 2 (b)	**18,907**	20,921	**19,056**	21,066

Recognition and measurement

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.

Maintenance costs

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.

Operating leases

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.

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

2. Expenses excluding losses (continued)

	PARENT		CONSOLIDATED	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
(c) Depreciation and amortisation expense				
Depreciation				
Buildings	**25,559**	28,305	**25,686**	28,442
Computer equipment	**4,743**	4,826	**4,743**	4,826
Furniture and equipment	**191**	667	**191**	667
Plant and equipment	**330**	925	**330**	925
Leasehold improvements	**16,069**	17,635	**16,069**	17,635
	46,892	52,358	**47,019**	52,495
Amortisation				
Intangibles	**21,948**	14,816	**21,948**	14,816
Internally developed assets	**7,236**	13,386	**7,236**	13,386
	29,184	28,202	**29,184**	28,202
	76,076	80,560	**76,203**	80,697

Refer to Note 12, Note 13 and Note 14 for recognition and measurement policies on depreciation and amortisation.

(d) Grants and subsidies

	PARENT 2019 $'000	PARENT 2018 $'000	CONSOLIDATED 2019 $'000	CONSOLIDATED 2018 $'000
Out of home care	**1,107,933**	1,022,026	**1,107,933**	1,022,026
Prevention and early Intervention	**242,947**	293,925	**242,947**	293,925
Social housing and homelessness group	**224,888**	185,900	**224,888**	185,900
Other grants to individuals and other organisations	**204,671**	201,412	**204,671**	201,412
Their futures matter	**117,202**	59,202	**117,202**	59,202
Grants to Land and Housing Corporation	**88,003**	70,107	**88,003**	70,107
Housing initiatives leasing	**86,551**	81,440	**86,551**	81,440
Statutory child protection service	**80,920**	71,644	**80,920**	71,644
Grants to Aboriginal Housing Office [a]	**56,482**	50,727	**56,482**	50,727
Disability services program	**51,644**	682,586	**51,644**	682,586
Rental subsidies to disadvantaged groups	**42,879**	36,942	**42,879**	36,942
Rental assistance	**36,398**	31,039	**36,398**	31,039
Grants to Multicultural NSW [a]	**16,695**	16,722	**16,695**	16,722
Housing grants to community groups	**8,272**	16,201	**8,272**	16,201
Ageing program	**2,866**	3,381	**2,866**	3,381
Community care supports program	**1,014**	67,185	**1,014**	67,185
National Disability Insurance Scheme - payments to National Disability Insurance Agency [b]	**-**	1,854,622	**-**	1,854,622
	2,369,365	4,745,061	**2,369,365**	4,745,061

a.Comparatives have been amended to treat cluster grants to AHO and MNSW as controlled payments rather than administered item (Note 1(k)).

b. Nil balance for 2018-19 relates to payment to NDIA which is disclosed as administered item (transfer payments). Refer Note1(e) and Note 3(a).

Under the Bilateral Agreement between the Commonwealth and NSW for the transition to the National Disability Insurance Scheme, NSW's in-kind contribution includes:

i) the cost of NSW provided supported accommodation for services expected to transfer to the non-government sector during the transition period.

ii) some non accommodation statewide services which will be required to operate throughout transition.

The estimated in-kind value for 2018-19 is $127.5 million (2017-18 $531.8 million).

FACS received $2.4 million from service providers in 2018-19 (2017-18 $1.1 million) representing a return of unspent grants under the following programs: $2.4 million (2017-18 $Nil) for the Disability Services program and $Nil (2017-18 $1.1 million) for the Community Care Supports Program (formerly Home and Community Care program).

(e) Finance costs

	PARENT 2019 $'000	PARENT 2018 $'000	CONSOLIDATED 2019 $'000	CONSOLIDATED 2018 $'000
Unwinding of discount rate	**802**	794	**802**	794
	802	794	**802**	794

3. Revenue

(a) Appropriations and transfers to the Crown entity

	PARENT/CONSOLIDATED 2019 $'000		PARENT/CONSOLIDATED 2018 $'000	
Summary of compliance	**Appropriation**	**Expenditure**	Appropriation	Expenditure
Original Budget per Appropriation Act	**6,147,395**	**6,146,309**	6,295,054	6,190,007
Other Appropriations/Expenditure				
- Additional Appropriations	**45,963**	**45,963**	45,400	45,400
- Treasurer's Advance	**-**	**-**	-	-
- Section 26 PFAA - Commonwealth specific purpose payments	**1,086**	**1,086**	-	-
- Section 24 PFAA - transfers of functions between entities	**-**	**-**	-	-
- Other adjustments	**(1,086)**	**-**	(105,047)	-
Total Appropriations	**6,193,358**	**6,193,358**	6,235,407	6,235,407
Expenditure/Net Claim on Consolidated Fund (includes transfer payments)		**6,193,358**		6,235,407
Appropriation drawn down [a]		**6,193,358**		6,235,407
Liability to Consolidated Fund		**-**		-
a. Comprising:				
Transfer payments (National Disability Insurance Agency)		**2,726,901**		-
Appropriations (per Statement of Comprehensive Income) [b]		**3,466,457**		6,235,407
		6,193,358		6,235,407
b. Appropriations including transfer payments comprises of:				
Recurrent		**6,193,358**		6,146,117
Capital		**-**		89,290
		6,193,358		6,235,407

Recognition and measurement

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.

3. Revenue (continued)

	PARENT		CONSOLIDATED	
	2019	2018	**2019**	2018
	$'000	$'000	$'000	$'000
(b) Sale of goods and services				
Residential Client Fees	**7,820**	22,753	**7,820**	22,753
Management Fees - Land and Housing Corporation	**124,884**	122,957	**124,884**	122,957
Rendering of services - Disaster Welfare	**185**	578	**185**	578
NDIA services revenue	**5,440**	41,435	**5,440**	41,435
Continuity of support services revenue	**18,954**	-	**18,954**	-
Other fees	**21,940**	17,833	**21,940**	17,833
	179,223	205,556	**179,223**	205,556

Recognition and measurement

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.

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.

(c) Investment revenue

Interest income from financial assets not at fair value through profit or loss	**-**	169	**-**	194
Interest income from financial assets at amortised cost	**641**	-	**664**	-
	641	169	**664**	194

Recognition and measurement

Interest

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For financial assets that become credit-impaired the effective interest rate is applied to the amortised cost of the financial assets.

(d) Grants and contributions

State

Other State Government grants [a]	**58,860**	112,103	**58,860**	112,103
Total Grants and Contributions	**58,860**	112,103	**58,860**	112,103

a. Including reimbursement for redundancy funding of $7.7 million (2018: $88.9 million)

Recognition and measurement

Income from grants (other than contribution by owners) is recognised when the entity obtains control over the contribution. The entity is deemed to have assumed control when the grant is received or receivable.

Contributions are recognised at their fair value. Contributions of services are recognised when and only when a fair value of those services can be reliably determined and the services would be purchased if not donated.

3. Revenue (continued)

	PARENT		CONSOLIDATED	
	2019	2018	**2019**	2018
(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	**6,572**	9,003	**6,572**	9,003
Long service leave	**49,678**	33,667	**49,678**	33,667
Payroll tax	**356**	484	**356**	484
	56,606	43,154	**56,606**	43,154
(f) Other revenue				
TMF hindsight adjustment	**6,567**	4,788	**6,567**	4,788
Overseas adoptions	**149**	171	**149**	171
Rental assistance subsidies	**443**	937	**443**	937
Other	**25,287**	9,801	**25,287**	9,834
Rental Income	**42,110**	13,874	**42,156**	13,881
	74,556	**29,571**	**74,602**	**29,611**

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

4. Gain/(loss) on disposal

	PARENT 2019	PARENT 2018	CONSOLIDATED 2019	CONSOLIDATED 2018
(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)	**42,821**	16,107	**42,821**	16,107
Written down value of assets disposed	**(42,030)**	(11,484)	**(42,030)**	(11,484)
Net gain/(loss) on disposal of non-current assets held for sale	**791**	4,623	**791**	4,623
Gain/(loss) on disposal of land and buildings:				
Proceeds from disposal (net of selling expenses)	**-**	-	**-**	-
Written down value of assets disposed	**(187)**	(3,719)	**(187)**	(3,719)
Net gain/(loss) on disposal of land and buildings	**(187)**	(3,719)	**(187)**	(3,719)
Gain/(loss) on disposal of plant and equipment and Intangible Assets:				
Proceeds from disposal (net of selling expenses)	**-**	-	**-**	-
Written down value of assets disposed	**(517)**	(108)	**(517)**	(108)
Net gain/(loss) on disposal of plant and equipment	**(517)**	(108)	**(517)**	(108)
Gain/(loss) on disposal of furniture and equipment and leasehold improvements				
Proceeds from disposal (net of selling expenses)	**-**	-	**-**	-
Written down value of assets disposed	**(970)**	-	**(970)**	-
Net gain/(loss) on disposal of furniture and equipment	**(970)**	-	**(970)**	-
(ii) Assets written off				
Property, plant and equipment	**-**	(3,977)	**-**	(3,977)
	-	(3,977)	**-**	(3,977)
Total net gain/(loss) on disposal	**(883)**	(3,181)	**(883)**	(3,181)

5. Other gains/(losses)

	PARENT 2019	PARENT 2018	CONSOLIDATED 2019	CONSOLIDATED 2018
Impairment loss of non-current assets held for sale	**(58)**	-	**(58)**	-
Impairment loss on carrying value of land and buildings	**(4,975)**	(824)	**(4,975)**	(824)
Gain/(loss) on impairment of receivables (only for comparative financial period ended 30 June 2018)	**-**	(3,982)	**-**	(3,982)
	(5,033)	(4,806)	**(5,033)**	(4,806)

6. Conditions on contributions

As at 30 June 2019 FACS held $0.1 million (2018: $0.1 million) in cash at bank representing unspent contributions with conditions from Commonwealth and State agencies. The unspent contributions with conditions was from Office of Protective Commissioner's Resident Amenities Fund (2019: $0.1 million 2018: $0.1 million).

7. Transfer payments

	PARENT		CONSOLIDATED	
	2019	2018	**2019**	2018
	'$'000	$'000	**'$'000**	$'000
Transfer payments				
Transfer payments (NDIA)	**2,726,901**	**-**	**2,726,901**	**-**
	2,726,901	**-**	**2,726,901**	**-**

Transfer payments are defined as amounts received by government entities for transfer to eligible beneficiaries consistent with the parameters established by legislation or other authoritative requirements. They are not controlled by the entity. NSW Treasury extends the disclosure requirement to all NSW GGS entities.

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

Note 8: Consolidated State Outcome Statements for the Year Ended 30 June 2019

Program Groups ENTITY'S EXPENSES & INCOME	Outcome 1 - Enabling families to live independently		Outcome 2 - Protecting vulnerable people from harm in the home		Outcome 3 - Ongoing support for vulnerable people		Outcome 4 - People with disability live independently		Unallocated		Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Expenses excluding losses												
Employee-related expenses	25,668	19,334	480,631	380,441	493,356	429,374	121,529	438,722	-	-	1,121,184	1,267,871
Operating expenses	13,184	13,463	163,264	126,479	154,553	118,122	67,472	147,567	-	-	398,473	405,631
Depreciation and amortisation	1,103	405	26,021	16,511	20,247	12,794	28,832	50,987	-	-	76,203	80,697
Grants and subsidies	255,111	229,782	629,604	561,757	1,431,992	1,320,541	52,658	2,632,981	-	-	2,369,365	4,745,061
Finance Costs	-	6	-	299	802	165	-	324	-	-	802	794
TOTAL EXPENSES EXCLUDING LOSSES	295,066	262,990	1,299,520	1,085,487	2,100,950	1,880,996	270,491	3,270,581	-	-	3,966,027	6,500,054
Revenue												
Appropriation (net of transfer payments)	-	-	-	-	-	-	-	-	3,466,457	6,235,407	3,466,457	6,235,407
Sales of goods and services	65	132	759	2,757	133,708	131,834	44,691	70,833			179,223	205,556
Personnel services revenue	-	-	-	-	85,932	81,049	-	-			85,932	81,049
Investment revenue	4	-	127	-	510	167	23	27			664	194
Grants and contributions	-	998	1,202	4,122	34,430	11,414	31,971	95,569	(8,743)		58,860	112,103
and other liabilities	-	-	-	-	-	-	-	-	56,606	43,154	56,606	43,154
Other revenue	2,290	1,729	6,156	1,740	(7,236)	10,633	73,392	15,509			74,602	29,611
Total revenue	2,359	2,859	8,244	8,619	247,344	235,097	150,077	181,938	3,514,320	6,278,561	3,922,344	6,707,074
Operating result	(292,707)	(260,131)	(1,291,276)	(1,076,868)	(1,853,606)	(1,645,899)	(120,414)	(3,088,643)	3,514,320	6,278,561	(43,683)	207,020
Gain / (loss) on disposal	(27)	(1)	1,656	(25)	370	(25)	(2,882)	(3,130)			(883)	(3,181)
Other gains / (losses)		-		-		-	(5,033)	(824)	-	-	(5,033)	(4,806)
Impairment losses on financial assets	(18)	(19)	(215)	(404)	(698)	(472)		(3,087)			(931)	-
Net result from operating activities	(292,752)	(260,151)	(1,289,835)	(1,077,297)	(1,853,934)	(1,646,396)	(128,329)	(3,095,684)	3,514,320	6,278,561	(50,530)	199,033
Other Comprehensive Income												
Increase/(decrease) in asset revaluation surplus	-	-	-	-	-	1	(12,465)	61,269	-	-	(12,465)	61,270
Other net increases/(decreases) in equity	-	-	-	-	-	-	(79)	(3,518)	-	-	(79)	(3,518)
Actuarial gains/(losses) on superannuation funds	-	-	-	-	-	42	(2,039)	-	-	-	(2,039)	42
Total Other Comprehensive Income	-	-	-	-	-	43	(14,583)	57,751	-	-	(14,583)	57,794
TOTAL COMPREHENSIVE INCOME	(292,752)	(260,151)	(1,289,835)	(1,077,297)	(1,853,934)	(1,646,353)	(142,912)	(3,037,933)	3,514,320	6,278,561	(65,113)	256,827

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

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

Note 8: Consolidated State Outcome Statements for the Year Ended 30 June 2019

Program Groups ENTITY'S ASSETS & LIABILITIES	Outcome 1 - Enabling families to live independently		Outcome 2 - Protecting vulnerable people from harm in the home		Outcome 3 - Ongoing support for vulnerable people		Outcome 4 - People with disability live independently		Unallocated		Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current Assets												
Cash and cash equivalents	2,853	7,591	40,518	40,484	44,407	78,439	14,367	209,976	-	-	102,145	336,490
Receivables	4,831	7,021	68,613	37,446	75,197	57,552	16,800	5,965	-	-	165,441	107,984
Non-current assets held for sale	-	-	-	-	-	450	6,452	109,451	-	-	6,452	109,901
TOTAL Current Assets	7,684	14,612	109,131	77,930	119,604	136,441	37,619	325,392	-	-	274,038	554,375
Non-Current Assets												
Receivables	-	-	-	-	79	86	2,386	3,039	-	-	2,465	3,125
Property, plant and equipment								-				
- Land and buildings	926	1,702	13,150	9,080	14,412	17,591	1,354,279	1,327,993	-	-	1,382,767	1,356,366
- Plant and equipment	2,716	4,022	38,578	21,709	42,280	42,170	4,246	10,823	-	-	87,820	78,724
Intangibles	5,666	10,200	80,468	54,143	88,191	104,793	-	-	-	-	174,325	169,136
Total Non-Current Assets	9,308	15,924	132,196	84,932	144,962	164,640	1,360,911	1,341,855	-	-	1,647,377	1,607,351
Total Assets	16,992	30,536	241,327	162,862	264,566	301,081	1,398,530	1,667,247	-	-	1,921,415	2,161,726
Current Liabilities												
Payables	3,967	6,732	56,342	35,906	61,743	69,566	30,965	234,742	-	-	153,017	346,946
Provisions	3,936	6,644	55,898	35,435	61,262	68,655	40,615	46,129	-	-	161,711	156,863
Other current liabilities	1,006	-	14,291	-	15,662	-	-	2,069	-	-	30,959	2,069
Total Current Liabilities	8,909	13,376	126,531	71,341	138,667	138,221	71,580	282,940	-	-	345,687	505,878
Non-Current Liabilities												
Provisions	1,476	2,690	20,957	14,347	22,968	27,796	14,233	30,574	-	-	59,634	75,407
Other non-current liabilities	33	-	462	-	506	-	-	235	-	-	1,001	235
Total Non-Current Liabilities	1,509	2,690	21,419	14,347	23,474	27,796	14,233	30,809	-	-	60,635	75,642
Total Liabilities	10,418	16,066	147,950	85,688	162,141	166,017	85,813	313,749	-	-	406,322	581,520
NET ASSETS	6,574	14,470	93,377	77,174	102,425	135,064	1,312,717	1,353,498	-	-	1,515,093	1,580,206

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

The names and purposes of each program group are summarised below

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES
Note 8: Consolidated State Outcome Statements for the Year Ended 30 June 2019

ADMINISTERED EXPENSES & INCOME	People with disability live independently		Ongoing support for vulnerable people		Protecting vulnerable people from harm		Enabling families to live independently		Unallocated		Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Administered expenses												
Transfer payments	2,726,901										2,726,901	
Other												
Total administered expenses	2,726,901	-	-	-	-	-	-	-	-	-	2,726,901	-
Administered income												
Transfer receipts	2,726,901										2,726,901	
Consolidated fund												
- Taxes, fees and fines												
- Other												
Total administered income	2,726,901	-	-	-	-	-	-	-	-	-	2,726,901	-
Administered income less expenses	-	-	-	-	-	-	-	-	-	-	-	-

Eliminations between state outcomes have been adjusted in the state outcome statements
The names and purposes of each state outcome are summarised below

State Outcomes

The state outcome's under the control of the Department of Family and Community Services are:

People with disability live independently

This outcome relates to services that follow the transition of clients to the NDIS, ensuring those in need are empowered to live their lives independently and achieve their goals in more inclusive communities.

Ongoing support for vulnerable people

This outcome provides specialist advice services and wraparound support to assist the most vulnerable in our community. Services include social housing and permanency support and Out of Home Care (OOHC) for vulnerable children and young people.

Protecting vulnerable people from harm

This outcome provides targeted support and services to those who are vulnerable and at-risk at home, or face challenges to actively participate in the community.

Enabling families to live independently

This outcome delivers community-level and early intervention supports to enable those in need of assistance to live independently within society.

9. Cash and cash equivalents

	PARENT		CONSOLIDATED	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**100,666**	334,928	**102,145**	336,490
Total cash and cash equivalents	**100,666**	334,928	**102,145**	336,490

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, cash at bank and short term deposits with original maturities of three months or less and subject to an insignigicant risk of changes in value.

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:

	PARENT 2019 $'000	PARENT 2018 $'000	CONSOLIDATED 2019 $'000	CONSOLIDATED 2018 $'000
Cash and cash equivalents (per statement of financial position)	**100,666**	334,928	**102,145**	336,490
Closing cash and cash equivalents (per statement of cash flows)	**100,666**	334,928	**102,145**	336,490

Cash at bank includes $44.2 million (2018 $21.2 million) that is restricted.

As at 30 June 2019 FACS held $0.1 million (2018: $0.1 million) in cash at bank representing unspent contributions with conditions from Commonwealth and State agencies. Refer to Note 6 for further details.

Refer to Note 26 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

10. Receivables

	PARENT 2019 $'000	PARENT 2018 $'000	CONSOLIDATED 2019 $'000	CONSOLIDATED 2018 $'000
Current				
Client fees	**257**	123	**257**	123
Rental income receivables	**10,430**	4,405	**10,430**	4,405
Sundry receivables	**83,981**	43,480	**83,981**	43,480
Amounts due from other government agencies	**29,853**	29,085	**29,853**	29,085
Less : Allowance for expected credit losses*	**(5,416)**	-	**(5,416)**	-
Less : Allowance for impairment**	**-**	(7,537)	**-**	(7,537)
	119,105	69,556	**119,105**	69,556
Lease incentives	**653**	668	**653**	668
Prepayments - other	**25,353**	7,513	**25,353**	7,513
GST receivable (net)	**20,330**	30,247	**20,330**	30,247
	165,441	107,984	**165,441**	107,984
Non-current				
Sundry receivables	**67**	79	**67**	79
Lease incentives	**2,386**	3,039	**2,386**	3,039
Superannuation receivable	**12**	7	**12**	7
	2,465	3,125	**2,465**	3,125
Total receivables	**167,906**	111,109	**167,906**	111,109
***Movement in the allowance for expected credit losses**				
Balance at 30 June 2018 under AASB 139	**(7,537)**		**(7,537)**	
Amounts restated through opening accumulated funds	**-**		**-**	
Balance at 1 July 2018 under AASB 9	**(7,537)**		**(7,537)**	
Increase/ (decrease) in allowance recognised in net results	**2,121**		**2,121**	
Balance at 30 June 2019	**(5,416)**		**(5,416)**	
****Movement in the allowance for impairment**				
Balance at 1 July 2017		(9,485)		(9,485)
Amounts written off during the year		5,930		5,930
(Increase)/decrease in allowance recognised in profit or loss		(3,982)		(3,982)
Balance at 30 June 2018		(7,537)		(7,537)

Details regarding credit risk of trade debtors that are neither past due nor impaired, are disclosed in Note 26.

10. Receivables (continued)

Recognition and measurement
Receivables

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

Subsequent measurement under AASB 9 (from 1 July 2018)

The entity holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost.

Subsequent measurement under AASB 139 (for comparative period ended 30 June 2018)

Subsequent measurement is at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Impairment under AASB 9 (from 1 July 2018)

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

Impairment under AASB 139 (for comparative period ended 30 June 2018)

Receivables are subject to an annual review for impairment. These are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

The entity first assesses whether impairment exists individually for receivables that are individually significant, or collectively for those that are not individually significant. Further, receivables are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

The amount of the allowance is the difference between the asset's carrying amount and the estimated future cash flows discounted at the original 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, if objectively related to an event occurring after the impairment was recognised. Reversals of impairment losses cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

	PARENT		CONSOLIDATED	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
11. Non-current assets held for sale				
Land and buildings	**6,452**	109,901	**6,452**	109,901
	6,452	109,901	**6,452**	109,901

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.

Refer to Note 14 for further information regarding fair value measurement.

Recognition and measurement
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. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are continued to be recognised.

12. Property, plant and equipment

PARENT 2019

	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 2018 - fair value							
Gross carrying amount	1,515,889	9,223	211	25,244	6,609	189,331	1,746,507
Accumulated depreciation and impairment	(169,252)	(7,073)	(211)	(14,049)	(5,841)	(124,720)	(321,146)
Net carrying amount	**1,346,637**	**2,150**	**-**	**11,195**	**768**	**64,611**	**1,425,361**
At 30 June 2019 - fair value							
Gross carrying amount	1,626,220	7,843	194	23,231	3,168	168,644	1,829,300
Accumulated depreciation and impairment	(252,878)	(6,366)	(194)	(13,400)	(2,164)	(93,136)	(368,138)
Net carrying amount	**1,373,342**	**1,477**	**-**	**9,831**	**1,004**	**75,508**	**1,461,162**

For land and buildings, fair value was based on an independent assessment (refer to Note 14).

Works in progress totalling $15.1 million are included in property, plant and equipment.
This is comprised of:
Land and Buildings $3.1 million, Plant and Equipment $0.04 million, Computer Hardware $1.4 million and Leasehold Improvements $10.6 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 2019

Year ended 30 June 2019	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	1,346,637	2,150	-	11,195	768	64,611	1,425,361
Additions	7,785	292	-	3,398	-	25,011	36,486
Make good	-	-	-	-	-	3,051	3,051
Assets held for sale transfer in	108,550	-	-	-	-	-	108,550
Assets held for sale transfer out	(47,131)	-	-	-	-	-	(47,131)
Transfer between classes of assets [a]	568	(502)	-	(19)	538	(237)	348
Disposals [b]	(187)	(133)	-	-	(111)	(859)	(1,290)
Impairment losses (recognised in 'other gains/losses') [c]	(5,032)	-	-	-	-	-	(5,032)
Net revaluation increment less revaluation decrements	(12,289)	-	-	-	-	-	(12,289)
Depreciation expense	(25,559)	(330)	-	(4,743)	(191)	(16,069)	(46,892)
Net carrying amount at end of year	**1,373,342**	**1,477**	**-**	**9,831**	**1,004**	**75,508**	**1,461,162**

a. Refer to Note 13 for transfer between classes of assets
b. Includes the disposal by FACS of 2,303 Computer Equipment assets with a net book value of $Nil. The original cost of these assets was $5.4 million.
c. Further details regarding the fair value measurement of property, plant and equipment are discussed in Note 14.

12. Property, plant and equipment (continued)

PARENT 2018

	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 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**
At 30 June 2018 - fair value							
Gross carrying amount	1,515,889	9,223	211	25,244	6,609	189,331	1,746,507
Accumulated depreciation and impairment	(169,252)	(7,073)	(211)	(14,049)	(5,841)	(124,720)	(321,146)
Net carrying amount	**1,346,637**	**2,150**	**-**	**11,195**	**768**	**64,611**	**1,425,361**

For land and buildings, fair value was based on an independent assessment (refer Note 14).

Works in Progress totalling $29.6 million are included in property plant and equipment.
This is comprised of:
Land and Buildings $7.6 million, Plant and Equipment $0.4 million, Computer Hardware $5.7 million and Leasehold Improvements $16.0 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 2018

Year ended 30 June 2018	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	1,414,310	8,701	-	9,441	2,502	56,309	1,491,263
Additions	23,109	689	-	933	512	15,369	40,612
Make good	-	-	-	-	-	11,176	11,176
Assets held for sale	(118,771)	-	-	-	-	-	(118,771)
Transfer between classes of assets [a]	-	(4,643)	-	5,749	166	(49)	1,223
Disposals [b]	(3,720)	(1,672)	-	(102)	(1,745)	(559)	(7,798)
Impairment losses (recognised in 'other gains/losses') [c]	(824)	-	-	-	-	-	(824)
Net revaluation increment less revaluation decrements	60,838	-	-	-	-	-	60,838
Depreciation expense	(28,305)	(925)	-	(4,826)	(667)	(17,635)	(52,358)
Net carrying amount at end of year	**1,346,637**	**2,150**	**-**	**11,195**	**768**	**64,611**	**1,425,361**

a. Refer to Note 13 for transfer between classes of assets
b. Includes the disposal by FACS of 9,193 Computer Equipment assets with a net book value of $Nil. The original cost of these assets was $13.0 million.
c. Further details regarding the fair value measurement of property, plant and equipment are discussed in Note 14.

12. Property, plant and equipment (continued)

CONSOLIDATED 2019

	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 2018 - fair value							
Gross carrying amount	1,526,237	9,223	211	25,244	6,609	189,331	1,756,855
Accumulated depreciation and impairment	(169,871)	(7,073)	(211)	(14,049)	(5,841)	(124,720)	(321,765)
Net carrying amount	**1,356,366**	**2,150**	**-**	**11,195**	**768**	**64,611**	**1,435,090**
At 30 June 2019 - fair value							
Gross carrying amount	1,636,345	7,843	194	23,231	3,168	168,644	1,839,425
Accumulated depreciation and impairment	(253,578)	(6,366)	(194)	(13,400)	(2,164)	(93,136)	(368,838)
Net carrying amount	**1,382,767**	**1,477**	**-**	**9,831**	**1,004**	**75,508**	**1,470,587**

For land and buildings, fair value was based on an independent assessment (refer to Note 14).

Works in Progress totalling $15.1 million are included in property, plant and equipment.
This is comprised of:
Land and Buildings $3.1 million, Plant and Equipment $0.04 million, Computer Hardware $1.4 million and Leasehold Improvements $10.6 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 2019

Year ended 30 June 2019	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	1,356,366	2,150	-	11,195	768	64,611	1,435,090
Additions	7,784	292	-	3,398	-	25,011	36,485
Make good	-	-	-	-	-	3,051	3,051
Assets held for sale transfer in	108,550	-	-	-	-	-	108,550
Assets held for sale transfer out	(47,131)	-	-	-	-	-	(47,131)
Transfer between classes of assets[a]	568	(502)	-	(19)	538	(237)	348
Disposals[b]	(187)	(133)	-	-	(111)	(859)	(1,290)
Impairment losses (recognised in 'other gains/losses') [c]	(5,032)	-	-	-	-	-	(5,032)
Net revaluation increment less revaluation decrements	(12,465)	-	-	-	-	-	(12,465)
Depreciation expense	(25,686)	(330)	-	(4,743)	(191)	(16,069)	(47,019)
Net carrying amount at end of year	**1,382,767**	**1,477**	**-**	**9,831**	**1,004**	**75,508**	**1,470,587**

a. Refer to Note 13 for transfer between classes of assets.
b. Includes the disposal by FACS of 2,303 Computer Equipment assets with a net book value of $Nil. The original cost of these assets was $5.4 million.
c. Further details regarding the fair value measurement of property, plant and equipment are discussed in Note 14.

12. Property, plant and equipment (continued)

CONSOLIDATED 2018

	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 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**
At 30 June 2018 - fair value							
Gross carrying amount	1,526,237	9,223	211	25,244	6,609	189,331	1,756,855
Accumulated depreciation and impairment	(169,871)	(7,073)	(211)	(14,049)	(5,841)	(124,720)	(321,765)
Net carrying amount	**1,356,366**	**2,150**	**-**	**11,195**	**768**	**64,611**	**1,435,090**

For land and buildings, Fair Value was based on an independent assessment (refer Note 14).

Works in Progress totalling $29.6 million are included in property plant and equipment.
This is comprised of:
Land and Buildings $7.6 million, Plant and Equipment $0.4 million, Computer Hardware $5.7 million and Leasehold Improvements $16.0 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 2018

Year ended 30 June 2018	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	1,423,744	8,701	-	9,441	2,502	56,309	1,500,697
Additions	23,109	689	-	933	512	15,369	40,612
Make good	-	-	-	-	-	11,176	11,176
Assets held for sale	(118,771)	-	-	-	-	-	(118,771)
Transfer between classes of assets	-	(4,643)	-	5,749	166	(49)	1,223
Disposals	(3,720)	(1,672)	-	(102)	(1,745)	(559)	(7,798)
Impairment losses (recognised in 'other gains/losses') [a]	(824)	-	-	-	-	-	(824)
Net revaluation increment less revaluation decrements	61,270	-	-	-	-	-	61,270
Depreciation expense	(28,442)	(925)	-	(4,826)	(667)	(17,635)	(52,495)
Net carrying amount at end of year	**1,356,366**	**2,150**	**-**	**11,195**	**768**	**64,611**	**1,435,090**

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

12. Property, plant and equipment (continued)

Recognition and measurement

Acquisition of property, plant and equipment

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.

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.

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 to 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.

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.

12. Property, plant and equipment (continued)

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.

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. As a not-for-profit entity, impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

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.

As in the previous year, the estimated useful lives of FACS' depreciable assets are:

Asset Class	Estimate 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	

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.

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.

13. Intangible assets

	PARENT			
	Software	Software under construction	Internally developed assets	Total
	$'000	$'000	$'000	$'000
At 1 July 2018				
Cost (gross carrying amount)	259,040	18,039	97,884	374,963
Accumulated amortisation and impairment	(120,932)	-	(84,895)	(205,827)
Net carrying amount	138,108	18,039	12,989	169,136
At 30 June 2019				
Cost (gross carrying amount)	261,130	35,566	89,829	386,525
Accumulated amortisation and impairment	(142,818)	-	(69,382)	(212,200)
Net carrying amount	118,312	35,566	20,447	174,325

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 2019	**$'000**	**$'000**	**$'000**	**$'000**
Net carrying amount at beginning of year	138,108	18,039	12,989	169,136
Additions	-	35,105	-	35,105
Transfer between classes of assets [a]	2,233	(17,578)	14,997	(348)
Disposals	(81)	-	(303)	(384)
Amortisation expense	(21,948)	-	(7,236)	(29,184)
Net carrying amount at end of year	118,312	35,566	20,447	174,325

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

At 1 July 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
At 30 June 2018				
Cost (gross carrying amount)	259,040	18,039	97,884	374,963
Accumulated amortisation and impairment	(120,932)	-	(84,895)	(205,827)
Net carrying amount	138,108	18,039	12,989	169,136

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 2018	**$'000**	**$'000**	**$'000**	**$'000**
Net carrying amount at beginning of year	38,658	72,441	15,554	126,653
Additions	-	214	71,698	71,912
Transfer between classes of assets	114,266	(54,616)	(60,873)	(1,223)
Disposals	-	-	(4)	(4)
Amortisation expense	(14,816)	-	(13,386)	(28,202)
Net carrying amount at end of year	138,108	18,039	12,989	169,136

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 2018				
Cost (gross carrying amount)	259,040	18,039	97,884	374,963
Accumulated amortisation and impairment	(120,932)	-	(84,895)	(205,827)
Net carrying amount	138,108	18,039	12,989	169,136
At 30 June 2019				
Cost (gross carrying amount)	261,130	35,566	89,829	386,525
Accumulated amortisation and impairment	(142,818)	-	(69,382)	(212,200)
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Disposals	-	-	(4)	(4)
Amortisation expense	(14,816)	-	(13,386)	(28,202)
Net carrying amount at end of year	138,108	18,039	12,989	169,136

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

Recognition and measurement
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.

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.

14. Fair value measurement of non-financial assets

a) Fair value hierarchy

2019			Parent		
	Note	Level 1	Level 2	Level 3	Total fair value
		$'000	$'000	$'000	$'000
Property, plant and equipment					
Land and buildings	12	-	444,365	928,977	1,373,342
Non-current assets held for sale	11	-	6,452	-	6,452
		-	**450,817**	**928,977**	**1,379,794**

2018			Parent		
	Note	Level 1	Level 2	Level 3	Total fair value
		$'000	$'000	$'000	$'000
Property, plant and equipment					
Land and buildings	12	-	511,195	835,442	1,346,637
Non-current assets held for sale	11	-	450	109,451	109,901
		-	**511,645**	**944,893**	**1,456,538**

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

2019			CONSOLIDATED		
	Note	Level 1	Level 2	Level 3	Total fair value
		$'000	$'000	$'000	$'000
Property, plant and equipment					
Land and buildings	12	-	449,340	933,427	1,382,767
Non-current assets held for sale	11	-	6,452	-	6,452
		-	**455,792**	**933,427**	**1,389,219**

2018			CONSOLIDATED		
	Note	Level 1	Level 2	Level 3	Total fair value
		$'000	$'000	$'000	$'000
Property, plant and equipment					
Land and buildings	12	-	516,325	840,040	1,356,365
Non-current assets held for sale	11	-	450	109,451	109,901
		-	**516,775**	**949,491**	**1,466,266**

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

b) Valuation techniques, inputs and processes

An index revaluation of all FAC's properties has been performed by an external professionally qualified valuer as at 30 June 2019. A full valuation is conducted every three years with the previous full valuation occurring in 2018. In the intervening periods relevant indexation factors are used as an estimate of fair value.

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 2017.
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 2017
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

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

c) Reconciliation of recurring Level 3 fair value measurements

	Consolidated	
	Land and Buildings $'000	**Total Recurring Level 3 Fair Value $'000**
Fair value as at 1 July 2018	840,040	840,040
Additions	6,848	6,848
Revaluation increments/decrements	(5,439)	(5,439)
Disposals	(187)	(187)
Depreciation	(16,385)	(16,385)
Other - transfer from held for sale	108,550	108,550
Fair value as at 30 June 2019	**933,427**	**933,427**

	Consolidated	
	Land and Buildings $'000	**Total Recurring Level 3 Fair Value $'000**
Fair value as at 1 July 2017	983,411	983,411
Additions	21,006	21,006
Revaluation increments/decrements	25,979	25,979
Transfer to Level 2	(54,003)	(54,003)
Disposals	(3,721)	(3,721)
Depreciation	(18,505)	(18,505)
Other - principally transfer to held for sale	(114,127)	(114,127)
Fair value as at 30 June 2018	**840,040**	**840,040**

Recognition and measurement
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.

	PARENT		CONSOLIDATED	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
15. Current/non-current liabilities - payables				
Current				
Accrued salaries, wages and on-costs	**3,485**	24,776	**3,485**	24,776
Creditors	**47,697**	41,095	**47,697**	41,092
Accrued operating expenditure	**65,482**	80,706	**65,482**	80,706
Accrued capital expenditure	**3,627**	3,883	**3,627**	3,883
Accrued grants expenditure	**31,649**	187,017	**31,649**	187,017
Amounts owing to other government agencies	**181**	9,391	**181**	9,391
Other creditors	**896**	81	**896**	81
Total payables	**153,017**	346,949	**153,017**	346,946

Details regarding liquidity risk including a maturity analysis of the above payables are disclosed in Note 26.

Recognition and measurement
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.

	PARENT		CONSOLIDATED	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
16. Current/non-current liabilities - provisions				
Current				
Employee benefits and related on-costs				
Annual leave	**79,156**	77,339	**79,156**	77,339
Payroll tax	**17,105**	15,812	**17,105**	15,812
Long service leave and on-costs	**21,351**	19,289	**21,351**	19,289
Transfer and redundancy [a]	**31,479**	26,911	**31,479**	26,911
Workers' compensation	**4,376**	3,632	**4,376**	3,632
Total employee benefits and related on-costs	**153,467**	142,983	**153,467**	142,983
Other provisions				
Restoration costs	**8,244**	13,880	**8,244**	13,880
Total other provisions	**8,244**	13,880	**8,244**	13,880
Total current provisions	**161,711**	156,863	**161,711**	156,863
Non-current				
Employee benefits and related on-costs				
Payroll tax	**1,144**	1,035	**1,144**	1,035
Long service leave and on-costs	**1,802**	1,617	**1,802**	1,617
Workers' compensation	**369**	293	**369**	293
Transfer and redundancy [a]	**13,932**	26,662	**13,932**	26,662
Superannuation	**10,830**	8,563	**10,830**	8,563
Total employee benefits and related on-costs	**28,077**	38,170	**28,077**	38,170

a. Redundancy provision includes transfer, redundancy costs of $45.4 million (2018: $48.2 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 2019	PARENT 2018	CONSOLIDATED 2019	CONSOLIDATED 2018
Other provisions				
Social Benefit Bonds	**-**	7,000	**-**	7,000
Restoration costs	**31,557**	30,237	**31,557**	30,237
Total other provisions	**31,557**	37,237	**31,557**	37,237
Total non-current provisions	**59,634**	75,407	**59,634**	75,407
Total Provisions	**221,345**	232,270	**221,345**	232,270
Aggregate employee benefits and related on-costs				
Provisions - current	**153,467**	142,983	**153,467**	142,983
Provisions - non-current	**28,077**	38,170	**28,077**	38,170
Accrued salaries, wages and on-costs (Note 15)	**3,485**	24,776	**3,485**	24,776
	185,029	205,929	**185,029**	205,929

The annual leave provision includes $8.4 million (2018: $7.3 million) of annual leave entitlements accrued but not expected to be taken within 12 months.

The long service and on-costs provision includes $2.7 million (2018: $0.4 million) of long service leave entitlements accrued that are expected to be settled in the next 12 months and $0.4 million (2018: $0.8 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 2019 $'000	Total 2018 $'000	**Total 2019 $'000**	Total 2018 $'000
Carrying amount at the beginning of the financial year	**7,000**	6,725	**44,117**	34,878
Additional provision recognised	**-**	-	**3,051**	11,176
Amounts used	**(7,000)**	-	**(2,082)**	(1,007)
Unused amounts reversed	**-**	-	**(6,087)**	(1,449)
Change in discount rate	**-**	275	**802**	519
Carrying amount at the end of the year	**-**	7,000	**39,801**	44,117

CONSOLIDATED	Social Benefit Bonds		Restoration costs	
	Total 2019 $'000	Total 2018 $'000	**Total 2019 $'000**	Total 2018 $'000
Carrying amount at the beginning of the financial year	**7,000**	6,725	**44,117**	34,878
Additional provision recognised	**-**	-	**3,051**	11,176
Amounts used	**(7,000)**	-	**(2,082)**	(1,007)
Unused amounts reversed	**-**	-	**(6,087)**	(1,449)
Change in discount rate	**-**	275	**802**	519
Carrying amount at the end of the year	**-**	7,000	**39,801**	44,117

Recognition and measurement
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% (2018:7.9%)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 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". FACS recognises the long service leave and defined benefit superannuation liabilities for staff who provided personnel services to AHO.

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 18/13 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.

- 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.

16. Current/non-current liabilities - provisions (continued)

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.

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 appropriate government bond rate as at 30 June 2019. 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.

17. Current/non-current liabilities - other

	PARENT		CONSOLIDATED	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Current				
Lease incentives	**267**	71	**267**	71
Unearned revenue	**30,692**	1,998	**30,692**	1,998
	30,959	2,069	**30,959**	2,069
Non-current				
Lease incentives	**1,001**	235	**1,001**	235
	1,001	235	**1,001**	235

18. Superannuation

PARENT ENTITY **2019**	Note	**SASS 30-Jun-19**	**SANCS 30-Jun-19**	**SSS 30-Jun-19**	**TOTAL 30-Jun-19**
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)		-	(2)	14,916	14,914
Estimated reserve account balance		(1)	(9)	(4,086)	(4,096)
1. Deficit/(surplus)		(1)	(11)	10,830	10,818
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.)	9/15	(1)	(11)	10,830	10,818

PARENT ENTITY **2018**	Note	**SASS 30-Jun-18**	**SANCS 30-Jun-18**	**SSS 30-Jun-18**	**TOTAL 30-Jun-18**
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)		-	(1)	12,720	12,719
Estimated reserve account balance		(1)	(5)	(4,157)	(4,163)
1. Deficit/(surplus)		(1)	(6)	8,563	8,556
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.)	9/15	(1)	(6)	8,563	8,556

CONSOLIDATED ENTITY **2019**	Note	**SASS 30-Jun-19**	**SANCS 30-Jun-19**	**SSS 30-Jun-19**	**TOTAL 30-Jun-19**
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)		-	(2)	14,916	14,914
Estimated reserve account balance		(1)	(9)	(4,086)	(4,096)
1. Deficit/(surplus)		(1)	(11)	10,830	10,818
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.)		(1)	(11)	10,830	10,818

18. Superannuation (continued)

CONSOLIDATED ENTITY 2018	Note	SASS 30-Jun-18	SANCS 30-Jun-18	SSS 30-Jun-18	TOTAL 30-Jun-18
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)		-	(1)	12,720	12,719
Estimated reserve account balance		(1)	(5)	(4,157)	(4,163)
1. Deficit/(surplus)		(1)	(6)	8,563	8,556
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.)		(1)	(6)	8,563	8,556
Deduct Transfer HCS net asset fund balances to Crown		-	-	-	-
Net (asset)/liability to be recognised in statement of financial position (1. + 3.)	9/15	(1)	(6)	8,563	8,556

Note 1:

The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit/(surplus) 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 2018. The next actuarial investigation will be performed at 30 June 2021.

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 2019	SASS 2019 $'000	SANCS 2019 $'000	SSS 2019 $'000	TOTAL 2019 $'000
Net Defined Benefit Liability/(Asset) at start of year	(1)	(6)	8,563	8,556
Current service cost	-	-	-	-
Net Interest on the net defined benefit liability/(asset)	-	-	227	227
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	-	-	(218)	(218)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	-	-	2,369	2,369
Actuarial (gains)/losses arising from liability experience	-	(2)	(111)	(113)
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	-	(3)	-	(3)
Net Defined Benefit Liability/(Asset) at end of year	**(1)**	**(11)**	**10,830**	**10,818**

PARENT ENTITY 2018	SASS 2018 $'000	SANCS 2018 $'000	SSS 2018 $'000	TOTAL 2018 $'000
Net Defined Benefit Liability/(Asset) at start of year	(21)	(8)	8,410	8,381
Current service cost	-	-	-	-
Net Interest on the net defined benefit liability/(asset)	(2)	(1)	223	220
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	4	2	(247)	(241)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	70	70
Actuarial (gains)/losses arising from changes in financial assumptions	-	-	(52)	(52)
Actuarial (gains)/losses arising from liability experience	161	71	(51)	181
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(143)	(70)	210	(3)
Net Defined Benefit Liability/(Asset) at end of year	**(1)**	**(6)**	**8,563**	**8,556**

18. Superannuation (continued)

CONSOLIDATED ENTITY 2019	SASS 2019 $'000	SANCS 2019 $'000	SSS 2019 $'000	TOTAL 2019 $'000
Net Defined Benefit Liability/(Asset) at start of year	(1)	(6)	8,563	8,556
Current service cost	-	-	-	-
Net Interest on the net defined benefit liability/(asset)	-	-	227	227
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	-	-	(218)	(218)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	-	-	2,369	2,369
Actuarial (gains)/losses arising from liability experience	-	(2)	(111)	(113)
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	-	(3)	-	(3)
Net Defined Benefit Liability/(Asset) at end of year	**(1)**	**(11)**	**10,830**	**10,818**

CONSOLIDATED ENTITY 2018	SASS 2018 $'000	SANCS 2018 $'000	SSS 2018 $'000	TOTAL 2018 $'000
Net Defined Benefit Liability/(Asset) at start of year	(21)	(8)	8,410	8,381
Current service cost	-	-	-	-
Net Interest on the net defined benefit liability/(asset)	(2)	(1)	223	220
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	4	2	(247)	(241)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	70	70
Actuarial (gains)/losses arising from changes in financial assumptions	-	-	(52)	(52)
Actuarial (gains)/losses arising from liability experience	161	71	(51)	181
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(143)	(70)	210	(3)
Net Defined Benefit Liability/(Asset) at end of year	**(1)**	**(6)**	**8,563**	**8,556**

* 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 2019	SASS 2019 $'000	SANCS 2019 $'000	SSS 2019 $'000	TOTAL 2019 $'000
Fair value of Fund assets at beginning of the period	1	5	4,157	4,163
Interest income	-	-	104	104
Actual return on Fund assets less Interest income	-	-	218	218
Employer contributions	-	3	-	3
Contributions by participants	-	-	-	-
Benefits paid	-	-	(459)	(459)
Taxes, premiums & expenses paid	-	1	66	67
Transfers in	-	-	-	-
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of Fund assets at end of the year	**1**	**9**	**4,086**	**4,096**

PARENT ENTITY 2018	SASS 2018 $'000	SANCS 2018 $'000	SSS 2018 $'000	TOTAL 2018 $'000
Fair value of Fund assets at beginning of the period	18	7	4,382	4,407
Interest income	1	1	107	109
Actual return on Fund assets less Interest income	(4)	(2)	247	241
Employer contributions	143	70	(210)	3
Contributions by participants	-	-	-	-
Benefits paid	(156)	(69)	(450)	(675)
Taxes, premiums & expenses paid	(1)	(2)	81	78
Transfers in	-	-	-	-
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of Fund assets at end of the year	**1**	**5**	**4,157**	**4,163**

18. Superannuation (continued)

CONSOLIDATED ENTITY 2019	**SASS 2019 $'000**	**SANCS 2019 $'000**	**SSS 2019 $'000**	**TOTAL 2019 $'000**
Fair value of Fund assets at beginning of the period	1	5	4,157	4,163
Interest income	-	-	104	104
Actual return on Fund assets less Interest income	-	-	218	218
Employer contributions	-	3	-	3
Transfer from the Crown superannuation reserve account	-	-	-	-
Contributions by participants	-	-	(459)	(459)
Benefits paid	-	1	66	67
Taxes, premiums & expenses paid	-	-	-	-
Transfers out due to business combinations and disposals	-	-	-	-
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Fair value of Fund assets at end of the year	**1**	**9**	**4,086**	**4,096**

CONSOLIDATED ENTITY 2018	**SASS 2018 $'000**	**SANCS 2018 $'000**	**SSS 2018 $'000**	**TOTAL 2018 $'000**
Fair value of Fund assets at beginning of the period	18	7	4,382	4,407
Interest income	1	1	107	109
Actual return on Fund assets less Interest income	(4)	(2)	247	241
Employer contributions	143	70	(210)	3
Transfer from the Crown superannuation reserve account	-	-	-	-
Contributions by participants	(156)	(69)	(450)	(675)
Benefits paid	(1)	(2)	81	78
Taxes, premiums & expenses paid	-	-	-	-
Transfers out due to business combinations and disposals	-	-	-	-
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Fair value of Fund assets at end of the year	**1**	**5**	**4,157**	**4,163**

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

PARENT ENTITY 2019	**SASS 2019 $'000**	**SANCS 2019 $'000**	**SSS 2019 $'000**	**TOTAL 2019 $'000**
Present value of defined benefit obligations at beginning of the period	-	(1)	12,720	12,719
Current service cost	-	-	-	-
Interest cost	-	-	331	331
Contributions by participants	-	-	-	-
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	-	-	2,369	2,369
Actuarial (gains)/losses arising from liability experience	-	(2)	(111)	(113)
Benefits paid	-	-	(459)	(459)
Taxes, premiums & expenses paid	-	1	66	67
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	**-**	**(2)**	**14,916**	**14,914**

PARENT ENTITY 2018	**SASS 2018 $'000**	**SANCS 2018 $'000**	**SSS 2018 $'000**	**TOTAL 2018 $'000**
Present value of defined benefit obligations at beginning of the period	(3)	(1)	12,792	12,788
Current service cost	-	-	-	-
Interest cost	(1)	-	330	329
Contributions by participants	-	-	-	-
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	70	70
Actuarial (gains)/losses arising from changes in financial assumptions	-	-	(52)	(52)
Actuarial (gains)/losses arising from liability experience	161	71	(51)	181
Benefits paid	(156)	(69)	(450)	(675)
Taxes, premiums & expenses paid	(1)	(2)	81	78
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)**	**12,720**	**12,719**

18. Superannuation (continued)

CONSOLIDATED ENTITY **2019**	**SASS 2019 $'000**	**SANCS 2019 $'000**	**SSS 2019 $'000**	**TOTAL 2019 $'000**
Present value of defined benefit obligations at beginning of the period	-	(1)	12,720	12,719
Current service cost	-	-	-	-
Interest cost	-	-	331	331
Contributions by participants	-	-	-	-
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	-	-	2,369	2,369
Actuarial (gains)/losses arising from liability experience	-	(2)	(111)	(113)
Benefits paid	-	-	(459)	(459)
Taxes, premiums & expenses paid	-	1	66	67
Transfers out due to business combinations and disposals	-	-	-	-
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Present value of defined benefit obligations at end of the year	**-**	**(2)**	**14,916**	**14,914**

CONSOLIDATED ENTITY **2018**	**SASS 2018 $'000**	**SANCS 2018 $'000**	**SSS 2018 $'000**	**TOTAL 2018 $'000**
Present value of defined benefit obligations at beginning of the period	(3)	(1)	12,792	12,788
Current service cost	-	-	-	-
Interest cost	(1)	-	330	329
Contributions by participants	-	-	-	-
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	70	70
Actuarial (gains)/losses arising from changes in financial assumptions	-	-	(52)	(52)
Actuarial (gains)/losses arising from liability experience	161	71	(51)	181
Benefits paid	(156)	(69)	(450)	(675)
Taxes, premiums & expenses paid	(1)	(2)	81	78
Transfers out due to business combinations and disposals	-	-	-	-
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Transfer HCS net asset fund balances to Crown	-	-	-	-
Present value of defined benefit obligations at end of the year	**-**	**(1)**	**12,720**	**12,719**

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

PARENT ENTITY **2019**	**SASS 2019 $'000**	**SANCS 2019 $'000**	**SSS 2019 $'000**	**TOTAL 2019 $'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 **2018**	**SASS 2018 $'000**	**SANCS 2018 $'000**	**SSS 2018 $'000**	**TOTAL 2018 $'000**
Adjustment for effect of asset ceiling at beginning of the year	14,199	119	-	14,318
Interest on the effect of asset ceiling	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	14,199	119	-	14,318

CONSOLIDATED ENTITY **2019**	**SASS 2019 $'000**	**SANCS 2019 $'000**	**SSS 2019 $'000**	**TOTAL 2019 $'000**
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Interest on the effect of asset ceiling	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-	-

CONSOLIDATED ENTITY **2018**	**SASS 2018 $'000**	**SANCS 2018 $'000**	**SSS 2018 $'000**	**TOTAL 2018 $'000**
Adjustment for effect of asset ceiling at beginning of the year	14,199	119	-	14,318
Interest on the effect of asset ceiling	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	14,199	119	-	14,318

The adjustment 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 2019

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	4,042,116	2,135,561	1,906,555	-
Australian Fixed Interest	2,294,672	4,993	2,289,679	-
International Fixed Interest	1,968,093	6,827	1,952,395	8,871
Australian Equities	8,368,928	7,818,302	547,571	3,055
International Equities	11,387,439	8,795,299	2,592,132	8
Property	3,588,230	698,607	717,079	2,172,544
Alternatives	10,558,181	327,329	5,758,095	4,472,758
Total*	**42,207,659**	**19,786,917**	**15,763,506**	**6,657,236**

As at 30 June 2018

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	4,401,164	2,185,469	2,215,695	-
Australian Fixed Interest	2,234,921	41,854	2,193,067	-
International Fixed Interest	1,396,107	8,116	1,387,991	-
Australian Equities	9,271,405	8,719,442	548,908	3,055
International Equities	10,891,350	8,499,476	2,391,501	373
Property	3,711,287	788,018	608,934	2,314,335
Alternatives	9,894,829	420,898	5,332,818	4,141,113
Total*	**41,801,063**	**20,663,273**	**14,678,914**	**6,458,876**

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

As at	30-Jun-19	30-Jun-18
Short Term Securities	9.6%	10.5%
Australian Fixed Interest	5.4%	5.3%
International Fixed Interest	4.7%	3.3%
Australian Equities	19.8%	22.2%
International Equities	27.0%	26.1%
Property	8.5%	8.9%
Alternatives	25.0%	23.7%
Total	**100.0%**	**100.0%**

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level 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 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 2019 of $99.5 million (30 June 2018: $97.7 million) in NSW government bonds.

Of the direct properties owned by the Pooled Fund
- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of $316.0 million (30 June 2018: $280.0 million)
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of $331.0 million (30 June 2018: $287.0 million)

Significant Actuarial Assumptions at the Reporting Date - Para 144

As at	30-Jun-19
Discount rate	1.32% pa
Salary increase rate (excluding promotional increases)	3.2% pa
Rate of CPI increase	1.75% pa for 2018/2019 and 2019/2020 and 2.00% for 2020/2021; 2.25% for 2021/2022 and 2022/2023; 2.50% pa thereafter.
Pensioner mortality	The pensioner mortality assumptions are as per the 2018 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.

As at	30-Jun-18
Discount rate	2.65% pa
Salary increase rate (excluding promotional increases)	2.7% pa for 2018/2019 and 3.2% pa thereafter
Rate of CPI increase	2.25% pa for 2018/2019 and 2019/2020 and 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are those to be used for the 2018 Actuarial Investigation of the Pooled Fund. These assumptions will be disclosed in the actuarial investigation report which will be available on the Trustee's website when the investigation is complete. The report will show the pension mortality rates for each age. Alternatively, the assumptions are available on request from the Trustee.

Sensitivity Analysis - Para 145

The entity's total defined benefit obligation as at 30 June 2019 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 2019.

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 2019	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
		as above	as above
Discount rate	as above	-1.0% pa	+1.0% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$)	14,914,121	17,411,259	12,890,385

	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 rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$)	14,914,121	16,098,191	13,837,300

	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% pa	above rates less 0.5% pa
Defined benefit obligation (A$)	14,914,121	14,914,121	14,914,121

	Base Case	Scenario G Higher Mortality *	Scenario H Lower Mortality **
Defined benefit obligation (A$)	14,914,121	15,201,015	14,716,802

*Assumes the short term pensioner mortality improvement factors for years 2019-2023 also apply for years after 2023.
**Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for the years 2019 to 2023.
The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

18. Superannuation (continued)

PARENT ENTITY	**2018**	**Base Case**	**Scenario A**	**Scenario B**
			-1.0% discount rate	**+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$)		12,719,233	14,744,934	11,067,253

	Base Case	Scenario C	Scenario D
		+0.5% rate of CPI increase	**-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$)	12,719,233	13,694,317	11,830,818

	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$)	12,719,233	12,719,233	12,719,233

	Base Case	Scenario G Higher Mortality *	Scenario H Lower Mortality **
Defined benefit obligation (A$)	12,719,233	12,926,212	12,571,829

CONSOLIDATED ENTITY	**2019**	**Base Case**	**Scenario A**	**Scenario B**
			-1.0% discount rate	**+1.0% discount rate**
Discount rate		as above	as above -1.0% pa	as above +1.0% pa
Rate of CPI increase		as above	as above	as above
Salary inflation rate		as above	as above	as above
Defined benefit obligation (A$)		14,914,121	17,411,259	12,890,385

	Base Case	Scenario C	Scenario D
		+0.5% rate of CPI increase	**-0.5% rate of CPI increase**
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$)	14,914,121	16,098,191	13,837,300

	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% pa	above rates less 0.5% pa
Defined benefit obligation (A$)	14,914,121	14,914,121	14,914,121

	Base Case	Scenario G Higher Mortality *	Scenario H Lower Mortality **
Defined benefit obligation (A$)	14,914,121	15,201,015	14,716,802

* Assumes the short term pensioner mortality improvement factors for years post 2019-2023 also apply for years after 2023.
** Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for years 2019 to 2023.
The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

18. Superannuation (continued)

CONSOLIDATED ENTITY	2018	Base Case	Scenario A	Scenario B
			-1.0% discount rate	**+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$)		12,719,233	14,744,934	11,067,253

	Base Case	Scenario C	Scenario D
		+0.5% rate of CPI increase	**-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$)	12,719,233	13,694,317	11,830,818

	Base Case	Scenario E	Scenario F
		+0.5% salary increase rate	**-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$)	12,719,233	12,719,233	12,719,233

	Base Case	Scenario G Higher Mortality *	Scenario H Lower Mortality **
Defined benefit obligation (A$)	12,719,233	12,926,212	12,571,829

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 cash flows 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. 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 2019 financial position of the Fund calculated in accordance with AASB 1056 Accounting Standard "Superannuation Entities":

PARENT ENTITY	**SASS 30-Jun-19 $'000**	**SANCS 30-Jun-19 $'000**	**SSS 30-Jun-19 $'000**	**Total 30-Jun-19 $'000**
Accrued benefits *	0	0	6,467	6,467
Net market value of Fund assets	(1)	(9)	(4,086)	(4,096)
Net (surplus)/deficit	(1)	(9)	2,381	2,371

PARENT ENTITY	**SASS 30-Jun-18 $'000**	**SANCS 30-Jun-18 $'000**	**SSS 30-Jun-18 $'000**	**Total 30-Jun-18 $'000**
Accrued benefits	0	0	6,453	6,453
Net market value of Fund assets	(1)	(5)	(4,157)	(4,163)
Net (surplus)/deficit	(1)	(5)	2,296	2,290

CONSOLIDATED ENTITY	**SASS 30-Jun-19** $'000	**SANCS 30-Jun-19 $'000**	**SSS 30-Jun-19 $'000**	**Total 30-Jun-19 $'000**
Accrued benefits *	0	0	6,467	6,467
Net market value of Fund assets	(1)	(9)	(4,086)	(4,096)
Net (surplus)/deficit	(1)	(9)	2,381	2,371

CONSOLIDATED ENTITY	**SASS 30-Jun-18 $'000**	**SANCS 30-Jun-18 $'000**	**SSS 30-Jun-18 $'000**	**Total 30-Jun-18 $'000**
Accrued benefits	0	0	6,453	6,453
Net market value of Fund assets	(1)	(5)	(4,157)	(4,163)
Net (surplus)/deficit	(1)	(5)	2,296	2,290

* There is no allowance for a contribution tax provision within the Accrued Benefits figure for AASB 1056. Allowance for contributions tax is made when setting the contribution rates.

Contribution recommendations

Recommended contribution rates for the entity are:

2019	**SASS multiple of member contribution**	**SANCS % member salary**	**SSS multiple of member contribution**
	0.0	2.5	0.0

2018	**SASS multiple of member contribution**	**SANCS % member salary**	**SSS multiple of member contribution**
	0.0	2.5	0.0

Economic assumptions

The economic assumptions adopted for the 30 June 2019 AASB 1056 Accounting Standard "Superannuation Entities" are (these assumptions are consistent with the assumptions to be used for the 2019 actuarial investigation of the Pooled Fund):

Weighted-Average Assumptions	2019	2018
Expected rate of return on Fund assets backing current pension liabilities	7.4%	7.4%
Expected rate of return on Fund assets backing other liabilities	6.4%	6.4%
Expected salary increase rate (excluding promotional salary increases)	3.2%	2.7% for 2018/19; 3.2% pa thereafter
Expected rate of CPI increase	2.2%	2.2%

18. Superannuation (continued)

Expected contributions - Para 147(b)

PARENT ENTITY	**2019**	**SASS**	**SANCS**	**SSS**	**Total**
		Financial Year to 30 June 2020	**Financial Year to 30 June 2020**	**Financial Year to 30 June 2020**	**Financial Year to 30 June 2020**
		$'000	**$'000**	**$'000**	**$'000**
Expected employer contributions		0	0	0	0

PARENT ENTITY	**2018**	**SASS**	**SANCS**	**SSS**	**Total**
		Financial Year to 30 June 2019	**Financial Year to 30 June 2019**	**Financial Year to 30 June 2019**	**Financial Year to 30 June 2019**
		$'000	**$'000**	**$'000**	**$'000**
Expected employer contributions		0	0	0	0

CONSOLIDATED ENTITY	**2019**	**SASS**	**SANCS**	**SSS**	**Total**
		Financial Year to 30 June 2020	**Financial Year to 30 June 2020**	**Financial Year to 30 June 2020**	**Financial Year to 30 June 2020**
		$'000	**$'000**	**$'000**	**$'000**
Expected employer contributions		0	0	0	0

CONSOLIDATED ENTITY	**2018**	**SASS**	**SANCS**	**SSS**	**Total**
		Financial Year to 30 June 2019	**Financial Year to 30 June 2019**	**Financial Year to 30 June 2019**	**Financial Year to 30 June 2019**
		$'000	**$'000**	**$'000**	**$'000**
Expected employer contributions		0	0	0	0

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

The weighted average duration of the defined benefit obligation is 12.9 years (2018: 13.9 years).

Profit and Loss Impact

PARENT ENTITY	**2019**	**SASS**	**SANCS**	**SSS**	**Total**
		Financial Year to 30 June 2019 $'000	**Financial Year to 30 June 2019 $'000**	**Financial Year to 30 June 2019 $'000**	**Financial Year to 30 June 2019 $'000**
Current service cost		-	-	-	-
Net interest		-	-	227	227
Past service cost		-	-	-	-
(Gains)/Loss on settlement		-	-	-	-
Defined benefit cost		**-**	**-**	**227**	**227**

PARENT ENTITY	**2018**	**SASS**	**SANCS**	**SSS**	**Total**
		Financial Year to 30 June 2018 $'000	**Financial Year to 30 June 2018 $'000**	**Financial Year to 30 June 2018 $'000**	**Financial Year to 30 June 2018 $'000**
Current service cost		-	-	-	-
Net interest		(2)	(1)	223	220
Past service cost		-	-	-	-
(Gains)/Loss on settlement		-	-	-	-
Defined benefit cost		**(2)**	**(1)**	**223**	**220**

CONSOLIDATED ENTITY	**2019**	**SASS**	**SANCS**	**SSS**	**Total**
		Financial Year to 30 June 2019 $'000	**Financial Year to 30 June 2019 $'000**	**Financial Year to 30 June 2019 $'000**	**Financial Year to 30 June 2019 $'000**
Current service cost		-	-	-	-
Net interest		-	-	227	227
Past service cost		-	-	-	-
(Gains)/Loss on settlement		-	-	-	-
Defined benefit cost		**-**	**-**	**227**	**227**

18. Superannuation (continued)

CONSOLIDATED ENTITY (continued)	**2018**	**SASS**	**SANCS**	**SSS**	**Total**
		Financial Year to 30 June 2018 $'000	**Financial Year to 30 June 2018 $'000**	**Financial Year to 30 June 2018 $'000**	**Financial Year to 30 June 2018 $'000**
Current service cost		-	-	-	-
Net interest		(2)	(1)	223	220
Past service cost		-	-	-	-
(Gains)/Loss on settlement		-	-	-	-
Defined benefit cost		**(2)**	**(1)**	**223**	**220**

Other Comprehensive Income

PARENT ENTITY	**2019**	**SASS**	**SANCS**	**SSS**	**Total**
		Financial Year to 30 June 2019 $'000	**Financial Year to 30 June 2019 $'000**	**Financial Year to 30 June 2019 $'000**	**Financial Year to 30 June 2019 $'000**
Actuarial (gains) losses on liabilities		-	(2)	2,258	2,256
Actual return on Fund assets less Interest income		-	-	(218)	(218)
Adjustment for effect of asset ceiling		-	-	-	-
Total remeasurement in Other Comprehensive Income		-	(2)	2,040	2,038

PARENT ENTITY	**2018**	**SASS**	**SANCS**	**SSS**	**Total**
		Financial Year to 30 June 2018 $'000	**Financial Year to 30 June 2018 $'000**	**Financial Year to 30 June 2018 $'000**	**Financial Year to 30 June 2018 $'000**
Actuarial (gains) losses on liabilities		161	71	(33)	199
Actual return on Fund assets less Interest income		4	2	(247)	(241)
Adjustment for effect of asset ceiling		-	-	-	-
Total remeasurement in Other Comprehensive Income		165	73	(280)	(42)

CONSOLIDATED ENTITY	**2019**	**SASS**	**SANCS**	**SSS**	**Total**
		Financial Year to 30 June 2019 $'000	**Financial Year to 30 June 2019 $'000**	**Financial Year to 30 June 2019 $'000**	**Financial Year to 30 June 2019 $'000**
Actuarial (gains) losses on liabilities		-	(2)	2,258	2,257
Actual return on Fund assets less Interest income		-	-	(218)	(218)
Change in the effect of asset ceiling		-	-	-	-
Total remeasurement in Other Comprehensive Income		-	(2)	2,040	2,039

CONSOLIDATED ENTITY	**2018**	**SASS**	**SANCS**	**SSS**	**Total**
		Financial Year to 30 June 2018 $'000	**Financial Year to 30 June 2018 $'000**	**Financial Year to 30 June 2018 $'000**	**Financial Year to 30 June 2018 $'000**
Actuarial (gains) losses on liabilities		161	71	(33)	199
Actual return on Fund assets less Interest income		4	2	(247)	(241)
Adjustment for effect of asset ceiling		-	-	-	-
Total remeasurement in Other Comprehensive Income		165	73	(280)	(42)

19. Increase/(decrease) in net assets from equity transfers

PARENT and CONSOLIDATED
2019

	Post Completion Adjustments for transfers occured in prior year $'000	Achieve in Inner West Limited $'000	DSA Mentoring Services Limited $'000	2019 Total $'000	2018 Total $'000
Current assets					
Cash at bank	(45)	(531)	(707)	(1,283)	(36,689)
Petty cash	-	(2)	(6)	(8)	(108)
Total current assets	(45)	(533)	(713)	(1,291)	(36,797)
Current liabilities					
Prepaid participant contribution	-	(12)	(24)	(36)	(1,174)
Annual leave	(29)	(410)	(546)	(985)	(26,767)
Long service leave on costs	(11)	(84)	(81)	(176)	(4,910)
Total current liabilities	(40)	(506)	(651)	(1,197)	(32,851)
Non current liabilities					
Long service leave on costs	(1)	(7)	(7)	(15)	(428)
Total non current liabilities	(1)	(7)	(7)	(15)	(428)
Total liabilities	(41)	(513)	(658)	(1,212)	(33,279)
Net assets transferred from FACS	(4)	(20)	(55)	(79)	(3,518)

Liabilities transferred that are assumed by and funded by the Crown entity

Crown assumed employees entitlements - AL	1	13	13	27	731
Crown assumed employees entitlements - LSL	151	1,032	988	2,171	67,513
	152	1,045	1,001	2,198	68,244
Cash transferred (out) as a result of administrative restructure	(197)	(1,578)	(1,714)	(3,489)	(105,041)
Cash transferred in as a result of administrative restructure and equity transfers	152	1,045	1,001	2,198	68,244
Net cash transferred (out) as a result of administrative restructure and equity transfers	(45)	(533)	(713)	(1,291)	(36,797)

19. Increase/(decrease) in net assets from equity transfers (continued)

The disability services have been transitioning to the Non Government Organisation (NGO) sector as part of the NSW Government implementation of the NDIS since 2015-2016.

The National Disability Insurance Scheme (NSW Enabling) Act 2013 authorises the establishment of Implementation Company to facilitate the transfer of nominated disability service related employees, assets, rights and liabilities from FACS, being the transferor entity. Transfers of the assets, rights and liabilities are treated as restructures of administrative arrangements, and are accounted for via equity to accumulated funds. Each Implementation Company is established as limited by guarantee stipulated in the Implementation and Sale Agreements (ISA), with membership held by the Minister for Disability on behalf of the State. Upon the completion of disability services transfer, the membership is transferred to the relevant NGO nominee.

Transfers arising from an administrative restructure are recognised at the amount at which the assets and liabilities were recognised by the transferor agencies (FACS) immediately prior to the restructure. Post Completion Adjustments are recognised in accordance with TPP 09-3 Contributions by owners made to wholly-owned Public Sector Entities.

The post completion adjustments relating to the transfers to Cerebral Palsy Alliance and The Disability Trust occurred in 2017-18 were not finalised as at 30 June 2018. The post completion adjustments were finalised in 2018-19 and amounted to $0.2 million, of which $0.1 million related to Crown assumed liabilities.

In 2018-19, the following Specialist Disability Services were transferred to the NGO sector. Assets, rights and liabilities were vested to each Implementation Company in accordance with the respective Vesting Orders under the National Disability Insurance Scheme (NSW Enabling) Order 2017. The membership was transferred to the relevant NGO nominee.

- Group Homes and Respite Services (Summer Hill) were transferred to Achieve in Inner West Limited; in which the membership was transferred to Achieve Australia Limited on 1 November 2018.

- Community Justice Program and Integrated Services Program operated by Specialist Disability Services were transferred to DSA Mentoring Services Limited; in which the membership was transferred to Disability Services Australia Limited on 13 December 2018.

The long service leave provision and certain consequential employment costs were assumed by the Crown. FACS only recognised a portion of relevant consequential costs. To transfer the in scope employees to the Implementation Companies, FACS made the cash payment that covered both FACS assumed and Crown assumed liabilities to the Implementation Companies. FACS then recovered the amount paid relating to Crown assumed liabilities, in accordance with the guidance of Treasury Circular 14-06 Funding Arrangements for Long Service Leave and Transferred Officers Leave Entitlements. In the current financial year, the employees entitlements provision transferred that were assumed and funded by the Crown amounted to $2.2 million.

As at 30 June 2019, The State of NSW has entered into agreements with three Supported Independent Living (SIL) providers to support the current residents of Stockton, Tomaree and Kanangra in their new homes under Hunter Residences Redevelopment Program. The three providers are New Horizons , Cerebral Palsy Alliance and The Disability Trust. The dates of transfer of these services are dependent upon the construction milestone of the new homes, which is scheduled to occur in 2019-20. These new homes are being built and managed by Home4Life Consortium as part of the Hunter Residences Redevelopment Program.

	PARENT		CONSOLIDATED	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000

20. Commitments for expenditure

(a) Capital commitments

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

	PARENT 2019 $'000	PARENT 2018 $'000	CONSOLIDATED 2019 $'000	CONSOLIDATED 2018 $'000
Not later than one year	**8,655**	8,021	**8,655**	8,021
Total (including GST)	**8,655**	8,021	**8,655**	8,021

(b) Operating lease commitments

FACS as lessee:

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

	PARENT 2019 $'000	PARENT 2018 $'000	CONSOLIDATED 2019 $'000	CONSOLIDATED 2018 $'000
Not later than one year	**76,573**	72,653	**76,573**	72,653
Later than one year but not later than five years	**156,034**	133,285	**156,034**	133,285
Later than five years	**26,422**	26,281	**26,422**	26,281
Total (including GST)	**259,029**	232,219	**259,029**	232,219

Operating leases where FACS is a lessee relates 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.

FACS as lessor:

Future non-cancellable operating lease rentals receivable:

	PARENT 2019 $'000	PARENT 2018 $'000	CONSOLIDATED 2019 $'000	CONSOLIDATED 2018 $'000
Not later than one year	**46,694**	23,274	**46,731**	23,297
Later than one year but not later than five years	**146,085**	90,371	**146,085**	90,385
Later than five years	**33,997**	55,932	**33,997**	55,932
Total (Excluding GST)	**226,776**	169,577	**226,813**	169,614

Operating leases where FACS is a lessor relates to group home leases entered with Specialist Disability Accommodation providers in 2017-18 as part of the NDIS transition process. The rental income receivable is in the nature of residential leasing arrangement, this is considered as input taxed sales and hence does not include GST in the figures disclosed above.

The commitments in (a) and (b) above are not recognised in the financial statements as liabilities/receivables. The total commitments above include input tax credits of $24.3 million (2018: $21.8 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 $2.1 million (2018: $1.6 million) will be met by FACS.

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 $68.3 million (2018: $61.0 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") was contracted by FACS to provide a Family Preservation Services over the past 5 years to families in western, south west and central Sydney. The terms between FACS and TBS were covered in the Outcome Based Agreement ("OBA") effective 30 June 2013.

FACS paid performance payment of $7.0 million in September 2018 upon maturity of the bond in June 2018 resulting in Nil (2018 :$7.0m) provision as at 30 June 2019 under Note 16.

22. Social Benefit Bonds Trial (continued)

(b) Newpin Social Benefit Bond

The Newpin Social Benefit Bond through the Uniting NSW ACT (Uniting) has been contracted by FACS to provide an Intensive Restorations Service through support and counselling programs to eligible families over the next 7 years. The terms between FACS and Uniting Care 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 dependent on the performance of the Organisation with respect to each group. An accrual based on performance of $7.1 million (2018: $6.2 million) has been made and is included at Note 15.

23. Budget review

The following analysis is provided comparing the actual 2018-19 to the budget 2018-19 as shown on the financial statements.

Net result

The consolidated actual net result was lower than budget by $68.7 million.

Total expenditure was $2,555.9 million lower than budget, total revenue $2,618.7 million lower than budget and higher losses of $5.8 million than budget. The significant variance in expenditure and revenue is primarily due to consideration of NDIA payments of $2,726.9 million as transfer payments in 2018-19. Refer note 1(e), note 3(a) and note 7 for details.

Expenditure

The variation to budget is due to the following items:

- transfer payments to NDIA of $2,726.9 million in 2018-19 not included in actual grants expenditure in accordance with AASB -1050 Administered Items and movement to other operating expense offset by higher other grants of $27.3 million.
- higher employee related expenses of $90.1 million due to $39.2 million higher long service leave and associated oncost arising from significant decrease in Commonwealth bond rates ,$50.9 million additional costs in the IT , Royal Commission , Aboriginal Strategy divisions and due to delay in transfer of disability services and movement from grants expenditure.
- higher other operating expenses of $72.4 million primarily due to $26.8 million associated with delay in transfer of disability services and $45.6 million higher IT related costs , costs associated with Royal Commission and movement from grants and expenditure.
- lower depreciation expense of $19.6 million mainly due to impact of downward revaluation of specialised buildings as at June 2018 of $7.8 million and timing of capitalisation of assets of $10.4 million.
- higher gains and losses of $5.8 million due to sale of properties as part of the Hunter residences redevelopment program to support the NDIS transition offset by movement in impairment of receivables.
- finance costs $0.8 million not budgeted.

Revenue

The variation to budget is due to the following items:

- higher net appropriations of $45.9 million due to carry forwards and increased expenditure requirements ,after consideration of receipts associated with NDIA payments of $2,726.9 million considered as administered items.
- higher sale of goods and services revenue of $40.2 million due to NDIA service revenue.
- lower revenue recovery for personnel services of $8.5 million due to lower staff level.
- lower investment revenue of $25.0 million due to reclassification of actual disability group home rental income to other revenue.
- lower grants and contributions of $13.9 million due to $27.3 million lower redundancy grants offset by higher $13.4 million higher grants relating to disability services.
- higher acceptance by the Crown entity of employee benefits of $20.2 million as a result of higher year end long service leave adjustment arising from significant movement in Commonwealth bond rates.
- higher other revenue of $49.2 million is primarily due to classification of actual disability group home rental of $42.1 million and TMF workers compensation hindsight adjustment.

Assets and liabilities

Consolidated Total Assets were above budget by $183.0 million primarily due to:

- higher closing cash position of $18.7 million due to higher opening cash versus budget of $303.9 million , lower cash inflows from operating activities of 287.6 million mainly due to lower payables and lower purchases of $3.7 million and $1.3 million higher cash transferred for disability services transfer.
- higher current and non current receivables of $86.7 million mainly due to outstanding NDIA in-kind contribution receivable of $53.6 million, higher group home rental receivable of $13.2 million , increase in prepayments of $14.4 million and other receivables of $16.9 million offset by lower GST recoveries of $11.4 million.
- increase in carrying value of land and buildings of $27.4 million as a result of net increase of $61.4 million due to reclass of Rydalmere to property and disposal of Hunter residences ,lower depreciation expense of $7.8 million offset by lower opening balance of $29.2 million and revaluation decrement of $12.6 million.
- assets held for sale are $6.5 million higher due to timing of disposals.
- higher intangibles of $25.5 million due to higher additions and lower disposals.
- higher plant and equipment balance of $18.2 million due to higher additions and lower disposals.

23. Budget review (continued)

Consolidated Total Liabilities were above budget by $193.3 million primarily due to:

- higher provisions of $93.0 million due to higher recreation leave and redundancy provisions arising from delay in transfer of Hunter residences to the NGOs.
- higher payables of $68.7 million due to higher grants ,operating and capital expenditure accruals.
- higher other liabilities of $31.6 million due to revenue received in advance of $30.7 million relating to 2019-20.

Cash flows

Consolidated Net Cash outflows from operating activities was $287.6 million higher than budget due to:

- lower net cash receipts of $102.0 million after considering administered transactions of $2,726.9 million primarily due to lower receipts from sale of goods and services of $65.0 million, lower redundancy grants of $27.3 million and GST recoveries offset by $45.9 million higher appropriations.
- lower net cash payments of $185.6 million after considering transfer payments of $2,726.9 million due to lower cash flow arising from lower employee related costs and other operating expenditure associated with transfer of disability services.

Net cash outflow from investing activities was $3.7 million lower than budget primarily due to timing of capital works $39.1 million offset by higher proceeds from property sales of $42.8 million.

	PARENT		CONSOLIDATED	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
24. Reconciliation of cashflows from operating activities to net result as reported in the statement of comprehensive income as follows:				
Net cash used on operating activities	**(204,197)**	327,724	**(204,280)**	327,634
Net gain / (loss) on disposal of assets	**(883)**	(3,181)	**(883)**	(3,181)
Impairment on carrying value of land and buildings	**(5,033)**	(824)	**(5,033)**	(824)
Allowance for impairment of receivables	**(931)**	(3,982)	**(931)**	(3,982)
Bad debts written off	**(158)**	(361)	**(158)**	(361)
Depreciation and amortisation	**(76,076)**	(80,560)	**(76,203)**	(80,697)
Provision for redundancy and other costs	**-**	24,991	**-**	24,991
Superannuation actuarial (gains)/losses	**2,039**	(42)	**2,039**	(42)
Write back of unused make good provision	**(6,087)**	(1,449)	**(6,087)**	(1,449)
Finance costs	**(802)**	(794)	**(802)**	(794)
Decrease / (increase) in creditors	**163,966**	(147,575)	**163,962**	(147,559)
Decrease / (increase) in provisions	**15,980**	86,860	**15,980**	86,860
Increase / (decrease) in prepayments and other assets	**61,866**	(1,550)	**61,866**	(1,563)
Net result	**(50,316)**	199,257	**(50,530)**	199,033

25. 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	**58**	57	**58**	57
Adc Receipts	**1**	1	**1**	1
Cash balance at the end of the financial year	**59**	58	**59**	58

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	**40**	144	**40**	144
Adc Receipts	**1,464**	2,298	**1,464**	2,298
Les Expenditure	**(1,443)**	(2,402)	**(1,443)**	(2,402)
Cash balance at the end of the financial year	**61**	40	**61**	40

Recognition and measurement
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.

John Williams Memorial Charitable Trust

The Secretary of FACS administers the John Williams Memorial Charitable Trust which was set up for the purpose of providing both respite and accommodation for children with disabilities and other care accommodation for children with disabilities where that accommodation is provided in conjunction with other support services of a medical nature. This now forms part of the consolidated financial statements.

26. Financial instruments

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

FACS' main risks arising from financial instruments are outlined below, together with the its 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 Chief Audit Executive.

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.

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 its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- FACS has transferred substantially all the risks and rewards of the asset; or
- FACS has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control.

When FACS has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where FACS has neither transferred nor retained substantially all the risks and rewards or transferred control, financial assets are recognised only to the extent of FACS' continuing involvement in the financial assets.

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

(a) Financial instrument categories

I. As at 30 June 2019 under AASB 9

			PARENT	CONSOLIDATED
Class:	**Note**	**Category**	**Carrying Amount**	**Carrying Amount**
Financial Assets			**$'000**	**$'000**
Cash and cash equivalents	9	N/A	100,666	102,145
Receivables [1]	10	Amortised cost	119,184	119,184
Class:	**Note**	**Category**	**Carrying Amount**	**Carrying Amount**
Financial Liabilities			**$'000**	**$'000**
Payables [2]	15	Financial liabilities measured at amortised cost	47,878	47,878
Other liabilities	15	Financial liabilities measured at amortised cost	59,128	59,128

26. Financial instruments (continued)

II. As at 30 June 2018 under AASB 139

			PARENT	CONSOLIDATED
Financial Assets	**Note**	**Category**	**Carrying Amount**	**Carrying Amount**
Class:			**$'000**	**$'000**
Cash and cash equivalents	9	N/A	334,928	336,490
Receivables [(1)]	10	Receivables (at amortised cost)	69,642	69,642
Financial Liabilities	**Note**	**Category**	**Carrying Amount**	**Carrying Amount**
Class:			**$'000**	**$'000**
Payables [(2)]	15	Financial liabilities measured at amortised cost	50,486	50,483
Other liabilities	15	Financial liabilities measured at amortised cost	281,743	281,743

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)

(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 credit losses or 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.

Cash and cash equivalents

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.

26. Financial instruments (continued)

Accounting policy for impairment of trade debtors under AASB 9.

Receivables - trade debtors

Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. FACS applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect management assumptions that may affect the ability of the customers to settle the receivables.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 730 days past due.

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

Disability services related debtors

PARENT AND CONSOLIDATED

2019	Expected credit loss rate (%)	Estimated total gross carrying amount at default ($'000)	Expected credit loss ($'000)
Current	1.25%	946	12
< 30 days	2.62%	3,827	100
30 - 60 days	5.20%	1,264	66
61- 90 days	10.64%	1,197	127
>91 days	31.08%	5,380	1,672
Total		12,614	1,977

Other debtors

PARENT AND CONSOLIDATED

2019	Expected credit loss rate (%)	Estimated total gross carrying amount at default ($'000)	Expected credit loss ($'000)
Current	2.03%	14,087	286
< 30 days	3.18%	298	9
30 - 60 days	6.42%	222	14
61- 90 days	8.07%	176	14
>91 days	61.60%	5,058	3,116
Total		19,841	3,439

26. Financial instruments (continued)

Accounting policy for impairment of trade debtors and other financial assets under AASB 139 (comparative period only)

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. Debtors 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 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.

FACS is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience as at 30 June 2018, debtors that are not past due (2018: $60.4 million) and not less than 6 months past due (2018: $8.3 million) are not considered impaired and together these represent 89% of the total trade debtors.

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

PARENT AND CONSOLIDATED

2018	Total	Past due but not impaired	Considered Impaired
Neither past due or impaired	60,360	60,360	N/A
< 3 months overdue	6,865	6,865	-
3 months - 6 months overdue	1,980	1,476	504
> 6 months overdue	7,888	855	7,033

Notes:
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.

Authority deposits

FACS has placed its Wards Trust funds on deposit with TCorp, which has been rated "AAA" by Standard and Poor's. 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. There were no indicators for impairment on these securities during the year.

(c) Liquidity risk

Liquidity risk is the risk that the entity will be unable to meet its payment obligations when they fall due. FACS 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. FACS 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 10.0%; 2018: 9.8%.

26. Financial instruments (continued)

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
2019	**Weighted Average Effective Interest rate**	**Nominal Amount (1)**	**Non Interest Bearing**	**< 1 year**	**1-5 years**
PARENT					
Payables:					
Payables	N/A	47,878	47,878	47,878	-
Other	N/A	59,128	59,128	59,128	-
Total Financial Liabilities		**107,006**	**107,006**	**107,006**	**-**
CONSOLIDATED					
Payables:					
Payables	N/A	47,878	47,878	47,878	-
Other	N/A	59,128	59,128	59,128	-
Total Financial Liabilities		**107,006**	**107,006**	**107,006**	**-**

(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.

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

		$'000	$'000 Interest Rate exposure	$'000 Maturity Dates	$'000
2018	**Weighted Average Effective Interest rate**	**Nominal Amount (1)**	**Non Interest Bearing**	**< 1 year**	**1-5 years**
PARENT					
Payables:					
Payables	N/A	50,483	50,483	50,483	-
Other	N/A	281,743	281,743	281,743	-
Total Financial Liabilities		**332,226**	**332,226**	**332,226**	**-**
CONSOLIDATED					
Payables:					
Payables	N/A	50,483	50,483	50,483	-
Other	N/A	281,743	281,743	281,743	-
Total Financial Liabilities		**332,226**	**332,226**	**332,226**	**-**

(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. 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 2018. The analysis assumes that all other variables remain constant.

26. Financial instruments (continued)

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

	$'000			
	2019 $'000		2018 $'000	
	-1%	+1%	-1%	+1%
PARENT				
Net Result	(1,005)	1,005	(3,347)	3,347
Equity	(1,005)	1,005	(3,347)	3,347
CONSOLIDATED				
Net Result	(1,019)	1,019	(3,362)	3,362
Equity	(1,019)	1,019	(3,362)	3,362

(e) Fair value measurement

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.

27. 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 related parties of FACS:

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

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 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:

	2019 $'000	2018 $'000
Short-term employee benefits:	2,867	3,234
Other long-term employee benefits	38	46
Post-employment benefits	105	176
Termination benefits	292	194
Total remuneration	3,302	3,650

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 2019, FACS received $124.9 million (2018: $123.0 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 2019, FACS incurred $88.0 million (2018: $70.1 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 2019 for LAHC and AHO $69.6 million (2018: $68.0 million) and $16.4 million (2018: $13.1 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 2019 FACS has paid $56.5 million (2018: $50.7 million) to AHO and $16.7 million (2018: $16.7 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.

28. Events after the reporting period

The Administrative Arrangements(Administrative Changes - Public Service Agencies) Order 2019 issued on 2 April 2019, abolished the Department of Family and Community Services with effect from 1 July 2019. On abolition, the Department's assets, rights and liabilities and employees except those employed for providing personnel services to Land and Housing Corporation (LAHC) and Aboriginal Housing Office (AHO), will be transferred to Department of Communities and Justice (DCJ) and will be used, recovered or settled in the normal course of business by the transferee department.

The group of staff providing personnel services to Land and Housing Corporation (LAHC) and Aboriginal Housing Office (AHO) will be transferred to the Department of Planning and Industry (DPI) with effect from 1 July 2019.

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 is 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. Due to the transfer occuring as at 1 July 2019 there is no impact on the statement of comprehensive income and associated equity transfer.

The following statement of financial position discloses the impact of assets and liabilities transferred as a result of the Administrative Order. Nil impact arising from new accounting standards effective from 1 July 2019 on the transferred balances.

	Transfer to DPI 1 July 2019 $'000	Transfer to DCJ 1 July 2019 $'000	Total FACS consolidated actuals $'000
Assets			
Current assets			
Cash and cash equivalents	**-**	**(102,145)**	**(102,145)**
Receivables	**(24,365)**	**(141,076)**	**(165,441)**
Non-current assets held for sale	**-**	**(6,452)**	**(6,452)**
Total current assets	**(24,365)**	**(249,673)**	**(274,038)**
Non-current assets			
Receivables	**-**	**(2,465)**	**(2,465)**
Property, plant and equipment			
Land and buildings	**-**	**(1,382,767)**	**(1,382,767)**
Plant and equipment	**-**	**(87,820)**	**(87,820)**
Property, plant and equipment	**-**	**(1,470,587)**	**(1,470,587)**
Intangibles	**-**	**(174,325)**	**(174,325)**
Total non-current assets	**-**	**(1,647,377)**	**(1,647,377)**
Total assets	**(24,365)**	**(1,897,050)**	**(1,921,415)**
Liabilities			
Current liabilities			
Payables	**-**	**153,017**	**153,017**
Provisions	**13,064**	**148,647**	**161,711**
Other current liabilities	**-**	**30,959**	**30,959**
Total current liabilities	**13,064**	**332,623**	**345,687**
Non-current liabilities			
Provisions	**11,301**	**48,333**	**59,634**
Other non-current liabilities	**-**	**1,001**	**1,001**
Total non-current liabilities	**11,301**	**49,334**	**60,635**
Total liabilities	**24,365**	**381,957**	**406,322**
(Decrease) in net assets from equity transfer out	**-**	**(1,515,093)**	**(1,515,093)**

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 John Williams Memorial Charitable Trust

Financial statements for the year ended 30 June 2019

INDEPENDENT AUDITOR'S REPORT

John Williams Memorial Charitable Trust

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the John Williams Memorial Charitable Trust (the Trust), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a 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 Trust as at 30 June 2019, 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 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 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | **t** 02 9275 7101 | **f** 02 9275 7179 | mail@audit.nsw.gov.au | audit.nsw.gov.au

Other Information

The annual report of the Department of Family and Community Services for the year ended 30 June 2019 includes other information in addition to the financial statements of the Trust and my Independent Auditor's Report thereon. The Secretary of the Department of Communities and Justice is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Certification of Accounts.

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

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

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

I have nothing to report in this regard.

The Secretary's Responsibilities for the Financial Statements

The Secretary of the Department of Communities and Justice 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the ability of the Corporation and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where operations will be dissolved by an Act of Parliament or otherwise cease.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the [financial statements / financial report] 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 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.

S Bond .

Sally Bond
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

16 September 2019
SYDNEY

JOHN WILLIAMS MEMORIAL CHARITABLE TRUST

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2019

CERTIFICATION OF ACOUNTS

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

a) The accompanying financial statements for the year ended 30 June 2019 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 Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or 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
13 September 2019

Libby Stratford
Chief Financial Officer
13 September 2019

John Williams Memorial Charitable Trust
Statement of Comprehensive Income
for the year ended 30 June 2019

	Notes	Actual 2019 $'000	Actual 2018 $'000
Expenses excluding losses			
Auditors remuneration - audit of financial statements		**8**	7
Maintenance expenses	2	**144**	145
Depreciation	3	**127**	137
Total expenses excluding losses		**279**	289
Revenue			
Investment revenue	4a	**23**	25
In-kind contribution revenue	4b	**-**	33
Rent income	4c	**46**	6
Total revenue		**69**	64
Net result		**(210)**	(225)
Total other comprehensive (loss)/income		**(176)**	432
Total Comprehensive (Loss)/Income		**(386)**	207

The accompanying notes form part of these financial statements.

John Williams Memorial Charitable Trust
Statement of Financial Position
as at 30 June 2019

	Notes	Actual 2019 $'000	Actual 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	**1,479**	1,562
Total Current Assets		**1,479**	1,562
Non-Current Assets			
Property, plant and equipment			
- Land and buildings	6	**9,425**	9,728
Total Property, plant and equipment		**9,425**	9,728
Total Non-Current Assets		**9,425**	9,728
TOTAL ASSETS		**10,904**	11,290
LIABILITIES			
TOTAL LIABILITIES		**-**	-
NET ASSETS		**10,904**	11,290
EQUITY			
Reserves		**418**	594
Accumulated funds		**10,486**	10,696
TOTAL EQUITY		**10,904**	11,290

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 2019

	Notes	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total Equity $'000
Balance at 1 July 2018		**10,696**	**594**	**11,290**
Net result for the year		**(210)**	**-**	**(210)**
Total other comprehensive (loss)	**6**	**-**	**(176)**	**(176)**
Total comprehensive (loss) for the year		**(210)**	**(176)**	**(386)**
Balance at 30 June 2019		**10,486**	**418**	**10,904**
Balance at 1 July 2017		10,921	162	11,083
Net result for the year		(225)	-	(225)
Total other comprehensive income	**6**	-	432	432
Total comprehensive income for the year		(225)	432	207
Balance at 30 June 2018		10,696	594	11,290

The accompanying notes form part of these financial statements.

John Williams Memorial Charitable Trust
Statement of Cash Flows
for the year ended 30 June 2019

	Notes	Actual 2019 $'000	Actual 2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Other		**(152)**	(134)
Total Payments		**(152)**	(134)
Receipts			
Interest received		**23**	38
Rent income		**46**	6
Total Receipts		**69**	44
NET CASH FLOWS FROM OPERATING ACTIVITIES	9	**(83)**	(90)
NET INCREASE/(DECREASE) IN CASH			
Opening cash and cash equivalents		**1,562**	1,652
Net increase/(decrease) in cash		**(83)**	(90)
CLOSING CASH AND CASH EQUIVALENTS	5	**1,479**	1,562

The accompanying notes form part of these financial statements.

John Williams Memorial Charitable Trust
Notes to and forming part of the financial statements
for the year ended 30 June 2019

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 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 Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2019 issued on 2 April 2019, abolished the Department of Family and Community Services with effect from 1 July 2019. The persons employed in the Department of Family and Community Services are transferred to the Department of Communities and Justice (DCJ).

In the absence of the Deputy Secretary of ADHC, the administration of the Trust was reverted to the Secretary of FACS.

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 2019 have been authorised for issue by the Secretary, Department of Communities and Justice, on 13 September 2019.

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.

1. Summary of Significant Accounting Policies (continued)

d. 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 6.

ii. Accumulated funds

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

e. 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.

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

i. Effective for the first time in 2018-19

The accounting policies applied in 2018-19 are consistent with those of 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 2019:

- AASB 9 Financial Instruments, significantly amends other standards dealing with financial instruments such as the revised AASB 7 *Financial Instruments: Disclosure* (AASB 7R).

John Williams Memorial Charitable Trust applied AASB 9 retrospectively but has not restated the comparative information, which is reported under AASB 139 Financial Instruments: Recognition and Measurement (AASB 139).

Any differences arising from the adoption of AASB 9 have been recognised directly in accumulated funds and other components of equity. Adoption of these amendments has not had a material effect of the financial position or performance of John Williams Memorial Charitable Trust, refer to Note 11 for disclosures regarding Financial Instruments.

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 19/04 Mandates of Options and Major Policy Decisions under Australian Accounting Standards):

Standards/Interpretations	Operative Date
AASB 15, AASB 2014-5, AASB 2015-8 and AASB 2016-3 Revenue from Contracts with Customers	1 January 2019
AASB 16 Leases	1 January 2019
AASB 1059 Service Concession Arrangements: Grantors	1 January 2019
AASB 1058 Income of Not-for-profit Entities	1 January 2019
AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities	1 January 2019
AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities	1 January 2019

1. Summary of Significant Accounting Policies (continued)

ii. Issued but not yet effective (continued)

Standards/Interpretations (continued)	Operative Date
AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement	1 January 2019
AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements	1 January 2019
AASB 2018-4 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors	1 January 2019
AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059	1 January 2019
AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business	1 January 2019
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2019
AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets 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.

- 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.

2. Maintenance

	2019	2018
	$'000	$'000
Maintenance expense	144	145
	144	145

Recognition and Measurement

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.

3. Depreciation

	2019	2018
	$'000	$'000
Buildings	127	137
	127	137

4. Revenue

a. Investment revenue

	2019	2018
	$'000	$'000
Interest received on bank account	23	25
	23	25

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

Recognition and Measurement

Investment revenue

Interest revenue is recognised using the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For financial assets that become credit-impaired the effective interest rate is applied to the amortised cost of the financial assets.

b. In Kind contribution revenue

	2019	2018
	$'000	$'000
Maintenance provided free of charge by agencies utilising the Trust's properties	-	33
	-	33

Recognition and Measurement

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 2017-18 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.

c. Rent income

	2019	2018
	$'000	$'000
Rent income	46	6
	46	6

Rent Income

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

5. Cash and Cash Equivalents

	2019	2018
	$'000	$'000
Cash at bank	**1,479**	1,562
	1,479	1,562

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand, short-term deposits with original maturities of three month or less or is subject to an insignificant risk of changes in value 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:

	2019	2018
	$'000	$'000
Cash and cash equivalents (per Statement of Financial Position)	**1,479**	1,562
Closing cash and cash equivalents (per Statement of Cash Flows)	**1,479**	1,562

Refer to Note 11 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

6. Property, plant and equipment

	Land and Buildings $'000	Total $'000
At 1 July 2018 - At fair value		
Gross carrying amount	**10,348**	**10,348**
Accumulated depreciation and impairment	**(620)**	**(620)**
Net carrying amount	**9,728**	**9,728**
At 30 June 2019 - At fair value		
Gross carrying amount	**10,125**	**10,125**
Accumulated depreciation and impairment	**(700)**	**(700)**
Net carrying amount	**9,425**	**9,425**
Year ended 30 June 2019		
Net carrying amount at start of year	**9,728**	**9,728**
Depreciation expense	**(127)**	**(127)**
Net revaluation (decrements)	**(176)**	**(176)**
Net carrying amount at end of year	**9,425**	**9,425**

	Land and Buildings $'000	Total $'000
At 1 July 2017 - At fair value		
Gross carrying amount	9,986	9,986
Accumulated depreciation and impairment	(553)	(553)
Net carrying amount	9,433	9,433
At 30 June 2018 - At fair value		
Gross carrying amount	10,348	10,348
Accumulated depreciation and impairment	(620)	(620)
Net carrying amount	9,728	9,728
Year ended 30 June 2018		
Net carrying amount at start of year	9,433	9,433
Depreciation expense	(137)	(137)
Net revaluation increments	432	432
Net carrying amount at end of year	9,728	9,728

Recognition and Measurement

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

6. Property, plant and equipment (continued)

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.

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 to Note 7 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 2018 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.

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. As a not-for-profit entity, an impairment loss is recognised in net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

6. Property, plant and equipment (continued)

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 used for 2018-19 and the previous year by asset category is:

	Years
Buildings	40

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.

7. Fair value measurement of non-financial assets

a. Fair value hierarchy

2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Property, plant and equipment				
Land and buildings	-	4,975	4,450	9,425
	-	4,975	4,450	9,425

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

b. Valuation techniques, inputs and processes

The Trust's land and building assets were revalued as at 30 June 2019 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. 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 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
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. 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

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

c. Reconciliation of recurring Level 3 fair value measurements

2019	Land and Buildings $'000	Total $'000
Fair value as at 1 July 2018	**4,598**	**4,598**
Additions	**-**	**-**
Revaluation increments/decrements recognised in other comprehensive income - included in line item 'Net increase/(decrease) in property, plant and equipment revaluation surplus'	**(87)**	**(87)**
Depreciation	**(61)**	**(61)**
Fair value as at 30 June 2019	**4,450**	**4,450**

Recognition and Measurement

Fair value hierarchy

A number of the Trust'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 Trust 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.

8. Contingent Liabilities and Contingent Assets

The Trust has no contingent liabilities and contingent assets at 30 June 2019 (2018: $Nil).

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

	2019	2018
	$'000	$'000
Net cash used on operating activities	**(83)**	(90)
Depreciation	**(127)**	(137)
(Decrease) in prepayments and other assets	**-**	(13)
Decrease in creditors	**-**	15
(Deficit) for the year	**(210)**	(225)

10. Commitments for Expenditure

The Trust has no expenditure commitments as at 30 June 2019 (2018: $Nil).

11. 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.

11. Financial instruments (continued)

a. Financial instrument categories

i. As at 30 June 2019 under AASB 9

Financial Assets	Note	Category	Carrying Amount
			2019
			$'000
Class:			
Cash and cash equivalents	5	N/A	**1,479**

ii. As at 30 June 2018 under AASB 139

Financial Assets	Note	Category	Carrying Amount
			2018
			$'000
Class:			
Cash and cash equivalents	5	N/A	1,562

11. 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 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. No collateral is held by the Trust. The Trust has not granted any financial guarantees. Credit risk associated with the Trust's financial assets, is managed through the selection of counterparties and establishment of minimum credit rating standards.

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 Trust is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors.

The Trust has no debtors as at 30 June 2019 (2018: $Nil).

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 Trust has no liabilities as at 30 June 2019 (2018: $Nil).

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. 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 2019. The analysis assumes that all other variables remain constant.

11. Financial instruments (continued)

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.

	2019 $'000		2018 $'000	
	-1%	**+1%**	**-1%**	**+1%**
Net Result	**(15)**	**15**	(16)	16
Equity	**(15)**	**15**	(16)	16

f. Fair value measurement

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.

12. 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 related parties of the Trust:
- Department of Family and Community Services – parent entity
- Aboriginal Housing Office (AHO)
- Land and Housing Corporation (LAHC)
- Multicultural NSW (MNSW)
- Office of Children's Guardian (OCG)
- Department of Justice

12. Related party disclosures (continued)

(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 and Deputy Secretaries including the Executive Director and Chief Executive of the Aboriginal Housing Office have been identified as the KMP of FACS. Through the Secretary, 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.

KMP compensation is 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 2019 is disclosed in the 30 June 2019 Financial Statements of FACS.

(b) Related Party Transactions

There were no related party transactions during the year ended 30 June 2019 with related entities of the Trust or Key Management Personnel.

13. Events after the reporting period

The Administrative Arrangements(Administrative Changes - Public Service Agencies) Order 2019 issued on 2 April 2019, abolished the Department of Family and Community Services with effect from 1 July 2019. Other than this, 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

Financial statements for the year ended 30 June 2019

INDEPENDENT AUDITOR'S REPORT

Aboriginal Housing Office

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Aboriginal Housing Office (the Office), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a 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 2019, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of *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 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | **t** 02 9275 7101 | **f** 02 9275 7179 | mail@audit.nsw.gov.au | audit.nsw.gov.au

Other Information

The annual report of the Department of Family and Community Services for the year ended 30 June 2019 includes other information in addition to the financial statements of the Office and my Independent Auditor's Report thereon. The Secretary of the Department of Communities and Justice is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Statement by the Secretary.

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

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

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

I have nothing to report in this regard.

The Secretary's Responsibilities for the Financial Statements

The Secretary of the Department of Planning, Industry and Environment 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the ability of the Office and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where operations will be dissolved by an Act of Parliament or otherwise cease.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

S Bond.

Sally Bond
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

16 September 2019
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 2019 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 12 September 2019, I am not aware of any circumstances, which would render any particulars included in the consolidated financial statements to be misleading or inaccurate.

Jim Betts
Secretary, Department of Planning, Industry and Environment
For and on behalf of Aboriginal Housing Office

12 September 2019

Start of Financial Statements

Aboriginal Housing Office

Consolidated statement of comprehensive income for the year ended 30 June 2019

		PARENT			CONSOLIDATED		
	Notes	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
Expenses excluding losses							
Personnel Services	2(a)	16,372	10,587	13,066	16,372	10,587	13,066
Operating expenses	2(b)	58,437	59,841	57,722	58,782	59,841	58,044
Depreciation and amortisation	2(c)	20,204	20,684	19,982	20,273	20,684	20,058
Grants and subsidies	2(d)	17,983	42,382	14,028	17,638	42,382	14,028
Total expenses excluding losses		112,996	133,494	104,798	113,065	133,494	105,196
Revenue							
Rent and other tenant charges	3(a)	55,401	55,210	54,258	55,401	55,210	54,258
Grants and contributions	3(b)	59,633	92,833	52,217	59,633	92,833	52,217
Other income	3(c)	34,809	-	25,869	34,809	-	26,068
Total Revenue		149,843	148,043	132,344	149,843	148,043	132,543
Gain / (losses) on disposal	4	(7,380)	(900)	(2,509)	(7,380)	(900)	(2,991)
Impairment losses on financial assets	5	(185)	(553)	(238)	(185)	(553)	(238)
Net result		29,282	13,096	24,799	29,213	13,096	24,118
Other comprehensive income							
Items that will not be reclassified to net result in subsequent periods							
Changes in revaluation surplus of property, plant and equipment	8	7,723	83,310	162,268	7,876	83,310	162,277
Total other comprehensive income		7,723	83,310	162,268	7,876	83,310	162,277
TOTAL COMPREHENSIVE INCOME		37,005	96,406	187,067	37,089	96,406	186,395

The accompanying notes form part of these financial statements.

Aboriginal Housing Office

Consolidated statement of financial position as at 30 June 2019

		PARENT			CONSOLIDATED		
		Actual	Budget	Actual	Actual	Budget	Actual
		2019	2019	2018	2019	2019	2018
	Notes	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS							
Current Assets							
Cash and cash equivalents	6	10,463	10,901	20,205	10,463	10,901	20,205
Receivables	7	4,752	2,631	3,469	4,752	2,631	3,469
Total Current Assets		15,215	13,532	23,674	15,215	13,532	23,674
Non-Current Assets							
Land and buildings	8	2,151,569	2,188,593	2,113,747	2,156,541	2,188,593	2,118,635
Plant and equipment	8	287	893	372	287	893	372
Capital work in progress	8	14,404	12,031	10,011	14,404	12,031	10,011
Total property, plant and equipment		2,166,260	2,201,517	2,124,130	2,171,232	2,201,517	2,129,018
Total Non-Current Assets		2,166,260	2,201,517	2,124,130	2,171,232	2,201,517	2,129,018
Total Assets		2,181,475	2,215,049	2,147,804	2,186,447	2,215,049	2,152,692
LIABILITIES							
Current Liabilities							
Payables	10	23,029	21,563	27,102	23,029	21,563	27,102
Unearned revenue	11	713	-	-	713	-	-
Total Current Liabilities		23,742	21,563	27,102	23,742	21,563	27,102
Non-Current Liabilities							
Provisions	12	541	257	515	541	257	515
Total Non-Current Liabilities		541	257	515	541	257	515
Total Liabilities		24,283	21,820	27,617	24,283	21,820	27,617
Net Assets		2,157,192	2,193,229	2,120,187	2,162,164	2,193,229	2,125,075
EQUITY							
Asset Revaluation Reserve		1,156,904	1,240,283	1,153,279	1,162,115	1,240,283	1,158,337
Accumulated funds		1,000,288	952,946	966,908	1,000,049	952,946	966,738
Total Equity		2,157,192	2,193,229	2,120,187	2,162,164	2,193,229	2,125,075

The accompanying notes form part of these financial statements.

Aboriginal Housing Office

Consolidated statement of changes in equity for the year ended 30 June 2019

2019 PARENT	Notes	Accumulated Funds $'000	Asset Revaluation Reserve $'000	Total $'000
Balance as at 1 July 2018		966,908	1,153,279	2,120,187
Net result for the year		29,282	-	29,282
Other comprehensive income:				
Net increase/(decrease) in property, plant and equipment	8	-	7,723	7,723
Total other comprehensive income		-	7,723	7,723
Total comprehensive income for the year		29,282	7,723	37,005
Transfer between equity items				
Transfer arising from disposals of property plant and equipment		4,098	(4,098)	-
Balance at 30 June 2019		1,000,288	1,156,904	2,157,192

2019 CONSOLIDATED	Notes	Accumulated Funds $'000	Asset Revaluation Reserve $'000	Total $'000
Balance as at 1 July 2018		966,738	1,158,337	2,125,075
Net result for the year		29,213	-	29,213
Other comprehensive income:				
Net increase/(decrease) in property, plant and equipment	8	-	7,876	7,876
Total other comprehensive income		-	7,876	7,876
Total comprehensive income for the year		29,213	7,876	37,089
Transfer between equity items				
Transfer arising from disposals of property plant and equipment		4,098	(4,098)	-
Balance at 30 June 2019		1,000,049	1,162,115	2,162,164

Aboriginal Housing Office

Consolidated statement of changes in equity for the year ended 30 June 2019

2018 PARENT	Notes	Accumulated Funds $'000	Asset Revaluation Reserve $'000	Total $'000
Balance as at 1 July 2017		939,930	993,190	1,933,120
Net result for the year		24,799	-	24,799
Other comprehensive income:				
Net increase/(decrease) in property, plant and equipment	8	-	162,268	162,268
Total other comprehensive income		-	162,268	162,268
Total comprehensive income for the year		24,799	162,268	187,067
Transfer between equity items				
Transfer arising from disposals of property plant and equipment		2,179	(2,179)	-
Balance at 30 June 2018		966,908	1,153,279	2,120,187

2018 CONSOLIDATED	Notes	Accumulated Funds $'000	Asset Revaluation Reserve $'000	Total $'000
Balance as at 1 July 2017		940,441	998,239	1,938,680
Net result for the year		24,118	-	24,118
Other comprehensive income:				
Net increase/(decrease) in property, plant and equipment	8	-	162,277	162,277
Total other comprehensive income		-	162,277	162,277
Total comprehensive income for the year		24,118	162,277	186,395
Transfer between equity items				
Transfer arising from disposals of property plant and equipment		2,179	(2,179)	-
Balance at 30 June 2018		966,738	1,158,337	2,125,075

The accompanying notes form part of these financial statements.

Aboriginal Housing Office

Consolidated statement of cash flows for the year ended 30 June 2019

		PARENT			CONSOLIDATED		
	Notes	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Payments							
Personnel services		(13,477)	(10,587)	(12,711)	(13,477)	(10,587)	(12,711)
Suppliers for goods and services		(63,197)	(59,780)	(55,543)	(63,197)	(59,780)	(55,543)
Grants and subsidies		(17,638)	(42,382)	(14,029)	(17,638)	(42,382)	(14,029)
Total payments		(94,312)	(112,749)	(82,283)	(94,312)	(112,749)	(82,283)
Receipts							
Rent and other tenant charges		56,613	55,210	55,320	56,613	55,210	55,320
Grants and contributions		59,633	92,833	52,217	59,633	92,833	52,217
Other		5,315	(552)	2,143	5,315	(552)	2,143
Total receipts		121,561	147,491	109,680	121,561	147,491	109,680
NET CASH FLOWS FROM OPERATING ACTIVITIES	15	27,249	34,742	27,397	27,249	34,742	27,397
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale of property, plant and equipment		1,829	5,955	888	1,829	5,955	888
Purchases of property, plant and equipment		(38,820)	(51,455)	(36,471)	(38,820)	(51,455)	(36,471)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(36,991)	(45,500)	(35,583)	(36,991)	(45,500)	(35,583)
NET INCREASE/(DECREASE) IN CASH		(9,742)	(10,758)	(8,186)	(9,742)	(10,758)	(8,186)
Opening cash and cash equivalents		20,205	21,659	28,391	20,205	21,659	28,391
CLOSING CASH AND CASH EQUIVALENTS	6	10,463	10,901	20,205	10,463	10,901	20,205

The accompanying notes form part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) The Reporting Entity

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 parent entity and 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.

AHO 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.

AHO is a NSW government entity and is controlled by the State of New South Wales, which is the ultimate parent. 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.

As at 30 June 2019, AHO was within the cluster of the Department of Family and Community Services (DFACS). From 1 July 2019, AHO has moved to the cluster of the Department of Planning, Industry and Environment (DPIE). In both instances, the AHO is not a controlled entity.

The financial statements for the year ended 30 June 2019 have been authorised for issue by the DPIE Secretary on 14 September 2019.

(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);
- the requirements of *Public Finance and Audit Act 1983* (the Act) and *Public Finance and Audit Regulation 2015*; and
- Treasurer's Directions issued under the Act.

Property, plant and equipment, assets held for sale and certain financial assets and liabilities are measured at fair value. Other financial statement items are prepared 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.

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

(c) Statement of compliance

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

(d) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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 AHO's policy on the revaluation of property, plant and equipment as discussed in Note 8.

(ii) Accumulated funds

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

(f) 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 asset has been recognised at (amortised) cost by the transferor because there is no active market, the AHO recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the AHO does not recognise that asset.

(g) 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.

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

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

The AHO has adopted AASB 9 *Financial Instruments* (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. AASB 9 also

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

significantly amends other standards dealing with financial instruments such as the revised AASB 7 *Financial Instruments: Disclosures* (AASB 7).

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

Under AASB 9, subsequent measurement of financial assets is based on assessing the contractual cash flow characteristics of the financial assets and the AHO's business model for managing the financial assets.

The assessment of the AHO's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact to the AHO:

- Trade receivables classified as 'Loans and receivables' under AASB 139 as at 30 June 2018 were measured at amortised cost. At 1 July 2018, these are both classified and measured at amortised cost under AASB 9.The AHO continued measuring at fair value, all financial assets previously held at fair value under AASB 139.
- The AHO has not designated any financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement for the AHO's financial liabilities.

a. Impairment

The adoption of AASB 9 has changed the AHO's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the AHO to recognise an allowance for ECLs for all financial assets not held at fair value through profit or loss. There is no material impact to the AHO on adopting the new impairment model.

(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 19/04 Mandates of Options and Major Policy Decisions under Australian Accounting Standards).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Issued but not effective (continued)

	Operative Date
AASB 15, AASB 2014-5, AASB 2015-8 and AASB 2016-3 *Revenue from Contracts with Customers (Not-for-profits only)*	1 January 2019
AASB 16 *Leases*	1 January 2019
AASB 17 *Insurance Contracts*	1 January 2021
AASB 1058 *Income of Not-for-profit Entities*	1 January 2019
AASB 1059 *Service Concession Arrangements: Grantors*	1 January 2019
AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*	1 January 2019
AASB2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*	1 January 2019
AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement*	1 January 2019
AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements*	1 January 2019
AASB 2018-5 *Amendments to Australian Accounting Standards - Deferral of AASB 1059*	1 January 2019
AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*	1 January 2019
AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*	1 January 2019
AASB 2018-8 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities*	1 January 2019

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 AHO other than set out below:

- AASB 16 *Leases* for annual periods beginning on or after 1 January 2019

  AASB 16 *Leases* 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 has assessed the potential effect of this new standard on the following relevant lease arrangements:

  - Head lease and sub-lease arrangements

  The financial impact of applying AASB16 on head lease and sub-lease arrangements are insignificant for AHO. AHO has contractual arrangements with Local Aboriginal Land Councils (LALC) and Aboriginal

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Corporations (AC) in respect of residential properties. The LALCs and ACs transfer management of their dwellings to AHO (collectively referred to as 'Head Lease Agreements'). The AHO then sub-leases the management of these properties to approved providers (Managing Providers) (collectively referred to as 'Sub-lease Agreements'), with AHO acting as the intermediary.

Applying practical expedients, on the basis the head lease and sub leases were previously assessed as leases under AASB 117, the arrangements are treated as leases under AASB 16. Lease terms for all leases have been assessed as ending less than 12 months from 1 July 2019. Applying practical expedients on transition, AHO has classified the head leases, in which it is a lessee, as short term leases. The sub-leases, in which AHO is a lessor, are classified as operating leases.

Payments for use of the properties under the Head Lease and Sub-lease agreements are $1 per annum (if demanded) i.e. the arrangements are peppercorn arrangements. AHO expects to record a maximum income and expense of $1 per lease in 2019-20. AHO has no residual interest in any of the residential properties subject to the arrangements.

- Office leases with Property New South Wales

Based on the impact assessments AHO has undertaken on currently available information, AHO estimates additional lease liabilities of $2.25m and right-of-use assets of $2.25m will be recognised as at 1 July 2019 for leases in which AHO is a lessee. Most operating lease expenses will be replaced by depreciation of the right of use asset and interest on the lease liability. The impact on the statement of comprehensive income is expected to be $0.051m.

The impact represents management's current best estimate and is still under review. It is possible that the amount recognised at 1 July 2019 in the Statement of Financial Position will differ from this estimate, as a result of further review of underlying lease data, if new leases are entered into or terminated or from re-assessment of any key management assumptions, such as the reasonable possibility that lease extension options will or will not be renewed

(j) Change in accounting policies

The only change in accounting policies for the financial year relates to the adoption of AASB 9 mentioned in (i).

	PARENT		CONSOLIDATED	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000

2. Expenses excluding losses

(a) *Personnel services*

	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Salaries and wages (including annual leave)	**12,087**	10,300	**12,087**	10,300
Superannuation - defined contribution plans	**770**	720	**770**	720
Superannuation - defined benefit plans	**2,294**	178	**2,294**	178
Salary and wages (Temporary Staff)	**1**	554	**1**	554
Long service leave	**398**	742	**398**	742
Workers' compensation insurance	**284**	46	**284**	46
Payroll tax and fringe benefit tax	**562**	509	**562**	509
Other	**(24)**	17	**(24)**	17
Fee for personnel services	**16,372**	13,066	**16,372**	13,066

The AHO's personnel services fee includes a component of 2019: $2.262M (2018: $0.174M) for the actuarial superannuation liability.

Recognition and measurement

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 (DFACS). DFACS also assume the Annual leave and Long service leave provisions of employees providing Personnel services to the AHO. 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 AHO has assessed the actuarial advice based on the AHO'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 the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service.

Expected future payments are discounted using Commonwealth government bond rate of 1.32% 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.

2. Expenses excluding losses (continued)

- 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.

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.

2. Expenses excluding losses (continued)

	PARENT		CONSOLIDATED	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
(b) *Operating expenses*				
Auditor's remuneration - audit of the financial report	**87**	93	**87**	93
Advertising and promotions	**281**	236	**281**	236
Data processing services	**243**	248	**243**	248
Other contractors	**8,141**	6,953	**8,386**	6,953
DFACS Business Services fee	**1,686**	1,668	**1,686**	1,668
Fee for services rendered	**7,436**	7,868	**7,436**	7,868
Insurance	**515**	455	**515**	455
Office maintenance	**1**	8	**1**	8
Minor equipment purchases	**20**	40	**20**	40
Motor vehicle expenses	**47**	32	**47**	32
Motor vehicle leasing costs	**89**	93	**89**	93
Rent and accommodation expense	**628**	691	**628**	691
Telephone	**106**	45	**106**	45
Postage and freight	**23**	17	**23**	17
Printing and stationery	**43**	70	**43**	70
Training and development expense	**760**	581	**760**	581
Travelling, removal and subsistence	**655**	602	**655**	602
Building maintenance and utilities expense	**36,205**	36,962	**36,267**	37,218
Other	**1,471**	1,060	**1,509**	1,126
	58,437	57,722	**58,782**	58,044

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

Insurance
The AHO's insurance activities relating to its operations and property portfolio 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. AHO are self-insured against property and liability damage (fire damage, vehicle impact and tempest) less than $250,000 on their property portfolio. Based on past experience and research, this option is considered to be the most economical.

Operating leases
An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

2. Expenses excluding losses (continued)

	PARENT		CONSOLIDATED	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
(c) *Depreciation and amortisation expense - refer Note 8 (v)*				
Depreciation				
Buildings	**20,101**	19,890	**20,170**	19,966
Leasehold improvements	**103**	92	**103**	92
	20,204	19,982	**20,273**	20,058

(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 expenditure below relates to recurrent expenditure provided to the ACHP's.

	PARENT 2019	PARENT 2018	CONSOLIDATED 2019	CONSOLIDATED 2018
National Partnership Agreement on Remote Indigenous Housing (NPARIH)	**10,075**	7,184	**10,075**	7,184
Other grants	**7,908**	6,844	**7,563**	6,844
	17,983	14,028	**17,638**	14,028

Other grants for the period ended 30 June 2019 included $0.345m for forgiveness of liability to the Trust.

3. Revenue

Recognition and measurement

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:

(a) ***Rent and other tenant charges***

	PARENT 2019 $'000	PARENT 2018 $'000	CONSOLIDATED 2019 $'000	CONSOLIDATED 2018 $'000
Market rental	**80,377**	78,821	**80,377**	78,821
Less: Rental rebates	**(27,831)**	(27,265)	**(27,831)**	(27,265)
	52,546	51,556	**52,546**	51,556
Tenant charges	**2,855**	2,702	**2,855**	2,702
	55,401	54,258	**55,401**	54,258

(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.

(b) ***Grants and contributions***

	PARENT 2019 $'000	PARENT 2018 $'000	CONSOLIDATED 2019 $'000	CONSOLIDATED 2018 $'000
Commonwealth				
State Social Housing	**4,487**	4,487	**4,487**	4,487
National Affordable Housing Agreement (NAHA)	**-**	28,843	**-**	28,843
National Housing and Homelessness Agreement (NHHA)	**29,239**	-	**29,239**	-
National Partnership Agreement on Remote Indigenous Housing (NPARIH)	**15,127**	14,878	**15,127**	14,878
Grant from other government agency	**10,780**	4,009	**10,780**	4,009
	59,633	52,217	**59,633**	52,217

Grants are received through NSW Treasury from the Commonwealth Government under the National Partnership Agreement on Remote Indigenous Housing (NPARIH) and National Housing and Homelessness Agreement (NHHA). Additional contribution is also received from the State Government under State Social Housing.

(ii) Grants and other contributions

Income from grants (other than contribution by owners) is recognised when the AHO obtains control over the contribution. The AHO is deemed to have assumed control when the grant is received or receivable. Contributions are recognised at their fair value. Contributions of services are recognised when and only when a fair value of those services can be reliably determined and the services would be purchased if not donated.

		PARENT		CONSOLIDATED	
		2019	2018	2019	2018
		$'000	$'000	$'000	$'000
3.	**Revenue (continued)**				
(c)	Other income				
	Assets recognised for the first time	**29,495**	23,925	**29,495**	23,925
	Other	**5,314**	1,944	**5,314**	2,143
		34,809	25,869	**34,809**	26,068

The Aboriginal Housing Office (AHO) received Ministerial approval to transfer ownership of government-owned properties purchased under the Housing Aboriginal Communities Program (HACP) to AHO-registered Aboriginal Community Housing Providers (ACHPs). The AHO invited Expressions of Interest (EOI) from AHO-registered ACHPs that believed that they met the requirements for transfer of title of HACP properties. The AHO had met with each provider who submitted an EOI to discuss their application and assessed the evidence submitted. As part of the process, it was determined that there were 85 properties that were deemed not eligible for transfer for the financial year ended 30th June 2019. As the AHO:

(i) have ownership over these properties; and

(ii) could now demonstrate control given the confirmation that these properties will not be transferred and there are valid management agreements in place;

These properties were recognised for the first time in 2019 at a value of $29.5m (2018: $23.9m).

		PARENT 2019	PARENT 2018	CONSOLIDATED 2019	CONSOLIDATED 2018
4.	**(i) Gain/(Losses) on disposal**				
	Proceeds from disposal	**1,850**	917	**1,850**	917
	Disposal costs	**(21)**	(29)	**(21)**	(29)
	Carrying amount of assets disposed	**(5,218)**	(740)	**(5,218)**	(740)
	Net Gain/(Loss) on disposal of property	**(3,389)**	148	**(3,389)**	148
	(ii) Loss on transfers/demolitions and retirements				
	Written down value of assets demolished	**(3,721)**	(2,340)	**(3,721)**	(2,822)
	Written down value of assets written-off	**(270)**	(317)	**(270)**	(317)
		(3,991)	(2,657)	**(3,991)**	(3,139)
	Total Net Gain/(Loss) on Disposal - refer Note 8	**(7,380)**	(2,509)	**(7,380)**	(2,991)

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.

		PARENT 2019	PARENT 2018	CONSOLIDATED 2019	CONSOLIDATED 2018
5.	**Impairment losses on financial assets**				
	Allowance for impairment of receivables - refer Note 7	**(185)**	(238)	**(185)**	(238)
		(185)	(238)	**(185)**	(238)

	PARENT		CONSOLIDATED	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
6. Current assets - cash and cash equivalents				
Cash at bank and on hand	10,463	20,205	10,463	20,205
	10,463	20,205	**10,463**	20,205

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 $213,289 for 2019 (2018: $213,289) 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:

Cash and cash equivalents (as per Statement of Financial Position)	10,463	20,205	10,463	20,205
Closing cash and cash equivalents (as per Statement of Cash Flows)	**10,463**	20,205	**10,463**	20,205

Refer Note 16 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Recognition and measurement

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and cash on hand which may be restricted.

7. Current/non-current assets – receivables

Current				
Rental debtors	**2,655**	4,034	**2,655**	4,034
Sundry debtors	**142**	167	**142**	167
Receivables from DFACS	**23**	523	**23**	523
Receivables from Land and Housing Corporation	**3,693**	1,385	**3,693**	1,385
Receivables from NSW Department of Education	**-**	250	**-**	250
Less: Allowance for expected credit losses*	**(2,698)**	-	**(2,698)**	-
Less : Allowance for impairment**	**-**	(3,019)	**-**	(3,019)
	3,815	3,340	**3,815**	3,340
Prepayments - Other	**62**	20	**62**	20
GST receivable (net)	**875**	109	**875**	109
Total receivables	**4,752**	3,469	**4,752**	3,469

7. Current/non-current assets - receivables (continued)

	PARENT		CONSOLIDATED	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
***Movement in the allowance for expected credit losses**				
Balance at 30 June 2018 under AASB 139	(3,019)	-	(3,019)	-
Amounts restated through opening accumulated funds	-	-	-	-
Balance at 1 July 2018 under AASB 9	(3,019)	-	(3,019)	-
Amounts written off during the year	506	-	506	-
Increase/(decrease) in allowance recognised in comprehensive income	(185)	-	(185)	-
Balance at 30 June 2019	(2,698)	-	(2,698)	-
****Movement in the allowance for impairment**				
Balance at 1 July 2017	-	(3,565)	-	(3,565)
Amounts written off during the year	-	784	-	784
Increase/(decrease) in allowance recognised in comprehensive income	-	(238)	-	(238)
Balance at 30 June 2018	-	(3,019)	-	(3,019)

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 16.

Recognition and measurement

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

Subsequent measurement under AASB 9 (from 1 July 2018)

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

Subsequent measurement under AASB 139 (for comparative period ended 30 June 2018)

Subsequent measurement is at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Impairment under AASB 9 (from 1 July 2018)

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

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

7. Current/non-current assets - receivables (continued)

Recognition and measurement (continued)

Impairment under AASB 139 (for comparative period ended 30 June 2018)

Receivables are subject to an annual review for impairment. These are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The AHO first assesses whether impairment exists individually for receivables that are individually significant, or collectively for those that are not individually significant. Further, receivables are assessed for impairment on a collective basis if they were assessed not to be impaired individually. 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 original effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

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.

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

2019 PARENT	Land and Buildings $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
At 1 July 2018 - fair value				
Gross carrying amount	2,113,908	696	10,011	2,124,615
Accumulated depreciation and impairment	(161)	(324)	-	(485)
Net Carrying Amount	2,113,747	372	10,011	2,124,130
At 30 June 2019 - fair value				
Gross carrying amount	2,151,622	715	14,404	2,166,741
Accumulated depreciation and impairment	(53)	(428)	-	(481)
Net Carrying Amount	2,151,569	287	14,404	2,166,260

Reconciliation

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

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

2019 PARENT	Land and Buildings $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
Period ended 30 June 2019				
Net Carrying Amount at start of year	2,113,747	372	10,011	2,124,130
Additions	12,085	-	22,221	34,306
Assets recognised for the first time	29,495	-	-	29,495
Make good	-	18	-	18
Transfers from work in progress	17,828	-	(17,828)	-
Transfers Others				-
Disposals	(5,218)	-	-	(5,218)
Write-off	(269)	-	-	(269)
Demolition	(3,721)	-	-	(3,721)
Net revaluation increment	7,723	-	-	7,723
Depreciation expense	(20,101)	(103)	-	(20,204)
Net Carrying Amount at end of year	2,151,569	287	14,404	2,166,260

2018 PARENT	Land and Buildings $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
At 1 July 2017 - fair value				
Gross carrying amount	1,909,626	656	15,812	1,926,094
Accumulated depreciation and impairment	(4)	(232)	-	(236)
Net Carrying Amount	1,909,622	424	15,812	1,925,858
At 30 June 2018 - fair value				
Gross carrying amount	2,113,908	696	10,011	2,124,615
Accumulated depreciation and impairment	(161)	(324)	-	(485)
Net Carrying Amount	2,113,747	372	10,011	2,124,130

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:

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

2018 PARENT	Land and Buildings $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
Period ended 30 June 2018				
Net Carrying Amount at start of year	1,909,622	424	15,812	1,925,858
Additions	12,561	-	22,755	35,316
Assets recognised for the first time	23,925	-	-	23,925
Make good	-	40	-	40
Transfers from work in progress	28,320	-	(28,320)	-
Transfers Others	(264)	-	-	(264)
Disposals	(187)	-	-	(187)
Write-off	(81)	-	(236)	(317)
Demolition	(2,527)	-	-	(2,527)
Net revaluation increment	162,268	-	-	162,268
Depreciation expense	(19,890)	(92)	-	(19,982)
Net Carrying Amount at end of year	2,113,747	372	10,011	2,124,130

2019 CONSOLIDATED	Land and Buildings $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
At 1 July 2018 - fair value				
Gross carrying amount	2,118,796	696	10,011	2,129,503
Accumulated depreciation and impairment	(161)	(324)	-	(485)
Net Carrying Amount	2,118,635	372	10,011	2,129,018
At 30 June 2019 - fair value				
Gross carrying amount	2,156,594	715	14,404	2,171,713
Accumulated depreciation and impairment	(53)	(428)	-	(481)
Net Carrying Amount	2,156,541	287	14,404	2,171,232

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:

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

2019 CONSOLIDATED	Land and Buildings $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
Period ended 30 June 2019				
Net Carrying Amount at start of year	2,118,635	372	10,011	2,129,018
Additions	12,085	-	22,221	34,306
Assets recognised for the first time	29,495	-	-	29,495
Make good	-	18	-	18
Transfers from work in progress	17,828	-	(17,828)	-
Transfers Others				-
Disposals	(5,218)	-	-	(5,218)
Write-off	(269)	-	-	(269)
Demolition	(3,721)	-	-	(3,721)
Net revaluation increment	7,876	-	-	7,876
Depreciation expense	(20,170)	(103)	-	(20,273)
Net Carrying Amount at end of year	2,156,541	287	14,404	2,171,232

2018 CONSOLIDATED	Land and Buildings $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
At 1 July 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
At 30 June 2018 - fair value				
Gross carrying amount	2,118,796	696	10,011	2,129,503
Accumulated depreciation and impairment	(161)	(324)	-	(485)
Net Carrying Amount	2,118,635	372	10,011	2,129,018

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

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:

2018 CONSOLIDATED	Land and Buildings $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
Period ended 30 June 2018				
Net Carrying Amount at start of year	1,915,182	424	15,812	1,931,418
Additions	12,585	-	22,755	35,340
Assets recognised for the first time	23,925	-	-	23,925
Make good	-	40	-	40
Transfers from work in progress	28,320	-	(28,320)	-
Transfers Others	(264)	-	-	(264)
Disposals	(669)	-	-	(669)
Write-off	(81)	-	(236)	(317)
Demolition	(2,674)	-	-	(2,674)
Net revaluation increment	162,277	-	-	162,277
Depreciation expense	(19,966)	(92)	-	(20,058)
Net Carrying Amount at end of year	2,118,635	372	10,011	2,129,018

Recognition and measurement

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.

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

Property, plant and equipment (Continued)

(ii) Recognition and measurement (continued)

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.

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 is 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 revalue its lands and buildings 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 assets with short useful lives, these are measured at depreciated historical cost as an approximation of fair value. The AHO has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

Property, plant and equipment (Continued)

(iv) Revaluation (continued)

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 that 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.

(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. All material identifiable components of assets are depreciated separately over their useful lives. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end. AHO undertakes ongoing maintenance and upgrades in order to maintain properties at a certain standard.

The depreciation rates are as follows:

	2019 % Rate	2018 % 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.

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.

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

Property, plant and equipment (Continued)

(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 meet 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.

(vii) Impairment

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 rare circumstances such as where the costs of disposal are material.

9. Fair value measurement of non-financial assets

(a) Fair value hierarchy

2019 PARENT	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Property, plant and equipment					
Land and buildings	8	-	-	2,151,569	2,151,569
		-	-	**2,151,569**	**2,151,569**
2019 CONSOLIDATED					
Property, plant and equipment					
Land and buildings	8	-	-	2,156,541	2,156,541
		-	-	**2,156,541**	**2,156,541**

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

2018 PARENT	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Property, plant and equipment					
Land and buildings	8	-	-	2,113,747	2,113,747
		-	-	**2,113,747**	**2,113,747**
2018 CONSOLIDATED					
Property, plant and equipment					
Land and buildings	8	-	-	2,118,635	2,118,635
		-	-	**2,118,635**	**2,118,635**

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

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

Recognition and measurement

Fair value measurement and 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.

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

(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 2019.

The uplift market movement for the six months ended 30 June 2019 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.

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

(b) Valuation techniques, inputs and processes (continued)

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.

	PARENT		CONSOLIDATED	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
10. Current liabilities – payables				
Payable for personnel services	11,835	8,940	11,835	8,940
Creditors - trade	3,463	2,808	3,463	2,808
Creditors - sundry	798	1,211	798	1,211
Accrued operating expenditure	3,567	6,089	3,567	6,089
Accrued capital expenditure	2,818	7,332	2,818	7,332
Creditors - inter agency	548	722	548	722
	23,029	27,102	23,029	27,102

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are included in Note 16.

Recognition and measurement

Trade and other payables

These represent liabilities for goods and services provided to the AHO and other amounts. Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. 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.

11. Current liabilities – unearned revenue

Unearned revenue	713	-	713	-
	713	-	713	-

Unearned revenue for the year relates to insurance proceeds that were received in advance.

	PARENT		CONSOLIDATED	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
12. Non-current liabilities – provisions				
Other provisions				
Property replacement cost	**213**	213	**213**	213
Restoration	**328**	302	**328**	302
Total Provisions	**541**	515	**541**	515

2019 PARENT

	Property replacement $'000	Restoration $'000	Total $'000
Carrying amount at the beginning of the financial year	213	302	515
Additional provision recognised	-	20	20
Unwinding/Change in the discount rate	-	6	6
Carrying amount at the end of the financial year	213	328	541

2019 CONSOLIDATED

	Property replacement $'000	Restoration $'000	Total $'000
Carrying amount at the beginning of the financial year	213	302	515
Additional provision recognised	-	20	20
Unwinding/Change in the discount rate	-	6	6
Carrying amount at the end of the financial year	213	328	541

Recognition and measurement

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 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. When discounting is used, the increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost.

Restoration costs 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.

13. 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:

	PARENT 2019 $'000	PARENT 2018 $'000	CONSOLIDATED 2019 $'000	CONSOLIDATED 2018 $'000
Within one year	**5,727**	3,710	**5,727**	3,710
Later than one and not later than five years	**8**	227	**8**	227
Total (including GST)	**5,735**	3,937	**5,735**	3,937

(b) Operating lease commitments

Entity as Lessee

Future minimum rentals payable under non-cancellable operating lease as at 30 June are, as follows:

	PARENT 2019 $'000	PARENT 2018 $'000	CONSOLIDATED 2019 $'000	CONSOLIDATED 2018 $'000
Within one year	**397**	453	**397**	453
Later than one year but not later than five years	**652**	1,107	**652**	1,107
Total (including GST)	**1,049**	1,560	**1,049**	1,560

Operating lease commitments mainly relate to the AHO's office lease with Property NSW.

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 $0.467m (2018: - $0.379m) that are expected to be recovered from the Australian Taxation Office.

14. Contingent Liabilities and Contingent Assets

As part of the HACP program, there were 40 properties that the AHO does not have definitive control over as at 30 June 2019. As a result, they will not be recognised until such time as full control is established. The estimated value of these properties is $20.3m. (2018 - $28.7m).

There were no contingent liabilities for the AHO as at 30 June 2019 (2018 - $Nil).

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

	PARENT 2019 $'000	PARENT 2018 $'000	CONSOLIDATED 2019 $'000	CONSOLIDATED 2018 $'000
Net cash from operating activities	**27,249**	27,397	**27,249**	27,397
Gains/(losses) on disposal	**(7,380)**	(2,509)	**(7,380)**	(2,991)
Depreciation and amortisation	**(20,204)**	(19,982)	**(20,273)**	(20,058)
Assets recognised for the first time	**29,495**	23,925	**29,495**	23,925
Allowance for impairment	**(185)**	(238)	**(185)**	(238)
Unwinding of discount on make good provision	**(6)**	(5)	**(6)**	(5)
Increase / (decrease) in receivables	**1,425**	(283)	**1,425**	(283)
Decrease / (increase) in payables	**(441)**	(3,526)	**(441)**	(3,649)
Decrease / (increase) in unearned revenue	**(713)**	-	**(713)**	-
Increase / (decrease) in prepayments and other assets	**42**	20	**42**	20
Net result	**29,282**	24,799	**29,213**	24,118

16. 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 Secretary has the 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. The AHO works closely with FACS and participates in the FACS risk management process to manage these risks. Compliance with policies is reviewed by AHO on a continuous basis.

(a) *Financial instrument categories*

(i) As at 30 June 2019 Under AASB 9

Financial Assets	**Note**	**Category**	**Carrying amount**
Class:			**$'000**
Cash and cash equivalents	6	N/A	10,463
Receivables (1)	7	Amortised Cost	3,815
Total financial assets			14,278

Financial Liabilities	**Note**	**Category**	**Carrying amount**
Class:			**$'000**
Payables (2)	10	Financial liabilities measured at amortised cost	23,029
Total financial assets			23,029

(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)

(ii) As at 30 June 2018 Under AASB 139

Financial Assets	**Note**	**Category**	**Carrying amount**
Class:			**$'000**
Cash and cash equivalents	6	N/A	20,205
Receivables (1)	7	Amortised Cost	3,340
Total financial assets			23,545

Financial Liabilities	**Note**	**Category**	**Carrying amount**
Class:			**$'000**
Payables (2)	10	Financial liabilities measured at amortised cost	27,102
Total financial assets			27,102

(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)

The AHO determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

16. Financial Instruments (continued)

De-recognition of financial assets and liabilities

(iii) 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 its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

a) the AHO has transferred substantially all the risks and rewards of the asset; or

b) the AHO has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control.

When AHO has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where 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 asset. In that case, the AHO also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the AHO has retained.

(iv) Financial liabilities

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

(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 credit losses or allowance for impairment).

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

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

Cash and cash equivalents

Cash comprises cash on hand and bank balances with Westpac Banking Corporation. Interest is earned on daily bank balances. Any interest income earned is pooled centrally and retained by NSW Treasury.

Accounting policy for impairment of trade debtors and other financial assets under AASB 9

Receivables - trade debtors

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

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

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

16. Financial Instruments (continued)

(b) Credit risk (continued)

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The AHO has identified the GDP, the unemployment rate and the Commonwealth government welfare transfer payments regime to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

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

	30 June 2019 $'000					
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	-	-	76%	67%	62%	
Estimated total gross carrying amount at default	-	-	5	6	4,331	4,342
Expected credit loss	-	-	4	4	2,691	2,699

	1 July 2018 $'000					
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	-	-	32%	53%	62%	
Estimated total gross carrying amount at default	-	-	3	2	4,829	4,834
Expected credit loss	-	-	1	1	3,017	3,019

Note: The analysis excludes statutory receivables, prepayments, as these are not within the scope of AASB 7. Therefore, the "total" will not reconcile to the receivables total in Note 7.

Accounting policy for impairment of trade debtors under AASB 139 (comparative period only)

Receivables - trade debtors

Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the AHO 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 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.

16. Financial Instruments (continued)

(b) Credit risk (continued)

2018	$'000 Total (1,2)	$'000 Past due but not impaired (1,2)	$'000 Considered Impaired (1,2)
Neither past due or impaired	2,230	2,230	-
< 3 months overdue	1,113	1,110	3
3 months – 6 months overdue	10	-	10
> 6 months overdue	3,006	-	3,006
Total receivables - gross of allowance for impairment	6,359	3,340	3,019

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

(2) The ageing analysis excludes statutory receivables and prepayments, as these are not within the scope of AASB 7. 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 2019 year (2018: $Nil).

The table below summarises the maturity profile of the AHO's financial liabilities based on contractual undiscounted payments, together with the interest rate exposure.

At 30 June 2019	Interest rate exposure	Maturity dates			
	Nominal Amount	<1 year	Between 1 and 5 years	> 5 years	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Payable for personnel services	11,835	11,835	-	-	11,835
Creditors	11,194	11,194	-	-	11,194
Total	23,029	23,029	-	-	23,029

At 30 June 2018	Interest rate exposure	Maturity dates			
	Nominal Amount	<1 year	Between 1 and 5 years	> 5 years	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Payable for personnel services	8,940	8,940	-	-	8,940
Creditors	18,162	18,162	-	-	18,162
Total	27,102	27,102	-	-	27,102

16. Financial Instruments (continued)

(c) *Liquidity risk (continued)*

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.

The AHO has access to the following line of credit with Westpac Bank:

	$'000 2019	$'000 2018
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.

	$'000 2019	$'000 2018
The AHO has access to the following credit card facility with Westpac Bank	500	200

This facility was approved under the Public Authorities Financial Arrangements Act by the Treasurer on 5 July 2018 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.

30 June 2019		-1%		+1%	
	Carrying amount	Net Result	Equity	Net Result	Equity
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash and cash equivalents	10,463	(105)	(105)	105	105
Trade and other receivables	3,815	-	-	-	-
Financial liabilities					
Trade and other payables	23,029	-	-	-	-
Total increase/(decrease)		(105)	(105)	105	105

30 June 2018		-1%		+1%	
	Carrying amount	Net Result	Equity	Net Result	Equity
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash and cash equivalents	20,205	(202)	(202)	202	202
Trade and other receivables	3,340	-	-	-	-
Financial liabilities					
Trade and other payables	27,102	-	-	-	-
Total increase/(decrease)		(202)	(202)	202	202

16. Financial Instruments (continued)

(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.

17. Budget review

(a) *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 on the primary financial statements are explained below.

Net Cost of Services (NCOS)

The Net Cost of Services (NCOS) was $29.2m in surplus against the approved budget of $13.1m. The NCOS was achieved.

The major variances to budget for revenue were:

Asset re-instatement – higher by $29.5m for 85 properties which have been recognised for the first time in AHO books as part of the HACP Program.

Other grants – higher by $3.2m due to grants received from the Office of Environment & Heritage for our solar program.

Other revenue – higher by $5.4m primarily due to $4.5m of insurance claims received for fire damaged properties and a $0.9m refund in relation to project and tenancy management fees.

Offset by:

NPARIH Program funding – lower by $36.3m due to a transfer of $15.0m to FACS as a result of the Murdi Paaki Local Decision Making Process, and an approved carry-forward of $21.3m for backlog community upgrades, capital works and administrative support to 2019/20 (please see expenditure variances below for further details).

The major variances to budget for expenditure were:

NPARIH backlog community upgrades – lower by $13.7m due to a decision to extend the backlog program on community owned properties to ensure that quality standards can be maintained and Aboriginal participation rates are met.

NPARIH admin grants – lower by $7.9m due to a transfer of $4.5m of funding to FACS as part of the Murdi Paaki Local Decision Making program, and a further approved carry-forward of $3.1m to 2019/20.

Contractors – lower by $2.4m as the original contractors budget included Strong Family, Strong Communities strategy funding which was subsequently reallocated to Personnel Services Expense.

16. Budget review (continued)

Net Cost of Services (NCOS) (continued)

Council rates – lower by $1.0m which reflects the softening real estate market over the past financial year, resulting in lower rateable amounts for the year.

Depreciation – lower by $0.4m due to a lower than expected revaluation of our property portfolio during the year.

Offset by:

Personnel services expense – higher by $5.8m due to the additional $3.1m funding for the Strong Family, Strong Communities strategy after the initial approved budget. There was also an increased actuarial adjustment in the Long Service Leave and Defined Benefit Superannuation liabilities by $0.45m and $2.26m respectively due to a decrease in the Commonwealth Bond Rate from 2.6% in 2018 to 1.3% in 2019.

Assets and Liabilities

The major variances to budget were:

Property, plant and equipment - lower than budget by $30.3m due to a smaller than anticipated revaluation but partially offset by the $29.5m recognition of former HACP properties.

Asset revaluation reserve - lower than budget by $78.2m due to a softening real estate market during the year.

Cash Flows

The AHO finished the year with minimal variance in its cash position as compared to budget. As at 30 June 2019, the AHO's cash position was $10.5m versus a budget of $10.9m, which represents a small variance of 3.7%.

17. Program group statement

AHO operates and reports in one program group. The Statement of Comprehensive Income and Statement of Financial Position show the program group information of AHO.

18. Defined benefit superannuation plans

DFACS

	SASS		SANCS		SSS		Total	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018	30/06/2019	30/06/2018	30/06/2019	30/06/2018
Member Numbers								
Contributors	-	-	-	-	-	-	-	-
Pensioners	-	-	-	-	-	7	-	7
Superannuation Position	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accrued liability	-	-	(2)	(1)	14,916	12,720	14,914	12,719
Estimated reserve account balance	(1)	(1)	(9)	(5)	(4,086)	(4,157)	(4,096)	(4,163)
Net liability recognised in statement of financial position	(1)	(1)	(11)	(6)	10,830	8,563	10,818	8,556

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.

19. 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 parties* 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. 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.

19. Related party disclosures (continued)

(a) *Key management personnel (continued)*

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

	2019	2018
	$'000	$'000
Short-term employee benefits:	221	278
Post-employment benefits	12	15
Total remuneration	233	293

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 contract administration, professional and technical advice, repairs and maintenance and related reporting services. During the period to 30 June 2019, AHO incurred $2.45m (2018: $2.39m) 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 2019, AHO incurred $4.99m (2018: $5.48m) 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, and information technology and business services. During the period to 30 June 2019, AHO incurred $1.69m (2018: $1.67m) as management fees and this amount is disclosed in Note 2 (b) DFACS Business Services fee.

Other government agencies

AHO transacts with other government entities in the normal course of business at arm's length.

Transaction with the Trust

As disclosed in Note 2(d), the AHO has recognised $0.345m of other grants for forgiveness of liability to the Trust for the period ended 30 June 2019.

20. Events after the reporting period

The AHO had transitioned to the new Department of Planning, Industry and Environment cluster as at 1 July 2019. This had no significant impact on the disclosures of the financial statements for the period ended 30 June 2019.

There were no other events subsequent to balance date which would significantly affect the disclosures of these financial statements.

3. NSW Land and Housing Corporation

Financial statements for the year ended 30 June 2019

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 NSW Land and Housing Corporation (the Corporation), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2019, 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 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.

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | f 02 9275 7179 | mail@audit.nsw.gov.au | audit.nsw.gov.au

Other Information

The annual report of the Department of Family and Community Services for the year ended 30 June 2019 includes other information in addition to the financial statements of the Corporation and my Independent Auditor's Report thereon. The Secretary of the Department of Communities and Justice is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Statement by the Secretary.

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

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

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

I have nothing to report in this regard.

The Secretary's Responsibilities for the Financial Statements

The Secretary of the Department of Planning, Industry and Environment 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the ability of the Corporation and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where operations will be dissolved by an Act of Parliament or otherwise cease.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the [financial statements / financial report] 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.

S Bond.

Sally Bond
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

16 September 2019
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 2019 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.

Jim Betts

Jim Betts
Secretary of the Department of Planning, Industry and Environment
For and on behalf of
NSW Land and Housing Corporation
12 September 2019

NSW LAND AND HOUSING CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $'000	2018 $'000
Revenue			
Rent and other tenant charges	2	852 431	875 074
Government grants	3	95 584	127 715
Investment revenue	4	5 465	4 162
Management fees	5	6 347	6 937
Other revenue	6	23 192	34 847
Total Revenue		**983 019**	**1 048 735**
Expenses			
Repairs and maintenance	7	324 016	413 329
Council rates		133 761	133 528
Water rates		94 274	93 156
Tenancy management	1e)	110 660	109 080
Personnel services	8	64 744	62 029
Depreciation and amortisation	10	501 001	500 351
Grants and subsidies	11	3 000	80 702
Finance costs	12	50 115	51 565
Other expenses	9	157 745	155 903
Total Expenses		**1 439 316**	**1 599 643**
Operating Result		**(456 297)**	**(550 908)**
(Loss)/Gain on disposal of assets	13	(47 114)	88 027
Other losses	14	(4 728)	(101)
NET RESULT		**(508 139)**	**(462 982)**
Other comprehensive income			
Items that will not be reclassified to net result:			
Net increase in property, plant and equipment asset revaluation reserve	20*(i)*,*(ii)*	110 996	5 243 923
Total other comprehensive income		**110 996**	**5 243 923**
TOTAL COMPREHENSIVE INCOME		**(397 143)**	**4 780 941**

The accompanying notes form part of these financial statements.

NSW LAND AND HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	15	458 270	278 452
Receivables	16	34 076	37 075
Other financial assets	17	155	82
Other	18	4 623	7 529
Assets held for sale	19	55 642	73 578
Total Current Assets		**552 766**	**396 716**
Non-Current Assets			
Other financial assets	17	521	892
Property, plant and equipment	20	54 035 646	54 445 917
Intangible assets	22	1 974	2 900
Total Non-Current Assets		**54 038 141**	**54 449 709**
TOTAL ASSETS		**54 590 907**	**54 846 425**
LIABILITIES			
Current Liabilities			
Payables	23	253 867	226 308
Borrowings	24	27 839	31 093
Provisions	25	6 530	6 302
Total Current Liabilities		**288 236**	**263 703**
Non-Current Liabilities			
Borrowings	24	610 896	504 925
Other	26	11 121	-
Total Non-Current Liabilities		**622 017**	**504 925**
TOTAL LIABILITIES		**910 253**	**768 628**
NET ASSETS		**53 680 654**	**54 077 797**
EQUITY			
Revaluation Reserves		43 746 184	43 998 104
Accumulated Funds		9 934 470	10 079 693
TOTAL EQUITY		**53 680 654**	**54 077 797**

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 2019

	Notes	Accumulated Funds $'000	Asset Revaluation Reserve $'000	Total Equity $'000
2019				
Balance at the beginning of the year		10 079 693	43 998 104	54 077 797
Net result for the year		(508 139)	-	(508 139)
Other Comprehensive Income:				
Net increase in property, plant and equipment asset valuations	20*(i)*	-	110 996	110 996
Total other comprehensive income		-	110 996	110 996
Total comprehensive income for the year		(508 139)	110 996	(397 143)
Transfer between equity items:				
Transfers on disposal of assets		362 916	(362 916)	-
Total transfer between equity items		362 916	(362 916)	-
Balance at 30 June		**9 934 470**	**43 746 184**	**53 680 654**
2018				
Balance at the beginning of the year		10 126 900	39 169 956	49 296 856
Net result for the year		(462 982)	-	(462 982)
Other Comprehensive Income:				
Net increase in property, plant and equipment asset valuations	20*(ii)*	-	5 243 923	5 243 923
Total other comprehensive income		-	5 243 923	5 243 923
Total comprehensive income for the year		(462 982)	5 243 923	4 780 941
Transfer between equity items:				
Transfers on disposal of assets		415 775	(415 775)	-
Total transfer between equity items		415 775	(415 775)	-
Balance at 30 June		**10 079 693**	**43 998 104**	**54 077 797**

The accompanying notes form part of these financial statements.

NSW LAND AND HOUSING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $'000	2018 $'000
Cash flows from Operating Activities			
Receipts			
Rent and other tenant charges		842 395	872 995
Government grants - other NSW government agencies		95 584	127 015
Interest received		5 465	4 162
Management fees		6 347	6 937
Other		19 337	28 514
Total receipts		**969 128**	**1 039 623**
Payments			
Property and residential tenancy		(613 737)	(735 538)
Tenancy management		(110 660)	(109 080)
Personnel services		(58 772)	(57 845)
Finance costs		(36 332)	(37 890)
Grants and subsidies		(3 000)	(4 379)
Other		(62 379)	(85 495)
Total payments		**(884 880)**	**(1 030 227)**
Net cash flows from Operating Activities	30	**84 248**	**9 396**
Cash flows from Investing Activities			
Receipts			
Proceeds from sale of property, plant and equipment		323 222	501 725
Proceeds from redemption of investments		-	153 503
Total receipts		**323 222**	**655 228**
Payments			
Purchase of property, plant and equipment		(316 289)	(475 289)
Total payments		**(316 289)**	**(475 289)**
Net cash flows from Investing Activities		**6 933**	**179 939**
Cash flows from Financing Activities			
Receipts			
Proceeds from borrowings		120 000	-
Total receipts		**120 000**	**-**
Payments			
Repayments of borrowings		(31 363)	(31 093)
Total payments		**(31 363)**	**(31 093)**
Net cash flows from Financing Activities		**88 637**	**(31 093)**
Net increase in cash and cash equivalents		**179 818**	**158 242**
Opening cash and cash equivalents		278 452	120 210
CLOSING CASH AND CASH EQUIVALENTS	15	**458 270**	**278 452**

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 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting Entity

The NSW Land and Housing Corporation (LAHC) is a NSW Government entity with no controlled entities. It is a Statutory Body and is controlled by the State of NSW, as its ultimate parent.

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 principle 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*.

For the year ended 30 June 2019, LAHC was a member of the Department of Family and Community Services (FACS) cluster of agencies, but was not controlled by FACS for financial reporting purposes. The financial statements of LAHC are consolidated with the NSW Total State Sector Accounts.

As a result of the *Administrative Arrangements (Administrative Changes - Public Service Agencies) Order 2019*, LAHC became a member of the Department of Planning, Industry and Environment (DPIE), effective from 1 July 2019 with employees principally involved in providing support to LAHC being transferred from FACS to DPIE.

These financial statements for the year ended 30 June 2019 have been authorised for issue by the Secretary of the Department of Planning, Industry and Environment on 12 September 2019.

b) Basis of Preparation

LAHC's financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:
(i) applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
(ii) the requirements of the *Public Finance and Audit Act 1983* (the Act) and *Public Finance and Audit Regulations 2015*; and
(iii) Treasurer's Directions issued under the Act.

The financial statement items have been prepared in accordance with the historical cost convention, except:
(i) property, plant and equipment are measured at fair value;
(ii) assets held for sale are measured at the lower of carrying amount and fair value less cost to sell;
(iii) interest free or low interest borrowings are initially measured at fair value and at amortised cost thereafter.

Judgements, key assumptions and estimates made by management are disclosed in the relevant notes to the financial statements. Estimates and underlying assumptions are reviewed on an on-going basis.

The financial statements are presented in Australian dollars and all amounts are rounded to the nearest one thousand dollars.

c) Statement of Compliance

LAHC's financial statements and notes comply with applicable Australian Accounting Standards, which include Australian Accounting Interpretations.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(i) 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;

(ii) receivables and payables are stated with the amount of GST included; and

(iii) commitments for expenditure disclosed in the financial statements are inclusive of GST.

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.

e) 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 enquiries regarding delivery of services.

f) 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 20.

(ii) Accumulated funds
Accumulated funds includes all current and prior periods' net results.

(iii) 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.

g) 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) New Australian Accounting Standards and Interpretations

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

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

LAHC applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139).

a. Classification and measurement of financial instruments

The following are the changes in the classification of LAHC's financial instruments:

- Trade receivables and other financial assets (Mortgage Assistance Scheme) classified as 'Loans and receivables' under AASB 139 as at 30 June 2018 are held to collect contractual cash flows representing principal only. At 1 July 2018, these are classified and measured at amortised cost.
- LAHC has not designated any financial liabilities at fair value through profit or loss.
- There are no changes in the classification and measurement for LAHC's financial liabilities.

The measurement requirements of AASB 9 have no impact to the carrying amounts of LAHC's financial instruments.

b. Impairment

The adoption of AASB 9 has changed LAHC's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. There is no material impact to LAHC on adopting the new impairment model. Refer to note 16,17 and 32 for accounting policies of the new impairment model.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) 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, excluding standards not considered applicable to LAHC, 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 15 AASB 2014-5 AASB 2015-8 AASB 2016-3 regarding *Revenue from Contracts with Customers*	Supersedes AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, replacing the existing notion of transfer of risks and rewards. It features a five-step analysis of transactions to determine the recognition and measurement of revenue. 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 (not-for-profit)	Other than rental income that is recognised in accordance with AASB 117 *Leases*, LAHC currently recognises revenue arising from customer contracts when services are provided. Therefore, initial application of this standard is not expected to result in significant changes to LAHC's revenue recognition.
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 ($10,000 in compliance with TC 18-05 *AASB 16 Leases - Transition Elections*).	1 Jan 2019	As a lessee, initial application of this standard will result in LAHC bringing into account the right of use asset (estimated at $70.7m) and liability (estimated at $51.5m) to represent the lease payment obligation for its operating leases. The balance of $19.2m represents the reclassification of controlled assets under lease to right of use asset. These impact assessments are based on information available as at 30 June 2019. There will be no implication to leases where LAHC is a lessor as the new standard still requires leases to be classified as either operating or finance lease.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) New Australian Accounting Standards and Interpretations (continued)

(ii) Issued but not yet effective (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*	Replaces AASB 1004 *Contributions* income recognition requirements for not-for-profit (NFP) entities, except for appropriations, administrative arrangements and owners contribution. The standard also applies when a not-for-profit entity receives volunteer services or enters into other transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives.	1 Jan 2019	LAHC currently recognises grants received from other government agencies as income when it obtains control over grants, normally upon the receipt of cash. As this standard amends AASB 16, initial application of this standard will result in income being recognised for the difference of the right of use asset (measured at fair value) and lease liability (measured at present value of minimum lease payments) where LAHC is a lessee in new peppercorn lease arrangements. No impact on volunteer services requirements as LAHC does not use volunteers for services that it would purchase if not volunteered.
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 NFP entities in applying AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*.	1 Jan 2019	Refer to commentary provided for AASB 9 and AASB 15 above.

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) New Australian Accounting Standards and Interpretations (continued)

(ii) Issued but not yet effective (continued)

Standard	Summary of key requirements/ changes	Applicable to annual reporting periods beginning on or after	Expected impact to LAHC on initial application
AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*	Clarifies the definition of material and aligns it across AASB Standards and other publications. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.	1 Jan 2020	Initial application of this standard is not expected to result in significant changes to LAHC's financial statements.
AASB 2018-8 *Amendments to Australian Accounting Standards – Australian Right-of-Use Assets of Not-for-Profit Entities*	Amends AASB 1, AASB 16, AASB 117, AASB 1049 and AASB 1058 by providing a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives.	1 Jan 2019	When LAHC, as a lessee, applies AASB 16, it can initially measure leases with significantly below-market terms and conditions ('peppercorn leases') as right of use assets at cost (rather than fair value). However, this election should be disclosed in the financial statements.

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) New Australian Accounting Standards and Interpretations (continued)

(ii) Issued but not yet effective (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 17 *Insurance Contracts*
- AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfer of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*
- AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*
- AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long Term Interests in Associates and Joint Ventures*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle*
- AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement*
- AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements*
- AASB 2018-4 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors*
- AASB 2018-5 *Amendments to Australian Accounting Standards - Deferral of AASB 1059*
- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*
- Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- Interpretation 23 *Uncertainty over Income Tax Treatment*

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NOTE 2: RENT AND OTHER TENANT CHARGES

	2019 $'000	2018 $'000
Market rent and other tenant charges (notional)	2 020 538	2 038 958
Less: rental subsidies to tenants (notional)	(1 205 709)	(1 204 357)
Water usage charges	37 602	40 473
Total rent and other tenant charges	**852 431**	**875 074**

Recognition and Measurement
Rent and other tenant charges are recognised in accordance with AASB 117 *Leases* on a straight line basis over the term of the lease. They are measured at the fair value of the consideration or contribution received or receivable. Accounting policies for the specific types or rental income are discussed below.

Social housing
LAHC is required to estimate the market rent applicable to the properties it owns. Social housing tenants are required to pay a rent amount equivalent to a pre-determined percentage of their household income that is subject to periodical reviews. The difference between market rent recognised and the rent payable by the tenants is referred to as a rental subsidy and accounted for as a notional offset to the market rent.

Community housing
LAHC enters into lease agreements with registered community housing providers, with varying lease terms at a nominal rent of $1 per annum. No revenue is recognised due to the nature of these leases.

NOTE 3: GOVERNMENT GRANTS

Other government agencies:		
NSW Office of Environment and Heritage	3 487	4 180
FACS *(i)*	92 097	123 535
Total government grants	**95 584**	**127 715**

(i) LAHC receives government grants for initiatives not covered by the National Affordable Housing Agreement. During the period LAHC received grants from FACS for programs such as head leasing, repairs & maintenance on crisis accommodation and capital works.

Recognition and Measurement
Government grants are recognised as revenue when LAHC gains control over the grants. Control is normally obtained when cash is received. They are measured at the fair value of the consideration or contribution received or receivable.

NOTE 4: INVESTMENT REVENUE

Interest earned by LAHC:		
Bank deposits	5 326	3 810
Other	139	352
Total investment revenue	**5 465**	**4 162**

Recognition and Measurement
Investment revenue is recognised as it accrues using the effective interest method and measured at the fair value of the consideration or contribution received or receivable.

NOTE 5: MANAGEMENT FEES

	2019 $'000	2018 $'000
Project management fees	3 896	4 546
Property management fees	2 451	2 391
Total management fees	**6 347**	**6 937**

Recognition and Measurement
Management fees are recognised on an accrual basis when services are provided and measured at the fair value of the consideration or contribution received or receivable.

NOTE 6: OTHER REVENUE

Long service leave accepted by the Crown (note 8)	4 143	2 214
Superannuation - defined benefit plan accepted by the Crown (note 8)	974	668
Property related income	8 805	25 383
Sundry	9 270	6 582
Total other revenue	**23 192**	**34 847**

Recognition and Measurement
Other revenue is recognised on an accrual basis when services are provided and measured at the fair value of the consideration or contribution received or receivable.

NOTE 7: REPAIRS AND MAINTENANCE

Residential properties	323 238	412 385
Commercial properties	715	822
Other	63	122
Total repairs and maintenance	**324 016**	**413 329**

Recognition and Measurement
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 or an enhancement of a part or component of an asset in which case the costs are capitalised and depreciated.

NOTE 8: PERSONNEL SERVICES

Salaries	45 498	46 133
Annual leave and leave loading	4 848	4 538
Long service leave accepted by the Crown (note 6)	4 143	2 214
Superannuation - defined benefit plan accepted by the Crown (note 6)	974	668
Superannuation - defined contribution plan	4 905	4 581
Workers' compensation insurance	439	246
Payroll and fringe benefits tax	3 826	3 573
Other	111	76
Total personnel services	**64 744**	**62 029**

Recognition and Measurement
The personnel services expense is the expense incurred by LAHC on personnel services provided to it by FACS. As LAHC is not an employer, the disclosure requirements of AASB 119 *Employee Benefits* in respect of employee benefits do not apply. Accordingly, LAHC does not recognise any provision for employee entitlements. The cost of personnel services reported in note 8 is net of a capitalised cost of $9.9 million (2018: $8.8 million). Refer to note 20 for accounting policy on capitalised personnel services.

NOTE 9: OTHER EXPENSES

	2019 $'000	2018 $'000
Management and other fees	21 239	19 139
Operating lease rental expense - minimum lease payments *(i)*	61 015	64 744
Property related expenses	13 324	13 121
Motor vehicle, travel & telecommunications	2 074	2 046
Professional services and contractors	29 019	31 353
Auditor's remuneration - audit of the financial statements	400	389
Other audit assurance services	291	139
FACS - shared services *(ii)*	14 224	13 877
Other	16 159	11 095
Total other expenses	**157 745**	**155 903**

Recognition and Measurement

(i) Operating lease rental expense

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. As LAHC does not assume substantially all the risks and rewards of ownership on these leases, they 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.

(ii) FACS – shared services

The services provided include corporate support services in respect of finance transactions, information technology and human resource functions. Expenses are recognised on accrual basis and measured at the fair value of the consideration paid or payable.

NSW LAND AND HOUSING CORPORATION
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NOTE 10: DEPRECIATION AND AMORTISATION

	2019 $'000	2018 $'000
Depreciation		
Residential properties	495 055	496 396
Commercial properties	341	360
Community purpose built properties	492	439
Controlled assets under lease	2 695	306
Computer hardware	15	26
Office furniture and equipment	2	10
Leasehold improvements	556	969
Total depreciation	**499 156**	**498 506**
Amortisation		
Intangible assets	1 845	1 845
Total amortisation	**1 845**	**1 845**
Total depreciation and amortisation	**501 001**	**500 351**

Recognition and Measurement

Refer to note 20 and 22 for recognition and measurement policies on depreciation and amortisation.

NOTE 11: GRANTS AND SUBSIDIES

	2019 $'000	2018 $'000
Grants to community groups - vested properties *(i)* (note 20 *(ii)*)	-	76 323
Commonwealth - Department of Social Services	-	1 379
FACS - other program	3 000	3 000
Total grants and subsidies expense	**3 000**	**80 702**

Recognition and Measurement

(i) Grants to community groups - vested properties

Assets which are vested to community housing providers are recognised as grant expenses when all government approvals are obtained and substantially all the risks and rewards incidental to those assets have been transferred.

NOTE 12: FINANCE COSTS

	2019 $'000	2018 $'000
Interest expense from financial liabilities not at fair value through profit or loss:		
State advances – Commonwealth loans	43 917	45 152
NSW Treasury Corporation (TCorp) loans	7 032	7 547
State advance – Crown Entity	423	-
Other loans	241	260
Amortisation of premium/(discount) on TCorp loans	(1 498)	(1 394)
Total finance costs	**50 115**	**51 565**

Recognition and Measurement

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. They are recognised as expenses in the period in which they are incurred.

NSW LAND AND HOUSING CORPORATION
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NOTE 13: GAIN/(LOSS) ON DISPOSAL OF ASSETS

	2019 $'000	2018 $'000
(i) **Sale of assets**		
Residential properties		
Sale proceeds	169 525	388 367
Less: selling expenses	(11 048)	(15 750)
Net proceeds	158 477	372 617
Less: carrying amount of assets sold	(186 833)	(290 324)
(Loss)/Gain	**(28 356)**	**82 293**
Commercial properties		
Sale proceeds	-	2 570
Less: selling expenses	-	-
Net proceeds	-	2 570
Less: carrying amount of assets sold	-	(2 188)
Gain	**-**	**382**
Community Purpose Properties		
Sale proceeds	690	-
Less: selling expenses	(8)	-
Net proceeds	682	-
Less: carrying amount of assets sold	(602)	-
Gain	**80**	**-**
Land		
Sale proceeds	55 575	56 242
Less: selling expenses	(274)	(1 112)
Net proceeds	55 301	55 130
Less: carrying amount of assets sold	(62 006)	(37 485)
(Loss)/Gain	**(6 705)**	**17 645**
Total asset sales of property, plant and equipment		
Sale proceeds	225 790	447 179
Less: selling expenses	(11 330)	(16 862)
Net proceeds	214 460	430 317
Less: carrying amount of assets sold (note 20 *(i) & (ii)*)	(249 441)	(329 997)
(Loss)/Gain	**(34 981)**	**100 320**
(ii) **Assets demolished**		
Carrying amount of demolished properties (note 20 *(i) & (ii)*)	**(43 218)**	**(35 472)**

In accordance with LAHC's strategic asset management program, properties that meet certain criteria may be demolished for redevelopment.

	2019 $'000	2018 $'000
(iii) **Assets written off and impaired**		
Property, plant and equipment (note 20 *(i) & (ii)*)	(3 335)	(7 222)
Impairment – non-current assets classified as held for sale (note 19 *(i)*)	(1 321)	(1 478)
Assets written off and impaired	**(4 656)**	**(8 700)**
(Loss)/Gain on disposal of property, plant and equipment	**(82 855)**	**56 148**

NOTE 13: GAIN/(LOSS) ON DISPOSAL OF ASSETS (continued)

	2019 $'000	2018 $'000
(iv) **Sale of assets held for sale**		
Residential properties		
Sale proceeds	99 180	63 540
Less: selling expenses	(1 119)	(793)
Net proceeds	98 061	62 747
Less: carrying amount of assets sold	(64 457)	(32 344)
Gain	**33 604**	**30 403**
Commercial Properties		
Sales proceeds	25	-
Less: selling expenses	-	-
Net proceeds	25	-
Less: carrying amount of assets sold	(22)	-
Gain	**3**	**-**
Vacant Land		
Sale proceeds	8 311	2 878
Less: selling expenses	(56)	(46)
Net proceeds	8 255	2 832
Less: carrying amount of assets sold	(6 121)	(1 356)
Gain	**2 134**	**1 476**
Total sale of assets held for sale		
Sale proceeds	107 516	66 418
Less: selling expenses	(1 175)	(839)
Net proceeds	106 341	65 579
Less: carrying amount of assets sold (note 19 *(i)*)	(70 600)	(33 700)
Gain on sale of assets held for sale	**35 741**	**31 879**
Total (loss)/gain on disposal of assets	**(47 114)**	**88 027**

Recognition and Measurement

The gain or loss on disposal 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 disposal is recognised at the contract settlement date.

NOTE 14: OTHER LOSSES

	2019	2018
Allowance for impairment of receivables	-	306
Allowance for expected credit losses of receivables	(4 537)	-
Loss on TCorp debt restructuring	(191)	(407)
Total other losses	**(4 728)**	**(101)**

Recognition and Measurement

Refer to note 16 and 24 for recognition and measurement policies on impairment of receivables and loss on debt restructuring, respectively.

NSW LAND AND HOUSING CORPORATION
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NOTE 15: CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2019 $'000	2018 $'000
Cash on hand, at bank and in transit	458 270	278 452
Total cash and cash equivalents *(i)*	**458 270**	**278 452**

(i) Cash and cash equivalents include amounts that have been restricted in terms of their use as follows:

Housing Reserve Fund (HRF) (note 1a)	102 404	65 067
Housing Affordability Fund (HAF) *(ii)* and security deposits	1 978	2 124
Millers Point Restricted Funds (note 27)	180 555	77 530
Restricted cash and cash equivalents	**284 937**	**144 721**

(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.

Recognition and Measurement
Cash and cash equivalents include cash at bank, cash on hand and restricted cash which are subject to an insignificant risk of changes in value. Refer to note 32 for details regarding the credit risk and market risk arising from financial instruments.

NOTE 16: CURRENT ASSETS – RECEIVABLES

Current

Rental and sundry debtors	36 013	45 940
Less: allowance for impairment *(i)*	-	(20 514)
Less: allowance for expected credit losses *(i)*	(21 655)	-
Net rental and sundry debtors	14 358	25 426
Receivables – other government departments	19 718	11 649
Total Current Receivables	**34 076**	**37 075**

(i) The movement in the aggregate allowance for expected credit losses/impairment in receivables is as follows:

Balance, beginning of year	20 514	26 848
Amounts written off during the year	(3 256)	(6 022)
(Decrease) in allowance for impairment recognised in net result	-	(312)
Increase in allowance for expected credit losses recognised in net result	4 397	-
Balance at end of year	**21 655**	**20 514**

Details of credit risk on receivables that are neither past due or impaired are disclosed in note 32.

NOTE 16: CURRENT ASSETS – RECEIVABLES (continued)

Recognition and Measurement

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

LAHC holds receivables with the objective to collect the contractual cash flows. Therefore, the adoption of AASB 9 *Financial Instruments* does not change LAHC's subsequent measurement policy to measure receivables at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the period 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.

Impairment under AASB 9 (from 1 July 2018)

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

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

Impairment under AASB 139 (for comparative period ended 30 June 2018)

Receivables 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 amounts due.

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 original effective interest rate. The amount of impairment loss is recognised in the net result for the year.

Where there is objective evidence, previously recognised impairment losses are reversed in the net result for the period. Reversals of impairment losses cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

Amounts written off during the year

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.

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 17: CURRENT/NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	2019 $'000	2018 $'000
Current		
Mortgage Assistance Scheme	312	99
Less: allowance for impairment *(i)*	-	(17)
Less: allowance for expected credit losses *(i)*	(157)	-
Total current other financial assets	**155**	**82**
Non-current		
Mortgage Assistance Scheme	521	892
Total non-current other financial assets	**521**	**892**
Total other financial assets	**676**	**974**

(i) The movement in the allowance for expected credit losses/impairment in other financial assets is as follows:

Current		
Balance, beginning of year	17	11
Increase in allowance for impairment recognised in net result	-	6
Increase in allowance for expected credit losses recognised in net result	140	-
Balance at end of year	**157**	**17**

Refer to note 32 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

Recognition and Measurement
Refer to note 16 as recognition and measurement policies of receivables also apply to LAHC's other financial assets.

NOTE 18: CURRENT ASSETS – OTHER

Head leasing	4 251	5 703
Other	372	1 826
Total current other	**4 623**	**7 529**

Recognition and Measurement
Prepayments
When expenses are prepaid annually, they are initially recognised as current assets and subsequently expensed on a straight line basis over the period covered.

NSW LAND AND HOUSING CORPORATION
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NOTE 19: ASSETS HELD FOR SALE

	2019 $'000	2018 $'000
Residential properties	50 176	65 405
Commercial properties	-	22
Vacant land	5 466	8 151
Total assets classified as held for sale	**55 642**	**73 578**

(i) Reconciliations of the total carrying amount of assets classified as held for sale at the beginning and end of the year are set out below:

Carrying amount, beginning of year	73 578	36 803
Sale of assets – carrying amount (note 13 *(iv)*)	(70 600)	(33 700)
Impairment loss (note 13 *(iii)*)	(1 321)	(1 478)
Reclassified from non-current assets to assets held for sale (note 20 *(i)* & *(ii)*)	53 985	71 953
Carrying amount at end of year	**55 642**	**73 578**

Recognition and Measurement

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. These assets are expected to be sold in the following financial year through a number of disposal options including auctioning the properties. 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. The technique to determine fair value less costs to sell for each type of asset held for sale is consistent with the technique used for residential properties, commercial properties and vacant land and so the fair value measurements are categorised within Level 3 of the fair value hierarchy. Further details regarding fair value measurement are disclosed in note 21.

Impairment

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 and impaired (refer note 13 *(iii)*).

NSW LAND AND HOUSING CORPORATION
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NOTE 20: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	2019 $'000	2018 $'000
Property		
Residential properties		
Land, at gross carrying amount	28 898 109	28 330 502
Buildings, at gross carrying amount	24 157 185	25 069 144
Less: Accumulated depreciation	(12 594)	(16 365)
Buildings - net carrying amount	24 144 591	25 052 779
Residential properties – net carrying amount	**53 042 700**	**53 383 281**
Commercial properties		
Land, at gross carrying amount	37 760	33 665
Buildings, at gross carrying amount	17 561	16 680
Less: Accumulated depreciation	(246)	(167)
Buildings - net carrying amount	17 315	16 513
Commercial properties – net carrying amount	**55 075**	**50 178**
Controlled assets under lease		
Controlled assets under lease	19 198	70 323
Less: Accumulated depreciation	(847)	(306)
Buildings - net carrying amount	18 351	70 017
Controlled assets under lease – net carrying amount	**18 351**	**70 017**
Community purpose built properties		
Land, at gross carrying amount	117 428	96 617
Buildings, at gross carrying amount	26 569	23 251
Less: Accumulated depreciation	(299)	(238)
Buildings - net carrying amount	26 270	23 013
Community purpose built properties – net carrying amount	**143 698**	**119 630**
Land for redevelopment	**561 439**	**556 252**
Vacant land	**56 447**	**42 224**
Land under roads	**22 206**	**73 176**
Work in progress, at gross carrying amount	**133 912**	**148 972**
Leasehold improvements		
Leasehold improvements, at cost	4 207	4 021
Less: Accumulated depreciation	(2 409)	(1 853)
Leasehold improvements	**1 798**	**2 168**
Total property – net carrying amount	**54 035 626**	**54 445 898**

NOTE 20: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

	2019 $'000	2018 $'000
Plant and Equipment		
Computer hardware		
Computer hardware, at gross carrying amount	115	97
Less: Accumulated depreciation	(96)	(81)
Computer hardware – net carrying amount	**19**	**16**
Office furniture and equipment		
Office furniture and equipment, at gross carrying amount	29	29
Less: Accumulated depreciation	(28)	(26)
Office furniture and equipment – net carrying amount	**1**	**3**
Total plant and equipment – net carrying amount	**20**	**19**
Total property, plant and equipment – net carrying amount	**54 035 646**	**54 445 917**

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.

The cost of self-constructed assets includes:
(a) the cost of materials and direct labour;
(b) any other costs directly attributable to bringing the asset to a working condition for its intended use; and
(c) 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 payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted over the period of credit.

Residential properties acquired are recognised as property, plant and equipment upon settlement.

<u>Capitalisation</u>
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. Capitalised costs include personnel services amounting to $9.9 million (2018: $8.8 million). The cost of personnel services reported in note 8 is net of this capitalised amount.

NOTE 20: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

Subsequent costs

(a) 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.

(b) 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 or an enhancement of a part or component of an asset in which case the costs are capitalised and depreciated.

(c) 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.

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
Computer hardware	3 years
Office furniture and equipment	3 years
Leasehold improvement	shorter of the estimated useful life and the unexpired term of the lease

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 useful life of the underlying asset.

NOTE 20: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

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 note 21 for further information regarding fair value.

LAHC revalues land and buildings 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, depreciated 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 recognised in other comprehensive income and credited directly to the Asset Revaluation Reserve, except that, to the extent an increment reverses a revaluation decrement in respect of the same class of asset previously recognised as a loss in the net result, the increment is recognised immediately as a gain in the net result.

Revaluation decrements are recognised immediately as a loss in the net result, except that, to the extent a credit balance exists in the Asset Revaluation Reserve in respect of the same class of assets, 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.

Impairment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. 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.

NSW LAND AND HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 20: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

The following tables reflect transfers between all classes of property, plant and equipment.

i) Reconciliation of the net carrying amounts of each class of property, plant and equipment

2019	Note	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	Total $'000
Net carrying amount at beginning of year		53 383 281	50 178	70 017	119 630	556 252	42 224	73 176	148 972	2 168	19	54 445 917
Additions/capital improvements		120 736	330	-	-	7 765	-	-	198 833	186	18	327 868
Transfers to completed properties		256 502	-	-	-	1 810	49 638	-	(307 950)	-	-	-
Reclassified from non-current assets to assets held for sale	19*(i)*	(50 461)	-	-	-	(3 477)	(47)	-	-	-	-	(53 985)
Carrying amount of assets sold	13*(i)*	(186 833)	-	-	(602)	(24 279)	(37 727)	-	-	-	-	(249 441)
Transfers between classes		(56 765)	-	-	(44)	(4 324)	217	(33 141)	94 057	-	-	-
Demolitions	13*(ii)*	(42 803)	-	-	(415)	-	-	-	-	-	-	(43 218)
Write-off or impaired	13*(iii)*	(3 145)	-	-	-	-	-	(190)	-	-	-	(3 335)
Revaluation increment/(decrement)		117 243	4 908	(48 971) [1]	25 621	27 692	2 142	(17 639)	-	-	-	110 996
Depreciation expense	10	(495 055)	(341)	(2 695)	(492)	-	-	-	-	(556)	(17)	(499 156)
Net carrying amount at end of year		**53 042 700**	**55 075**	**18 351**	**143 698**	**561 439**	**56 447**	**22 206**	**133 912**	**1 798**	**20**	**54 035 646**

1. The ($48,971) revaluation decrement represents the de-recognition of the revaluation surplus of leasehold interests held by LAHC that were assigned to the Community Housing Sector as part of the Social Housing Management Transfer program.

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 20: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

ii) Reconciliation of the net carrying amounts of each class of property, plant and equipment (continued)

2018	Note	Residential Properties $'000	Commercial Properties $'000	Controlled Assets under Lease $'000	Community Purpose Built Properties $'000	Land held for Redevelopment $'000	Vacant Land $'000	Land under Roads $'000	Work in Progress $'000	Leasehold Improvements $'000	Computer Hardware, Office Furniture & Equipment $'000	Total $'000
Net carrying amount at beginning 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
Additions/capital improvements		188 818	-	-	-	15 059	-	-	235 755	686	-	440 318
Transfers to completed properties		405 658	-	-	-	42 730	-	-	(448 388)	-	-	-
Reclassified from non-current assets to assets held for sale	19(i)	(65 428)	(23)	-	-	(5 332)	(1 170)	-	-	-	-	(71 953)
Carrying amount of assets sold	13(i)	(290 324)	(2 188)	-	-	(34 485)	(3 000)	-	-	-	-	(329 997)
Transfers between classes		(190 861)	(778)	61 454	1 067	45 404	1 204	-	82 510	-	-	-
Demolitions	13(ii)	(35 472)	-	-	-	-	-	-	-	-	-	(35 472)
Write-off or impaired	13(iii)	(7 222)	-	-	-	-	-	-	-	-	-	(7 222)
Community Housing vested properties	11	(76 323)	-	-	-	-	-	-	-	-	-	(76 323)
Revaluation increment/(decrement)		5 127 269	2 705	-	5 042	112 240	(424)	(2 909)	-	-	-	5 243 923
Depreciation expense	10	(496 396)	(360)	(306)	(439)	-	-	-	-	(969)	(36)	(498 506)
Net carrying amount at end of year		**53 383 281**	**50 178**	**70 017**	**119 630**	**556 252**	**42 224**	**73 176**	**148 972**	**2 168**	**19**	**54 445 917**

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 21: FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS

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.

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.

a) 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.

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 21: FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS (continued)

i) Disclosure of the gross carrying amount and accumulated depreciation for each class of property, plant and equipment

	Residential Properties	Commercial Properties	Controlled Assets under Lease	Community Purpose Built Properties	Land held for Redevelopment	Vacant Land	Land under Roads	Assets Held for Sale	Total
Fair Value Hierarchy:	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2018 - fair value									
Gross carrying amount	53 399 646	50 345	70 323	119 868	556 252	42 224	73 176	73 578	54 385 412
Accumulated depreciation and impairment	(16 365)	(167)	(306)	(238)	-	-	-	-	(17 076)
Net carrying amount	53 383 281	50 178	70 017	119 630	556 252	42 224	73 176	73 578	54 368 336
At 30 June 2019 - fair value									
Gross carrying amount	53 055 294	55 321	19 198	143 997	561 439	56 447	22 206	55 642	53 969 544
Accumulated depreciation and impairment	(12 594)	(246)	(847)	(299)	-	-	-	-	(13 986)
Net carrying amount	53 042 700	55 075	18 351	143 698	561 439	56 447	22 206	55 642	53 955 558

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 21: FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS (continued)

ii) Disclosure of the gross carrying amount and accumulated depreciation for each class of property, plant and equipment (continued)

	Residential Properties	Commercial Properties	Controlled Assets under Lease	Community Purpose Built Properties	Land held for Redevelop-ment	Vacant Land	Land under Roads	Assets Held for Sale	Total
Fair Value Hierarchy:	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2017 - fair value									
Gross carrying amount	48 841 024	51 005	8 988	114 169	380 636	45 614	76 085	36 803	49 554 324
Accumulated depreciation and impairment	(17 462)	(183)	(119)	(209)	-	-	-	-	(17 973)
Net carrying amount	48 823 562	50 822	8 869	113 960	380 636	45 614	76 085	36 803	49 536 351
At 30 June 2018 - fair value									
Gross carrying amount	53 399 646	50 345	70 323	119 868	556 252	42 224	73 176	73 578	54 385 412
Accumulated depreciation and impairment	(16 365)	(167)	(306)	(238)	-	-	-	-	(17 076)
Net carrying amount	53 383 281	50 178	70 017	119 630	556 252	42 224	73 176	73 578	54 368 336

NOTE 21: FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS (continued)

b) Valuation techniques, inputs and processes

LAHC's property portfolio is a large dynamic portfolio with property assets being acquired, sold, redeveloped or refurbished on an ongoing basis. The most significant class of assets for which fair values are required is residential land and buildings 'Residential properties'. All assets in this class are categorised within Level 3 of the fair value hierarchy where the valuation incorporates significant inputs not based on observable market data (unobservable inputs). These inputs are generally derived and extrapolated from observable inputs of the relevant market LAHC operates within.

In developing the valuation methodology, LAHC management aims to minimise the use of significant unobservable inputs. Given the large number of residential properties within LAHC's property portfolio (over 98% of the portfolio), management has determined that the application of a mass appraisal valuation methodology is appropriate.

Asset Class	Fair value hierarchy	Valuation technique	Inputs used to measure fair value
Residential properties	Level 3	Market approach	• Comparable recent market sales • Property attributes of benchmark • Uplift market movement provided by an accredited valuer • Block title adjustment *(i)*
Commercial properties	Level 3	Market approach or Income capitalisation method	• Comparable recent market sales • Adopted capitalisation rates
Community Purpose properties	Level 3	Market approach or Depreciated replacement cost	• Comparable recent market sales • Consumed economic benefit/obsolescence of assets • Construction industry replacement cost
Land held for redevelopment & vacant land	Level 3	Valuer General of NSW Unimproved capital value	• Land value per square metre
Land under roads	Level 3	Valuer General of NSW Unimproved capital value discounted by a factor	• Land value per square metre • Appropriate Discount factor used to reflect the valuation on an englobo (pre-subdivision) basis
Controlled assets under lease	Level 3	Depreciated replacement cost	• Consumed economic benefit / obsolescence of assets

(i) Refers to a reduction in the valuation of a large super-lot or block of properties to incorporate anticipated costs of sub-division or strata. The amount of the adjustment is dependent upon a cost matrix of four variable factors, 1) titling costs, 2) remedial costs, 3) the developers selling expense percentage and 4) the developers profit and risk allowance percentage to undertake a sub-division.

The table below explains the valuation techniques and key inputs used to measure fair value.

Market Approach	A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable sales.
Income capitalisation method	This method involves assessing the total net market income receivable from a property and capitalising this in perpetuity to derive a capital value. Adopted capitalisation rate reflects the nature, location and tenancy profile of the property.
Depreciated replacement cost	Under this method, the estimated cost to replace the asset is calculated and then adjusted to take into account the consumed economic benefit, represented by accumulated depreciation.
Valuer General of NSW's unimproved capital value	The Valuer General of NSW's assessed value of the land without any structures or improvements.

NOTE 21: FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS (continued)

b) Valuation techniques, inputs and processes (continued)

i) Residential properties
Fair values are determined by the application of a mass appraisal methodology using a rolling benchmark valuation approach. One-third of LAHC's benchmark properties (approximately 1,800) are valued annually by accredited property valuers by reference to comparable market sales to calculate a market movement index and the market movement index is then applied to the remaining two-thirds of the benchmark properties. All benchmark properties are grouped within thirteen geographical reporting regions. The benchmark property median value index movement in each geographical group is then applied to the remaining properties within each geographical region. Adjustments are made to each property for any significant variations in characteristics to the benchmark properties. The rolling benchmark valuation process is performed annually with a valuation date 31 December. An update to the market movement factors ('uplift') is provided each year by an accredited valuer for the six month period ending 30 June each year. A 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 $8,916 million (2018: $8,796 million). Where LAHC has a partial interest in a property, the valuation is calculated by applying LAHC's ownership percentage.

ii) Commercial properties
The fair value of each asset within this class is determined annually by accredited property valuers with recent experience in the location and class of the property being valued. Valuation methods used to determine the fair value include market sales comparisons and capitalisation rates (ranging from 4.5% to 9.5%). All methodologies adjust fair values for any differences in quality or nature of the building, location, occupancy rate and lease / tenant profile.

iii) Community purpose properties
This class of properties consists of specialised properties 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 is valued annually by accredited property valuers. The methodology in valuing each asset varies and includes market sales comparison or current replacement cost where comparable sales data is not available.

iv) Land held for redevelopment / vacant land
Land held for redevelopment and vacant land (that has a registered title) is revalued annually and based on the Valuer General of NSW property information contained in the valuation database for rating and taxation purposes.

v) Land under roads
Land under roads is revalued annually and although it has no feasible alternative use, the asset class is valued at existing use based on an englobo approach. The initial value is based on the average of the Valuer General of NSW 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 an appropriate factor to reduce the value to an englobo rate to reflect the asset at its existing use. The current discount factor as assessed by an accredited property valuer is 80%.

vi) Controlled assets under lease
Controlled assets under lease represents properties 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 as lessee. Where the lease payments are substantially less than the underlying fair value of the assets (i.e. annual peppercorn rent of $1), the assets are initially brought to account at fair value and depreciated over the shorter of the lease term or the useful life of the underlying asset.

vii) Plant and Equipment
Plant and equipment assets are non-specialised assets with short useful lives and are measured at depreciated historical cost as an approximation of fair value. They do not require AASB 13 fair value hierarchy disclosures.

NOTE 22: INTANGIBLE ASSETS

	2019 $'000	2018 $'000
Software, at cost	7 273	6 354
Less: accumulated amortisation	(5 299)	(3 454)
Total intangible assets	**1 974**	**2 900**

(i) Reconciliation of the carrying amounts of software is as follows:

	2019	2018
Carrying amount, beginning of year	2 900	4 305
Additions	919	440
Amortisation (note 10)	(1 845)	(1 845)
Carrying amount at end of year	**1 974**	**2 900**

(ii) 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 year is below:

Software[1]	**At 30 June 2019**	**At 1 July 2018**
2019	**$'000**	**$'000**
Cost (gross carrying amount)	7 273	6 354
Accumulated amortisation and impairment	(5 299)	(3 454)
Net carrying amount	1 974	2 900

	At 30 June 2018	**At 1 July 2017**
2018	**$'000**	**$'000**
Cost (gross carrying amount)	6 354	5 914
Accumulated amortisation and impairment	(3 454)	(1 609)
Net carrying amount	2 900	4 035

[1]The only intangible asset that LAHC has is computer software.

Recognition and Measurement

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 cost are measured at fair value as at the date of acquisition.

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 and impairment losses.

Amortisation of intangible assets is calculated on a straight line basis over the assets' estimated useful lives, which are assessed each period. The current estimated useful life for intangible assets is 3 years.
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.

NOTE 23: CURRENT LIABILITIES – PAYABLES

	2019 $'000	2018 $'000
Trade creditors	51 644	39 172
Rent received in advance	48 063	47 450
Development revenue received in advance	15 969	-
Other creditors - credit balances in sundry debtors	3 558	9 801
FACS - personnel services	12 644	11 789
Accrued operating expenditure	60 852	60 461
Accrued capital expenditure	49 752	37 254
FACS - other	1 699	4 046
Other creditors	9 686	16 335
Total current payables	**253 867**	**226 308**

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in note 32.

Recognition and Measurement
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.

NOTE 24: CURRENT/NON-CURRENT LIABILITIES – BORROWINGS

	2019 $'000	2018 $'000
Current - unsecured		
State advances - Commonwealth loans	15 317	15 518
NSW Treasury Corporation	12 063	15 117
Other	459	458
Total current interest bearing liabilities	**27 839**	**31 093**
Non-current - unsecured		
State advances - Commonwealth loans	343 115	358 432
NSW Treasury Corporation	143 445	141 698
State advance - Crown Entity	120 000	-
Other	4 336	4 795
Total non-current interest bearing liabilities	**610 896**	**504 925**
Total interest bearing liabilities *(i)*	**638 735**	**536 018**

(i) The nominal value of borrowings is reconciled to the balance reported in the Statement of Financial Position as follows:

	2019 $'000	2018 $'000
Nominal value of borrowings	870 427	782 091
Less: Re-measurement adjustment	(231 692)	(246 073)
Balance reported in Statement of Financial Position	**638 735**	**536 018**

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 24: CURRENT/NON-CURRENT LIABILITIES – BORROWINGS (continued)

(ii) The nominal value of borrowings is expected to be repaid as follows:

	Principal $'000	Interest $'000	Total $'000
2019			
Not later than one year	43 461	35 920	79 381
Later than one year but no later than five years	326 929	114 112	441 041
Later than five years	500 037	166 932	666 969
Total cash outflow	**870 427**	**316 964**	**1 187 391**
2018			
Not later than one year	46 480	36 030	82 510
Later than one year but no later than five years	197 583	121 680	319 263
Later than five years	538 028	189 470	727 498
Total cash outflow	**782 091**	**347 180**	**1 129 271**

Details regarding liquidity risk, including a maturity analysis of the above borrowings are disclosed in note 32.

Recognition and Measurement
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 debt restructuring are recognised in the net result for the year.

(iii) Changes in liabilities arising from financing activities:

	1 July 2018	Cash Flows	Amortisation	Loss on Debt Restructuring	30 June 2019
State advances - Commonwealth loans	373 950	(30 905)	15 387	-	358 432
NSW Treasury Corporation	156 815		(1 498)	191	155 508
State advance - Crown Entity	-	120 000	-	-	120 000
Other	5 253	(458)	-	-	4 795
Total liabilities from financing activities	**536 018**	**88 637**	**13 889**	**191**	**638 735**

	1 July 2017	Cash Flows	Amortisation	Loss on Debt Restructuring	30 June 2018
State advances - Commonwealth loans	389 344	(30 632)	15 238	-	373 950
NSW Treasury Corporation	160 013	(2 211)	(1 394)	407	156 815
Other	5 714	(461)	-	-	5 253
Total liabilities from financing activities	**555 071**	**(33 304)**	**13 844**	**407**	**536 018**

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 25: CURRENT/NON-CURRENT LIABILITIES – PROVISIONS

	2019 $'000	2018 $'000
Current		
Third party claims *(i) & (ii)(a)*	6 530	6 302
Head leasing refurbishments *(ii)(b)*	-	-
Total current provisions	**6 530**	**6 302**

(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 claims is as follows:

	2019 $'000	2018 $'000
Carrying amount at beginning of year	6 302	7 143
Amounts used	(10 588)	(5 469)
Additional provisions recognised	10 816	4 628
Balance at end of year	**6 530**	**6 302**

(b) The movement in current provisions for head leasing refurbishments is as follows:

	2019 $'000	2018 $'000
Carrying amount at beginning of year	-	53
Amounts used	-	(74)
Additional provisions recognised	-	21
Balance at end of year	-	-

Recognition and Measurement

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. When discounting is used, the increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost.

NOTE 26: NON-CURRENT LIABILITIES – OTHER

	2019 $'000	2018 $'000
Unearned revenue	11 121	-
Total non-current liabilities - other	**11 121**	-

Recognition and Measurement

Revenue received or receivable in advance for goods or services yet to be provided is reported as unearned revenue and measured at the fair value of the consideration or contribution received or receivable.

NOTE 27: MILLERS POINT RESTRICTED FUNDS BANK ACCOUNT

	2019 $'000	2018 $'000
Statement of Cash Receipts and Payments		
Receipts		
Net proceeds from Millers Point property sales *(i)*	66 158	210 579
Interest	1 580	771
State advance - Crown Entity *(ii)* (note 24)	120 000	-
Total Receipts	**187 738**	**211 350**
Payments		
Expenditures relating to Millers Point Accommodation Plan *(iii)*	3 439	15 122
Expenditures relating to reinvestment *(iv)*	81 274	147 339
Total Payments	**84 713**	**162 461**
Movement for the year *(v)*	**103 025**	**48 889**
Opening balance of bank account	**77 530**	**28 641**
Movement for the year	103 025	48 889
Closing balance of bank account	**180 555**	**77 530**

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 reflect gross sale proceeds less selling expenses.

(ii) $120 million State Advance received will fund and support LAHC's social housing building program pending the sale of the balance of Millers Point properties.

(iii) 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.

(iv) Expenditures relating to reinvestment represent the costs of new dwellings. Commitments to new dwellings are approved by the respective Minister as part of LAHC's annual budget process.

(v) Movement for the year reflects the overall movement of the Millers Point bank account.

NOTE 28: COMMITMENTS

The commitments reported below are inclusive of Goods and Services Tax.

	2019 $'000	2018 $'000
***(i)* Capital commitments**		
Aggregate capital project costs, contracted for at balance date and not provided for:		
Within one year	100 090	59 893
Later than 1 year but not later than 5 years	81 103	13 504
Later than 5 years	20	-
	181 213	**73 397**
***(ii)* Operating Leases - Head leasing**		
LAHC as Lessee		
Future minimum rentals payable under non-cancellable operating lease as at 30 June are, as follows:		
Within one year	33 067	22 782
Later than 1 year but not later than 5 years	30 570	12 234
Later than 5 years	-	-
	63 637	**35 016**
***(iii)* Operating Leases – Office accommodation**		
Future minimum rentals payable under non-cancellable operating lease as at 30 June are, as follows:		
Within one year	-	3 340
Later than 1 year but not later than 5 years	-	5 783
Later than 5 years	-	-
	-	**9 123**

(i) These commitments relate primarily to capital project 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. During the year, LAHC has entered into sale and buyback arrangements where LAHC has sold its existing social housing dwellings and vacant land and committed $12.7 million to buyback a fixed number of new social housing dwellings.

(ii) This represents rent expenditure for 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 (refer note 9*(i)*) is fully funded from tenant subleases and grants from FACS (refer note 3*(i)*).

(iii) LAHC staff occupy office space in a number of locations under occupancy agreements between Property NSW (PNSW) as the landlord and FACS as the lessee. In prior years, LAHC has disclosed amounts payable to FACS as operating lease commitments for office accommodation where LAHC is the primary tenant.

From 1 July 2019, LAHC has no direct obligation to pay FACS for office accommodation. LAHC will reimburse DPIE for various services procured by DPIE including office accommodation. LAHC has no exposure to any non-cancellable office accommodation lease obligations.

From 1 July 2019, AASB 16 *Leases* requires lessees to recognise lease liabilities for contractual lease payments. This requires FACS to account for all office accommodation lease obligations where FACS is the lessee, including any office space occupied by LAHC staff.

NOTE 29: 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 net outstanding claims from private sector parties and property caveats have been estimated at $7.9 million (2018: $10.6 million) and the long term leases at $23.9 million (2018: $19.5 million).

Contingent Liabilities

As at the end of the reporting period, LAHC is not aware of any contingent liability for which LAHC may be liable that may materially affect its financial position (2018: $3.0 million).

NOTE 30: RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT

	2019 $'000	2018 $'000
Net result for the year	**(508 139)**	**(462 982)**
Grants to community groups - vested properties (note 11)	-	76 323
Other non-cash items	(2 424)	(6 269)
(Gain) on sale of assets (note 13*(i),(iv)*)	(760)	(132 199)
Assets demolished (note 13*(ii)*)	43 218	35 472
Assets written off (note 13*(iii)*)	4 656	8 700
Depreciation and amortisation (note 10)	501 001	500 351
Re-measurement adjustment of borrowings	14 381	12 585
Increase/(Decrease) in provision for expected credit losses/impairment of receivables	1 141	(6 334)
Decrease/(Increase) in receivables	1 858	(7 718)
Increase/(Decrease) in other provisions	228	(894)
Increase/(Decrease) in payables	15 061	(13 405)
Increase in non-current liabilities - other	11 121	-
Decrease in other assets	2 906	5 766
Net cash flows from operating activities	**84 248**	**9 396**

NOTE 31: NON-CASH FINANCING AND INVESTING ACTIVITIES

LAHC did not vest properties to community housing providers during the year (2018: $76.3 million) (refer note 11*(i)*).

NOTE 32: 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.

Risk 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 and reviewed by the Executive and the Audit and Risk Committee on a continuous basis.

a) Financial Instrument categories

Class	Note	Category as at 30 June 2019 under AASB 9	Category as at 30 June 2018 under AASB 139 (comparative period)
Financial Assets			
Cash and cash equivalents	15	N/A	N/A
Receivables[1]	16	Amortised cost	Loans and receivables (at amortised cost)
Other financial assets	17	Amortised cost	Loans and receivables (at amortised cost)
Financial Liabilities			
Payables[2]	23	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost
Borrowings	24	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost

Notes
1. Excludes statutory receivables of $1.3 million (2018: $2.4 million) and prepayments (not within scope of AASB 7).
2. Excludes statutory payables and unearned revenue of $64.0 million (2018: $47.5 million) (not within scope of AASB 7).

LAHC determines the classification of its financial instruments after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

The measurement requirements of AASB 9 have no impact to the carrying amounts of LAHC's financial instruments.

b) Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if LAHC transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- LAHC has transferred substantially all the risks and rewards of the asset; or
- LAHC has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred 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.

Financial liabilities are derecognised when the obligations specified in the contracts expire, are discharged or cancelled. Gains or losses are recognised in the net result when liabilities are derecognised through early repayment of debt.

NOTE 32: FINANCIAL INSTRUMENTS (continued)

c) Financial risks

(i) 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 credit losses or 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. This is in accordance with LAHC's treasury management policy and NSW Treasury guidelines.

Cash

Cash comprises cash on hand and bank balances within NSW Treasury Banking System held with Westpac Banking Corporation. Interest earned is based on the Reserve Bank of Australia's prevailing cash rate.

Receivables - trade debtors

Accounting policy for impairment of trade debtors and other financial assets under AASB 9

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. Trade debtors are written off when there is no reasonable expectation of recovery.

LAHC applies the AASB 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. To measure the expected credit losses, trade debtors have been grouped based on shared credit risk characteristics and the days past due. LAHC has established a provision matrix based on its historical credit loss experience, considering forward-looking factors specific to the receivables. LAHC is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2019.

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

	$'000				
	<30 days	30-60 days	61-90 days	>91 days	Total
30 June 2019					
Expected credit loss rate	3%	16%	31%	96%	83%
Estimated total gross carrying amount at default[1]	2 800	578	381	22 262	26 021
Expected credit loss	94	94	120	21 347	21 655
1 July 2018					
Expected credit loss rate	4%	15%	35%	95%	84%
Estimated total gross carrying amount at default[1]	2 467	528	333	23 274	26 602
Expected credit loss	91	80	117	22 032	22 320

Notes

The analysis excludes statutory receivables, prepayments (as these are not within the scope of AASB 7) and receivables from other government entities as they are not subject to credit risk. Therefore, the 'total' will not reconcile to the receivables total in note 16.

1. The majority of the balance that was overdue more than 91 days relate to receivables from tenants who have ended their lease agreements with NSW Land and Housing Corporation ('former tenants').

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 32: FINANCIAL INSTRUMENTS (continued)

c) Financial risks (continued)

Accounting policy for impairment of trade debtors and other financial assets under AASB 139 (comparative period only)
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 LAHC 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.

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

	Past due but not impaired[1,2] $'000	Considered impaired[1,2] $'000	Total[1,2] $'000
2018			
< 3 months overdue	5 430	4 841	10 271
3 months - 6 months overdue	-	1 026	1 026
> 6 months overdue	-	14 647	14 647

Notes

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

2. The ageing analysis excludes statutory receivables and prepayments, as these are not within the scope of AASB 7. Therefore, the 'total' will not reconcile to the receivables total in Note 16.

LAHC is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2018.

Other financial assets - Authority Deposits
As at 30 June 2019, LAHC has no authority deposits held with financial institutions. This is in accordance with NSW TC15/01 *Cash Management – Expanding the Scope of the Treasury Banking System* that requires public sector agencies (excluding State Owned Corporations and authorities specifically approved by the Treasurer) to operate as part of the Treasury Banking System (TBS). Consequently, LAHC has transferred the proceeds of its fixed interest investments to TBS upon maturity. The last of such maturity was 6 October 2017.

(ii) 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 borrowings. No assets have been pledged as collateral. LAHC's exposure to liquidity risk has been managed in accordance with LAHC's Treasury Management Policy.

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 *Payment of Accounts*. 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. The rate of interest applied during the year was 9.96% (2018: 9.77%). For payments to other suppliers, the Secretary may automatically pay the supplier simple interest.

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 32: FINANCIAL INSTRUMENTS (continued)

The table below summarises the maturity profile of LAHC's financial liabilities based on contractual undiscounted payments, together with the interest rate exposure.

Maturity analysis and interest rate exposure of financial liabilities

2019	Weighted Avg. Effective Interest Rate	Nominal Amount	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate	Variable Interest Rate	Non-interest bearing	< 1 yr	1-5 yrs	> 5 yrs
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities *(i)*								
Payables *(ii)*:								
FACS - personnel services	-	12 644	-	-	12 644	12 644	-	-
Trade creditors	-	51 644	-	-	51 644	51 644	-	-
Accrued operating expenditure	-	60 852	-	-	60 852	60 852	-	-
Accrued capital expenditure	-	49 752	-	-	49 752	49 752	-	-
Other	-	14 943	-	-	14 943	14 943	-	-
Borrowings:								
Commonwealth loans	4.52	596 837	596 837	-	-	30 939	123 835	442 063
NSW Treasury Corporation loans	3.38	148 795	148 795	-	-	12 063	81 214	55 518
Crown Entity	1.57	120 000	120 000	-	-	-	120 000	-
Other	4.67	4 795	4 795	-	-	459	1 880	2 456
Total financial liabilities		**1 060 262**	**870 427**	**-**	**189 835**	**233 296**	**326 929**	**500 037**

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 2019

NOTE 32: FINANCIAL INSTRUMENTS (continued)

The table below summarises the maturity profile of LAHC's financial liabilities based on contractual undiscounted payments, together with the interest rate exposure.

Maturity analysis and interest rate exposure of financial liabilities

2018	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	-	11 789	-	-	11 789	11 789	-	-
Trade creditors	-	39 172	-	-	39 172	39 172	-	-
Accrued operating expenditure	-	60 461	-	-	60 461	60 461	-	-
Accrued capital expenditure	-	37 254	-	-	37 254	37 254	-	-
Other	-	30 182	-	-	30 182	30 182	-	-
Borrowings:								
Commonwealth loans	4.53	627 742	627 742	-	-	30 905	124 035	472 802
NSW Treasury Corporation loans	3.70	149 096	149 096	-	-	15 117	71 658	62 321
Other	4.66	5 253	5 253	-	-	458	1 890	2 905
Total financial liabilities		**960 949**	**782 091**	-	**178 858**	**225 338**	**197 583**	**538 028**

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).

NOTE 32: FINANCIAL INSTRUMENTS (continued)

(iii) 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 net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which 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.

(iv) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through LAHC's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW Treasury Corporation. LAHC does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income or available for sale. Therefore, for these financial instruments, a change in interest rates would not affect net result or equity. 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.

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

	$'000				
	Carrying	+1%		-1%	
	Amount	Net Result	Equity	Net Result	Equity
2019					
Financial assets					
Cash and cash equivalents	458 270	4 583	4 583	(4 583)	(4 583)
Financial liabilities					
Financial liabilities measured at amortised cost :					
State advances - Commonwealth loans	(358 432)	(3 584)	(3 584)	3 584	3 584
NSW Treasury Corporation loans	(155 508)	(1 555)	(1 555)	1 555	1 555
State advance - Crown Entity	(120 000)	(1 200)	(1 200)	1 200	1 200
Other	(4 795)	(48)	(48)	48	48
2018					
Financial assets					
Cash and cash equivalents	278 452	2 785	2 785	(2 785)	(2 785)
Financial liabilities					
Financial liabilities measured at amortised cost :					
State advances - Commonwealth loans	(373 950)	(3 740)	(3 740)	3 740	3 740
NSW Treasury Corporation loans	(156 815)	(1 568)	(1 568)	1 568	1 568
Other	(5 253)	(53)	(53)	53	53

Receivables (note 16) and payables (note 23) are non-interest bearing and therefore excluded from the interest rate risk volatility analysis.

NOTE 32: FINANCIAL INSTRUMENTS (continued)

d) Fair value measurement

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 maturities 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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Financial liabilities				
NSW Treasury Corporation loans	155 508	156 815	168 198	163 378

NOTE 33: 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.

	2019 $'000	2018 $'000
Short-term employee benefits *(i)*	436	397
Other long-term employee benefits	-	-
Post-employment benefits	21	20
Total KMP compensation *(ii)*	457	417

(i) Short-term employee benefits include salaries, paid annual leave and sick leave, 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 8 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.

NOTE 33: RELATED PARTY DISCLOSURES (continued)

b) Other related party transactions

LAHC is a controlled entity of the NSW Government. Refer to Note 1a) 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, or 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 operations, including:

- FACS is engaged to provide tenancy management services (under an agreed policy framework) and corporate support services; refer Notes 1e, 9, 16, 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 5;
- LAHC receives grants from FACS, the nature and total amount is disclosed in Note 3;
- Other related party transactions between LAHC and FACS cluster agencies include property transfers which are disclosed in Notes 6, 11 and 20, if material.

<u>Other NSW Government-related entities</u>

LAHC also regularly transacts with other NSW government-related entities in the normal course of its activities, including:

- Landcom (a NSW State Owned Corporation) is engaged to be the developer on urban transformation projects such as Airds Bradbury, Bonnyrigg and Claymore. These projects utilise land owned by LAHC to supply social housing;
- NSW Treasury Corporation and NSW Treasury (Crown Entity) provide financial services to supply LAHC with the provision of finance and the management of its liabilities. Transactions and outstanding balances from these activities are disclosed in Notes 12, 24 and 32;
- 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 27.

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 expense disclosed in the Statement of Comprehensive Income.

NOTE 34: EVENTS AFTER THE REPORTING DATE

As a result of the *Administrative Arrangements (Administrative Changes - Public Service Agencies) Order 2019*, LAHC became a member of the Department of Planning, Industry and Environment (DPIE), effective from 1 July 2019 with employees principally involved in providing support to LAHC being transferred from FACS to DPIE. Treasury Circular TC19-06 *Financial Statement Disclosures for Machinery of Government Changes* issued on 27 June 2019 has no impact on the preparation and disclosures of LAHC's financial statements.

LAHC continues to undertake a management transfer program to support the NSW Government strategy set out in its publication *Future Directions for Social Housing in NSW*. As at 30 June 2019, over 9,000 properties have been transferred to community housing providers (CHP), with the remaining balance of approximately 4,400 properties to be transferred by 2 September 2019. The management transfer program will lead to a reduction of both net rental revenue and property related expenditure. Accounting recognition and measurement policies outlined in note 20 continue to apply to these properties as they remain under the control of LAHC.

-------------------- END OF AUDITED FINANCIAL STATEMENTS --------------------

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Register of Land Held

STATEMENT OF FINANCIAL POSITION	2019 $'000	2018 $'000
Residential properties	28 898 109	28 330 502
Land for redevelopment	561 439	556 252
Vacant land	56 447	42 224
Land under Roads	22 206	73 176
Commercial properties	37 760	33 665
Community purpose built properties	117 428	96 617
Assets held for sale		
Residential properties	39 556	46 831
Commercial	-	22
Vacant Land	5 466	8 151
Total	**29 738 411**	**29 187 440**

Land values as per notes to the financial statements and in documentation supporting the notes.

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4. Home Purchase Assistance Fund

Financial statements for the year ended 30 June 2019

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 the Home Purchase Assistance Fund (the Fund), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a 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 2019, 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 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | **t** 02 9275 7101 | **f** 02 9275 7179 | mail@audit.nsw.gov.au | audit.nsw.gov.au

Other Information

The annual report of the Department of Family and Community Services for the year ended 30 June 2019 includes other information in addition to the financial statements of the Fund and my Independent Auditor's Report thereon. The Trustee of the Fund is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Statement by the Trustee.

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

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

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

I have nothing to report in this regard.

The Trustee's Responsibilities 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 is responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Fund will be dissolved by an Act of Parliament or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the [financial statements / financial report] 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.

S Bond .

Sally Bond
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 September 2019
SYDNEY

Home Purchase Assistance Fund

Statement by Trustee

In accordance with a resolution of the Trustee of the Home Purchase Assistance Fund, we 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 2019 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.

Michael Thomson,
Director, Permanent Custodians Ltd

Sydney, 30 September 2019

Home Purchase Assistance Fund

Statement of Comprehensive Income
For the year ended 30 June 2019

	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
Expenses			
Grants and subsidies under the National Rental Affordability Scheme	7,500	7,500	7,336
Trustee's remuneration	120	129	133
Auditor's remuneration (audit of financial statements)	36	39	36
Indemnity paid for defaulting mortgages	270	14	-
Other expenses	35	31	31
Total expenses	**7,961**	**7,713**	**7,536**
Revenue			
Interest from mortgage loans	-	5	2
Interest from investments – related parties	359	432	427
Interest from investments – non-related parties	4,618	8,328	6,222
Total interest revenue	4,977	8,765	6,651
Other revenue	-	9	-
Total revenue	**4,977**	**8,774**	**6,651**
Net result/(deficit)	**(2,984)**	**1,061**	**(885)**
Other comprehensive income/(loss)	-	-	-
Total comprehensive income/(loss) for the year	**(2,984)**	**1,061**	**(885)**

Home Purchase Assistance Fund

Statement of Financial Position
As at 30 June 2019

	Notes	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
Assets				
Current assets				
Cash and cash equivalents	2(a)	200,910	210,820	194,805
Receivables	3	22	2,018	2,308
Other financial assets	4	7,300	-	31,400
Total current assets		**208,232**	**212,838**	**228,513**
Non-current assets				
Other financial assets	4	5,319	4,174	6,495
Total non-current assets		**5,319**	**4,174**	**6,495**
Total assets		**213,551**	**217,012**	**235,008**
Liabilities				
Current liabilities				
Payables	5	90	37	91
Provisions	6	129	49	49
Total current liabilities		**219**	**86**	**140**
Non-current liabilities		-	-	-
Total non-current liabilities		-	-	-
Total liabilities		**219**	**86**	**140**
Net assets		**213,332**	**216,926**	**234,868**
Equity				
Accumulated funds		213,332	216,926	234,868
Total equity		**213,332**	**216,926**	**234,868**

Home Purchase Assistance Fund

Statement of Changes in Equity
For the year ended 30 June 2019

	Notes	Accumulated Funds 2019 $'000	Accumulated Funds 2018 $'000
Balance as at 1 July		234,868	255,257
Net deficit		(2,984)	(885)
Other comprehensive income/(loss)		-	-
Total comprehensive income for the year		**231,884**	**254,372**
Transactions with owners in their capacity as owners			
Distribution to beneficiaries	8	(18,552)	(19,504)
Total transactions with owners in their capacity as owners		**(18,552)**	**(19,504)**
Balance as at 30 June		**213,332**	**234,868**

Home Purchase Assistance Fund

Statement of Cash Flows
For the year ended 30 June 2019

	Notes	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
Cash flows from operating activities				
Receipts				
Interest received:				
Interest from mortgage loans		-	5	2
Investments - related parties		359	432	427
Investments - non-related parties		6,465	8,428	6,596
Other non-related parties		36	-	38
Mortgage loans		-	-	57
Receipts from sundry debtors		403	-	-
Other income		-	9	-
Total receipts		**7,263**	**8,874**	**7,120**
Payments				
Payments for grants and subsidies		(7,500)	(7,500)	(7,336)
Indemnity paid for defaulting mortgages		(190)	(14)	(403)
Trustee's remuneration		(123)	(129)	(98)
Auditor's remuneration		(45)	(39)	(31)
Other expenses		(24)	(31)	(29)
Total payments		**(7,882)**	**(7,713)**	**(7,897)**
Net cash (used in)/received from operating activities	2(b)	**(619)**	**1,161**	**(777)**
Cash flows from investing activities				
Cash inflow from investments in interest bearing bonds		1,176	5	1,296
Sale of short term deposits		24,100	1,250	18,300
Net cash received from investing activities		**25,276**	**1,255**	**19,596**
Cash flows from financing activities				
Payments to New South Wales Treasury		(18,273)	(18,275)	(18,753)
Payments to Special Beneficiaries		(279)	(523)	(751)
Net cash used in financing activities		**(18,552)**	**(18,798)**	**(19,504)**
Net increase/(decrease) in cash and cash equivalents		**6,105**	**(16,382)**	**(685)**
Cash and cash equivalents at the beginning of the year		**194,805**	**174,449**	**195,490**
Cash and cash equivalents at the end of the year	2(a)	**200,910**	**158,067**	**194,805**

Reporting entity

Home Purchase Assistance Fund (the "Fund") 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 2019 were authorised for issue by the Trustee on 30 September 2019.

Home Purchase Assistance Fund

Notes to the Financial Statements
For the year ended 30 June 2019

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 9 *Financial Instruments*. 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 amortised cost which represents fair value as this instrument does not have a tradable market and was not purchased with a premium or discount.

These investments are assessed to have low credit risk at each reporting date based on Trustee's internal risk management analysis. As such, the Trustee assumes that the credit risk on these investments has not increased significantly since initial recognition as permitted by AASB 9.

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 a probable expectation of loss that the Fund will not be able to collect all amounts due. These receivables are assessed to have low credit risk at each reporting date based on their respective external credit ratings. As such, the Trustee assumes that the credit risk on these financial instruments has not increased significantly since initial recognition as permitted by AASB 9.

(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. These are measured at amortised costs which approximates the fair value.

(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

i) Accounting Standards applicable for the first time in 2018-19

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.

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement*. This Standard requires financial assets to be classified based on the entity's business model and contractual cash flows tests. The Fund has assessed its financial assets in accordance with the new classification requirements. There were no financial assets or financial liabilities which the Fund had previously designated as at fair value through profit or loss (FVTPL) under AASB 139 that were subject to reclassification or which the Fund has elected to reclassify upon the application of AASB 9. There were no financial assets or financial liabilities which the Fund has elected to designate as at FVTPL at the date of initial application of AASB 9. Accordingly, there have been no changes in the classification and measurement of any of the Fund's financial assets or liabilities.

1. Summary of significant accounting policies (continued)

(j) New Australian Accounting Standards (continued)

AASB 9 also includes an 'expected credit losses' model that replaces the current 'incurred loss' impairment model. The requirements for hedge accounting have been amended to be more closely aligned to how the entity undertakes its risk management activities when hedging financial and non-financial risk exposures. The adoption of these requirements does not have any material impact on these financial statements.

ii) New Australian Accountant Standards issued but not effective

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

The following new Australia Accounting Standards and interpretations have not been applied and are not yet effective (refer to NSW Treasury mandate TC 19/04).

	Effective for annual reporting periods beginning on or after
AASB 15, AASB 2014-5, AASB 2015-8 and 2016-3 regarding *Revenue from Contracts with Customers* (Not-for-profits only)	1 January 2019
AASB 16 *Leases*	1 January 2020
AASB 17 *Insurance Contracts*	1 January 2021
AASB 1058 *Income of Not-for-profit Entities*	1 January 2019
AASB 1059 *Service Concession Arrangements: Grantors*	1 January 2020
AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*	1 January 2019
AASB 2017-1 *Amendments to Australian Accounting Standards – Transfer of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*	1 January 2019
AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*	1 January 2019
AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*	1 January 2019
AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*	1 January 2019
AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle*	1 January 2019
AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement*	1 January 2019

1. Summary of significant accounting policies (continued)

(j) New Australian Accounting Standards (continued)

	Effective for annual reporting periods beginning on or after
AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements*	1 January 2019
AASB 2018-4 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors*	1 January 2019
AASB 2018-5 *Amendments to Australian Accounting Standards - Deferral of AASB 1059*	1 January 2019
AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*	1 January 2020
AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*	1 January 2020
AASB 2018-8 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities*	1 January 2019
Interpretation 22 *Foreign Currency Transactions and Advance Consideration (Not-for-profits only)*	1 January 2019
Interpretation 23 *Uncertainty over Income Tax Treatment*	1 January 2019

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 these financial statements.

(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.

1. Summary of significant accounting policies (continued)

(k) Budgeted amounts (continued)

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.

	2019 $'000	2018 $'000
(a) Cash and cash equivalents consists of:		
Cash and cash equivalents at bank	27,165	1,205
Term deposits with the maturity within 90 days	173,745	193,600
	200,910	194,805

(b) Reconciliation of net result for the year to net cash received from operating activities

	2019 $'000	2018 $'000
Net deficit	(2,984)	(885)
Net repayment of loans receivable:		
Mortgage loans	-	57
Changes in net assets and liabilities:		
Decrease in interest receivable	1,883	412
Decrease in goods and services tax recoverable	-	2
(Increase)/decrease in sundry debtors	403	(403)
Increase in sundry payables and provisions	79	40
Net cash received used in operating activities	(619)	(777)

Refer to note 9 Financial Instruments for details regarding credit risk, liquidity risk and market risk.

3. Receivables

	2019 $'000	2018 $'000
Interest receivable - non-related parties	22	1,905
Sundry debtors	-	403
Total receivables	22	2,308

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	6,300	30,400
Investment in non-quoted securities at cost (i)	1,000	1,000
Total current other financial assets	7,300	31,400
Investment in non-quoted securities at cost (i)	5,319	6,495
Total non-current other financial assets	5,319	6,495

(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 2019 was $6.3 million (30 June 2018: $7.5 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	31	20
Audit fees	27	36
Trustee fees	32	35
Total payables	90	91

Refer to note 9 Financial Instruments for details regarding credit risk, liquidity risk and market risk.

6. Provisions

	2019 $'000	2018 $'000
Government Guaranteed Loan Scheme	129	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 (2018: 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 2019 $'000	Interest 30 June 2019 $'000	2019 Total $'000	Principal 30 June 2018 $'000	Interest 30 June 2018 $'000	2018 Total $'000
Not later than one year	11,428	6,269	17,697	11,481	6,793	18,274
Later than one year but not later than five years	44,677	19,849	64,526	45,198	21,935	67,133
Later than five years	81,751	17,520	99,271	92,658	21,702	114,360
Total cash outflow	**137,856**	**43,638**	**181,494**	**149,337**	**50,430**	**199,767**

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.

	2019 $'000	2018 $'000
FANMAC Trust	276	392
Shared Equity Schemes	3	359
NSW Treasury	18,273	18,753
	18,552	19,504

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 NSW Treasury Corporation (TCorp). 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 NSW Treasury Corporation (TCorp). 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	2019 $'000	2018 $'000
Financial assets				
Cash and cash equivalents	2	Amortised Cost	200,910	194,805
Receivables (i)	3	Amortised Cost	22	2,308
Other financial assets	4	Amortised Cost	12,619	37,895
Total financial assets			**213,551**	**235,008**
Financial liabilities				
Payables (ii)	5	Amortised Cost	90	91
Total financial liabilities			**90**	**91**

(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 2019 (30 June 2018: 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.

Receivables and Other financial assets are assessed to have low credit risk at each reporting date based on Trustee's internal risk management analysis. As such, the Trustee assumes that the credit risk on these financial instruments has not increased significantly since initial recognition as permitted by AASB 9.

The Fund recognises a loss allowance based on lifetime ECLs at each reporting date. The Fund has established a provision matrix based on its historical credit loss experience and adjusted for forward looking factors.

All receivables are reviewed on an ongoing basis and any debts that are known to be uncollectible are written off.

9. Financial instruments (continued)

The table below outlines the maturity analysis based on carrying amounts for all financial assets of the Fund:

2019	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	1.31%	27.2	173.7	-	-	-	200.9
Other financial assets	3.27%	5.3	7.3	-	-	-	12.6
Total financial assets		**32.5**	**181**	-	-	-	**213.5**

2018	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	2.46%	1.2	193.6	-	-	-	194.8
Receivables	3.06%	-	-	-	-	2.3	2.3
Other financial assets	2.61%	6.5	31.4	-	-	-	37.9
Total financial assets		**7.7**	**225.0**	-	-	**2.3**	**235.0**

The table below outlines the concentration of categories of financial assets for the Fund:

2019	Governments $'m	Banks $'m	Other $'m	Total $'m
Financial assets				
Cash and cash equivalents	-	200.9	-	200.9
Other financial assets	-	6.3	6.3	12.6
Total financial assets	-	**207.2**	**6.3**	**213.5**

2018	Governments $'m	Banks $'m	Other $'m	Total $'m
Financial assets				
Cash and cash equivalents	-	194.8	-	194.8
Receivables	-	2.3	-	2.3
Other financial assets	-	30.4	7.5	37.9
Total financial assets	-	**227.5**	**7.5**	**235.0**

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 than 30 days past due are not considered impaired. No receivables were past due or impaired at 30 June 2019 (30 June 2018: Nil).

9. Financial Instruments (continued)

Authority deposits and fixed interest investments

The Fund has placed funds on fixed term deposit with NSW TCorp, which has been rated 'AAA' by Standard and Poor's.

The weighted average interest rate on the investment portfolio as at 30 June 2019 was 1.43% (30 June 2018: 2.49%). 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 to 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 2019. 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 NSW TCorp.

The Fund does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income.

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.

Home Purchase Assistance Fund

Notes to the Financial Statements
For the year ended 30 June 2019

9. Financial instruments (continued)

	Carrying amount $'000	+1% Net Result $'000	+1% Equity $'000	-1% -Net Result $'000	-1% Equity $'000
2019					
Financial assets					
Cash and cash equivalents	200,910	2,009	2,009	(2,009)	(2,009)
Other financial assets	12,619	126	126	(126)	(126)
Receivables	22	-	-	-	-
Total financial assets	**213,551**	**2,135**	**2,135**	**(2,135)**	**(2,135)**
Payables	90	-	-	-	-
Total financial liabilities	**90**	-	-	-	-

	Carrying amount $'000	+1% Net Result $'000	+1% Equity $'000	-1% -Net Result $'000	-1% Equity $'000
2018					
Financial assets					
Cash and cash equivalents	194,805	1,948	1,948	(1,948)	(1,948)
Other financial assets	37,895	379	379	(379)	(379)
Receivables	2,308	23	23	(23)	(23)
Total financial assets	**235,008**	**2,350**	**2,350**	**(2,350)**	**(2,350)**
Payables	91	-	-	-	-
Total financial liabilities	**91**	-	-	-	-

Fair value measurement

The carrying amount of financial instruments recognised in the statement of financial position approximates the fair value due to the 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 2019 (30 June 2018: 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 2019 (30 June 2018: Nil).

11. Commitments

The Fund is committed to support the National Rental Affordable Scheme, over 10 years as follows:

	2019 $'000	2018 $'000
Not later than one year	7,500	7,500
Later than one year but not later than five years	20,356	27,856
Later than five years	-	-
Total	**27,856**	**35,356**

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 to 30 November 2018.

Public Authorities (Financial Arrangements) Act 1987 was repealed on 30 November 2018 and replaced by new Government Sector Finance Act 2018 (the "GSF Act"). Under the GSF Act, the Trustee of the Home Purchase Assistance Fund (the "Fund") is included within the definition of a "GSF agency".

Following clauses of the GSF Act are applicable for entering into a financial arrangements:

- A financial arrangement is an arrangement (whether entered into or occurring in or outside of Australia) with respect to any of the following:

  a) a borrowing,
  b) an investment,
  c) a derivative arrangement,
  d) a joint financing arrangement,
  e) a joint venture arrangement,
  f) any other arrangement (or arrangement of a kind) prescribed by the regulations as a financial arrangement.

- An investment is:

  a) using money, property or other assets primarily for the purpose or with the expectation of producing income, interest, profit, capital growth or any other financial benefit, or
  b) the entering into of any other arrangement (or arrangement of a kind) prescribed by the regulations as an investment.

- The New South Wales Treasury Corporation may act as a funds manager for GSF agencies in relation to financial arrangements they enter under this Part.

- A GSF agency that wishes to engage a funds manager in relation to the management of some or all of its financial arrangements must engage the New South Wales Treasury Corporation to do so except if the Treasurer gives written approval under this section for another entity to act as the funds manager.

13. Budget Review

Net Result

For the year ended 30 June 2019, the net deficit of the Fund was unfavourable by $4.05m as compared to the budgeted amount. The unfavourable result was primarily attributable to the following:

a) Interest income earned was $3.79m 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) Indemnity paid for defaulting mortgages was $0.27m higher than budgeted allocation.

Assets and Liabilities

a) Assets – Cash and cash equivalents were lower than the budgeted amount by $9.91m, largely due to lower than budgeted interest income earned during the year as the Fund only invest with NSW TCorp and no longer with commercial banks. Overall, total assets were $3.46m lower than the budgeted amount.

b) Liabilities – Total liabilities of the Fund were $0.13m higher than the budgeted amount.

Cash flows

Cash flows from operating activities – Cash flows used in operating activities were unfavourable as compared to the budgeted amount by $1.79m. The reason for the unfavourable inflow from operating activities is listed below:

(a) The receipt of interest income was $2.00m below the budgeted amount which was partially offset by higher than budgeted receipts from sundry debtors of $0.40m.

Cash flows from investing activities – Cash flows provided by investing activities were favourable as compared to the budgeted amount by $24.02m, due to higher than budgeted cash inflow from investments on interest bearing bonds of $1.17m and higher than budgeted sale of short term deposits of $22.85m.

Cash flows from financing activities – Cash flows used in financing activities were favourable as compared to the budgeted amount by $0.25m due to lower than budgeted payments to Special Beneficiaries and New South Wales Treasury.

14. Events after the reporting period

FACS Management and NSW Treasury are currently reviewing options regarding the Trust arrangements which are supported through Fund due to the low numbers of borrowers being supported based through the various arrangements.

Borrowing terms of conditions provided to customers through the various Trust are to remain the same. Financial impact is expected to be in the range of $5-6 million to the funding operating performance in 2019/20.

There are no other 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****

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