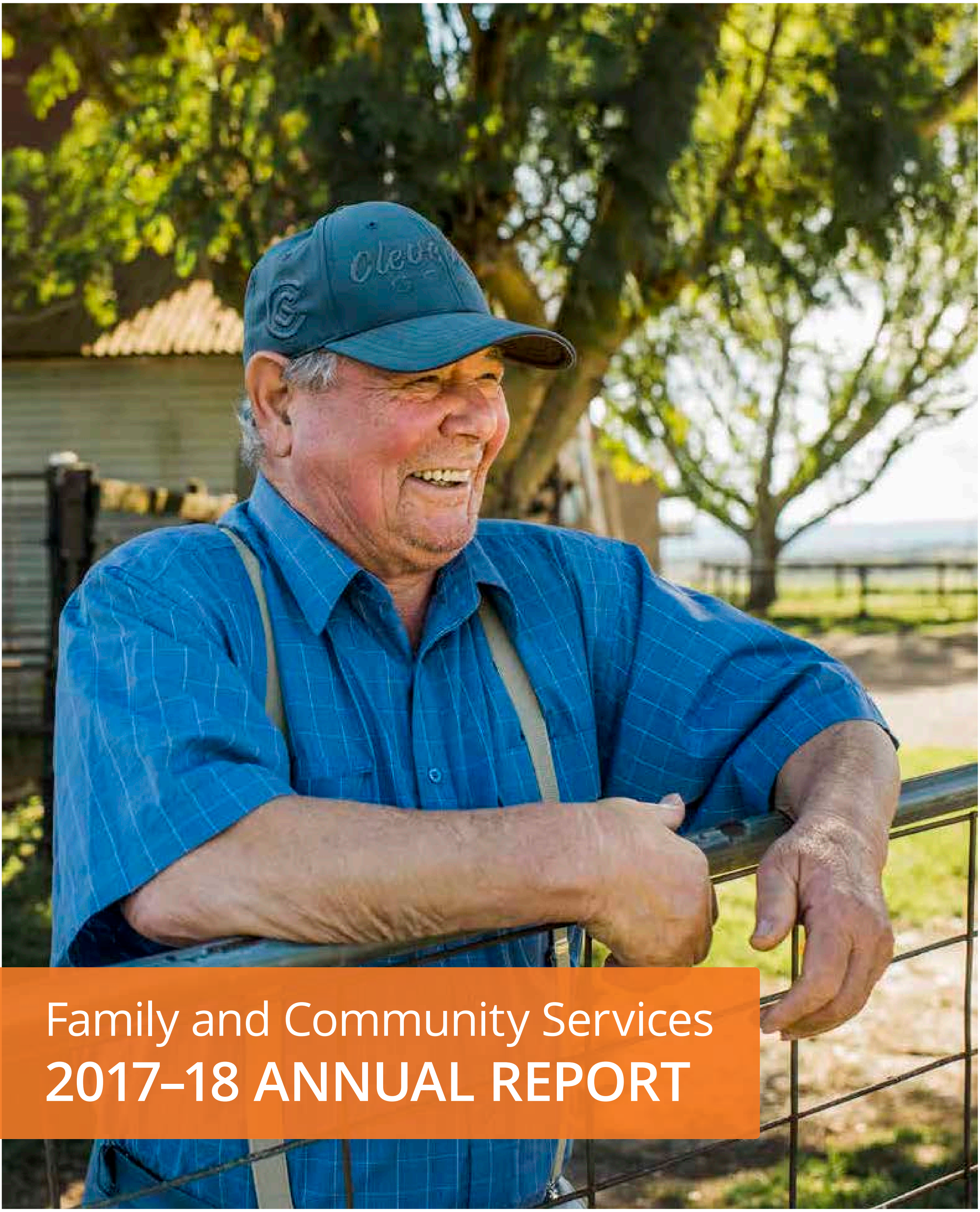

Family and Community Services
2017–18 ANNUAL REPORT

Volume 2 Audited consolidated financial statements for the year ending 30 June 2018

NSW GOVERNMENT

Contents

1.1 Department of Family and Community Services: Parent Financial Report

Financial statements for the year ended 30 June 2018

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 Department of Family and Community Services (the Department), which comprise the Statement of comprehensive income for the year ended 30 June 2018, the Statement of financial position as at 30 June 2018, the Statement of changes in equity and the Statement of cash flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the 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 2018, 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.

Other Information

Other information comprises the information included in the annual report of the Department and the consolidated entity for the year ended 30 June 2018, other than 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 comprise 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 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 ability of the Department and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where operations will cease as a result of an administrative restructure.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the 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.

Margaret Crawford
Auditor-General of New South Wales

17 September 2018
SYDNEY

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

FINANCIAL STATEMENTS

For the Year Ended 30 June 2018

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 2018 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
14 September 2018

Alastair Hunter
Chief Financial Officer
14 September 2018

Start of Audited Financial Statements

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

Statement of comprehensive income for the year ended 30 June 2018

	Notes	PARENT			CONSOLIDATED		
		Actual 2018 $'000	Budget 2018 $'000	Actual 2017 $'000	Actual 2018 $'000	Budget 2018 $'000	Actual 2017 $'000
Continuing operations							
Expenses excluding losses							
Employee-related expenses	2(a)	**1,267,871**	1,391,754	1,550,509	**1,267,871**	1,391,754	1,550,708
Operating expenses	2(b)	**405,464**	389,682	407,856	**405,616**	389,682	408,045
Depreciation and amortisation	2(c)	**80,560**	92,387	78,600	**80,697**	92,387	78,736
Grants and subsidies	2(d)	**4,677,612**	4,759,150	4,073,438	**4,677,612**	4,759,150	4,073,438
Finance Costs	2(e)	**809**	-	425	**809**	-	425
Total expenses excluding losses		**6,432,316**	6,632,973	6,110,828	**6,432,605**	6,632,973	6,111,352
Revenue							
Appropriation (net of transfer payments)	3(a)	**6,167,958**	6,295,054	5,717,854	**6,167,958**	6,295,054	5,717,854
(Transfers to the Crown Entity)		**-**	(52,867)	-	**-**	(52,867)	-
Sale of goods and services	3(b)	**205,556**	161,367	209,375	**205,556**	161,367	209,375
Personnel services revenue - Aboriginal Housing Office		**13,066**	11,401	8,795	**13,066**	11,401	8,795
Personnel services revenue - Land and Housing Corporation		**67,983**	82,666	66,296	**67,983**	82,666	66,296
Investment revenue	3(c)	**14,043**	326	3,135	**14,075**	326	5,510
Grants and other contributions	3(d)	**112,103**	152,733	49,808	**112,103**	152,733	49,808
Acceptance by the Crown Entity of employee benefits and other liabilities	3(e)	**43,154**	55,423	32,428	**43,154**	55,423	32,428
Other revenue	3(f)	**15,697**	21,922	20,682	**15,730**	21,922	21,379
Total revenue		**6,639,560**	6,728,025	6,108,373	**6,639,625**	6,728,025	6,111,445
Operating result		**207,244**	95,052	(2,455)	**207,020**	95,052	93
Gain / (loss) on disposal	4	**(3,181)**	(225)	4,262	**(3,181)**	(225)	4,262
Other gains / (losses)	5	**(4,806)**	(862)	(4,320)	**(4,806)**	(862)	(3,839)
Net result from continuing operations		**199,257**	93,965	(2,513)	**199,033**	93,965	516
Other comprehensive income							
Items that will not be reclassified to net result in subsequent periods							
Net increase / (decrease) in property, plant and equipment asset revaluation surplus		**60,838**	-	85,973	**61,270**	-	86,135
Actuarial gains/(losses) on superannuation funds	17	**42**	-	2,912	**42**	-	2,915
Other net increases / (decreases) in equity	18	**(3,518)**	-	-	**(3,518)**	-	-
Total other comprehensive income		**57,362**	**-**	88,885	**57,794**	**-**	89,050
TOTAL COMPREHENSIVE INCOME		**256,619**	93,965	86,372	**256,827**	93,965	89,566

The accompanying notes form part of these financial statements

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

Statement of financial position as at 30 June 2018

	Notes	PARENT			CONSOLIDATED		
		Actual 2018 $'000	Budget 2018 $'000	Actual 2017 $'000	Actual 2018 $'000	Budget 2018 $'000	Actual 2017 $'000
ASSETS							
Current Assets							
Cash and cash equivalents	8	**334,928**	80,630	142,235	**336,490**	80,630	143,887
Receivables	9	**107,984**	86,825	111,299	**107,984**	86,825	111,312
		442,912	167,455	253,534	**444,474**	167,455	255,199
Non-current assets held for sale	10	**109,901**	-	2,621	**109,901**	-	2,621
Total Current Assets		**552,813**	167,455	256,155	**554,375**	167,455	257,820
Non-Current Assets							
Receivables	9	**3,125**	-	3,043	**3,125**	-	3,043
Financial assets at fair value		**-**	350	-	**-**	350	-
Property, plant and equipment							
Land and buildings	11	**1,346,637**	1,243,967	1,414,310	**1,356,366**	1,243,967	1,423,744
Plant and equipment	11	**78,724**	82,409	76,953	**78,724**	82,409	76,953
Total property, plant and equipment		**1,425,361**	1,326,376	1,491,263	**1,435,090**	1,326,376	1,500,697
Intangible assets	12	**169,136**	154,235	126,653	**169,136**	154,235	126,653
Total Non-Current Assets		**1,597,622**	1,480,961	1,620,959	**1,607,351**	1,480,961	1,630,393
Total Assets		**2,150,435**	1,648,416	1,877,114	**2,161,726**	1,648,416	1,888,213
LIABILITIES							
Current Liabilities							
Payables	14	**348,947**	58,100	188,699	**348,944**	58,100	188,712
Provisions	15	**156,863**	174,105	294,562	**156,863**	174,105	294,562
Other current liabilities	16	**71**	528	299	**71**	528	299
Total Current Liabilities		**505,881**	232,733	483,560	**505,878**	232,733	483,573
Non-Current Liabilities							
Provisions	15	**75,407**	56,123	80,955	**75,407**	56,123	80,955
Other non-current liabilities	16	**235**	6,262	306	**235**	6,262	306
Total Non-Current Liabilities		**75,642**	62,385	81,261	**75,642**	62,385	81,261
Total Liabilities		**581,523**	295,118	564,821	**581,520**	295,118	564,834
Net Assets		**1,568,912**	1,353,298	1,312,293	**1,580,206**	1,353,298	1,323,379
EQUITY							
Reserves		**288,136**	176,323	231,388	**288,730**	176,323	231,550
Accumulated funds		**1,280,776**	1,176,975	1,080,905	**1,291,476**	1,176,975	1,091,829
Total Equity		**1,568,912**	1,353,298	1,312,293	**1,580,206**	1,353,298	1,323,379

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 2018

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	11	-	60,838	60,838
Actuarial gains/(losses) on superannuation funds	17	42	-	42
Total other comprehensive income		**42**	**60,838**	**60,880**
Total comprehensive income for the year		**199,299**	**60,838**	**260,137**
Transactions with owners in their capacity as owners				
Asset revaluation reserve balance transferred to accumulated funds on disposal of asset		4,090	(4,090)	-
Increase/(decrease) in net assets from equity transfers	18	(3,518)	-	(3,518)
Balance at 30 June 2018		**1,280,776**	**288,136**	**1,568,912**

PARENT	Notes	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total $'000
Balance at 1 July 2016		1,080,506	145,415	1,225,921
Net result for the year		(2,513)	-	(2,513)
Other comprehensive income:				
Net change in revaluation surplus of property, plant equipment	11	-	85,973	85,973
Actuarial gains/(losses) on superannuation funds	17	2,912	-	2,912
Total other comprehensive income		**2,912**	**85,973**	**88,885**
Total comprehensive income for the year		**399**	**85,973**	**86,372**
Transactions with owners in their capacity as owners				
Increase/(decrease) in net assets from equity transfers	18	-	-	-
Balance at 30 June 2017		1,080,905	231,388	1,312,293

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 2018

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	5,11	-	61,270	61,270
Actuarial gains/(losses) on superannuation funds	17	42	-	42
Total other comprehensive income		**42**	**61,270**	**61,312**
Total comprehensive income for the year		**199,075**	**61,270**	**260,345**
Transactions with owners in their capacity as owners				
Asset revaluation reserve balance transferred to accumulated funds on disposal of asset		4,090	(4,090)	-
Increase/(decrease) in net assets from equity transfers	18	(3,518)	-	(3,518)
Balance at 30 June 2018		**1,291,476**	**288,730**	**1,580,206**

CONSOLIDATED	Notes	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total $'000
Balance at 1 July 2016		1,123,879	145,018	1,268,897
Net result for the year		516	-	516
Other comprehensive income:				
Net change in revaluation surplus of property, plant equipment	5,11	-	86,135	86,135
Transfers on disposal		(397)	397	-
Actuarial gains/(losses) on superannuation funds	17	2,915	-	2,915
Total other comprehensive income		**2,518**	**86,532**	**89,050**
Total comprehensive income for the year		**3,034**	**86,532**	**89,566**
Transactions with owners in their capacity as owners				
Increase/(decrease) in net assets from equity transfers	18	(35,084)	-	(35,084)
Balance at 30 June 2017		1,091,829	231,550	1,323,379

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 2018

	Notes	PARENT			CONSOLIDATED		
		Actual 2018 $'000	Budget 2018 $'000	Actual 2017 $'000	Actual 2018 $'000	Budget 2018 $'000	Actual 2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Payments							
Employee related		**(1,245,450)**	(1,472,240)	(1,534,296)	**(1,245,450)**	(1,472,240)	(1,535,025)
Suppliers for goods and services		**(447,182)**	(712,210)	(405,978)	**(447,316)**	(712,210)	(406,093)
Grants and subsidies		**(4,800,524)**	(4,759,150)	(4,332,793)	**(4,800,524)**	(4,759,150)	(4,332,793)
Total Payments		**(6,493,156)**	(6,943,600)	(6,273,067)	**(6,493,290)**	(6,943,600)	(6,273,911)
Receipts							
Appropriations (excluding equity appropriations)	3a	**6,167,958**	6,295,054	5,717,854	**6,167,958**	6,295,054	5,717,854
Reimbursements from the Crown Entity		**97,174**	137,000	12,784	**97,174**	137,000	12,784
(Transfers to the Crown Entity)		**-**	(52,867)	-	**-**	(52,867)	-
Sale of goods and services		**220,994**	254,128	201,831	**220,994**	254,128	201,831
Interest received		**169**	326	27	**213**	326	2,408
GST recoveries		**273,937**	-	348,228	**273,937**	-	348,228
Grants and contributions		**15,368**	15,733	53,645	**15,368**	15,733	53,645
Other		**45,280**	362,299	69,261	**45,280**	362,299	71,365
Total Receipts		**6,820,880**	7,011,673	6,403,630	**6,820,924**	7,011,673	6,408,115
NET CASH FLOWS FROM OPERATING ACTIVITIES	23	**327,724**	68,073	130,563	**327,634**	68,073	134,204
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale of land and buildings and plant and equipment	4	**16,107**	64,000	23,039	**16,107**	64,000	23,039
Proceeds from disposal of investments		**-**	(175)	-	**-**	(175)	26,481
Purchases of land and buildings and plant and equipment		**(42,429)**	(62,185)	(71,921)	**(42,429)**	(62,185)	(71,931)
Other		**(71,912)**	(60,985)	(53,346)	**(71,912)**	(60,985)	(53,346)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(98,234)**	(59,345)	(102,228)	**(98,234)**	(59,345)	(75,757)
NET INCREASE/(DECREASE) IN CASH		**229,490**	8,728	28,335	**229,400**	8,728	58,447
Opening cash and cash equivalents		**142,235**	71,902	113,791	**143,887**	71,902	117,363
Cash transferred in / (out) as a result of administrative restructuring and Equity Transfer	18	**(36,797)**	-	109	**(36,797)**	-	(31,923)
CLOSING CASH AND CASH EQUIVALENTS	8	**334,928**	80,630	142,235	**336,490**	80,630	143,887

The accompanying notes form part of these financial statements

1. Summary of Significant Accounting Policies

(a) Reporting entity

The Department of Family and Community Services (FACS), as a reporting entity, comprises all entities under its control and the John Williams Memorial Charitable Trust.

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

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

The consolidated financial statements for the year ended 30 June 2018 have been authorised by the Secretary for issue, on 14 September, 2018.

(b) Administrative restructure and other activities

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

There were no administrative restructure changes during 2017-18.

For comparative purposes, the following administrative restructure changes occurred as a result of Administrative Arrangements Orders and other government orders in 2016/17.

* On 1 April 2017, Women NSW was transferred to FACS from the Ministry of Health

* The Statute Law (Miscellaneous) Bill 2016 effective 8 July 2016 repealed the Home Care Service Act 1988 was proclaimed on 28/06/2017. Repeal of the Act resulted in the dissolution of Home Care Service of New South Wales and the transfer of net assets to the Crown on 28/06/2017.

(ii) Other activities

A dedicated fund held by the Crown entity has been established by the NSW Government to help address the shortage of social and affordable housing in NSW. The fund is the Social and Affordable Housing Fund 'SAHF'. FACS is responsible for the procurement and commissioning functions associated with SAHF. In fulfilling it's obligations under the SAHF, FACS will not be required to recognise any assets or liabilities on its balance sheet and there will be no net impact to FACS' operating result.

(c) Basis of preparation

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

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

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

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

National Disability Insurance Scheme (NDIS) full scheme operations for New South Wales commenced on 1 July 2018.

As part of the implementation of the NDIS, disability services provided by FACS are transitioning to the Non Government (NGO) sector. (refer Note 18 for details of the transition of disability services to the NGO sector in 2017-18) . Further transfers are planned for 2018-19.

A number of FACS employees were transferred to the NGO sector as part of these reforms and others were made redundant due to overall reduction in other support staff. Transferring employees are entitled to a transfer payment and redundant employees are entitled to redundancy payments. The transition to the NDIS constitutes a restructure for which FACS has a present constructive obligation to make transfer and redundancy payments. An outflow of resources embodying economic benefits will be required to settle this obligation. The amount was reliably estimated and a provision for transfer payments and redundancy costs was recognised in the financial statements as at 30 June 2016. A review of the provision has been undertaken at 30 June 2018. Refer to Note 15 for additional details regarding recognition of provisions.

FACS's business during 2018-19 is expected to be the same as in the past except for the impacts of the staged transfers of Disability services to the NGO Sector in 2018-19 and management has prepared the financial statements based on this assumption.

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

(d) Statement of Compliance

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

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

(f) 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 11 and Note 13.

ii) Accumulated funds

Accumulated funds include all current and prior period retained funds.

(g) Equity transfers

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

Transfers involving not-for-profit and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. In most instances, this will approximate fair value.

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.

(h) 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 2018 and as at 30 June 2017. Refer Note 20 regarding disclosures on contingent liabilities.

(i) 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 22.

(j) Comparative information

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

1. Summary of Significant Accounting Policies (continued)

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

(i) Effective for the first time in 2017-18

The accounting policies applied in 2017-18 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 2018:

AASB 2016-2 regarding amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107
AASB 2016-4 regarding amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities
AASB 2017-2 regarding amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle

Adoption of these amendments has not had a material effect on the financial position or performance of FACS or presentation and disclosures in the Financial Statements except for AASB 124 Related Party Disclosures, refer to Note 26 for disclosures regarding Related Party Transactions.

(ii) Issued but not effective

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

The following new Australian Accounting Standards and interpretations have not been applied and are not yet effective (refer Treasury Circular NSWTC 18/01 Mandates of Options and Major Policy Decisions under Australian Accounting Standards).

	Operative Date
AASB 9 regarding financial instruments	1 January 2018
AASB 15, AASB 2014-5, AASB 2015-8 and AASB 2016-3 regarding Revenue from Contracts with Customers	1 January 2018
AASB 16 regarding Leases	1 January 2019
AASB 17 regarding Insurance Contracts	1 January 2021
AASB 1058 regarding Income of Not-for-profit	1 January 2019
AASB 1059 regarding Service Concession Arrangements: Grantors	1 January 2019
AASB 2016-5 regarding amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transaction	1 January 2018
AASB 2016-6 regarding amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts	1 January 2018
AASB 2016-7 regarding amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities	1 January 2018
AASB 2016-8 regarding amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities	1 January 2019
AASB 2017-1 regarding amendments to Australian Accounting Standards - Transfer of investment Property, Annual Improvements 2014-2016	1 January 2019
AASB 2017-3 regarding amendments to Australian Accounting Standards - Clarifications to AASB 4	1 January 2018
AASB 2017-4 regarding amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments	1 January 2019
AASB 2017-5 regarding amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2018
AASB 2017-6 regarding amendments to Australian Accounting Standards - Prepayment Features with Negative Compensation	1 January 2019
AASB 2017-7 regarding amendments to Australian Accounting Standards - Long-term Interests in Associates and Joint Ventures	1 January 2019
Interpretation 22 regarding Foreign Currency Transactions and Advance Consideration	1 January 2018
Interpretation 23 regarding Uncertainty over Income Tax Treatment	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;

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

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

Management is assessing the potential effect of this standard.

(l) Change in accounting policies

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

	PARENT		CONSOLIDATED	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000

2. Expenses Excluding Losses

(a) Employee related expenses

	2018	2017	2018	2017
Salaries and wages (including annual leave) (i)	1,071,451	1,302,964	1,071,451	1,303,123
Superannuation - defined contribution plans	84,681	102,350	84,681	102,424
Superannuation - defined benefit plans	9,228	12,156	9,228	12,165
Long service leave	34,319	19,915	34,319	19,872
Workers' compensation insurance	40,349	34,390	40,349	34,390
Payroll tax and fringe benefit tax	44,913	74,276	44,913	74,276
Transfer and redundancy expense (ii)	(17,611)	4,054	(17,611)	4,054
Other	541	404	541	404
	1,267,871	1,550,509	1,267,871	1,550,708

(i) Employee related costs capitalised in fixed asset accounts are excluded from the above and totalled $18.122 million (2017: $14.131 million).

(ii) During 2017-18 FACS reviewed the level of transfer and redundancy provision provided for in 2015-16 and have reduced the provision by $19.7million. This reduction reflects lower transfer and redundancy provisioning required due to higher staff transfers to the NGO sector and lower redundancies than initially provided for.

(b) Other operating expenses

	2018	2017	2018	2017
Auditor's remuneration - audit of the financial statements	599	563	607	587
Internal Auditor's remuneration - other services	1,113	1,879	1,113	1,879
Advertising	1,578	1,666	1,578	1,666
Bad and doubtful debts	361	255	361	289
Cleaning	8,297	7,782	8,297	7,782
Computer maintenance, software licences and other related expenditure	45,660	43,460	45,660	43,460
Consultants	27	2,239	27	2,239
Other contract services	53,490	50,448	53,490	49,416
Contractors and short term staff	1,338	2,600	1,338	2,600
Equipment	891	2,285	891	2,285
Fee for services rendered	17,110	12,843	17,110	12,843
Groceries - Group Homes	9,485	13,868	9,485	13,868
Insurance	2,317	3,843	2,317	3,843
Legal costs	22,688	22,349	22,688	22,349
Maintenance (i)	19,035	19,317	19,180	19,447
Management and other fees	31,030	25,485	31,030	25,485
Medical support services	1,044	3,059	1,044	3,059
Motor vehicle running costs	19,819	25,916	19,819	25,916
Disability group home tenancy management fees (ii)	3,014	-	3,014	-
Operating lease rental expense-minimum lease payments	77,185	77,539	77,185	77,539
Telecommunications	11,882	15,941	11,882	16,974
Printing, postage and stationery	4,417	5,581	4,417	5,581
Property and residential expenses	6,415	4,399	6,415	4,399
Staff development	21,120	20,038	21,120	20,038
Travelling, removal and subsistence	13,398	12,072	13,398	12,072
Utilities	8,811	9,805	8,811	9,805
Other	23,340	22,624	23,339	22,624
	405,464	407,856	405,616	408,045

	2018	2017	2018	2017
(i) Reconciliation - Total Maintenance				
Maintenance expense - contractor labour and other (non employee related) as above	19,035	19,317	19,180	19,447
Employee related maintenance expense included in Note 2 (a)	1,886	1,875	1,886	1,875
Total maintenance expenses included in Note 2 (a) and 2 (b)	20,921	21,192	21,066	21,322

(ii) During the year FACS has entered into tenancy arrangements with various NGO's as part of the transition to the NDIS.

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.

	PARENT		CONSOLIDATED	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
(c) Depreciation and amortisation expense				
Depreciation				
Buildings	28,305	26,693	28,442	26,829
Computer equipment	4,826	6,412	4,826	6,412
Motor vehicles	-	10	-	10
Furniture and equipment	667	1,144	667	1,144
Plant and equipment	925	1,668	925	1,668
Leasehold improvements	17,635	21,208	17,635	21,208
	52,358	57,135	52,495	57,271
Amortisation				
Intangibles	14,816	9,106	14,816	9,106
Internally developed assets	13,386	12,359	13,386	12,359
	28,202	21,465	28,202	21,465
	80,560	78,600	80,697	78,736

	PARENT		CONSOLIDATED	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
(d) Grants and subsidies				
Ageing program	3,381	3,531	3,381	3,531
Disability services program	682,586	1,243,597	682,586	1,243,597
National Disability Insurance Scheme - payments to National Disability Insurance Agency	1,854,622	757,089	1,854,622	757,089
Community care supports program	67,185	149,771	67,185	149,771
Out of home care	1,022,026	930,145	1,022,026	930,145
Prevention and early Intervention	293,925	232,503	293,925	232,503
Statutory child protection service	71,644	54,770	71,644	54,770
Rental assistance	31,039	30,888	31,039	30,888
Rental subsidies to disadvantaged groups	36,942	29,692	36,942	29,692
Grants to other government departments	-	4,343	-	4,343
Housing initiatives leasing	81,440	80,449	81,440	80,449
Housing grants to community groups	16,201	20,187	16,201	20,187
Grants to Land and Housing Corporation	70,107	96,934	70,107	96,934
Other grants to individuals and other organisations (i)	446,514	439,539	446,514	439,539
	4,677,612	4,073,438	4,677,612	4,073,438

(i)Under the Bilateral Agreement between the Commonwealth and NSW for the transition to the National Disability Insurance Scheme, NSW's in-kind contribution includes:
a) the cost of NSW provided supported accommodation for services expected to transfer to the non-government sector during the transition period
b) some non accommodation statewide services which will be required to operate throughout transition
The estimated in-kind value for 2017-18 is $578.5 million (2016-17 $260.2 million).

FACS received $1.11 million from service providers in 2017-18 (2016-17 $1.10 million) representing a return of unspent grants under the following programs: $Nil (2016-17 $1.10 million) for the Disability Services program and $1.11 million (2016-17 $Nil) for the Community Care Supports Program (formerly Home and Community Care program.

	PARENT		CONSOLIDATED	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
(e) Finance costs				
Other	15	-	15	-
Unwinding of discount rate	794	425	794	425
	809	425	809	425

3. Revenue

a) Appropriations and Transfers to the Crown Entity

	PARENT/CONSOLIDATED 2018 $'000		PARENT/CONSOLIDATED 2017 $'000	
Summary of Compliance	Appropriation	Expenditure	Appropriation	Expenditure
Original Budget per Appropriation Act	6,295,054	6,190,007	5,840,321	5,764,265
Other Appropriations/Expenditure				
- Additional Appropriations	45,400	45,400	-	-
- Section 24 PFAA - transfers of functions between entities	-	-	19,320	19,320
- Other adjustments	(105,047)	-	(76,056)	-
Total Appropriations	6,235,407	6,235,407	5,783,585	5,783,585
Expenditure/Net Claim on Consolidated Fund (includes transfer payments)		6,235,407		5,783,585
Appropriation drawn down *		6,235,407		5,783,585
Liability to Consolidated Fund		-		-
* Comprising:				
Transfer payments (Aboriginal Housing Office)		50,727		46,747
Transfer payments (Multicultural NSW)		16,722		18,984
Appropriations (per Statement of Comprehensive Income) **		6,167,958		5,717,854
		6,235,407		5,783,585
** Appropriations comprises of:				
Recurrent		6,078,668		5,677,295
Capital		89,290		40,559
		6,167,958		5,717,854

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.

	PARENT		CONSOLIDATED	
	2018	2017	**2018**	2017
	$'000	$'000	$'000	$'000
b) Sale of goods and services				
Residential Client Fees	**22,753**	42,098	**22,753**	42,098
Management Fees - Land and Housing Corporation	**122,957**	125,701	**122,957**	125,701
Rendering of services - Disaster Welfare	**578**	243	**578**	243
NDIS services revenue	**41,435**	18,336	**41,435**	18,336
Other fees	**17,833**	22,997	**17,833**	22,997
	205,556	209,375	**205,556**	209,375

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	**169**	7	**194**	2,382
Rents	**13,874**	3,128	**13,881**	3,128
	14,043	3,135	**14,075**	5,510

Recognition and Measurement

Interest

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

Rent

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

d) Grants and contributions

State				
Other State Government grants *	**112,103**	49,808	**112,103**	49,808
	112,103	49,808	**112,103**	49,808
Total Grants and Contributions	**112,103**	49,808	**112,103**	49,808

* Including reimbursement for redundancy funding of $88.906 million (2017: $12.784 million)

	PARENT		CONSOLIDATED	
	2018	2017	**2018**	2017
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	**9,003**	11,881	**9,003**	11,881
Long service leave	**33,667**	19,896	**33,667**	19,896
Payroll tax	**484**	651	**484**	651
	43,154	32,428	**43,154**	32,428
f) Other revenue				
Assets recognised for the first time	**-**	45	**-**	45
TMF hindsight adjustment	**4,788**	8,948	**4,788**	9,566
Overseas adoptions	**171**	289	**171**	289
Rental assistance subsidies	**937**	506	**937**	506
Other	**9,801**	10,894	**9,834**	10,973
	15,697	20,682	**15,730**	21,379

4. Gain/(loss) on disposal

	PARENT 2018	PARENT 2017	CONSOLIDATED 2018	CONSOLIDATED 2017
(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)	**16,107**	22,912	**16,107**	22,912
Written down value of assets disposed	**(11,484)**	(17,333)	**(11,484)**	(17,333)
Net gain/(loss) on disposal of non-current assets held for sale	**4,623**	5,579	**4,623**	5,579
Gain/(loss) on disposal of land and buildings:				
Written down value of assets disposed	**(3,719)**	(1,148)	**(3,719)**	(1,148)
Net gain/(loss) on disposal of land and buildings	**(3,719)**	(1,148)	**(3,719)**	(1,148)
Gain/(loss) on disposal of plant and equipment:				
Proceeds from disposal (net of selling expenses)	**-**	127	**-**	127
Written down value of assets disposed	**(108)**	(257)	**(108)**	(257)
Net gain/(loss) on disposal of plant and equipment	**(108)**	(130)	**(108)**	(130)
(ii) Assets written off				
Property, plant and equipment	**(3,977)**	(39)	**(3,977)**	(39)
	(3,977)	(39)	**(3,977)**	(39)
Total net gain/(loss) on disposal	**(3,181)**	4,262	**(3,181)**	4,262

5. Other Gains/(Losses)

	PARENT 2018	PARENT 2017	CONSOLIDATED 2018	CONSOLIDATED 2017
Revaluation gain/(loss) on carrying value of land and buildings *	**-**	-	**-**	481
Impairment loss on carrying value of land and buildings	**(824)**	(1,107)	**(824)**	(1,107)
Gain/(loss) on impairment of receivables	**(3,982)**	(3,213)	**(3,982)**	(3,213)
	(4,806)	(4,320)	**(4,806)**	(3,839)

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

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

6. Conditions on contributions

As at 30 June 2018 FACS held $0.126 million (2017: $0.130 million) in cash at bank representing unspent contributions with conditions from Commonwealth and State agencies. The unspent contributions with conditions were: from Office of Protective Commissioner's Resident Amenities Fund (2018: $0.126 million 2017: $0.130 million), a contribution from Northern Sydney Medical Local for collective projects in Northern Sydney district and funding from NSW Education and Learning provided under Elsa Dixon Program for an aboriginal staff member in Hunter New England district

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

Note 7: Consolidated Program Group Statements for the Year Ended 30 June 2018

Program Groups ENTITY'S EXPENSES & INCOME	Empowerment for Independent Living		Ongoing support to break disadvantage		Targeted Support to Improve Lives and Realise Potential		Accommodation supports for people with disability		Social and Economic Supports for People with Disability		Unallocated		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Expenses excluding losses														
Operating expenses														
Employee-related expenses	19,334	12,959	429,374	409,238	380,441	372,755	21,865	594,691	416,857	161,065	-	-	1,267,871	1,550,708
Operating expenses	13,463	7,125	118,121	115,476	126,478	108,709	15,777	129,454	131,777	47,281	-	-	405,616	408,045
Depreciation and amortisation	405	498	12,794	12,484	16,511	16,222	3,260	43,487	47,727	6,045	-	-	80,697	78,736
Grants and subsidies	213,060	205,302	1,270,039	1,214,493	561,532	373,086	2,031,964	1,214,714	601,017	1,065,843	-	-	4,677,612	4,073,438
Finance Costs	6	3	166	63	300	71	44	191	293	97	-	-	809	425
TOTAL EXPENSES EXCLUDING LOSSES	246,268	225,887	1,830,494	1,751,754	1,085,262	870,843	2,072,910	1,982,537	1,197,671	1,280,331	-	-	6,432,605	6,111,352
Revenue														
Appropriation (net of transfer payments)	-	-	-	-	-	-	-	-	-	-	6,167,958	5,717,854	6,167,958	5,717,854
Sales of goods and services	132	332	131,834	136,320	2,757	9,934	1,213	59,457	69,620	3,332	-	-	205,556	209,375
Personnel services revenue	-	836	81,049	71,204	-	3,051	-	-	-	-	-	-	81,049	75,091
Investment revenue	13	40	421	947	277	799	122	3,274	13,242	450	-	-	14,075	5,510
Grants and contributions	998	547	11,414	14,926	4,122	12,020	38,479	17,395	57,090	4,920	-	-	112,103	49,808
Acceptance by the Crown Entity of employee benefits			-	-	-	-	-	-	-	-	43,154	32,428	43,154	32,428
Other revenue	1,716	807	10,379	11,454	1,463	3,576	1,069	618	1,103	4,924	-	-	15,730	21,379
Total revenue	2,859	2,562	235,097	234,851	8,619	29,380	40,883	80,744	141,055	13,626	6,211,112	5,750,282	6,639,625	6,111,445
Operating result	(243,409)	(223,325)	(1,595,397)	(1,516,903)	(1,076,643)	(841,463)	(2,032,027)	(1,901,793)	(1,056,616)	(1,266,705)	6,211,112	5,750,282	207,020	93
Gain / (loss) on disposal	(1)	(5)	(25)	48	(25)	(73)	(11)	4,275	(3,119)	17	-	-	(3,181)	4,262
Other gains / (losses)	(19)	53	(472)	(2,937)	(404)	-	(178)	(1,436)	(3,733)	481	-	-	(4,806)	(3,839)
Net result from operating activities	(243,429)	(223,277)	(1,595,894)	(1,519,792)	(1,077,072)	(841,536)	(2,032,216)	(1,898,954)	(1,063,468)	(1,266,207)	6,211,112	5,750,282	199,033	516
Other Comprehensive Income														
Increase/(decrease) in asset revaluation surplus	-	-	1	-	-	-	60,837	85,973	432	162	-	-	61,270	86,135
Other net increases/(decreases) in equity	-	-	-	-	-	-	(3,518)	-		-	-	-	(3,518)	-
Actuarial gains/(losses) on superannuation funds	-	-	42	2,912	-	-	-	3		-	-	-	42	2,915
Total Other Comprehensive Income	-	-	43	2,912	-	-	57,319	85,976	432	162	-	-	57,794	89,050
TOTAL COMPREHENSIVE INCOME	(243,429)	(223,277)	(1,595,851)	(1,516,880)	(1,077,072)	(841,536)	(1,974,897)	(1,812,978)	(1,063,036)	(1,266,045)	6,211,112	5,750,282	256,827	89,566

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

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

Note 7: Consolidated Program Group Statements for the Year Ended 30 June 2018

Program Groups ENTITY'S ASSETS & LIABILITIES	Empowerment for Independent Living		Ongoing support to break disadvantage		Targeted Support to Improve Lives and Realise Potential		Accommodation supports for people with disability		Social and Economic Supports for People with Disability		Unallocated		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Current Assets														
Cash and cash equivalents	7,591	4,172	78,439	61,318	40,484	18,592	146,411	36,908	63,565	22,897	-	-	336,490	143,887
Receivables	7,021	6,106	57,552	62,621	37,446	23,588	4,190	11,782	1,775	7,215	-	-	107,984	111,312
Non-current assets held for sale	-	-	450	450	-	-	109,451	2,171	-	-	-	-	109,901	2,621
TOTAL Current Assets	14,612	10,278	136,441	124,389	77,930	42,180	260,052	50,861	65,340	30,112	-	-	554,375	257,820
Non-Current Assets														
Receivables	-	-	86	3,043	-	-	2,135	-	904	-	-	-	3,125	3,043
Property, plant and equipment														
- Land and buildings	1,702	544	17,591	27,368	9,080	538	926,081	1,041,394	401,912	353,900	-	-	1,356,366	1,423,744
- Plant and equipment	4,022	936	42,170	25,148	21,709	32,325	7,603	13,935	3,220	4,609	-	-	78,724	76,953
Intangibles	10,200	2,505	104,793	31,608	54,143	37,716	-	40,449	-	14,375	-	-	169,136	126,653
Total Non-Current Assets	15,924	3,985	164,640	87,167	84,932	70,579	935,819	1,095,778	406,036	372,884	-	-	1,607,351	1,630,393
Total Assets	30,536	14,263	301,081	211,556	162,862	112,759	1,195,871	1,146,639	471,376	402,996	-	-	2,161,726	1,888,213
Current Liabilities														
Payables	6,732	395	69,566	42,027	35,906	27,264	166,310	83,135	70,430	35,891	-	-	348,944	188,712
Provisions	6,644	1,089	68,655	20,957	35,435	8,531	32,406	233,295	13,723	30,690	-	-	156,863	294,562
Other current liabilities	-	-	-	-	-	-	50	149	21	150	-	-	71	299
Total Current Liabilities	13,376	1,484	138,221	62,984	71,341	35,795	198,766	316,579	84,174	66,731	-	-	505,878	483,573
Non-Current Liabilities														
Provisions	2,690	127	27,796	11,020	14,347	4,433	21,478	56,519	9,096	8,856	-	-	75,407	80,955
Other non-current liabilities	-	-	-	-	-	-	165	306	70	-	-	-	235	306
Total Non-Current Liabilities	2,690	127	27,796	11,020	14,347	4,433	21,643	56,825	9,166	8,856	-	-	75,642	81,261
Total Liabilities	16,066	1,611	166,017	74,004	85,688	40,228	220,409	373,404	93,340	75,587	-	-	581,520	564,834
NET ASSETS	14,470	12,652	135,064	137,552	77,174	72,531	975,462	773,235	378,036	327,409	-	-	1,580,206	1,323,379

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

The names and purposes of each program group are summarised below

Program Groups

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

Empowerment for independent living

This program group delivers a range of community level and early intervention supports to enable those who in need of assistance to live independently within society. Services include assistance in the private rental market and programs for seniors to improve participation in community life.

Targeted support to improve lives and realise potential

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

Key programs include: child protection, specialist homelessness services (SHS) and temporary accommodation; advancing gender equality and economic opportunities for women, and whole-of-government responses to domestic violence and sexual assault

Ongoing support to break disadvantage

This program group 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.

Accommodation supports for people with disability

This program group provides accommodation and other supports for people with disability to assist them to live with dignity in their communities, and promote choice and inclusion.

Social and economic supports for people with disability

This program group supports people with disability to participate socially and economically through specialist support services including clinical services, home support, and respite services.

	PARENT		CONSOLIDATED	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
8. Current Assets - Cash and Cash Equivalents				
Cash at bank and on hand	**334,928**	142,235	**336,490**	143,887
Total cash and cash equivalents	**334,928**	142,235	**336,490**	143,887

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

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

Cash and cash equivalents (per statement of financial position)	**334,928**	142,235	**336,490**	143,887
Closing cash and cash equivalents (per statement of cash flows)	**334,928**	142,365	**336,490**	143,887

Cash at bank includes $21.243 million (2017 $Nil) that is restricted.

As at 30 June 2018 FACS held $0.126 million (2017: $0.130 million) in cash at bank representing unspent contributions with conditions from Commonwealth and State agencies. Refer to Note 6 for further details.

Refer Note 25 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

9. Current/non-current assets - receivables

	PARENT 2018	PARENT 2017	CONSOLIDATED 2018	CONSOLIDATED 2017
Current				
Client Fees	**123**	2,715	**123**	2,715
Less : Allowance for impairment	**-**	(1,258)	**-**	(1,258)
	123	1,457	**123**	1,457
Sundry receivables	**47,885**	40,202	**47,885**	40,215
Amounts due from other government agencies	**29,085**	37,757	**29,085**	37,757
Less : Allowance for impairment	**(7,537)**	(8,227)	**(7,537)**	(8,227)
	69,433	69,732	**69,433**	69,745
Lease Incentives	**668**	-	**668**	-
Prepayments - Other	**7,513**	12,445	**7,513**	12,445
GST receivable (net)	**30,247**	27,665	**30,247**	27,665
	107,984	111,299	**107,984**	111,312
Non-current				
Sundry receivables	**79**	119	**79**	119
Lease Incentives	**3,039**	-	**3,039**	-
Superannuation receivable	**7**	29	**7**	29
	3,125	148	**3,125**	148
Amounts due from other government agencies	**-**	2,895	**-**	2,895
	3,125	3,043	**3,125**	3,043
Total Receivables	**111,109**	114,342	**111,109**	114,355
Movement in the allowance for impairment				
Balance at 1 July	**(9,485)**	(6,813)	**(9,485)**	(6,813)
Amounts written off during the year	**5,930**	541	**5,930**	541
(Increase)/decrease in allowance recognised in profit or loss	**(3,982)**	(3,213)	**(3,982)**	(3,213)
Balance at 30 June	**(7,537)**	(9,485)	**(7,537)**	(9,485)

Details regarding credit risk of trade debtors that are neither past due nor impaired, are disclosed in Note 25

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

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

	PARENT		CONSOLIDATED	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
10. Non-Current Assets Held for Sale				
Land and buildings	**109,901**	2,621	**109,901**	2,621
	109,901	2,621	**109,901**	2,621

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 13 for further information regarding fair value measurement, credit risk and market risk arising from financial instruments.

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.

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

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 13).

Works in Progress totalling $29.635 million are included in property plant and equipment.
This is comprised of:
Land and Buildings $7.554 million, Plant and Equipment $0.373 million, Computer Hardware $5.732 million and Leasehold Improvements $15.976 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 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 resale	(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') *	(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**

\# Refer to Note 12 for transfer between classes of assets
\## 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 $13.030 million.
* Further details regarding the fair value measurement of property, plant and equipment are discussed in Note 13

PARENT 2017

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

For land and buildings, Fair Value was based on an independent assessment (refer Note 13).

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

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

PARENT 2017

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

\# Refer to Note 12 for transfer between classes of assets
\## Disposals includes the disposal by FACS of 576 Computer Equipment and Leasehold Improvement assets with a net book value of $Nil. The original cost of these
* Further details regarding the fair value measurement of property, plant and equipment are discussed in Note 13

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 13).

Works in Progress totalling $29.635 million are included in property plant and equipment.
This is comprised of:
Land and Buildings $7.554 million, Plant and Equipment $0.373 million, Computer Hardware $5.732 million and Leasehold Improvements $15.976 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 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 resale	(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') *	(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**

* Further details regarding the fair value measurement of property, plant and equipment are discussed in Note 13

CONSOLIDATED 2017

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

For land and buildings, Fair Value was based on an independent assessment (refer Note 13).

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

Reconciliation

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

CONSOLIDATED 2017

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

* Further details regarding the fair value measurement of property, plant and equipment are discussed in Note 13

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

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

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

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 Note 13 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.

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.

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.

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.

12. Intangible Assets

PARENT

	Software $'000	Software under construction $'000	Internally developed assets $'000	Total $'000
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 current 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.
Refer to Note 11 for transfer between classes of assets

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

Reconciliations

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

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

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

12. Intangible Assets (continued)

	CONSOLIDATED			
	Software	Software under construction	Internally developed assets	Total
	$'000	$'000	$'000	$'000
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 current 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.

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

Reconciliations

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

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

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

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.

13. Fair value measurement of non-financial assets

a) Fair value hierarchy

2018		Parent			
	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Property, plant and equipment					
Land and buildings	11	-	511,195	835,442	1,346,637
Non-current assets held for sale	10	-	450	109,451	109,901
		-	511,645	944,893	1,456,538

2017		Parent			
	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Property, plant and equipment					
Land and buildings	11	-	434,974	979,336	1,414,310
Non-current assets held for sale	10	-	2,621	-	2,621
		-	437,595	979,336	1,416,931

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

2018		CONSOLIDATED			
	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Property, plant and equipment					
Land and buildings	11	-	516,325	840,040	1,356,365
Non-current assets held for sale	10	-	450	109,451	109,901
		-	516,775	949,491	1,466,266

2017		CONSOLIDATED			
	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Property, plant and equipment					
Land and buildings	11	-	440,333	983,411	1,423,744
Non-current assets held for sale	10	-	2,621	-	2,621
		-	442,954	983,411	1,426,365

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

b) Valuation techniques, inputs and processes

A full revaluation of all FAC's properties has been performed by an external professionally qualified valuer as at 31 March 2018. A full valuation is conducted every three years with the previous full valuation occurring in 2015. In the intervening periods relevant indexation factors are used as an estimate of fair value. The valuer conducted a further review of the movement in the relevant indexation factors for the period 1 April 2018 to 30 June 2018 and there was no material movement in the valuation for this period.

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

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

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

All level 3 inputs are checked by the valuer against the Rawlinson's Construction Handbook 2017.
All values are consistent with highest and best use of the asset.

13. 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

c) Reconciliation of recurring Level 3 fair value measurements

	Consolidated	
	Land and Buildings $'000	Total Recurring $'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 from Level 2		-
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**

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

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.

Refer above and Note 25 for further disclosures regarding fair value measurements of financial and non-financial

	PARENT		CONSOLIDATED	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000

14. Current/Non-Current Liabilities - Payables

	PARENT 2018 $'000	PARENT 2017 $'000	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
Current				
Accrued salaries, wages and on-costs	**24,776**	3,874	**24,776**	3,874
Creditors	**41,095**	51,401	**41,092**	51,401
Accrued operating expenditure	**267,723**	123,132	**267,723**	123,145
Accrued capital expenditure	**3,883**	7,250	**3,883**	7,250
Unearned Revenue	**1,998**	2,966	**1,998**	2,966
Amounts owing to other government agencies	**9,391**	-	**9,391**	-
Other creditors	**81**	76	**81**	76
Total payables	**348,947**	188,699	**348,944**	188,712

Details regarding liquidity risk including a maturity analysis of the above payables are disclosed in Note 25

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.

15. Current / Non-Current Liabilities - Provisions

	PARENT 2018 $'000	PARENT 2017 $'000	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
Current				
Employee benefits and related on-costs				
Annual leave	**77,339**	107,881	**77,339**	107,881
Payroll tax	**15,812**	20,874	**15,812**	20,874
Long service leave and on-costs	**19,289**	23,040	**19,289**	23,040
Transfer and redundancy (i)	**26,911**	132,075	**26,911**	132,075
Workers' compensation	**3,632**	3,266	**3,632**	3,266
Total employee benefits and related on-costs	**142,983**	287,136	**142,983**	287,136
Other Provisions				
Restoration costs	**13,880**	7,426	**13,880**	7,426
Total other provisions	**13,880**	7,426	**13,880**	7,426
Total current provisions	**156,863**	294,562	**156,863**	294,562
Non-current				
Employee benefits and related on-costs				
Payroll tax	**1,035**	1,420	**1,035**	1,420
Long service leave and on-costs	**1,617**	2,880	**1,617**	2,880
Workers' compensation	**293**	1,932	**293**	1,932
Transfer and redundancy (i)	**26,662**	32,136	**26,662**	32,136
Superannuation	**8,563**	8,410	**8,563**	8,410
Total employee benefits and related on-costs	**38,170**	46,778	**38,170**	46,778

(i) Redundancy provision includes transfer, redundancy costs of $48.178 million (2017: $150.903 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 2018 $'000	PARENT 2017 $'000	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
Other Provisions				
Social Benefit Bonds	**7,000**	6,725	**7,000**	6,725
Restoration costs	**30,237**	27,452	**30,237**	27,452
Total other provisions	**37,237**	34,177	**37,237**	34,177
Total non-current provisions	**75,407**	80,955	**75,407**	80,955
Total Provisions	**232,270**	375,517	**232,270**	375,517
Aggregate employee benefits and related on-costs				
Provisions - current	**142,983**	287,136	**142,983**	287,136
Provisions - non-current	**38,170**	46,778	**38,170**	46,778
Accrued salaries, wages and on-costs (Note 15)	**24,776**	3,874	**24,776**	3,874
	205,929	337,788	**205,929**	337,788

The annual leave provision includes $7.271 million (2017: $8.513 million) of annual leave entitlements accrued but not expected to be taken within 12 months.

The long service and on-costs provision includes $0.368 million (2017: $0.192 million) of long service leave entitlements accrued that are expected to be settled in the next 12 months and $0.835 million (2017: $0.679 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.

15. 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 2018 $'000	Total 2017 $'000	**Total 2018 $'000**	Total 2017 $'000
Carrying amount at the beginning of the financial year	**6,725**	6,720	**34,878**	33,795
Additional provision recognised	**-**	-	**11,176**	2,579
Amounts used	**-**	-	**(1,007)**	(1,306)
Unused amounts reversed	**-**	-	**(1,449)**	(610)
Change in discount rate	**275**	5	**519**	420
Carrying amount at the end of the financial year	**7,000**	6,725	**44,117**	34,878

CONSOLIDATED	**Social Benefit Bonds**		**Restoration costs**	
	Total 2018 $'000	Total 2017 $'000	**Total 2018 $'000**	Total 2017 $'000
Carrying amount at the beginning of the financial year	**6,725**	6,720	**34,878**	33,795
Additional provision recognised	**-**	-	**11,176**	2,579
Amounts used	**-**	-	**(1,007)**	(1,306)
Unused amounts reversed	**-**	-	**(1,449)**	(610)
Change in discount rate	**275**	5	**519**	420
Carrying amount at the end of the financial year	**7,000**	6,725	**44,117**	34,878

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% (2017:7.9%)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".

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

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 government bond rate 2.630% (2017: 2.595%) as at 30 June 2018. 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.

16. Current/Non Current Liabilities - Other

	PARENT		CONSOLIDATED	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Current				
Lease incentives	**71**	299	**71**	299
	71	299	**71**	299
Non-current				
Lease incentives	**235**	306	**235**	306
	235	306	**235**	306

17. Superannuation

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

PARENT ENTITY 2017	Note	SASS 30-Jun-17	SANCS 30-Jun-17	SSS 30-Jun-17	TOTAL 30-Jun-17
Member Numbers					
Contributors		-	-	-	-
Deferred benefits		-	-	-	-
Pensioners		-	-	7	7
Pensions fully commuted		-	-	-	-
Superannuation Position for AASB 119 purposes		$'000	$'000	$'000	$'000
Accrued liability (Note 1)		(3)	(1)	12,792	12,788
Estimated reserve account balance		(18)	(7)	(4,382)	(4,407)
1. Deficit/(surplus)		(21)	(8)	8,410	8,381
2. Future Service Liability (Note 2)		-	-	-	-
3. Surplus in excess of recovery available from schemes (-1. -2. and subject to a minimum of zero)		-	-	-	-
4. Net (asset)/liability to be recognised in statement of financial position (1. + 3.)	9/15	(21)	(8)	8,410	8,381

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

17. Superannuation (continued)

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

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 2015. The actuary has commenced work on the 30 June 2018 investigation. Once completed, the report will be available on the Fund's website.

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.

17. 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 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

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

17. Superannuation (continued)

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

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

* 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 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

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

17. Superannuation (continued)

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	-	-	-	-
Transfer HCS net asset fund balances to Crown	-	-	-	-
Fair value of Fund assets at end of the year	**1**	**5**	**4,157**	**4,163**

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

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

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**

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

17. Superannuation (continued)

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**

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

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

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	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-	-

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

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

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

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.

17. Superannuation (continued)

Fair value of Fund assets - Para 142

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

As at 30 June 2017

Asset category	Total (A$'000)	Quoted prices in active markets for identical assets Level 1 (A$'000)	Significant observable inputs Level 2 (A$'000)	Unobservable inputs Level 3 (A$'000)
Short Term Securities	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**

As at 30 June 2017

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

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

As at	30-Jun-18	30-Jun-17
Short Term Securities	10.5%	7.7%
Australian Fixed Interest	5.3%	6.2%
International Fixed Interest	3.3%	1.2%
Australian Equities	22.2%	23.6%
International Equities	26.1%	30.1%
Property	8.9%	8.6%
Alternatives	23.7%	22.6%
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.

17. 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 2018 of $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 $280 million (30 June 2017: $250 million
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of $287 million (30 June 2017: $261 million)

Significant Actuarial Assumptions at the Reporting Date - Para 144

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 2018/201 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.

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

Sensitivity Analysis - Para 145

The entity's total defined benefit obligation as at 30 June 2018 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 2018.

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 2018	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$)	12,719,233	14,744,934	11,067,253

	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$)	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% pa	above rates less 0.5% pa
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

* Assumes the short term pensioner mortality improvement factors for years post 2018-2023 also apply for years after 2023.
** Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for years 2018 to 2023.
The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

17. Superannuation (continued)

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

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

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

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

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

CONSOLIDATED ENTITY	Base Case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates 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

CONSOLIDATED ENTITY	Base Case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
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

* Assumes the short term pensioner mortality improvement factors for years post 2018-2023 also apply for years after 2023.
** Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for years 2018 to 2023.
The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

17. Superannuation (continued)

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

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

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

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

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

Asset-Liability matching strategies - Para 146

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

Funding arrangements - Para 147(a)

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. 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.

17. Superannuation (continued)

Surplus/deficit

The following is a summary of the 30 June 2018 financial position of the Fund calculated in accordance with AASB 1056 Accounting Standard "Superannuation Entities":

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

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

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

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

* 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:

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

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

Economic assumptions

The economic assumptions adopted for the 30 June 2018 AASB 1056 Accounting Standard "Superannuation Entities" are (these assumptions are consistent with the assumptions to be used for the 2018 actuarial investigation of the Pooled Fund):

Weighted-Average Assumptions	2018	2017
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)	2.7% for 2018/19; 3.2% pa thereafter	2.7% to 30 June 2019 then 3.2% pa thereafter
Expected rate of CPI increase	2.2% pa	2.2% pa

17. Superannuation (continued)

Expected contributions - Para 147(b)

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

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

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

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

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

The weighted average duration of the defined benefit obligation is 13.9 years (2017: 14.3 years).

Profit and Loss Impact

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

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

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

17. Superannuation (continued)

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

Other Comprehensive Income

PARENT ENTITY	2018	SASS Financial Year to 30 June 2018 $'000	SANCS Financial Year to 30 June 2018 $'000	SSS Financial Year to 30 June 2018 $'000	Total Financial Year to 30 June 2018 $'000
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)

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

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

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

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

PARENT and CONSOLIDATED

2018	Benevolent Australia - Disability Services Limited $'000	LiveBetter Disability Services Limited $'000	MNC Transfer Limited $'000	HWNS Services Limited $'000	Northcott Supported Living Limited $'000	HV Transfer Limited $'000	LWB Disability Services Central Limited $'000	LWB Disability Services South Limited $'000	Achieve Australia Disability Services Limited $'000	CPA Supported Living Limited* $'000	Mountview Care Ltd*	Total $'000
Current Assets												
Cash at bank	(7,403)	(1,531)	(626)	(6,231)	(7,571)	(2,456)	(1,987)	(2,070)	(2,854)	(3,674)	(286)	(36,689)
Petty Cash	-	(5)	(2)	(23)	(31)	(9)	(10)	(11)	-	(16)	(1)	(108)
Total Current Assets	(7,403)	(1,536)	(628)	(6,254)	(7,602)	(2,465)	(1,997)	(2,081)	(2,854)	(3,690)	(287)	(36,797)
Current Liabilities												
Prepaid Participant Contribution	-	(12)	(3)	(294)	(323)	(108)	(86)	(94)	(76)	(167)	(11)	(1,174)
Annual leave	(4,583)	(1,234)	(468)	(4,673)	(5,819)	(1,888)	(1,449)	(1,598)	(2,071)	(2,759)	(225)	(26,767)
Long service leave on costs	(1,060)	(193)	(108)	(811)	(888)	(280)	(305)	(229)	(522)	(473)	(41)	(4,910)
Total Current Liabilities	(5,643)	(1,439)	(579)	(5,778)	(7,030)	(2,276)	(1,840)	(1,921)	(2,669)	(3,399)	(277)	(32,851)
Non Current Liabilities												
Long service leave on costs	(92)	(17)	(9)	(71)	(77)	(24)	(27)	(20)	(45)	(41)	(5)	(428)
Total Non Current Liabilities	(92)	(17)	(9)	(71)	(77)	(24)	(27)	(20)	(45)	(41)	(5)	(428)
Total Liabilities	(5,735)	(1,456)	(588)	(5,849)	(7,107)	(2,300)	(1,867)	(1,941)	(2,714)	(3,440)	(282)	(33,279)
Net Assets transferred from FACS	(1,668)	(80)	(40)	(405)	(495)	(165)	(130)	(140)	(140)	(250)	(5)	(3,518)

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

Crown assumed employees entitlements - AL	125	34	13	128	159	52	40	44	57	75	4	731
Crown assumed employees entitlements - LSL	14,571	2,653	1,492	11,155	12,203	3,857	4,196	3,147	7,181	6,496	562	67,513
	14,696	2,687	1,505	11,283	12,362	3,909	4,236	3,191	7,238	6,571	566	68,244
Cash transferred (out) as a result of administrative restructure	(22,100)	(4,223)	(2,133)	(17,537)	(19,964)	(6,374)	(6,232)	(5,271)	(10,093)	(10,261)	(853)	(105,041)
Cash transferred in as a result of administrative restructure and Equity Transfers	14,696	2,687	1,505	11,283	12,362	3,909	4,236	3,191	7,238	6,571	566	68,244
Net cash transferred (out) as a result of administrative restructure and Equity Transfers	(7,404)	(1,536)	(628)	(6,254)	(7,602)	(2,465)	(1,996)	(2,080)	(2,855)	(3,690)	(287)	(36,797)

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

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

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. Transfers are processed via equity to accumulated funds.

An Implementation Company is being utilised for each transfer, as agreed under the Implementation and Sale Agreements (ISA). Each Implementation Company is established as limited by guarantee with the membership being held by the Minister for Disability on behalf of the State. Upon the disablility services transfer executed under the ISA on Completion Date, the membership will be transferred to the relevant NGO nominee.

As at 30 June 2018, 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.

- Clinical and allied health services (Statewide) were transferred to Benevolent Australia – Disability Services Limited, in which the membership was transferred to The Benevolent Society on 28 July 2017
- Group Homes and Respite Services (Western NSW and Far West) were transferred to LiveBetter Disability Services Limited, in which the membership was transferred to LiveBetter Services Limited on 3 September 2017.
- Group Homes, Respite and in-home support services(Mid North Coast) were transferred to MNC Transfer Limited; in which the membership was transferred to MNC Disability Services Ltd on 5 September 2017.
- Group Homes, Respite and in-home support services (New England, Northern NSW, Sydney, Illawarra Shoalhaven, Southern NSW) were transferred to HWNS Services Limited, in which the membership was transferred to House with No Steps on 5 October 2017.
- Group Homes and Respite services (South Western Sydney, Western Sydney, Murrumbidgee) were transferred to Northcott Supported Living Limited, in which the membership was transferred to the Northcott Society on 2 November 2017
- Group Homes, Respite and in-home support services (Hunter) was transferred to HV Transfer Limited, in which the membership was transferred to Hunter Valley Disability Services on 30 November 2017.
- Group Homes and Respite Services (Central Coast) was transferred to LWB Disability Services Central Limited, in which the membreship was transferred to Life Without Barriers on 22 February 2018.
- Group Homes and Respite Services (Nepean Blue Mountains, South Eastern Sydney) were transferred to LWB Disability Services South Limited; in which the membership was transferred to Life Without Barriers on 22 February 2018.
- Specialist support Living Group Homes services (Norton Road, Dundas, Guildford, Kellyville, Llandilo and Wentworthwille) were transferred to Achieve Australia Disability services Limited, in which the membership was transferred to Achieve Australia Limited on 22 February 2018.
- Group Homes and Respite Services (Northern Sydney) were transferred to CPA Supported Living Limited; in which the membership was transferred to Cerebral Palsy Alliance on 8 March 2018.
- Group Homes and Respite Services (Mountview) were transferred to Mountview Care Limited; in which the membership was transferred to The Disability Trust on 28 June 2018.

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.

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 inscope 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. As at 30 June 2018, the employees entitlements provision transferred that were assumed and funded by the Crown amounted to $68.244 million.

In accordance with the ISA's, a one-off payment will be made to the Implementation Companies or the NGO by the State post Completion subject to specified conditions of the ISA being met by the NGO. The total amount of one-off payment was $38.479 million in 2017/18. Such payment was made by FACS on behalf of the State in accordance with the ISA's and was recovered from the Crown Entity.

*As at 30 June 2018, the Post Completion Adjustments relating to transfers to Cerebral Palsy Alliance and The Disability Trust were not finalised.

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

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

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

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

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

	PARENT		CONSOLIDATED	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000

19. Commitments for Expenditure

(a) Capital Commitments

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

	PARENT 2018 $'000	PARENT 2017 $'000	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
Not later than one year	**8,021**	44,023	**8,021**	44,023
Total (including GST)	**8,021**	44,023	**8,021**	44,023

(b) Operating Lease Commitments

FACS as lessee:

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

	PARENT 2018 $'000	PARENT 2017 $'000	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
Not later than one year	**72,653**	88,372	**72,653**	88,372
			133,285	124,685
Later than five years	**26,281**	40,439	**26,281**	40,439
Total (including GST)	**98,934**	128,811	**232,219**	253,496

Operating leases where FACS is a lesse 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 2018 $'000	PARENT 2017 $'000	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
Not later than one year	23,274	-	**23,297**	-
Later than one year but not later than five years	90,371	-	**90,385**	-
Later than five years	55,932	-	**55,932**	-
Total (Excluding GST)	**169,577**	-	**169,614**	-

Operating leases where FACS is a lessor relates to Group Home Leases entered with Specialist Disability Accomodation 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 $21.840 million (2017: $27.047 million) that are expected to be recovered from the Australian Taxation Office.

20. Contingent Liabilities and Contingent Assets

Contingent Liabilities

Claims have been made against FACS, which if the claimant is successful, the legal costs, disbursements and financial settlements estimated to be $1.63 million (2017 $1.21 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 $61.0 million (2017: $66.1 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.

21. Social Benefit Bonds Trial

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

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

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

FACS paid in 2013-14 a standing charge of $5.750 million, which can be recovered if the OBA is terminated early for cause. Under the OBA FACS has a requirement to refer a minimum number of families to TBS. At the end of year 5, based on agreed outcomes, FACS is expected to pay a performance fee in addition to the upfront standing charge based on an agreed performance improvement percentage as covered in the OBA. There is no intention by FACS to provide additional financial support to TBS in the future.

FACS has estimated the performance payment at $7.0 million to be payable at 3 October 2018. This is included as a provision under note 15 at a present value of $7.0 million (2017: $6.7 million). FACS maximum exposure to the Special Purpose Entity (SPE) is $20.75 million ($5.75 million upfront payment and $15 million performance payment) in the event a performance improvement percentage of 40% is achieved .

(b) Newpin Social Benefit Bond

The Newpin Social Benefit Bond through the Uniting Care NSW ACT (Uniting Care) has been contracted by FACS to provide a Intensive Restorations Service through support and counselling programs to eligible families over the next 7 years. The terms between FACS and 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 dependant on the performance of the Organisation with respect to each group. An accrual based on performance of $6.2 million (2017: $9.5 million) has been made and is included at Note 14.

22. Budget Review

The following analysis is provided comparing the Actual 2017-18 to the Budget 2017-18 as shown on the financial statements.

Net Result

The consolidated actual net result was higher than budget by $105.1 million.
Total expenditure was $200.4 million lower than budget, total revenue $88.4 million lower than budget and gains and losses $6.9 million higher than budget.

Expenditure

The variation to budget is due to the following items:

- lower employee expenses of $123.9 million due to $118.8 million net movement to grants payments for Disability Services and $20.8 million reduction in transfer and redundancy expenses offset by a $15.7million increase in workers compensation expense.
- higher other operating expenses of $15.9 million due to movement from grants and subsidies expense.
- lower depreciation expense of $11.69 million due to the timing of capitalisation of assets.
- lower grants and subsidies expense of $81.5 million mainly due to increased funding of $91.8 million for Disability Services offset by $67.4 million relating to AHO and Multicultural NSW transfer payments not included in actuals due to accounting treatment, $92.0 million carry forward adjustments and $9.7 million movement to operating expense.
- finance costs $0.8 million not budgeted.
- higher gains and losses of $6.9 million due to write off of $3.0 million associated with assets transferred and higher provision for doubtful debts of $3.9 million mainly associated with the Disability Services Transfer.

Revenue

The variation to budget is due to the following items:

- lower net appropriations of $74.3 million due to $67.4 million relating to AHO and Multicultural NSW transfer payments included in budget only and $59.8 million net carry forward movements offset by $52.9 million relating to sale proceeds for Rydalmere sale (deferred to 2018-19).
- higher sale of goods and services revenue of $44.2 million mainly due to NDIS service fees of $41.4 million.
- lower revenue recovery for personnel services of $13.0 million.
- higher investment revenue of $13.8 million due higher rental income from Disability group home leases.
- lower grants and contributions of $40.6 million due to lower transfer and redundancy grants claim relating to timing of Disability Services transfers.
- lower acceptance by the Crown Entity of employee benefits of $12.3 million primarily as a result of Disability Services transfer.
- lower other revenue of $6.2 million mainly due to decrease of $11.0 million relating to the transfer of the Disability Services offset by an increase in TMF workers compensation hindsight adjustment of $4.8 million.

Assets and Liabilities

Consolidated Total Assets were above budget by $513.3 million primarily due to:

- higher closing cash position of $255.9 million due to higher opening cash versus budget of $72.0 million,higher cash inflows from operating activities of $259.6 million ,mainly due to increased payables and lower purchases of land and buildings of $19.8 million partially offset by lower proceeds from sale of land and buildings $47.9 million (due to delay of Rydalmere asset sale) and $36.8 million cash transferred out as a result of transfer of Disability Services to NGO sector.
- higher current and non- current receivables of $24.3 million due to recognition of lease incentives associated Disability Services group home leases, timing of cash receipts and lower GST recoveries.
- assets classified as held for sale are $110.0 million higher due to deferral of sale of Rydalmere Large Residential Centre.
- increase in carrying value of land and buildings of $112.4 million as a result of higher opening balance of 36.4 million, revaluation increments of $62.7 million for the year and higher net written down value movement of $18.5 million offset by higher depreciation expense of $5.2 million.
- decrease in plant and equipment of $3.7 million due lower net additions and higher disposals.
- higher intangibles $14.9 million due to timing of capitalisation and carry forward movements.

22. Budget Review (continued)

Consolidated Total Liabilities were above budget by $286.4 million primarily due to:

- higher provisions of $2.0 million due to lower current employee related provisions of $17.3 million offset by higher non - current employee related provisions of $ 19.3 million resulting from movement in transfer and redundancy provisions.
- higher payables of $290.8 million resulting from higher Disability grants payable of $162.0 million and voluntary redundancy payable of $21.5 million and accrued capital and operating expenditure due to timing of payments.
- lower other liabilities of $6.4 million due to timing of payments of liabilities.

Cash Flows

Consolidated Net Cash inflows from operating activities was $259.6 million higher than budget due to:

- lower cash receipts of $190.8 million mainly due to lower appropriations $127.1 million and lower receipts from sale of goods and services of $33.1m and GST recoveries.
- lower cash payments of $450.3 million due to higher payables of $290.8 million and lower expenditure.

Consolidated Net cash outflows from Investing Activities were $38.9 million higher mainly due to the lower proceeds from sale of land and building of $47.9 million (deferral of the Rydalmere asset sale). Capital and other purchases were $9.0 million lower due to timing of works.

	PARENT		CONSOLIDATED	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
23. 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	**327,724**	130,563	**327,634**	134,204
Net gain / (loss) on disposal of assets	**(3,181)**	4,262	**(3,181)**	4,262
Net gain / (loss) on revaluation of land and buildings	**-**	-	**-**	481
Impairment on carrying value of land and buildings	**(824)**	(1,107)	**(824)**	(1,107)
Abandoned projects	**-**	(15)	**-**	(15)
Assets recognised for the first time	**-**	45	**-**	45
Allowance for impairment	**(3,982)**	(3,213)	**(3,982)**	(3,213)
Bad debts written off	**(361)**	(255)	**(361)**	(289)
Depreciation and amortisation	**(80,560)**	(78,600)	**(80,697)**	(78,736)
Provision for redundancy and other costs	**24,991**	6,013	**24,991**	6,013
Superannuation actuarial (gains)/losses	**(42)**	(2,912)	**(42)**	(2,915)
Write back of unused make good provision	**(1,449)**	610	**(1,449)**	610
Finance costs	**(794)**	(425)	**(794)**	(425)
Decrease / (increase) in creditors	**(147,575)**	(47,890)	**(147,559)**	(46,972)
Decrease / (increase) in provisions	**86,860**	14,838	**86,860**	15,373
Increase / (decrease) in prepayments and other assets	**(1,550)**	(24,427)	**(1,563)**	(26,800)
Net result	**199,257**	(2,513)	**199,033**	516

24. 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	**57**	56	**57**	56
Add: Receipts	**1**	1	**1**	1
Cash balance at the end of the financial year	**58**	57	**58**	57

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	**144**	(19)	**144**	(19)
Add: Receipts	**2,298**	3,301	**2,298**	3,301
Less Expenditure	**(2,402)**	(3,138)	**(2,402)**	(3,138)
Cash balance at the end of the financial year	**40**	144	**40**	144

Recognition and Measurement
Trust funds

FACS receives monies in a trustee capacity for various Trusts as set out in Note 25. 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.

25. Financial Instruments

The entity's principal financial instruments are outlined below. These financial instruments arise directly from the entity's operations or are required to finance the entity's operations. The entity does not enter into or trade financial instruments for speculative purposes. The entity's main risks arising from financial instruments are outlined below, together with the entity's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial statement. The Secretary has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the entity, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the 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 the financial assets:
- where substantially all the risks and rewards have been transferred or
- where FACS has not transferred substantially all the risks and rewards, but control has not been retained

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

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

(a) Financial Instrument Categories

2018

			PARENT	CONSOLIDATED
Financial Assets	**Note**	**Category**	**Carrying Amount**	**Carrying Amount**
Class:			**$'000**	**$'000**
Cash and cash equivalents	8	N/A	334,928	336,490
Receivables (1)	9	Receivables (at amortised cost)	69,642	69,642
Financial Liabilities	**Note**	**Category**	**Carrying Amount**	**Carrying Amount**
Class:			**$'000**	**$'000**
Payables (2)	14	Financial liabilities measured at amortised cost	50,486	50,483
Other liabilities	14	Financial liabilities measured at amortised cost	281,743	281,743

2017

			PARENT	CONSOLIDATED
Financial Assets	**Note**	**Category**	**Carrying Amount**	**Carrying Amount**
Class:			**$'000**	**$'000**
Cash and cash equivalents	8	N/A	142,235	143,887
Receivables (1)	9	Receivables (at amortised cost)	71,337	71,350
Financial Liabilities	**Note**	**Category**	**Carrying Amount**	**Carrying Amount**
Class:			**$'000**	**$'000**
Payables (2)	14	Financial liabilities measured at amortised cost	51,401	51,401
Other liabilities	14	Financial liabilities measured at amortised cost	107,376	107,389

(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)

25. Financial Instruments (continued)

(b) Credit Risk

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

Credit risk arises from the financial assets of the entity, including cash, receivables and authority deposits. No collateral is held by the entity. The entity has not granted any financial guarantees. Credit risk associated with the entity's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the State.

Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 30 day terms.

The entity is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2018: $60.360 million; 2017: $46.309 million) and not less than 6 months past due (2018: $8.341 million; 2017: $14.001 million) are not considered impaired and together these represent 89% (2017: 75%) of the total trade debtors.

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

PARENT

	$'000	$'000	$'000
2018	**Total**	**Past due but not impaired**	**Considered Impaired**
Neither past due or impaired	60,360	60,360	-
< 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

2017	**Total**	**Past due but not impaired**	**Considered Impaired**
Neither past due or impaired	46,296	46,296	-
< 3 months overdue	13,384	13,384	-
3 months - 6 months overdue	617	617	-
> 6 months overdue	20,377	10,892	9,485

CONSOLIDATED

2018	**Total**	**Past due but not impaired**	**Considered Impaired**
Neither past due or impaired	60,360	60,360	-
< 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

2017	**Total**	**Past due but not impaired**	**Considered Impaired**
Neither past due or impaired	46,309	46,309	-
< 3 months overdue	13,384	13,384	-
3 months - 6 months overdue	617	617	-
> 6 months overdue	20,377	10,892	9,485

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.

25. Financial Instruments (continued)

Authority Deposits

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

The deposits at balance date were earning an average interest rate of (2018: 1.82%; 2017: 1.81%) while over the year the weighted average interest rate was (2018: 1.82%; 2017: 1.81%) on a weighted average balance during the year of (2018: $57,550; 2017: $56,604). None of these assets are past due or impaired.

(c) Liquidity risk

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

No assets have been pledged as collateral. The entity's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made no later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Secretary may automatically pay the supplier simple interest. The rate of interest applied at year end was 9.77%: 2017: 9.78%.

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	$'000
				Maturity Dates	
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.

25. Financial Instruments (continued)

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

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

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

(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 2017. The analysis assumes that all other variables remain constant.

Interest rate risk

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

		$'000			
	Carrying Amount	Profit	Equity	Profit	Equity
2018		-1%		+1%	
PARENT					
Financial Assets					
Cash at bank	334,684	(3,347)	(3,347)	3,347	3,347
CONSOLIDATED					
Financial Assets					
Cash at bank	336,246	(3,362)	(3,362)	3,362	3,362

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

(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.

26. Related Parties

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

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

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

a) Key Management Personnel

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

The Ministers and the executive board comprising the Secretary, Deputy Secretaries and the 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:

	2018 $'000	2017 $'000
Short-term employee benefits:	3,234	3,830
Other long-term employee benefits	176	39
Post-employment benefits	46	198
Termination benefits	194	-
Total remuneration	3,650	4,067

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

KMP Related party information

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

b) Other related party transactions

Cluster agencies

A funding agreement exists between LAHC and FACS which is reviewed and updated annually. Under the agreement LAHC pays FACS for tenancy management fees and corporate services. For the year ending 30 June 2018, FACS received $122.957 million (2017: $125.701 million) as revenue and this amount is disclosed in Note 3 (b) Sale of goods and services - Management Fees Land and Housing Corporation.

Under the agreement, FACS pays LAHC a subsidy amount for head leasing costs and a grant for Social Housing Assistance Program. For the year ending 30 June 2018, FACS incurred $70.107 million (2017: $96.934 million) in head leasing costs and grant expenses and these amounts are disclosed in Note 2 (d) Grants and subsidies.

FACS provides personnel services to LAHC and AHO. Personnel services revenue for the year ending 30 June 2018 for LAHC and AHO were $67.983 million (2017: $66.296 million) and $13.066 million (2017: $8.795 million) respectively and these amounts are disclosed separately as Revenue in the Statement of comprehensive income.

FACS pays transfer payments to AHO and MNSW. For the year ending 30 June 2018 FACS has paid $50.727 million (2017: $46.747 million) to AHO and $16.722 million (2017: $18.984 million) to MNSW.

Other government agencies

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

27. Events after the Reporting Period

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

On the 29 August 2018 ,the Minister for Disability services announced the selection of Achieve Australia to operate the Summer Hill centre including its respite services. The transfer is expected to occur on 1 November 2018.

On the 7 September 2018 the Minister for Disability announced the approval of Homes4Life consortium for the development of new homes for people with Disability currently residing in the Hunter Residences. Select tender process for a Supported Independent Living (SIL) service provider will commence later this year.

End of Audited Financial Statements

1.2 John Williams Memorial Charitable Trust

Financial statements for the year ended 30 June 2018

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 John William Memorial Charitable Trust (the Trust), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, 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 Trust as at 30 June 2018, 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.

Other Information

Other information comprises the information included in the Department of Family and Community Services' annual report for the year ended 30 June 2018, other than 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 comprise the Certificate 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 Family and Community Services is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act and for such internal control as the Secretary 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 Trust'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 Trust 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 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.

Karen Taylor
Director, Financial Audit Services

17 September 2018
SYDNEY

JOHN WILLIAMS MEMORIAL CHARITABLE TRUST

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

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 2018 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
14 September 2018

Alastair Hunter
Chief Financial Officer
14 September 2018

John Williams Memorial Charitable Trust
Statement of Comprehensive Income
for the year ended 30 June 2018

	Notes	Actual 2018 $'000	Actual 2017 $'000
Expenses excluding losses			
Auditors remuneration - audit of financial statements		**7**	7
Maintenance expenses	2	**145**	131
Depreciation	3	**137**	136
Total Expenses excluding losses		**289**	274
Revenue			
Investment revenue	4a	**31**	25
In-kind contribution revenue	4b	**33**	41
Total Revenue		**64**	66
Other gains / (losses)	5	**-**	481
Net result		**(225)**	273
Total other comprehensive income	8	**432**	162
TOTAL COMPREHENSIVE INCOME		**207**	435

The accompanying notes form part of these financial statements.

John Williams Memorial Charitable Trust
Statement of Financial Position
as at 30 June 2018

	Notes	Actual 2018 $'000	Actual 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	**1,562**	1,652
Receivables	7	**-**	13
Total Current Assets		**1,562**	1,665
Non-Current Assets			
Property, plant and equipment	8		
- Land and buildings		**9,728**	9,433
Total Property, plant and equipment		**9,728**	9,433
Total Non-Current Assets		**9,728**	9,433
TOTAL ASSETS		**11,290**	11,098
LIABILITIES			
Current Liabilities			
Payables	10	**-**	15
Total Current Liabilities		**-**	15
TOTAL LIABILITIES		**-**	15
NET ASSETS		**11,290**	11,083
EQUITY			
Reserves		**594**	162
Accumulated funds		**10,696**	10,921
TOTAL EQUITY		**11,290**	11,083

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 2018

	Notes	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total Equity $'000
Balance at 1 July 2017		**10,921**	**162**	**11,083**
Net result for the year		**(225)**	**-**	**(225)**
Total other comprehensive income	**8**	**-**	**432**	**432**
Total comprehensive income for the year		**(225)**	**432**	**207**
Balance at 30 June 2018		**10,696**	**594**	**11,290**
Balance at 1 July 2016		10,647	-	10,647
Net result for the year		273	-	273
Total other comprehensive income	**8**	-	162	162
Total comprehensive income for the year		273	162	435
Balance at 30 June 2017		10,920	162	11,082

The accompanying notes form part of these financial statements.

John Williams Memorial Charitable Trust
Statement of Cash Flows
for the year ended 30 June 2018

	Notes	Actual 2018 $'000	Actual 2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Other		**(134)**	(99)
Total Payments		**(134)**	(99)
Receipts			
Interest received		**38**	31
Rent income		**6**	-
Total Receipts		**44**	31
NET CASH FLOWS FROM OPERATING ACTIVITIES	12	**(90)**	(68)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of plant and equipment		**-**	(9)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**-**	(9)
NET INCREASE/(DECREASE) IN CASH			
Opening cash and cash equivalents		**1,652**	1,729
Net increase/(decrease) in cash		**(90)**	(77)
CLOSING CASH AND CASH EQUIVALENTS	6	**1,562**	1,652

The accompanying notes form part of these financial statements.

1. Summary of Significant Accounting Policies

a. Reporting entity

The Crown in the right of the State of NSW is the trustee of the John Williams Memorial Charitable Trust (the Trust). In 2005, the Director-General of the then Department of Ageing, Disability and Home Care now known as Department of Family and Community Services, Ageing, Disability and Home Care (ADHC), as an emanation of the Crown, was authorised to administer the Trust. Effective from 1 July 2009, the Secretary, formerly known as the Director-General of the Department of Human Services (DHS), became administrator of the Trust, as a result of the *Public Sector Employment and Management (Departmental Amalgamations) Order 2009.*

On 3 April 2011, DHS changed its name to the Department of Family and Community Services (FACS) as a result of the *Public Sector Employment and Management (Departments) Order 2011*.

The purpose of the Trust is to provide respite care and accommodation for children with disabilities. The Trust accomplishes this purpose by providing properties to be used for this purpose by children with a disability.

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

These financial statements for the year ended 30 June 2018 have been authorised for issue by the Secretary, Department of Family and Community Services, on 14 September 2018.

b. Basis of preparation

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

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

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

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

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

c. Statement of Compliance

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

d. 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 8.

ii. Accumulated funds

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

1. Summary of Significant Accounting Policies (continued)

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 2017-18

The accounting policies applied in 2017-18 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 2018:

-AASB 2016-4 regarding amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities.

Adoption of these amendments has not had a material effect on the financial position or performance of John Williams Memorial Charitable Trust or presentation and disclosures in the Financial Statements.

ii. Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise.
The following new Australian Accounting Standards have not been applied and are not yet effective (refer Treasury Circular NSWTC 18-01 Mandates of Options and Major Policy Decisions under Australian Accounting Standards):

Standards/Interpretations	**Operative Date**
AASB 9 regarding financial instruments	1 January 2018
AASB 1059 regarding Service Concession Arrangements: Grantors	1 January 2019
AASB 1058 regarding Income of Not-for-profit Entities	1 January 2019
AASB 116 Leases	1 January 2019
AASB 2016-7 regarding amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities	1 January 2019
AASB 2016-8 regarding amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities	1 January 2019

The Trust's assessment of the impact of these new standards and interpretations is that they will not materially affect any of the amounts recognised in the financial statements or significantly impact the disclosures in relation to the entity.

2. Maintenance

	2018 $'000	2017 $'000
Maintenance expense	**145**	131
	145	131

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

	2018 $'000	2017 $'000
Buildings	**137**	136
	137	136

4. Revenue

a. Investment revenue

	2018 $'000	2017 $'000
Interest received on bank accounts	**25**	25
Rent income	**6**	-
	31	25

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

Recognition and Measurement

Investment revenue

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

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*.

b. In Kind contribution revenue

	2018 $'000	2017 $'000
Maintenance provided free of charge by agencies utilising the Trust's properties	**33**	41
	33	41

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.

5. Other Gains / (Losses)

	2018	2017
	$'000	$'000
Property, plant and equipment revaluation gains/(losses)	-	481
	-	481

6. Current Assets – Cash and Cash Equivalents

	2018	2017
	$'000	$'000
Cash at bank	**1,562**	1,652
	1,562	1,652

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand, short-term deposits and bank overdraft.

Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:

	2018	2017
	$'000	$'000
Cash and cash equivalents (per Statement of Financial Position)	**1,562**	1,652
Closing cash and cash equivalents (per Statement of Cash Flows)	**1,562**	1,652

Refer to Note 14 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

7. Current Assets – Receivables

	2018	2017
	$'000	$'000
Other receivables	-	13
	-	13

Recognition and Measurement

Receivables

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

Impairment of financial assets

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

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

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

8. Non-Current Assets – Property, plant and equipment

	Land and Buildings $'000	Plant and Equipment $'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**
Additions	**-**	**-**	**-**
Depreciation expense	**(137)**	**-**	**(137)**
Net revaluation increments	**432**	**-**	**432**
Net carrying amount at end of year	**9,728**	**-**	**9,728**

	Land and Buildings $'000	Plant and Equipment $'000	Total $'000
At 1 July 2016 - At fair value			
Gross carrying amount	9,389	83	9,472
Accumulated depreciation and impairment	(472)	(83)	(555)
Net carrying amount	8,917	-	8,917
At 30 June 2017 - At fair value			
Gross carrying amount	9,986	-	9,986
Accumulated depreciation and impairment	(553)	-	(553)
Net carrying amount	9,433	-	9,433
Year ended 30 June 2017			
Net carrying amount at start of year	8,917	-	8,917
Additions	9	-	9
Depreciation expense	(136)	-	(136)
Net revaluation increments	643	-	643
Net carrying amount at end of year	9,433	-	9,433

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: i.e. deferred payment amount is effectively discounted at an asset-specific rate.

8. Non-Current Assets – 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 Equipmen*t.

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 8 and Note 9 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. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

8. Non-Current Assets – 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 by asset category is:

	Years
Buildings	40
Plant, furniture and equipment – general and commercial	4 to 7
Plant, furniture and equipment – industrial	20

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.

9. Fair value measurement of non-financial assets

a. Fair value hierarchy

2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Property, plant and equipment				
Land and buildings	-	5,130	4,598	9,728
	-	**5,130**	**4,598**	**9,728**

9. 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 2018 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 2017

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

c. Reconciliation of recurring Level 3 fair value measurements

2018	Land and Buildings $'000	Plant and Equipment $'000	Non-current asset held for sale $'000	Total $'000
Fair value as at 1 July 2017	**4,075**	**-**	**-**	**4,075**
Additions	-	-	-	-
Revaluation increments/decrements recognised in other comprehensive income - included in line item 'Net increase/(decrease) in property, plant and equipment revaluation surplus'	**582**	**-**	**-**	**582**
Depreciation	**(59)**	**-**	**-**	**(59)**
	4,598	**-**	**-**	**4,598**

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

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

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

10. Current Liabilities – Payables

	2018 $'000	2017 $'000
Creditors	-	15
	-	15

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 14.

Recognition and Measurement
Payables
These amounts represent liabilities for goods and services provided to the Trust and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

11. Contingent Liabilities and Contingent Assets

The Trust has no contingent liabilities and contingent assets at 30 June 2018 (2017: $Nil).

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

	2018 $'000	2017 $'000
Net cash used on operating activities	**(90)**	(68)
Depreciation	**(137)**	(136)
Increase/(decrease) in prepayments and other assets	**(13)**	(7)
Decrease/(increase) in creditors	**15**	3
Property, plant and equipment revaluation gains/(losses)	**-**	481
Surplus/(deficit) for the year	**(225)**	273

13. Operating Lease Commitments

	2018 $'000	2017 $'000
Future non-cancellable operating lease rentals receivable:		
Not later than one year	**23**	-
Later than one year but not later than five years	**14**	-
Later than five years	**-**	-
Total	**37**	-

The commitments above are not recognised in the financial statements as receivables. The rental income relates to the Respite home leases entered with Specialist Disability Accommodation Providers in 2017-18, as part of the FACS Disability Services transfer to the NGO sector.

14. 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.

a. Financial instrument categories

Financial Assets	**Note**	**Category**	**Carrying Amount 2018 $'000**	**Carrying Amount 2017 $'000**
Class:				
Cash and cash equivalents[1]	6	N/A	**1,562**	1,652
Receivables	7	Loans and receivables (at amortised cost)	**-**	13

Financial Liabilities	**Note**	**Category**	**Carrying Amount 2018 $'000**	**Carrying Amount 2017 $'000**
Class:				
Payables[2]	10	Financial liabilities measured at amortised cost	**-**	15

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)

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

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.

Receivables - trade debtors

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

The Trust is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2018: $Nil; 2017: $Nil) and less than three months past due (2018: $Nil; 2017:$Nil) are not considered impaired and together these represent 100.0% (2017: 100.0%) of the total trade debtors. There are no debts that are past due.

There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

c. Liquidity risk

Liquidity risk is the risk that the Trust will be unable to meet its payment obligations when they fall due. The Trust continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain continuity of funding.

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

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSWTC 11/12. For the small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payments is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Head of an authority (or a person appointed by the Head of an authority) may automatically pay the supplier simple interest. No late interest payments were made in the year ending 30 June 2018 (2017: $Nil).

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

14. Financial instruments (continued)

Maturity analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Int.Rate	Interest Rate Exposure $'000 Nominal Amount	Fixed Interest Rate	Variable Interest Rate	Non-interest bearing	Maturity Dates < 1 year	1 -5 years	> 5 years
2018								
Financial Liabilities:								
Payables	**N/A**	-	-	-	-	-	-	-
Total Financial Liabilities		-	-	-	-	-	-	-
2017								
Financial Liabilities:								
Payables	N/A	15	-	-	15	15	-	-
Total Financial Liabilities		15	-	-	15	15	-	-

Notes:

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

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

14. 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.

			$'000		
	Carrying Amount	Profit -1%	Equity -1%	Profit +1%	Equity +1%
2018					
Financial assets					
Cash and cash equivalents	**1,562**	**(16)**	**(16)**	**16**	**16**
Receivables	-	-	-	-	-
Financial Liabilities					
Payables	-	-	-	-	-
2017					
Financial assets					
Cash and cash equivalents	1,652	(17)	(17)	17	17
Receivables	13	-	-	-	-
Financial liabilities					
Payables	15	-	-	-	-

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.

15. Related party disclosures

A related party is a person or entity that is related to the entity that is preparing financial statements. As a controlled entity of the Department of Family and Community Services 'FACS', the Trust is a related party of all NSW Government controlled agencies and State Owned Corporations.

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

- Department of Family and Community Services – parent entity
- Aboriginal Housing Office 'AHO'
- Land and Housing Corporation 'LAHC'
- Multicultural NSW 'MNSW'
- Office of Children's Guardian 'OCG'

15. 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.

<u>Key management personnel compensation</u>
Ministers are compensated by NSW Legislature. Ministerial compensation has been centrally compiled by Treasury and Department of Premier and Cabinet for distribution to agencies for inclusion in the agencies financial statements.

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 2018 is disclosed in the 30 June 2018 Financial Statements of FACS.

(b) Related Party Transactions

There were no related party transactions during the year ended 30 June 2018 with related entities of the Trust or Key Management Personnel.

16. Events after the reporting period

The Trust's management is not aware of any circumstances that occurred after balance date which would render particulars included in the financial statements to be misleading.

End of audited financial statements.

2. Aboriginal Housing Office

Financial statements for the year ended 30 June 2018

INDEPENDENT AUDITOR'S REPORT

Aboriginal Housing Office

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Aboriginal Housing Office (the Office), which comprise the Consolidated Statement of comprehensive income for the year ended 30 June 2018, the Consolidated Statement of financial position as at 30 June 2018, the Consolidated Statement of cash flows and Consolidated Statement of changes in equity and the 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 2018, 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.

Other Information

Other information comprises the information included in the annual report of the Department of Family and Community Services' for the year ended 30 June 2018, other than 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 comprise 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 Family and Community Services is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Secretary 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, and
- 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.

Karen Taylor
Director, Financial Audit Services

18 September 2018
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 2018 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 14 September, 2018, I am not aware of any circumstances, which would render any particulars included in the consolidated financial statements to be misleading or inaccurate.

Michael Coutts-Trotter
Secretary, Department of Family and Community Services
For and on behalf of Aboriginal Housing Office

14 September 2018

Start of Audited Financial Statements

Aboriginal Housing Office

Consolidated Statement of comprehensive income for the year ended 30 June 2018

		PARENT			CONSOLIDATED		
	Notes	Actual 2018 $'000	Budget 2018 $'000	Actual 2017 $'000	Actual 2018 $'000	Budget 2018 $'000	Actual 2017 $'000
Expenses excluding losses							
Operating expenses							
Personnel Services	2(a)	13,066	11,401	8,795	13,066	11,401	8,795
Other operating expenses	2(b)	57,722	49,664	53,733	58,044	49,664	54,389
Depreciation and amortisation	2(c)	19,982	20,097	18,012	20,058	20,097	18,080
Grants and Subsidies	2(d)	14,028	30,310	10,081	14,028	30,310	10,081
Total Expenses excluding losses		104,798	111,472	90,621	105,196	111,472	91,345
Revenue							
Rent and other tenant charges	3(a)	54,258	51,878	53,625	54,258	51,878	53,625
Grants and contributions	3(b)	52,217	70,867	49,147	52,217	70,867	49,147
Other income	3(c)	25,869	-	(574)	26,068	-	564
Total Revenue		132,344	122,745	102,198	132,543	122,745	103,336
Gain / (loss) on disposal of property, plant and equipment	4	(2,509)	(900)	(4,147)	(2,991)	(900)	(4,147)
Other losses	5	(238)	(553)	(264)	(238)	(553)	(264)
Net result		24,799	9,820	7,166	24,118	9,820	7,580
Other comprehensive income							
Items that will not be reclassified to net result							
Net increase / (decrease) in property, plant and equipment revaluation surplus		162,268	50,705	138,568	162,277	50,705	139,173
Total other comprehensive income for the year		162,268	50,705	138,568	162,277	50,705	139,173
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		187,067	60,525	145,734	186,395	60,525	146,753

The accompanying notes form part of these financial statements

Aboriginal Housing Office

Consolidated Statement of financial position as at 30 June 2018

		PARENT			CONSOLIDATED		
		Actual 2018	Budget 2018	Actual 2017	Actual 2018	Budget 2018	Actual 2017
	Notes	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS							
Current Assets							
Cash and cash equivalents	6	20,205	16,729	28,391	20,205	16,729	28,391
Receivables	7	3,469	3,012	3,973	3,469	3,012	3,973
Total Current Assets		23,674	19,741	32,364	23,674	19,741	32,364
Non-Current Assets							
Land and buildings	8	2,113,747	1,969,418	1,909,622	2,118,635	1,969,418	1,915,182
Plant and equipment	8	372	644	424	372	644	424
Capital work in progress	8	10,011	19,264	15,812	10,011	19,264	15,812
Total property, plant and equipment		2,124,130	1,989,326	1,925,858	2,129,018	1,989,326	1,931,418
Total Non-Current Assets		2,124,130	1,989,326	1,925,858	2,129,018	1,989,326	1,931,418
Total Assets		2,147,804	2,009,067	1,958,222	2,152,692	2,009,067	1,963,782
LIABILITIES							
Current Liabilities							
Payables	10	27,102	23,422	24,369	27,102	23,422	24,369
Total Current Liabilities		27,102	23,422	24,369	27,102	23,422	24,369
Non-Current Liabilities							
Provisions	11	515	212	733	515	212	733
Total Non-Current Liabilities		515	212	733	515	212	733
Total Liabilities		27,617	23,634	25,102	27,617	23,634	25,102
Net Assets		2,120,187	1,985,433	1,933,120	2,125,075	1,985,433	1,938,680
EQUITY							
Asset Revaluation Reserve		1,153,279	1,044,271	993,190	1,158,337	1,044,271	998,239
Accumulated funds		966,908	941,162	939,930	966,738	941,162	940,441
Total Equity		2,120,187	1,985,433	1,933,120	2,125,075	1,985,433	1,938,680

The accompanying notes form part of these financial statements

Aboriginal Housing Office

Consolidated Statement of cash flows for the year ended 30 June 2018

		PARENT			CONSOLIDATED		
		Actual 2018	Budget 2018	Actual 2017	Actual 2018	Budget 2018	Actual 2017
	Notes	$'000	$'000	$'000	$'000	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Payments							
Personnel services and other expenses		(12,711)	(11,401)	(13,875)	(12,711)	(11,401)	(13,875)
Payment to suppliers		(55,543)	(50,085)	(63,973)	(55,543)	(50,085)	(63,973)
Grants and subsidies paid		(14,029)	(30,310)	(10,082)	(14,029)	(30,310)	(10,082)
Total Payments		(82,283)	(91,796)	(87,930)	(82,283)	(91,796)	(87,930)
Receipts							
Rent and other tenant charges received		55,320	51,878	63,762	55,320	51,878	63,762
Grants and contributions received		52,217	70,867	49,147	52,217	70,867	49,147
Other		2,143	1,797	564	2,143	1,797	564
Total Receipts		109,680	124,542	113,473	109,680	124,542	113,473
NET CASH FLOWS FROM OPERATING ACTIVITIES	14	27,397	32,746	25,543	27,397	32,746	25,543
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale of property and plant and equipment		888	5,855	693	888	5,855	693
Purchases of property and plant and equipment		(36,471)	(41,870)	(28,799)	(36,471)	(41,870)	(28,799)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(35,583)	(36,015)	(28,106)	(35,583)	(36,015)	(28,106)
NET INCREASE/(DECREASE) IN CASH		(8,186)	(3,269)	(2,563)	(8,186)	(3,269)	(2,563)
Opening cash and cash equivalents		28,391	19,998	30,954	28,391	19,998	30,954
CLOSING CASH AND CASH EQUIVALENTS	6	20,205	16,729	28,391	20,205	16,729	28,391

The accompanying notes form part of these financial statements

Aboriginal Housing Office

Consolidated Statement of changes in equity for the year ended 30 June 2018

2018 PARENT	Notes	Accumulated Funds $'000	Asset Revaluation Reserve $'000	Total $'000
Balance 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 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 changes in equity for the year ended 30 June 2018 (continued)

2017 PARENT	Notes	Accumulated Funds $'000	Asset Revaluation Reserve $'000	Total $'000
Balance at 1 July 2016		930,645	856,741	1,787,386
Net result for the year		7,166	-	7,166
Other comprehensive income:				
Net increase/(decrease) in property, plant and equipment	8	-	138,568	138,568
Total other comprehensive income		-	138,568	138,568
Total comprehensive income for the year		7,166	138,568	145,734
Transfer between equity items				
Transfer arising from disposals of property plant and equipment		2,119	(2,119)	-
Balance at 30 June 2017		939,930	993,190	1,933,120

2017 CONSOLIDATED	Notes	Accumulated Funds $'000	Asset Revaluation Reserve $'000	Total $'000
Balance at 1 July 2016		930,742	861,185	1,791,927
Net result for the year		7,580	-	7,580
Other comprehensive income:				
Net increase/(decrease) in property, plant and equipment	8	-	139,173	139,173
Total other comprehensive income		-	139,173	139,173
Total comprehensive income for the year		7,580	139,173	146,753
Transfer between equity items				
Transfer arising from disposals of property plant and equipment		2,119	(2,119)	-
Balance at 30 June 2017		940,441	998,239	1,938,680

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

AHO is within the cluster of the Department of Family and Community Services (DFACS) and is not a controlled entity.

The financial statements for the year ended 30 June 2018 have been authorised for issue by the Secretary on 14 September 2018.

(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 and Public Finance and Audit Regulation 2015* ; and
- Financial Reporting Directions mandated by the Treasurer.

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

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

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

(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) De-recognition of financial assets and liabilities

(i) Financial assets

Financial assets are de-recognised when the contractual rights to the cash flows from the financial assets expire; or when the AHO transfers financial assets under the following circumstances:

a) the AHO transfers substantially all the risks and rewards associated with the financial assets, or

b) the AHO does not transfer substantially all the risks and rewards, but the AHO does not retain control

Where the AHO has neither transferred nor retained substantially all the risks and rewards or transferred control, financial assets are recognised only to the extent of the AHO's continuing involvement in the assets.

(ii) Financial liabilities

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

(f) 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.

(g) Impairment

(i) Financial assets

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Equity and reserves

(i) Revaluation reserve

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the entity's policy on the revaluation of property, plant and equipment as discussed in Note 8.

(ii) Accumulated funds

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

(i) Equity transfer

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

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

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

(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 transfers of functions between entities as a result of Administrative Arrangement Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed on the primary financial statements are explained in Note 17.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Effective for the first time in 2017-18

The accounting policies applied in 2017-18 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 2018:

AASB 2016-2 regarding amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107
AASB 2016-4 regarding amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities
AASB 2016-7 regarding amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities
AASB 2017-2 regarding amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle

Adoption of these amendments has not had a material effect on the financial position or performance of AHO or presentation and disclosures in the Financial Statements except for AASB 124 Related Party Disclosures, refer to Note 20 for disclosures regarding Related Party Transactions.

(ii) Issued but not effective

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

The following new Australian Accounting Standards and interpretations have not been applied and are not yet effective (refer Treasury Circular NSWTC 18/01 Mandates of Options and Major Policy Decisions under Australian Accounting Standards).

	Operative Date
AASB 9 regarding financial instruments	1 January 2018
AASB 15, AASB 2014-5, AASB 2015-8 and AASB 2016-3 regarding Revenue from Contracts with Customers	1 January 2018
AASB 16 regarding Leases	1 January 2019
AASB 17 regarding Insurance Contracts	1 January 2021
AASB 1058 regarding Income of Not-for-profit	1 January 2019
AASB 1059 regarding Service Concession Arrangements: Grantors	1 January 2019
AASB 2016-5 regarding amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transaction	1 January 2018
AASB 2016-6 regarding amendments to Australian Accounting Standards - Applying AASB 9 with AASB 4 Insurance Contracts	1 January 2018
AASB 2016-7 regarding amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities	1 January 2018
AASB 2016-8 regarding amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities	1 January 2019
AASB 2017-1 regarding amendments to Australian Accounting Standards - Transfer of investment Property, Annual Improvements 2014-2016	1 January 2019
AASB 2017-3 regarding amendments to Australian Accounting Standards - Clarifications to AASB 4	1 January 2018
AASB 2017-4 regarding amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments	1 January 2019
AASB 2017-5 regarding amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2018
AASB 2017-6 regarding amendments to Australian Accounting Standards - Prepayment Features with Negative Compensation	1 January 2019
AASB 2017-7 regarding amendments to Australian Accounting Standards - Long-term Interests in Associates and Joint Ventures	1 January 2019
Interpretation 22 regarding Foreign Currency Transactions and Advance Consideration	1 January 2018
Interpretation 23 regarding Uncertainty over Income Tax Treatment	1 January 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

- AASB 16 Leases operative from 1 January 2019 will require entities to recognise an additional asset on the Statement of Financial Position representing the economic benefit of having the 'right of use' of a leased asset in return for making regular lease payments. A lease liability will also be required to be recognised representing the obligation to make lease payments over the term of the lease.

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

Management is assessing the potential effect of this standard.

(m) Change in accounting policies

There has been no change in the AHO's accounting policies.

	PARENT		CONSOLIDATED	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
2. Expenses Excluding Losses				
(a) Personnel services				
Salaries and wages (including annual leave)	**10,300**	7,317	**10,300**	7,317
Superannuation - defined contribution plans	**720**	605	**720**	605
Superannuation - defined benefit plans	**178**	(2,636)	**178**	(2,636)
Salary and wages (Temporary Staff)	**554**	2,822	**554**	2,822
Long service leave	**742**	21	**742**	21
Workers' compensation insurance	**46**	102	**46**	102
Payroll tax and fringe benefit tax	**509**	543	**509**	543
Other	**17**	21	**17**	21
Fee for personnel services	**13,066**	8,795	**13,066**	8,795

The AHO's personnel services fee includes a component of 2018: $0.174M (2017: $2.656M) for the actuarial superannuation liability.

	PARENT 2018 $'000	PARENT 2017 $'000	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
(b) Other operating expenses				
Auditor's remuneration - audit of the financial report	**93**	74	**93**	74
Advertising and promotions	**236**	221	**236**	221
Data processing services	**248**	77	**248**	77
Other contractors	**6,953**	4,212	**6,953**	4,212
DFACS Business Services fee	**1,668**	1,207	**1,668**	1,207
Fee for services rendered	**7,868**	7,921	**7,868**	7,921
Insurance	**455**	497	**455**	497
Office maintenance	**8**	10	**8**	10
Minor equipment purchases	**40**	30	**40**	30
Motor vehicle expenses	**32**	36	**32**	36
Motor vehicle leasing costs	**93**	79	**93**	79
Rent and accommodation expense	**691**	406	**691**	406
Telephone	**45**	56	**45**	56
Postage and freight	**17**	17	**17**	17
Printing and stationery	**70**	50	**70**	50
Training and development expense	**581**	412	**581**	412
Travelling, removal and subsistence	**602**	487	**602**	487
Building maintenance and utilities expense	**36,962**	37,167	**37,218**	37,802
Other	**1,060**	774	**1,126**	795
	57,722	53,733	**58,044**	54,389
(c) Depreciation and amortisation expense - refer Note 8 (v)				
Depreciation				
Buildings	**19,890**	18,004	**19,966**	18,072
Leasehold improvements	**92**	5	**92**	5
Plant and equipment	**-**	3	**-**	3
	19,982	18,012	**20,058**	18,080

(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.

National Partnership Agreement on Remote Indigenous Housing (NPARIH)	**7,184**	4,774	**7,184**	4,774
Other grants	**6,844**	5,307	**6,844**	5,307
	14,028	10,081	**14,028**	10,081

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. These charges include:

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

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

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits. The entity has assessed the actuarial advice based on the entity's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

(ii) Long service leave and superannuation

Long service leave is measured at present value in accordance with AASB 119 Employee Benefits. This is based on the application of certain factors to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

Expected future payments are discounted using Commonwealth government bond rate of 1.97% at the reporting date.

- Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment. In the case of the AHO, this refers specifically to benefits provided to employees through superannuation schemes. Superannuation schemes are classified as either defined contribution or defined benefit.

- Defined contribution superannuation schemes

AHO contributes to the First State Superannuation Scheme, a defined contribution scheme in the NSW public sector, as well as other private schemes to a lesser extent. Contributions to these schemes are recognised as an expense in net result as incurred. The liability recognised at the reporting date represents the contributions to be paid to these schemes in the following month.

Recognition and Measurement
Personnel services and payable for personnel services (continued)

- 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.

Insurance

The Treasury Managed Fund (TMF) provides coverage for most government agencies' business operations. TMF provides coverage for AHO's insurable risks relating to its operations and property portfolio.

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

	PARENT 2018 $'000	PARENT 2017 $'000	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
3. Revenues				
(a) Rent and other tenant charges				
Market rental	78,821	77,008	78,821	77,008
Less: Rental rebates	(27,265)	(26,338)	(27,265)	(26,338)
	51,556	50,670	51,556	50,670
Tenant charges	2,702	2,955	2,702	2,955
	54,258	53,625	54,258	53,625
(b) Grants and contributions				
Commonwealth				
State Social Housing	4,487	4,487	4,487	4,487
National Affordable Housing Agreement (NAHA)	28,843	28,452	28,843	28,452
National Partnership Agreement on Remote Indigenous Housing (NPARIH)	14,878	13,808	14,878	13,808
Grant from other government agency	4,009	2,400	4,009	2,400
	52,217	49,147	52,217	49,147

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

	PARENT 2018 $'000	PARENT 2017 $'000	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
(c) Other contributions				
Assets acquired free of liability	23,925	-	23,925	-
Other	1,944	(574)	2,143	564
	25,869	(574)	26,068	564

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 75 properties that were deemed not eligible for transfer as at 30th June 2018. As the AHO have:

(i) 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 2018 at a value of $23.9m (2017 $nil).

Recognition and Measurement
Income recognition

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

(i) Rent and other tenant charges

Rent is charged one week in advance and recognised as revenue on an accrual basis.

The AHO charges rent for tenants, subject to individual limitations. Tenants, however, are only charged an amount equivalent to a pre-determined percentage of their household income. The difference between the market rent and the amount tenants are charged is referred to as a rental rebate. Estimated market rent and other tenant related charges, net of estimated rental rebates, are recognised and reported in the Statement of comprehensive income as Rent and other tenant charges.

(ii) Grants and contributions

Government grants and contributions from other bodies are recognised as income when the AHO gains control over the grants and contributions. Control is normally obtained when cash is received.

	PARENT		CONSOLIDATED	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
4. (i) Gain/(Loss) on disposal of property, plant and equipment				
Proceeds from disposal	917	725	917	725
Disposal costs	(29)	(32)	(29)	(32)
Carrying amount of assets disposed	(740)	(746)	(740)	(746)
Net Gain/(Loss) on disposal of property	148	(53)	148	(53)
(ii) Loss on transfers/demolitions and retirements				
Written down value of assets demolished	(2,340)	(4,066)	(2,822)	(4,066)
Written down value of assets retired	-	(28)	-	(28)
Written down value of assets written-off	(317)	-	(317)	-
	(2,657)	(4,094)	(3,139)	(4,094)
Total Net Gain/(Loss) on Disposal - refer Note 8	(2,509)	(4,147)	(2,991)	(4,147)

Recognition and Measurement
Income recognition

(i) Sale of assets

Sale of assets is recognised when the conditions set out in paragraph 14 of AASB 118 *Revenue* are met. When property assets are sold, revenue from the sale is recognised at the contract settlement date.

5. Other losses				
Allowance for impairment of receivables - refer Note 7	(238)	(264)	(238)	(264)
	(238)	(264)	(238)	(264)

	PARENT		CONSOLIDATED	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
6. Current assets - cash and cash equivalents				
Cash at bank and on hand	**20,205**	28,391	**20,205**	28,391
	20,205	28,391	**20,205**	28,391

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 2018 (2017: $475,969) 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 (per statement of financial position)	**20,205**	28,391	**20,205**	28,391
Closing cash and cash equivalents (per statement of cash flows)	**20,205**	28,391	**20,205**	28,391

Refer Note 15 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	**4,034**	4,755	**4,034**	4,755
Less : allowance for impairment	**(3,019)**	(3,565)	**(3,019)**	(3,565)
Sundry debtors	**167**	168	**167**	168
Receivables from DFACS	**523**	38	**523**	38
Receivables from Land and Housing Corporation	**1,385**	106	**1,385**	106
Receivables from Office of Environment and Heritage	**-**	2,400	**-**	2,400
Receivables from NSW Department of Education	**250**		**250**	-
	3,340	3,902	**3,340**	3,902
Prepayments - Other	**20**	-	**20**	-
GST receivable (net)	**109**	71	**109**	71
Total receivables	**3,469**	3,973	**3,469**	3,973
Movement in the allowance for impairment				
Balance at 1 July	**(3,565)**	(3,756)	**(3,565)**	(3,756)
Amounts written off during the year	**784**	455	**784**	455
Increase/(decrease) in allowance recognised in comprehensive income	**(238)**	(264)	**(238)**	(264)
Balance at 30 June	**(3,019)**	(3,565)	**(3,019)**	(3,565)

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 15.

Recognition and Measurement
Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method, less an allowance for any impairment losses. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

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

Impairment

The allowance for impairment estimated is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Uncollectible amounts are recognised as bad debts and written off when one of the following conditions in the Treasurer's Directions 450.05 *Recovery of Debts to the State* is met:

a) the debtor cannot be located;
b) it is uneconomical to finalise recovery action due to the relatively small value of the debt;
c) the medical, financial or domestic circumstances of a particular debtor do not warrant the taking of further recovery action; or
d) legal proceedings through the courts have proved, or on legal advice, would prove unsuccessful.

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

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

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

2018 PARENT Period ended 30 June 2018	Land and Buildings $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
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

2017 PARENT	Land and Buildings $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
At 1 July 2016 - fair value				
Gross carrying amount	1,762,735	255	18,061	1,781,051
Accumulated depreciation and impairment	(14)	(224)	-	(238)
Net Carrying Amount	1,762,721	31	18,061	1,780,813
At 30 June 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

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

2017 PARENT Year ended 30 June 2017	Land and Buildings $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
Net Carrying Amount at start of year	1,762,721	31	18,061	1,780,813
Additions	10,170	359	18,758	29,287
Make good	-	42	-	42
Transfers from work in progress	20,979	-	(20,979)	-
Disposals	(746)	-	-	(746)
Write-off	-	-	(28)	(28)
Demolition	(4,066)	-	-	(4,066)
Net revaluation increment	138,568	-	-	138,568
Depreciation expense	(18,004)	(8)	-	(18,012)
Net Carrying Amount at end of year	1,909,622	424	15,812	1,925,858

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

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

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

2018 CONSOLIDATED Period ended 30 June 2018	Land and Buildings $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
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

2017 CONSOLIDATED	Land and Buildings $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
At 1 July 2016 -fair value				
Gross carrying amount	1,767,277	255	18,061	1,785,593
Accumulated depreciation and impairment	(14)	(224)	-	(238)
Net Carrying Amount	1,767,263	31	18,061	1,785,355
At 30 June 2017 - fair value				
Gross carrying amount	1,915,186	656	15,812	1,931,654
Accumulated depreciation and impairment	(4)	(232)	-	(236)
Net Carrying Amount	1,915,182	424	15,812	1,931,418

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

2017 CONSOLIDATED Year ended 30 June 2017	Land and Buildings $'000	Plant and Equipment $'000	Capital Work in Progress $'000	Total $'000
Net Carrying Amount at start of year	1,767,263	31	18,061	1,785,355
Additions	10,651	359	18,758	29,768
Make good	-	42	-	42
Transfers from work in progress	20,979	-	(20,979)	-
Disposals	(746)	-	-	(746)
Write-off	-	-	(28)	(28)
Demolition	(4,066)	-	-	(4,066)
Net revaluation increment	139,173	-	-	139,173
Depreciation expense	(18,072)	(8)	-	(18,080)
Net Carrying Amount at end of year	1,915,182	424	15,812	1,931,418

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

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.

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 are accrued. The AHO estimates this accrual by applying a pre-determined percentage of the value of works orders issued to maintenance contractors. The pre-determined percentage is assessed every year depending on the status of the works orders as at reporting date.

c) Capital improvements

The AHO incurs costs necessary to bring older dwellings within its property portfolio to the benchmark condition. When the work undertaken results in the improved dwellings exceeding the original standard of the dwellings, the costs incurred are capitalised.

(iv) *Revaluation*

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement and AASB 116 Property, Plant and Equipment.

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 9 for further information regarding fair value.

AHO revalues each class of property, plant and equipment annually to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at the reporting date.

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

When revaluing non-current assets the accumulated depreciation of an asset at the revaluation date is credited to the asset's account. The resulting net balance in the asset account is increased or decreased to bring the asset's value to fair value.

Revaluation increments are credited directly to revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the net result. The remaining balance is directly credited to the revaluation reserve.

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

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not against assets 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.

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

(v) Depreciation

Property, plant and equipment, other than land is depreciated on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life. The residual values and useful lives of assets are reviewed at each balance date and adjusted, if appropriate. AHO undertakes ongoing maintenance and upgrading in order to maintain properties at a certain standard.

The depreciation rates are as follows:

	2018 % Rate	2017 % Rate
Property		
Building	2	2
Plant & Equipment		
Office furniture and fittings	33	33
Office equipment	14	14
Computer equipment	25	25

Leasehold improvements are amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter.

(vi) Transfer of Assets

On a regular basis, the NSW Land and Housing Corporation (LAHC) transfers properties (including legal title) to the AHO to assist in meeting Aboriginal housing needs. AHO also transfers properties to LAHC, such as when the relevant properties no longer meets the requirements of Aboriginal households. The AHO and LAHC regularly undertake a reconciliation of the value of property transfers in and out (quantity and dollar values).

The AHO records as revenue the value of properties transferred from LAHC and records as an expense the value of properties transferred to LAHC.

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

9. Fair value measurement of non-financial assets

a) Fair value hierarchy

2018	Note	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total fair value $'000**
PARENT					
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.

b) Valuation techniques, inputs and processes

Fair values are determined by applying an annual rolling benchmark valuation approach whereby a third of the benchmark properties are valued by accredited property valuers with reference to market sales comparisons to calculate a market movement index. The market movement index is applied to the remaining two-thirds of the benchmark properties. All benchmark properties are grouped within thirteen geographical reporting regions. The median value increase in each geographical group is then applied to the entire property portfolio. Adjustments to each property are made for any significant different characteristic from benchmark properties. The rolling benchmark valuation process is calculated annually as at 31 December. As such, an uplift market movement factor is provided from a registered valuer for the six months period ended 30 June. The uplift market movement for the six months ended 30 June 2018 is nil.

This methodology involves a physical independent valuation each year of one-third of the benchmark properties. This has the advantage of engaging an independent assessment annually.

Significant inputs

- Market sales comparison approach utilising recent sales of comparable properties.
- Adjustments for any different attributes to benchmark properties- number of bedrooms, street appeal, aspect, dwelling size, yard size, internal condition and car accommodation
- Where a single title exists over multiple properties, a block title adjustment is made to reflect the required costs for sub-division.
- Uplift market movement for six months ended 30 June.

Inter-relationship between significant inputs and fair value measurement

- Higher (lower) market sales values reflect higher (lower) valuations.
- Better / lesser attributes for location, condition, size, aspect and street appeal over benchmark properties result in higher / (lower) valuation.
- Depending on the complexity of the conversion to single title, valuations are reduced by conversion costs.
- Higher / (lower) six monthly uplift market movement will result in higher / (lower) valuation.

Due to the extent of extrapolation and calculations for block title adjustments and uplift factors, management considers that an overall type 3 input level is appropriate.

Recognition and Measurement
Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

Refer above and Note 15 for further disclosures regarding fair value measurements of financial and non-financial assets.

	PARENT		CONSOLIDATED	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
10. Current liabilities - payables				
Payable for personnel services	**8,940**	8,410	**8,940**	8,410
Creditors - trade	**2,808**	1,120	**2,808**	1,120
Creditors - sundry	**1,211**	1,275	**1,211**	1,275
Accrued operating expenditure	**6,089**	5,000	**6,089**	5,000
Accrued capital expenditure	**7,332**	8,463	**7,332**	8,463
Creditors - inter-agency	**722**	101	**722**	101
	27,102	24,369	**27,102**	24,369

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are included in Note 15.

Recognition and Measurement
Trade and other payables

These represent liabilities for goods and services provided to the AHO. Payables are recognised initially at fair value, usually based on the transaction cost or fair value. However, short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. Subsequent to initial recognition, trade and other payables are measured at amortised cost using the effective interest method.

11. Non-current liabilities - provisions

	PARENT		CONSOLIDATED	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Other provisions				
Property replacement cost	**213**	476	**213**	476
Restoration	**302**	257	**302**	257
Total Provisions	**515**	733	**515**	733

Movement in provisions (other than employee benefits)

2018 PARENT	**Property replacement**	**Restoration**	**Total**
	$'000	**$'000**	**$'000**
Carrying amount at the beginning of the financial year	**476**	**257**	**733**
Additional provision recognised	**-**	**40**	**40**
Amounts used	**(263)**	**-**	**(263)**
Change in discount rate	**-**	**5**	**5**
Carrying amount at the end of the financial year	**213**	**302**	**515**

2018 CONSOLIDATED	**Property replacement**	**Restoration**	**Total**
	$'000	**$'000**	**$'000**
Carrying amount at the beginning of the financial year	476	**257**	733
Additional provision recognised	-	**40**	**40**
Amounts used	**(263)**	**-**	**(263)**
Change in discount rate	**-**	**5**	**5**
Carrying amount at the end of the financial year	**213**	**302**	**515**

11. Non-current liabilities - provisions (continued)

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 determined by discounting the expected future cash flows that reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

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

Provision for property replacements cost relates to the AHO's obligation to purchase suitable replacement properties for the ACHPs. This amount is reassessed on an annual basis.

12. Commitments for expenditure

(a) Capital commitments

Aggregate capital expenditure contracted for the purpose of providing housing for Aboriginal people at balance date and not provided for:

	PARENT		CONSOLIDATED	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Not later than one year	3,710	2,906	**3,710**	2,906
Later than one and not later than five years	227	-	**227**	-
Total (including GST)	**3,937**	2,906	**3,937**	2,906

(b) Operating lease commitments

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

	PARENT		CONSOLIDATED	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Not later than one year	453	422	**453**	422
Later than one year but not later than five years	1,107	1,489	**1,107**	1,489
Total (including GST)	**1,560**	1,911	**1,560**	1,911

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 $0.379m (2017: - $0.332m) that are expected to be recovered from the Australian Taxation Office.

13. Contingent Liabilities and Contingent Assets

As part of the HACP program, there are 90 properties that the AHO does not have definitive control over as at 30 June 2018. As a result, they will not be recognised until such time as full control is established. The estimated value of these properties is $28.7m. (2017 - $Nil).

There were no contingent liabilities for the AHO as at 30 June 2018 (2017 - $Nil).

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

	PARENT		CONSOLIDATED	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Net cash from operating activities	**27,397**	25,543	**27,397**	25,543
Net gain / (loss) on disposal of assets	**(2,509)**	(4,147)	**(2,991)**	(4,147)
Depreciation and amortisation	**(19,982)**	(18,012)	**(20,058)**	(18,080)
Assets acquired free of liabilities	**23,925**	-	**23,925**	-
Allowance for impairment	**(238)**	(264)	**(238)**	(264)
Unwinding of discount on make good provision	**(5)**	(3)	**(5)**	(3)
Increase / (decrease) in receivables	**(283)**	(2,055)	**(283)**	(2,055)
Decrease / (increase) in provisions	-	(476)	-	(476)
Decrease / (increase) in payables	**(3,526)**	6,580	**(3,649)**	7,062
Increase / (decrease) in prepayments and other assets	**20**	-	**20**	-
Net result	**24,799**	7,166	**24,118**	7,580

15. Financial Instruments

The AHO's principal financial instruments are outlined below. These financial instruments arise directly from the AHO's operations or are required to finance the AHO's operations. The AHO does not enter into or trade financial instruments for speculative purposes. The AHO does not use financial derivatives.

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

The 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 entity, to set risk limits and controls and to monitor risks. The entity works closely with FACS and participates in the FACS risk management process to manage these risks.

(a) Financial Instrument Categories

Financial Assets	Note	Category	2018 Carrying Amount	2017 Carrying Amount
Class:			**$'000**	**$'000**
Cash and cash equivalents	6	N/A	20,205	28,391
Receivables (1)	7	Loans and receivables (at amortised cost)	3,340	3,902
Total financial assets			23,545	32,293

Financial Liabilities	Note	Category	2018 Carrying Amount	2017 Carrying Amount
Class:			**$'000**	**$'000**
Payables (2)	10	Financial liabilities measured (at amortised cost)	27,102	24,369
Total financial liabilities			27,102	24,369

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

(b) Credit risk

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

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

Cash

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

Receivables - trade debtors

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

15. Financial Instruments (continued)

(b) Credit risk (continued)

The only financial assets that are past due or impaired are rent, other tenant charges and sundry debtors in the 'receivables' category of the statement of financial position.

	$'000	$'000	$'000
2018	**Total (1,2)**	**Past due but not impaired (1,2)**	**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

2017	**Total (1,2)**	**Past due but not impaired (1,2)**	**Considered Impaired (1,2)**
Neither past due or impaired	2,658	2,658	-
< 3 months overdue	1,257	1,244	13
3 months - 6 months overdue	4	-	4
> 6 months overdue	3,548	-	3,548
Total receivables - gross of allowance for impairment	7,467	3,902	3,565

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

(2) The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7. 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 2018 year (2017: $Nil).

15. Financial Instruments (continued)

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

At 30 June 2018

	Interest Rate Exposure	Maturity Dates			
	Nominal Amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Payable for personnel services	8,940	8,940	-	-	8,940
Creditors	18,162	18,162	-	-	18,162
Total	27,102	27,102	-	-	27,102

At 30 June 2017

	Interest Rate Exposure	Maturity Dates			
	Nominal Amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Payable for personnel services	8,410	8,410	-	-	8,410
Creditors	15,959	15,959	-	-	15,959
Total	24,369	24,369	-	-	24,369

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

	2018	2017
	$'000	$'000
Tape Negotiation Authority	**20,000**	20,000

This facility authorises the bank to debit the Aboriginal Housing's Office operating bank account up to the above limit when processing the electronic payroll and accounts payables.

The AHO has access to the following credit card facility with Westpac Bank	**200**	100

This facility was approved under the Public Authorities Financial Arrangements Act by the Treasurer on 2 February 2016 as a maximum limit for the AHO's corporate credit cards.

15. Financial Instruments (continued)

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The AHO's exposures to market risk are primarily through interest rate risk on cash and cash equivalents. The AHO has no exposure to foreign currency risk and does not trade in derivatives of any nature.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk. A reasonably possible change of +/- 1 per cent is used, consistent with current trends in interest rates. This basis will be reviewed annually and amended where there is a structural change in the level of interest volatility. The AHO's exposure to interest rate risk is set out below.

		-1.0%		+1.0%	
30 June 2018	Carrying amount	Profit	Equity	Profit	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

		-1.0%		+1.0%	
30 June 2017	Carrying amount	Profit	Equity	Profit	Equity
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash and cash equivalents	28,391	(284)	(284)	284	284
Trade and other receivables	3,902	-	-	-	-
Financial liabilities					
Trade and other payables	24,369	-	-	-	-
Total increase/(decrease)		(284)	(284)	284	284

(e) Fair Value compared to carrying amount

The carrying value of receivables less any impairment provision is a reasonable approximation of their fair value due to their short term nature.

16. Parent entity

The AHO's consolidated financial statements consist of the AHO as the Parent Entity and the Dunghutti Aboriginal Elders Tribal Council Trust (Trust) as the controlled entity.

Information relating to the AHO as the Parent Entity are shown below:

	*Restated 2017 $'000	2017 $'000
Statement of financial position		
Current assets	32,364	32,364
Non-current assets	1,925,858	1,926,175
Total assets	**1,958,222**	**1,958,539**
Current liabilities	24,369	24,845
Non-current liabilities	733	257
Total liabilities	**25,102**	**25,102**
Net assets	**1,933,120**	**1,933,437**
Asset Revaluation Reserve	993,190	995,005
Accumulated Funds	939,930	938,432
Total Equity	**1,933,120**	**1,933,437**
Statement of comprehensive income		
Surplus for the year	7,166	7,484
Other comprehensive income	138,568	138,568
Total comprehensive income for the year	**145,734**	**146,052**

The Parent Entity has capital commitments of $3.9m in relation to building improvements (2017: $2.9m). Refer to Note 12 for further details of the commitment.

The Parent Entity has not entered into any financial guarantees (Note 15). Refer to Note 13 for information on contingent assets and liabilities as at 30 June 2018.

* The prior year figures have been restated as the Trust's financial statements were only finalised after the Parent Entity's financial statements were issued. Adjustments made to the Trust's financial statements resulted in changes to the Parent Entity's Non-current Assets, Non-current liabilities, Asset revaluation reserve, Accumulated funds and Surplus for the year.

17. Budget review

Net Cost of Services (NCOS)

The NCOS was $24.1m in surplus against the approved budget of $9.8m. The Net Cost of Services (NCOS) was achieved.

The major variances to budget for revenue were:

Asset re-instatement of $23.9m for 75 properties which were recognised for the first time in AHO books as part of the HACP program. See note 3(c) for further information

NPARIH grants were lower by $22.6m primarily due to carry forwards as a result of the Murdi Paaki decision making process, timing of innovative housing projects and a Backlog underspend.

Rental Income– a net increase of $2.4m. This was due to the Property management transfers being included in our budget by Treasury and hence the budget was understated as the transfers did not occur.

Other Revenues– a net increase of $2.1m mostly through insurance receipts for fire damaged properties.

Other grants of $4.0m were also received which included payment for the SOWay program ($2.5m) and grants from Office Environment and Heritage (OEH) for our solar program and grants from FACS and Department of Education for our new Literacy program.

The major variances to budget for expenditure were:

$17.2m lower expenditure on NPARIH grants mostly due to delays in the procurement process by LAHC under the Backlog program and a carry forward of Murdi Paaki funds as part of the local decision making process. Note all unspent NPARIH grants have been carried forward to the next year.

Offset by:

$5.3m higher spend on operating expenses, firstly due to the addition of brokerage and operating costs for the new SOWay program. Secondly there was additional spending as a result of the movement to the national provider registration system and the Housing Strategy Business Case.

$3.0m higher spend on repairs and maintenance due to a $2.4m reduction of the initial budget by Treasury in anticipation of the property management transfers occurring in 2017-18. This was offset by an over budget performance in rental income.

$1.7m higher personnel costs due to the SOWay transfer and Long Service Leave and actuarial adjustments for defined benefit superannuation schemes.

Assets and Liabilities

The major variances to budget were:

Property, Plant and Equipment: was $139.7m higher than budget which was due to a larger than anticipated revaluation and the $23.9m recognition of former HACP properties.

Asset Revaluation Reserve: $114.1m higher mainly due to significant increases in property values particularly in the South Coast and South West of Sydney which experienced high growth rates during the financial year.

Cash Flows

The AHO's cash position at 30 June 2018 was $20.2m versus a budget of $16.7m. The majority of this movement can be explained by the rise in trade creditors and other current liabilities, which is due to timing differences. These liabilities will be paid out early in the new financial year.

18. Service 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.

19. Defined Benefit Superannuation Plans

(a) DFACS

	SASS		SANCS		SSS		TOTAL	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Member Numbers								
Contributors	-	-	-	-	-	-	-	-
Pensioners	-	-	-	-	7	7	7	7
Superannuation Position	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accrued liability	-	(3)	(1)	(1)	12,720	12,792	12,719	12,788
Estimated reserve account balance	(1)	(18)	(5)	(7)	(4,157)	(4,382)	(4,163)	(4,407)
Net liability recognised in statement of financial position	(1)	(21)	(6)	(8)	8,563	8,410	8,556	8,381

Details of the schemes and key assumptions on the actuarial assessments of the above superannuation position are disclosed in the financial statements of DFACS as employer of these employees.
DFACS provides personnel services to AHO as AHO does not have employees.

20. Related Party disclosures

A related party is a person or entity that is related to the entity that is preparing financial statements. AHO is a cluster agency of the Department of Family and Community Services (DFACS). As AHO is a statutory authority 100% controlled by the NSW Government, AHO is a related party of all NSW Government controlled agencies and State Owned Corporations.

(a) Key Management Personnel

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

The Minister, the Secretary of DFACS and Chief Executive of the Aboriginal Housing Office have been identified as the KMP of AHO.

Key management personnel compensation

Ministers are compensated by NSW Legislature and AHO is not obligated to reimburse the Legislature. Ministerial compensation has been centrally compiled by Treasury and Department of Premier and Cabinet for distribution to agencies for inclusion in their financial statements. AHO is not aware of any non monetary benefits provided by AHO to the Minister. The Secretary is remunerated by DFACS as the principle department of the cluster and therefore compensation for the Secretary is also excluded from the table below.

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

	2018	**2017**
	$'000	**$'000**
Short-term employee benefits:	278	292
Post-employment benefits	15	24
Total remuneration	293	316

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

KMP Related party information

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

(b) Other related party transactions

Cluster agencies

A management agreement exists between AHO and LAHC whereby LAHC provides project management, professional and technical advice, repairs and maintenance and related reporting services. During the period to 30 June 2018, AHO incurred $2,391,248 (2017: $2,050,308) as management fees and this amount is disclosed in Note 2 (b) Fee for services rendered.

A management agreement exists between AHO and DFACS whereby DFACS provides tenancy and other housing assistance services. During the period to 30 June 2018, AHO incurred $5,476,996 (2017: $5,870,700) as management fees and this amount is disclosed in Note 2 (b) Fee for services rendered.

A management agreement exists between AHO and DFACS whereby DFACS provides finance, human resources, information technology and business services. During the period to 30 June 2018, AHO incurred $1,667,611 (2017: $1,207,080) as management fees and this amount is disclosed in Note 2 (b) DFACS Business Services fee.

Other government agencies

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

21. Events after the reporting period

There are no events subsequent to balance date which has significantly affected the disclosures of the financial statements.

3. NSW Land and Housing Corporation

Financial statements for the year ended 30 June 2018

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 2018, the Statement of Financial Position as at 30 June 2018, 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 2018, 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.

Other Information

Other information comprises the information included in the Department of Family and Community Services' annual report for the year ended 30 June 2018, other than 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 comprise 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 Family and Community Services is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act and for such internal control as the Secretary 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 Corporation'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 Corporation 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 is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Corporation carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Karen Taylor
Director, Financial Audit Services

17 September 2018
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 2018 and its financial performance for the year ended; and

2. have been prepared in accordance with the Australian Accounting Standards (which includes Australian Accounting Interpretations) and the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* and Directions issued by the Treasurer under Section 9(2)(n) of the Act.

I am not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Michael Coutts-Trotter
Secretary of the Department of Family and Community Services
For and on behalf of
NSW Land and Housing Corporation
14 September 2018

NSW LAND AND HOUSING CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $'000	2017 $'000
Revenue			
Rent and other tenant charges	2	875 074	869 402
Government grants	3	127 715	151 690
Investment revenue	4	4 162	6 333
Management fees	5	6 937	9 061
Other revenue	6	34 847	12 847
Total Revenue		**1 048 735**	**1 049 333**
Expenses			
Repairs and maintenance	7	413 329	408 420
Council rates		133 528	131 106
Water rates		93 156	96 717
Tenancy management	1i)	109 080	112 163
Personnel services	8	62 029	59 608
Depreciation and amortisation	10	500 351	477 329
Grants and subsidies	11	80 702	3 000
Finance costs	12	51 565	53 400
Other expenses	9	155 903	155 264
Total Expenses		**1 599 643**	**1 497 007**
Operating Result		**(550 908)**	**(447 674)**
Gain on disposal of assets	13	88 027	49 732
Other losses	14	(101)	(3 450)
NET RESULT		**(462 982)**	**(401 392)**
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*)	5 243 923	4 789 296
Total other comprehensive income		**5 243 923**	**4 789 296**
TOTAL COMPREHENSIVE INCOME		**4 780 941**	**4 387 904**

The accompanying notes form part of these financial statements.

NSW LAND AND HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	15	278 452	120 210
Receivables	16	37 075	23 023
Other financial assets	17	82	153 711
Other	18	7 529	13 295
Assets held for sale	19	73 578	36 803
Total Current Assets		**396 716**	**347 042**
Non-Current Assets			
Other financial assets	17	892	873
Property, plant and equipment	20	54 445 917	49 781 149
Intangible assets	21	2 900	4 305
Total Non-Current Assets		**54 449 709**	**49 786 327**
TOTAL ASSETS		**54 846 425**	**50 133 369**
LIABILITIES			
Current Liabilities			
Payables	22	226 308	274 246
Borrowings	23	31 093	27 410
Provisions	24	6 302	7 196
Total Current Liabilities		**263 703**	**308 852**
Non-Current Liabilities			
Borrowings	23	504 925	527 661
Total Non-Current Liabilities		**504 925**	**527 661**
TOTAL LIABILITIES		**768 628**	**836 513**
NET ASSETS		**54 077 797**	**49 296 856**
EQUITY			
Revaluation Reserves		43 998 104	39 169 956
Accumulated Funds		10 079 693	10 126 900
TOTAL EQUITY		**54 077 797**	**49 296 856**

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 2018

		Accumulated Funds		Asset Revaluation Reserve		Total	
	Notes	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Balance at 1 July		10 126 900	10 205 069	39 169 956	34 703 883	49 296 856	44 908 952
Net result for the year		(462 982)	(401 392)	-	-	(462 982)	(401 392)
Other Comprehensive Income:							
Net increase in property, plant and equipment asset valuations	20(i),(ii)	-	-	5 243 923	4 789 296	5 243 923	4 789 296
Total other comprehensive income		-	-	5 243 923	4 789 296	5 243 923	4 789 296
Total comprehensive income for the year		(462 982)	(401 392)	5 243 923	4 789 296	4 780 941	4 387 904
Transfer between equity items:							
Transfers on disposal of assets		415 775	323 223	(415 775)	(323 223)	-	-
Total transfer between equity items		415 775	323 223	(415 775)	(323 223)	-	-
Balance at 30 June		**10 079 693**	**10 126 900**	**43 998 104**	**39 169 956**	**54 077 797**	**49 296 856**

The accompanying notes form part of these financial statements.

NSW LAND AND HOUSING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $'000	2017 $'000
Cash flows from Operating Activities			
Receipts			
Rent and other tenant charges		872 995	870 921
Government grants - other NSW government agencies		127 015	151 690
Interest received		4 162	6 650
Management fees		6 937	9 061
Other		28 514	1 406
Total receipts		**1 039 623**	**1 039 728**
Payments			
Property and residential tenancy		(735 538)	(687 537)
Tenancy management		(109 080)	(112 163)
Personnel services		(57 845)	(58 478)
Finance costs		(37 890)	(39 794)
Grants and subsidies		(4 379)	(3 000)
Other		(85 495)	(53 235)
Total payments		**(1 030 227)**	**(954 207)**
Net cash flows from Operating Activities	28	**9 396**	**85 521**
Cash flows from Investing Activities			
Receipts			
Proceeds from sale of property, plant and equipment		501 725	377 057
Proceeds from redemption of investments		153 503	31 389
Total receipts		**655 228**	**408 446**
Payments			
Purchase of property, plant and equipment		(475 289)	(458 627)
Total payments		**(475 289)**	**(458 627)**
Net cash flows from Investing Activities		**179 939**	**(50 181)**
Cash flows from Financing Activities			
Payments			
Repayments of borrowings		(31 093)	(30 649)
Net cash flows from Financing Activities		**(31 093)**	**(30 649)**
Net increase in cash and cash equivalents		**158 242**	**4 691**
Opening cash and cash equivalents		120 210	115 519
CLOSING CASH AND CASH EQUIVALENTS	15	**278 452**	**120 210**

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 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting Entity

The NSW Land and Housing Corporation (LAHC) is a NSW Government entity. It is a Statutory Body and has no controlled entities.

LAHC is a *not-for-profit* entity as profit is not its principle objective and it has no cash generating units. It administers the *Housing Act 2001* (Housing Act) and its principal objective is to manage the State's housing portfolio on behalf of the New South Wales Government. In addition, LAHC administers the Housing Reserve Fund (HRF) which was established by the *Home Purchase Assistance Authority (HPAA) Act of 1993*, and is now incorporated into the *Housing Act*.

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

These financial statements for the year ended 30 June 2018 have been authorised by the Secretary on 14 September 2018.

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* and *Public Finance and Audit Regulations 2015*; and
(iii) Financial Reporting Directions mandated by the Treasurer.

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. Revisions to accounting estimates are recognised in the year the estimates are revised and in future years.

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) Insurance

LAHC manages insurance activities through its insurance broker. Insurance premiums are prepaid annually and are recognised as an expense on a straight line basis over the period covered.

f) 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.

g) Revenue

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

Accounting policies on recognition of specific types of revenue are discussed below.

i) Rent and other tenant charges

Rent and other tenant charges are recognised in accordance with AASB 117 *Leases* on a straight line basis over the term of the lease.

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, generally on a three year term, at a nominal rent of $1 per annum. No revenue is recognised due to the nature of these leases.

ii) Government grants

Government grants are recognised as revenue when LAHC gains control over the grants. Control is normally obtained when cash is received.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Revenue (continued)

iii) Investment revenue

Investment revenue is recognised as it accrues using the effective interest method.

iv) Management fees and other revenue

Management fees and other revenue are recognised on an accrual basis when services are provided.

v) Sale of assets

The gain or loss from the sale of assets is recognised in the Statement of Comprehensive Income when LAHC transfers the risks or rewards of the asset for a reliably measurable price and it is probable that LAHC will receive the benefits. When property assets are sold, the gain or loss from the sale is recognised at the contract settlement date.

h) Finance costs

Finance costs are recognised as expenses in the year in which they are incurred. Finance costs comprise interest expense and amortisation of deferred discounts (premiums) on loans.

i) Tenancy management

LAHC engages FACS to undertake tenancy management services including establishing and maintaining tenancies, management of tenant complaints and appeals, collection of rent and other charges, investigation of and drafting of responses to Ministerial and other enquires regarding delivery of services.

j) Financial Instruments

i) Non-derivative financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and restricted cash (refer note 15).

Loans, investments and receivables

Loans, investments and other receivables are financial assets that are not quoted in an active market and with fixed or determinable payments. Such assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent to initial recognition, loans, investments and other receivables are measured at amortised cost using the effective interest method, less any impairment loss (refer note 14). Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial Instruments (continued)

ii) Non-derivative financial liabilities

Trade and other payables

Payables represent liabilities for goods and services received by LAHC. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent to initial recognition, long term trade and other payables are measured at amortised cost using the effective interest method.

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

Borrowings

Borrowings, including low interest loans, are measured initially at fair value net of transaction costs incurred. Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest method. Gains or losses arising from subsequent valuation are recognised in the net result for the year.

k) De-recognition of financial assets and financial liabilities

i) Financial assets

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

(a) where substantially all the risks and rewards have been transferred; or
(b) where LAHC has not transferred substantially all the risks and rewards, if LAHC has not retained control.

Where LAHC has neither transferred nor retained substantially all the risks and rewards or transferred control, financial assets are recognised only to the extent of LAHC's continuing involvement in the assets.

ii) Financial liabilities

Financial liabilities are de-recognised when the obligations specified in the contracts expire, are discharged or cancelled. Gains or losses are recognised in profit or loss when liabilities are derecognised through early repayment of debt.

l) Property, plant and equipment

i) Capitalisation threshold

Property, plant and equipment, including leasehold improvements, generally over $5,000 are capitalised if it is probable that the future economic benefits will flow to LAHC and the cost of the asset can be reliably measured.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Property, plant and equipment (continued)

ii) Recognition and measurement

Assets are initially recognised at cost.

Cost includes expenditures that are directly attributable to the acquisition of the asset, such as cash or cash equivalents paid or the fair value of other consideration given to acquire the asset at the time of its acquisition or construction, or where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.

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 discounted at a rate that appropriately applies to each specific asset.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment. The net gain or loss is recognised within the Statement of Comprehensive Income.

iii) Subsequent costs

Major inspection costs

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

Repairs and maintenance

LAHC expenses the cost of routine repairs and maintenance as incurred to maintain its property portfolio at certain standards, except where they relate to the replacement of a part or component of an asset in which case the costs are capitalised and depreciated.

Capital improvements

LAHC incurs costs necessary to bring aged dwellings within its property portfolio to LAHC's standard condition. These costs are capitalised when the improved dwellings exceed their original standard as a result of the work undertaken.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Property, plant and equipment (continued)

iv) Revaluation

Physical non-current assets are valued in accordance with the *Valuation of Physical Non-Current Assets at Fair Value Policy and Guidelines Paper* (TPP 14-01). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*.

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer note 20 (*iii*) for further information regarding fair value.

LAHC revalues each class of property, plant and equipment annually to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date.

For non-specialised property, plant and equipment with short useful lives, historical cost is considered to approximate fair value. LAHC has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

When revaluing non-current assets, the accumulated depreciation balance of an asset as at the revaluation date is credited to that asset's account balance. The resulting net balance in the asset account is increased or decreased to bring the asset's value to fair value.

Revaluation increments/decrements

Revaluation increments are 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Property, plant and equipment (continued)

v) Depreciation

Property, plant and equipment, other than land, are depreciated on a straight line basis. The residual values and useful lives of assets are reviewed at each balance date and adjusted, if appropriate. LAHC undertakes ongoing maintenance and upgrading in order to maintain properties at a certain standard. The estimated useful lives of the depreciable assets are:

Asset class	Estimated useful life for the current and previous year
Residential properties	50 years
Residential properties marked for demolition	1 to 5 years
Controlled assets under lease	shorter of the lease term or the life of the underlying assets
Commercial properties	50 years
Community purpose built properties	50 years
Motor vehicles	3 years
Computer hardware	3 years
Office furniture and equipment	3 years
Leasehold improvement	shorter of the estimated useful life and the unexpired term of the lease

vi) Vested assets

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.

m) Intangible assets

Intangible assets costing $5,000 and above are capitalised if it is probable that future economic benefits will flow to LAHC and the cost of the asset can be reliably measured.

The cost method of accounting is used in the initial recording of intangible assets acquired or developed by LAHC. However, intangible assets acquired at no or nominal 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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Leased assets

i) Finance leases

LAHC classifies a long-term lease as a finance lease if it substantially transfers all the risks and rewards incidental to ownership of the assets from the lessor to the lessee and the lease payments represent substantially all of the fair value of the underlying assets.

As a lessee, LAHC recognises a finance leased asset at the lower of its fair value and the present value of minimum lease payments at the commencement of the lease term. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

As a lessor, LAHC recognises the present value of lease receipts as receivables, where material. Lease receipts are recognised in two components, one as a reduction of the lease receivables and the other as finance income. However, in instances of peppercorn leases where lease receipts are deemed immaterial, lease income is recognised on an accrued basis.

ii) Controlled assets under lease

Controlled assets under lease represent properties which are not owned by LAHC but are under long term lease arrangements whereby substantially all the risks and rewards incidental to ownership of the assets have been transferred to LAHC. Where the lease payments are substantially less than the underlying fair value of the assets (peppercorn rent of $1), then these assets are brought to account initially at fair value and depreciated over the shorter of the lease term or the useful life of the underlying asset.

iii) Operating leases

Other leases, where LAHC does not assume substantially all the risks and rewards of ownership, are classified as operating leases and not recognised in the Statement of Financial Position. Operating lease payments are recognised as an expense on a straight-line basis over the lease term in the Statement of Comprehensive Income.

o) Impairment

i) Financial assets

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Impairment (continued)

ii) Short term receivables, loans and other receivables

The allowance for estimated impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Uncollectible amounts are recognised as bad debts and written off when one of the following conditions in the Treasurer's Directions *450.05 Recovery of Debts to the State* is met:

(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.

iii) Property, plant and equipment and intangible assets

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

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.

p) Non-current assets classified as held for sale

LAHC has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs of disposal.

Any loss on initial classification of a non-current asset as held for sale and subsequent gains or losses on re-measurement are recognised in the net result. Gains on re-measurement are recognised in the net result only to the extent of the cumulative impairment loss that has been recognised.

Assets classified as 'held for sale' are not depreciated while the held for sale classification criteria continues to be met.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Liabilities

i) Personnel services

LAHC does not have any employees. FACS provides personnel services to LAHC using the following components:

Salaries and wages, annual leave and sick leave

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

Where material, annual leave that is not expected to be taken within twelve months after the end of the annual reporting year is measured at present value in accordance with AASB 119 *Employee Benefits*.

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

Long service leave and defined benefit superannuation

LAHC's liabilities for long service leave and defined benefit superannuation are assumed by the Crown. LAHC accounts for the liabilities as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue items described as 'accepted by the Crown'.

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

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

From 1 December 2016 FACS facilitates the recovery of any long service leave and defined benefit superannuation directly with the Crown.

Defined contribution superannuation

The defined contribution superannuation expense is calculated based on the Government Superannuation Guarantee Charge percentage and the employee's salary. For financial year 2017-18, the rate is 9.5%.

Consequential on-costs

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Liabilities (continued)

ii) Other provisions

A provision is recognised if, as a result of a past event, LAHC has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

A provision for restructuring is recognised when LAHC has a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly, resulting in a valid expectation in those affected that the restructuring plan will be implemented.

r) Fair value hierarchy

A number of LAHC's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

Under AASB 13, LAHC categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1:quoted prices (unadjusted) in active markets for identical or similar assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable either directly or indirectly (observable inputs).
- Level 3: inputs that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assets and liabilities measured at fair value is included in the following notes:

- Note 19 Assets Held For Sale;
- Note 20 Non-current assets – Property, Plant and Equipment; and
- Note 30 Financial Instruments.

s) 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 1 l) *iv)*.

ii) Accumulated funds

Accumulated funds includes all current and prior years' net results.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) 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.

u) New Australian Accounting Standards and Interpretations

i) Effective for the first time in 2017-18

The following new standards have been applied for the first time in 2017-18. The impact of these standards is set out below:

Standard	Summary of key requirements/changes	Impact on LAHC's 2017-18 Financial Statements
AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*	Amends AASB 107 *Statement of Cash Flows* by requiring additional disclosures of cash and non-cash changes in liabilities arising from financing activities. Non-cash changes include effects of changes in foreign exchange rates and changes in fair values.	Additional disclosure in Note 23 *(iii)*, as prescribed by the standard. Comparative information is not required in the first year of adoption.
AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*	Amends AASB 136 *Impairment of Assets* as it: • removes 'depreciated replacement cost' as a measure of value in use for not-for-profit entities; and • clarifies that the recoverable amount of specialised, non-cash-generating assets held for service capacity purpose is the same as fair value determined under AASB 13 *Fair Value Measurement*. Consequently, AASB 136 does not apply to such assets that are regularly revalued to fair value under the revaluation model in AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets*.	There is no material impact as the majority of LAHC's assets are regularly revalued to fair value under the revaluation model.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) New Australian Accounting Standards and Interpretations (continued)

ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless NSW Treasury determines otherwise. The following new standards have not been applied as they are not yet effective. Management's assessment of their implications to LAHC in the period of initial application is set out below:

Standard	Summary of key requirements/ changes	Applicable to annual reporting periods beginning on or after	Expected impact to LAHC on initial application
AASB 9 *Financial Instruments*	Supersedes AASB 139 *Financial Instruments: Recognition and Measurement*. The standard introduces new requirements for the classification and measurement of financial assets and liabilities, including a forward-looking 'expected loss' impairment model and a new hedge accounting model.	1 Jan 2018	All existing financial instruments will need to be classified according to the AASB 9 criteria and transitional requirements. LAHC does not have any complex financial instruments. Therefore, the initial application of this standard is not expected to result in significant changes to LAHC's accounting treatment of financial assets and liabilities.
AASB 15 AASB 2014-5 AASB 2015-8 AASB 2016-3 AASB 2016-7 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 2018 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) 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 16 *Leases*	Supersedes AASB 117 *Leases*. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value.	1 Jan 2019	There will be 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. LAHC is yet to undertake a detailed assessment on the impact of the standard as a lessee. However, initial application of this standard will result in LAHC bringing to account the right-of-use asset and liability to represent the lease payment obligation for its operating leases.
AASB 1058 *Income of Not-for-Profit Entities*	Supersedes AASB 1004 *Contributions*. The standard clarifies and simplifies the recognition, measurement and disclosure requirements that apply to not-for-profit entities, in conjunction with AASB 15 *Revenue from Contracts with Customers*. 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. Where LAHC is a lessee in a peppercorn lease arrangement, 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).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) 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 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*	Inserts Australian requirements and authoritative implementation guidance that will assist not-for-profit entities in applying AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*.	1 Jan 2019	Refer to commentary provided for AASB 9 and AASB 15 above.

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 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*
- AASB 2016-6 *Amendments to Australian Accounting Standards – Applying AASB 9 with AASB 4 Insurance Contracts*
- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfer of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*
- AASB 2017-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 4*
- AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*
- AASB 2017-5 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*
- 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*
- Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- Interpretation 23 *Uncertainty over Income Tax Treatment*

NOTE 2: RENT AND OTHER TENANT CHARGES

	2018 $'000	2017 $'000
Market rent and other tenant charges (notional)	2 038 958	2 009 943
Less: rental subsidies to tenants (notional)	(1 204 357)	(1 181 516)
Water usage charges	40 473	40 975
Total rent and other tenant charges	**875 074**	**869 402**

NOTE 3: GOVERNMENT GRANTS

NSW Office of Environment and Heritage	4 180	-
FACS *(i)*	123 535	151 690
Total government grants	**127 715**	**151 690**

(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.

NOTE 4: INVESTMENT REVENUE

Interest earned by LAHC is in respect of the following investments:		
Bank deposits	3 810	6 054
Other	352	279
Total investment revenue	**4 162**	**6 333**

NOTE 5: MANAGEMENT FEES

Project management fees	4 546	7 011
Property management fees	2 391	2 050
Total management fees	**6 937**	**9 061**

NOTE 6: OTHER REVENUE

Long service leave accepted by the Crown (note 1 q*(i)* & note 8)	2 214	1 547
Superannuation accepted by the Crown (note 1 q*(i)* & note 8)	668	945
Bad debts recovered	-	102
Property related income	25 383	3 392
Sundry	6 582	6 861
Total other revenue	**34 847**	**12 847**

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 7: REPAIRS AND MAINTENANCE

	2018 $'000	2017 $'000
Residential properties	412 385	408 023
Commercial properties	822	222
Other	122	175
Total repairs and maintenance	**413 329**	**408 420**

NOTE 8: PERSONNEL SERVICES

Salaries	46 133	45 128
Annual leave and leave loading	4 538	3 891
Long service leave - assumed by the Crown (note 1 q*(i)* & note 6)	2 214	1 547
Superannuation - defined benefit plan assumed by the Crown (note 1 q*(i)* & note 6)	668	945
Superannuation - defined contribution plan	4 581	4 152
Workers' compensation insurance	246	201
Payroll and fringe benefits tax	3 573	3 722
Other	76	22
Total personnel services	**62 029**	**59 608**

Personnel services expense is the expense incurred by LAHC on personnel services provided to it by FACS.

NOTE 9: OTHER EXPENSES

Management and other fees	19 139	17 295
Operating lease rental expense - minimum lease payments *(i)*	64 744	67 879
Property related expenses	13 121	12 708
Motor vehicle, travel & telecommunications	2 046	2 579
Professional services and contractors	31 353	31 655
Auditor's remuneration	389	388
Other audit assurance services	139	604
FACS - shared services *(ii)*	13 877	13 538
Other	11 095	8 618
Total other expenses	**155 903**	**155 264**

(i) LAHC leases residential properties from the private market to supplement its housing stock in order to support client demand for social housing. These leased residential properties are sub-let to eligible clients.

(ii) The services provided include corporate support services in respect of finance transactions, information technology and human resource functions.

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 10: DEPRECIATION AND AMORTISATION

	2018 $'000	2017 $'000
Depreciation		
Residential properties	496 396	474 603
Commercial properties	360	354
Community purpose built properties	439	457
Controlled assets under lease	306	119
Computer hardware	26	26
Office furniture and equipment	10	9
Motor vehicles	-	24
Leasehold improvements	969	461
Total depreciation	**498 506**	**476 053**
Amortisation		
Intangible assets	1 845	1 276
Total amortisation	**1 845**	**1 276**
Total depreciation and amortisation	**500 351**	**477 329**

NOTE 11: GRANTS AND SUBSIDIES

	2018 $'000	2017 $'000
Grants to community groups - vested properties *(a)* (note 20 *(i)* & *(ii)*)	76 323	-
Commonwealth - Department of Social Services	1 379	-
FACS - other program	3 000	3 000
Total grants and subsidies expense	**80 702**	**3 000**

(a) In order to support the Government's priority to improve housing affordability, properties are being vested to community housing providers that are able to leverage these assets to borrow funds from the private sector and invest in additional housing stock. During the year, 158 properties with a carrying value of $76.3 million were vested to a community housing provider.

NOTE 12: FINANCE COSTS

	2018 $'000	2017 $'000
Interest on interest bearing liabilities:		
State advances – Commonwealth loans	45 152	46 323
NSW Treasury Corporation (TCorp) loans	7 547	7 950
Other loans	260	282
Amortisation of premium/(discount) on TCorp loans	(1 394)	(1 155)
Total finance costs	**51 565**	**53 400**

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 13: GAIN/(LOSS) ON DISPOSAL OF ASSETS

	2018 $'000	2017 $'000
(i) **Sale of assets**		
Residential properties		
Sale proceeds	388 367	231 731
Less: selling expenses	(15 750)	(11 588)
Net proceeds	372 617	220 143
Less: carrying amount of assets sold	(290 324)	(182 531)
Gain	**82 293**	**37 612**
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	-	318
Less: selling expenses	-	-
Net proceeds	-	318
Less: carrying amount of assets sold	-	-
Gain	**-**	**318**
Land		
Sale proceeds	56 242	82 353
Less: selling expenses	(1 112)	(5 414)
Net proceeds	55 130	76 939
Less: carrying amount of assets sold	(37 485)	(61 954)
Gain	**17 645**	**14 985**
Motor Vehicles		
Sale proceeds	-	197
Less: selling expenses	-	(6)
Net proceeds	-	191
Less: carrying amount of assets sold	-	(56)
Gain	**-**	**135**
Total asset sales of property, plant and equipment		
Sale proceeds	447 179	314 599
Less: selling expenses	(16 862)	(17 008)
Net proceeds	430 317	297 591
Less: carrying amount of assets sold (note 20 *(i) & (ii)*)	(329 997)	(244 541)
Gain	**100 320**	**53 050**

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

	2018 $'000	2017 $'000
(ii) **Assets demolished**		
Carrying amount of demolished properties (note 20 *(i) & (ii)*)	**(35 472)**	**(22 037)**

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

	2018 $'000	2017 $'000
(iii) **Assets written off and impaired**		
Property, plant and equipment (note 20 *(i) & (ii)*)	(7 222)	(19 237)
Property rectification	-	(487)
Impairment – non-current assets classified as held for sale (note 19)	(1 478)	(503)
Assets written off and impaired	**(8 700)**	**(20 227)**
Gain on disposal of property, plant and equipment	**56 148**	**10 786**
(iv) **Sale of assets held for sale**		
Residential properties		
Sale proceeds	63 540	79 306
Less: selling expenses	(793)	(702)
Net proceeds	62 747	78 604
Less: carrying amount of assets sold	(32 344)	(39 622)
Gain	**30 403**	**38 982**
Vacant Land		
Sale proceeds	2 878	862
Less: selling expenses	(46)	-
Net proceeds	2 832	862
Less: carrying amount of assets sold	(1 356)	(898)
Gain/(Loss)	**1 476**	**(36)**
Total sale of assets held for sale		
Sale proceeds	66 418	80 168
Less: selling expenses	(839)	(702)
Net proceeds	65 579	79 466
Less: carrying amount of assets sold (note 19)	(33 700)	(40 520)
Gain on sale of assets held for sale	**31 879**	**38 946**
Total gain on disposal of assets	**88 027**	**49 732**

NOTE 14: OTHER LOSSES

	2018 $'000	2017 $'000
Allowance on impairment of receivables	306	(2 768)
Loss on TCorp debt restructuring	(407)	(682)
Total other losses	**(101)**	**(3 450)**

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 15: CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2018 $'000	2017 $'000
Cash on hand, at bank and in transit	278 452	120 210
Total cash and cash equivalents *(i)*	**278 452**	**120 210**

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

Housing Reserve Fund (HRF) (note 1a)	65 067	1 404
Housing Affordability Fund (HAF) *(ii)* and security deposits	2 124	4 337
Millers Point Restricted Funds (note 25)	77 530	28 641
Restricted cash and cash equivalents	**144 721**	**34 382**

(ii) In prior years, LAHC entered into a number of HAF agreements with the former Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs.

NOTE 16: CURRENT ASSETS – RECEIVABLES

Current

Rental and sundry debtors	45 940	38 393
Less: allowance for impairment *(i)*	(20 514)	(26 848)
Net rental and sundry debtors	25 426	11 545
Receivables – other government departments	11 649	11 478
Total current receivables	**37 075**	**23 023**

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

Balance, beginning of year	26 848	29 056
Debts written off	(6 022)	(4 976)
(Decrease)/Increase in allowance for impairment	(312)	2 768
Balance at end of year	**20 514**	**26 848**

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

LAHC derives its investment powers from Part 2, Schedule 4 of the *Public Authorities (Financial Arrangements) Act 1987*. Other financial assets comprise the following:

	2018 $'000	2017 $'000
Current		
Loans and Investments		
Term deposits *(i)*	-	153 504
Mortgage Assistance Scheme	99	218
Less: allowance for impairment *(ii)*	(17)	(11)
Net	82	207
Total loans and investments	82	153 711
Total current other financial assets	**82**	**153 711**
Non-current		
Loans and Investments		
Mortgage Assistance Scheme	892	873
Total loans and investments	892	873
Total non-current other financial assets	**892**	**873**
Total other financial assets	**974**	**154 584**

(i) NSW TC15/01 *Cash Management – Expanding the Scope of the Treasury Banking System* 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). As a consequence, from 7 October 2017, LAHC no longer holds term deposits.

Other financial assets include deposits that are restricted in terms of their use as follows:

Housing Reserve Fund (HRF) (note 1a)	-	87 703
Total	**-**	**87 703**

(ii) The movement in the allowance for impairment in loans under the Mortgage Assistance Scheme is below:

Current		
Balance, beginning of year	11	11
Debts written off	-	-
Increase in allowance for impairment	6	-
Balance at end of year	**17**	**11**

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 18: CURRENT ASSETS - OTHER

	2018 $'000	2017 $'000
Head leasing	5 703	7 798
Other	1 826	5 497
Total current other assets	**7 529**	**13 295**

NOTE 19: ASSETS HELD FOR SALE

Residential properties	65 405	33 648
Commercial properties	22	-
Vacant land	8 151	3 155
Total assets classified as held for sale	**73 578**	**36 803**

These assets are expected to be sold in the following financial year through a number of disposal options including auctioning the properties. An impairment loss on the measurement of assets classified as held for sale to fair value less cost to sell has been recognised and is included in Assets Written Off (refer note 13 *(iii)*). The fair value measurements are categorised within Level 3 of the fair value hierarchy. The impairment loss comprises:

Residential properties:		
Fair value (Net carrying amount at the time of reclassification)	66 731	34 097
Less: Cost to sell	(1 326)	(449)
Fair value less cost to sell	65 405	33 648
Impairment loss	1 326	449
Vacant land:		
Fair value (Net carrying amount at the time of reclassification)	8 302	3 209
Less: Cost to sell	(151)	(54)
Fair value less cost to sell	8 151	3 155
Impairment loss	151	54
Commercial properties:		
Fair value (Net carrying amount at the time of reclassification)	23	-
Less: Cost to sell	(1)	-
Fair value less cost to sell	22	-
Impairment loss	1	-
Impairment – non-current assets classified as held for sale (note 13 *(iii)*)	**1 478**	**503**

Reconciliations

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	36 803	42 765
Sale of assets – carrying amount (note 13 *(iv)*)	(33 700)	(40 520)
Impairment loss	(1 478)	(503)
Reclassified from non-current assets to assets held for sale (note 20 *(i)* & *(ii)*)	71 953	35 061
Carrying amount at end of year	**73 578**	**36 803**

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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

	2018 $'000	2017 $'000
Property		
Residential properties		
Land, at gross carrying amount	28 330 502	25 177 731
Buildings, at gross carrying amount	25 069 144	23 663 293
Less: Accumulated depreciation	(16 365)	(17 462)
Buildings - net carrying amount	25 052 779	23 645 831
Residential properties - net carrying amount	**53 383 281**	**48 823 562**
Commercial properties		
Land, at gross carrying amount	33 665	35 485
Buildings, at gross carrying amount	16 680	15 520
Less: Accumulated depreciation	(167)	(183)
Buildings - net carrying amount	16 513	15 337
Commercial properties – net carrying amount	**50 178**	**50 822**
Controlled assets under lease		
Controlled assets under lease	70 323	8 988
Less: Accumulated depreciation	(306)	(119)
Controlled assets under lease - net carrying amount	**70 017**	**8 869**
Community purpose built properties		
Land, at gross carrying amount	96 617	93 611
Buildings, at gross carrying amount	23 251	20 558
Less: Accumulated depreciation	(238)	(209)
Buildings - net carrying amount	23 013	20 349
Community purpose built properties – net carrying amount	**119 630**	**113 960**
Land for redevelopment	**556 252**	**380 636**
Vacant land	**42 224**	**45 614**
Land under roads	**73 176**	**76 085**
Work in progress, at gross carrying amount	**148 972**	**279 095**
Leasehold improvements		
Leasehold improvements, at cost	4 021	3 335
Less: Accumulated depreciation	(1 853)	(884)
Leasehold improvements	**2 168**	**2 451**
Total property – net carrying amount	**54 445 898**	**49 781 094**

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 20: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

	2018 $'000	2017 $'000
Plant and Equipment		
Computer hardware, at gross carrying amount	97	97
Less: Accumulated depreciation	(81)	(55)
Computer hardware - net carrying amount	**16**	**42**
Office furniture and equipment, at gross carrying amount	29	29
Less: Accumulated depreciation	(26)	(16)
Office furniture and equipment - net carrying amount	**3**	**13**
Total plant and equipment – net carrying amount	**19**	**55**
Total property, plant and equipment – net carrying amount	**54 445 917**	**49 781 149**

In accordance with LAHC's capitalisation policy as stated in note 1 l) *(i),(ii) & (iii)*, costs directly attributable to the acquisition of assets have been capitalised. These costs include personnel services amounting to $8.8 million (2017: $9.2 million). The cost of personnel services reported in note 8 is net of this capitalised amount.

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NSW LAND AND HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

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

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 start 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	(65 428)	(23)	-	-	(5 332)	(1 170)	-	-	-	-	(71 953)
Carrying amount of assets sold	13	(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	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 2018

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

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

	Residential Properties	Commercial Properties	Controlled Assets under Lease	Community Purpose Built Properties	Land held for Redevelopment	Vacant Land	Land under Roads	Work in Progress	Leasehold Improvements	Computer Hardware, Office Furniture & Equipment	Total
Fair Value Hierarchy:	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	N/A	N/A	N/A	
	$'000	$'000	$'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	279 095	3 335	126	49 800 077
Accumulated depreciation and impairment	(17 462)	(183)	(119)	(209)	-	-	-	-	(884)	(71)	(18 928)
Net carrying amount	48 823 562	50 822	8 869	113 960	380 636	45 614	76 085	279 095	2 451	55	49 781 149
At 30 June 2018 - fair value											
Gross carrying amount	53 399 646	50 345	70 323	119 868	556 252	42 224	73 176	148 972	4 021	126	54 464 953
Accumulated depreciation and impairment	(16 365)	(167)	(306)	(238)	-	-	-	-	(1 853)	(107)	(19 036)
Net carrying amount	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 2018

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

2017	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	Motor Vehicle $'000	Total $'000
Net carrying amount at start of year		44 401 985	47 991	-	90 786	363 615	41 429	65 205	325 369	2 437	79	80	45 338 976
Additions/capital improvements		173 136	-	-	-	1 638	-	-	274 546	475	11	-	449 806
Transfers to completed properties		334 377	925	-	-	60 417	-	-	(395 719)	-	-	-	-
Reclassified from non-current assets to assets held for sale	19	(32 658)	-	-	-	(2 228)	(175)	-	-	-	-	-	(35 061)
Carrying amount of assets sold	13	(182 531)	-	-	-	(58 643)	(3 311)	-	-	-	-	(56)	(244 541)
Transfers between classes		(96 015)	(1 465)	8 988	20	10 596	2 977	-	74 899	-	-	-	-
Demolitions	13(ii)	(22 037)	-	-	-	-	-	-	-	-	-	-	(22 037)
Write-off	13(iii)	(9 051)	(2 237)	-	(7 949)	-	-	-	-	-	-	-	(19 237)
Revaluation increment		4 730 959	5 962	-	31 560	5 241	4 694	10 880	-	-	-	-	4 789 296
Depreciation expense	10	(474 603)	(354)	(119)	(457)	-	-	-	-	(461)	(35)	(24)	(476 053)
Net carrying amount at end of year		**48 823 562**	**50 822**	**8 869**	**113 960**	**380 636**	**45 614**	**76 085**	**279 095**	**2 451**	**55**	**-**	**49 781 149**

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

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

	Residential Properties	Commercial Properties	Controlled Assets under Lease	Community Purpose Built Properties	Land held for Redevelopment	Vacant Land	Land under Roads	Work in Progress	Leasehold Improvements	Computer Hardware, Office Furniture & Equipment	Motor Vehicle	Total
Fair Value Hierarchy:	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	N/A	N/A	N/A	N/A	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2016 - fair value												
Gross carrying amount	44 402 635	48 202	-	91 031	363 615	41 429	65 205	325 369	2 860	165	479	45 340 990
Accumulated depreciation and impairment	(650)	(211)	-	(245)	-	-	-	-	(423)	(86)	(399)	(2 014)
Net carrying amount	44 401 985	47 991	-	90 786	363 615	41 429	65 205	325 369	2 437	79	80	45 338 976
At 30 June 2017 - fair value												
Gross carrying amount	48 841 024	51 005	8 988	114 169	380 636	45 614	76 085	279 095	3 335	126	-	49 800 077
Accumulated depreciation and impairment	(17 462)	(183)	(119)	(209)	-	-	-	-	(884)	(71)	-	(18 928)
Net carrying amount	48 823 562	50 822	8 869	113 960	380 636	45 614	76 085	279 095	2 451	55	-	49 781 149

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

(iii) Property revaluation methodology by asset class

a) Land and Building

LAHC's property portfolio is a large and dynamic portfolio with properties constantly being bought, sold, redeveloped and refurbished. In developing the valuation methodology for each asset class, LAHC minimises the use of unobservable significant inputs. The table below shows the valuation techniques used in the determination of fair values as well as the significant inputs used in the valuation models. Management has determined that as the application of the mass appraisal methodology applies to residential properties (which represents over 98% of the portfolio), all assets in this class will be categorised within Level 3 of the fair value hierarchy table. Management considers it is unlikely that any change to the inputs will significantly affect the net result for the year as any impact will be on the asset revaluation reserve and the underlying asset class.

Residential properties
Valuation Approach Fair values are determined by applying a mass appraisal methodology with an annual rolling benchmark valuation approach whereby a third of LAHC's benchmark properties (approximately 1,800) are valued by accredited property valuers with reference to market sales comparisons to calculate a market movement index. The market movement index is applied to the remaining two-thirds of the benchmark properties. All benchmark properties are grouped within thirteen geographical reporting regions. The median value increase in each geographical group is applied to the respective group of properties within the property portfolio of the group. Adjustments to each property are made for any significant different characteristic from benchmark properties. The rolling benchmark valuation process is performed annually as at 31 December. An uplift market movement factor is then provided by a registered valuer for the six months ended 30 June.
Significant inputs • Market sales comparison utilising recent sales of comparable properties. • Adjustments for any different attributes to benchmark properties - number of bedrooms, street appeal, aspect, dwelling size, yard size, internal condition and car accommodation to create a LAHC property value reference matrix. • Where a single title exists over multiple properties, a block title adjustment is made to reflect the required costs for sub-division. • For partial interests in properties, the valuation is calculated by applying the ownership percentage. • Uplift market movement for six months ended 30 June 2018 is nil.
Inter-relationship between significant inputs and fair value measurement • Higher / (lower) market sales values reflect higher / (lower) valuations. • Better / lesser attributes for location, condition, size, aspect and street appeal over benchmark properties result in higher / (lower) valuation. • Depending on the complexity of the conversion to single title, valuations are reduced by conversion costs. • Valuation will only reflect proportion of ownership. • Higher / (lower) six monthly uplift market movement will result in higher / (lower) valuation.

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

(iii) Property revaluation methodology by asset class (continued)

Significant unobservable inputs

The block title adjustment has been applied to approximately 60% of the properties in the residential portfolio with an estimated discount to the overall valuation of $8,796 million (2017: $8,202 million). The adjustment is dependent on a cost matrix of four variable factors to effect the sub-division and individual separation of a unique property from a super lot or group block of properties. The four variables are a combination of fixed dollar amounts ($) and percentage costs (%). These are:

i) Title costs ($) – including estimates for legal fees and council fees (ranging from $4,700 to $26,000);
ii) Remedial works ($) - including costs for separate facilities such as water and sewerage plus costs to support current environmental council codes (ranging from $2,400 to $4,500);
iii) Developer's selling costs (%) – including agents' commission and marketing costs (ranging from 2.0% to 3.0%); and
iv) Profit and risk allowance (%) – including an allowance for profit margin for a developer undertaking the required sub-division (ranging from 9.0% to 25.0%).

Further explanations on the above four variables are provided below.

- The dollar and percentage costs vary depending on the size of the block to be sub-divided and the number of properties on the super lot or group lot of properties.
- Title costs and remedial works are fixed costs related to unit numbers and are not directly impacted by the valuation of the property.
- Developer's selling costs and profit and risk allowance are derived as a percentage of property values and have a strong correlation to the valuation.
- As valuations increase, the greater the impact of selling costs and profit and risk allowance on the block title adjustment.

An increase / (decrease) in any one of the above costs will lead to a (decrease) / increase in valuation of the property.

Commercial properties

Valuation Approach

The fair value of each asset within this class is determined annually by external independent registered property valuers having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. Valuation methods used to determine the fair value include market sales comparisons and capitalisation rate. All methodologies adjust fair values for any differences in quality or nature of the building, location, occupancy rate and lease / tenant profile.

Significant inputs

- Market sales comparison: The sales comparison approach utilises recent sales of comparable properties.
- Capitalisation rate: The valuation adopts an assessment of the capitalised gross income in perpetuity based on contracted rents, market rents, operating costs and future income on vacant space. The capitalisation rate reflects the nature, location and tenancy profile of the property together with current market sales evidence.

Inter-relationship between significant inputs and fair value measurement

- Higher / (lower) market sales values reflect higher / (lower) valuations.
- The estimated fair value would increase / (decrease) if:
  (i) expected market rental growth were higher / (lower);
  (ii) void years were shorter / (longer);
  (iii) the occupancy rates were higher / (lower);
  (iv) the rent-free years were shorter / (longer); or
  (v) the capitalisation rate is lower / (higher)

Significant unobservable inputs

Capitalisation rates range from 4.5% to 10.0%.

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

(iii) Property revaluation methodology by asset class (continued)

Community purpose properties

Valuation Approach
This group of properties consist of specialised properties which are across various asset types, equity interest and concession lease arrangements and undertakings. Due to the special purpose for which these properties are held, each asset within this class is valued annually by independent registered valuers. The methodology to value each asset varies and includes market sales comparison or replacement cost.

Significant inputs
- Market sales comparison: The market sales comparison approach utilises recent sales of comparable properties.
- Replacement cost: In the absence of other valuation methodologies, fair value will be determined with reference to the current replacement cost after allowance for any encumbrance or deterioration (functional or financial). Land is based on the Valuer General property information contained in the valuation database for rating and taxation purposes.

Inter-relationship between significant inputs and fair value measurement
- Higher / (lower) market sales values reflect higher / (lower) valuations.
- The estimated fair value would increase / (decrease) if:
  (i) The replacement cost is higher / (lower)
  (ii) Obsolescence is lower / (higher).

Significant unobservable inputs
Replacement cost rates for building construction based on industry experts.

Land held for redevelopment / vacant land

Valuation Approach
Land held for redevelopment and vacant land (which has a registered title) is revalued annually and is based on the Valuer General property information contained in the valuation database for rating and taxation purposes.

Significant inputs
Valuer General's unimproved capital value.

Inter-relationship between significant inputs and fair value measurement
The estimated fair value would increase / (decrease) if the Valuer General's unimproved capital value would increase / (decrease).

Significant unobservable inputs
Nil.

Land under roads

Valuation Approach
Land under roads is revalued annually and although it has no feasible alternative use, is valued at existing use based on an englobo (pre-subdivision) approach. The value is based on the average Valuer General property information contained in the valuation database for rating and taxation purposes for an entire Local Government Area (LGA). The resulting value is discounted by a factor to effectively reduce value levels to an englobo rate and will reflect the value at existing use. The current discount as assessed by an accredited property valuer is 80%.

Significant inputs
Valuer General's unimproved capital value. Assessment of the current discount factor.

Inter-relationship between significant inputs and fair value measurement
The estimated fair value would increase / (decrease) if the Valuer General's unimproved capital value would increase / (decrease) or the applied discount factor would (decrease) / increase.

Significant unobservable inputs
Current discount factor.

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

(iii) Property revaluation methodology by asset class (continued)

Controlled assets under lease
Valuation Approach Controlled assets under lease represent properties which are not owned by LAHC but are under long term lease arrangements whereby substantially all the risks and rewards incidental to ownership of the assets have been transferred to LAHC. Where the lease payments are substantially less than the underlying fair value of the assets (peppercorn rent of $1), then these assets are brought to account initially at fair value and depreciated over the shorter of the lease term or the life of the underlying asset.
Significant inputs • The initial valuation is consistent with the underlying asset class to which the leased asset belongs. • The lease or arrangement term.
Inter-relationship between significant inputs and fair value measurement • Refer to the underlying asset class. • The shorter / (longer) lease term would increase / (decrease) the depreciation of the initial fair value of the leased asset.
Significant unobservable inputs Refer to the underlying asset class for initial fair value.

b) Plant and Equipment

As plant and equipment are non-specialised assets with short useful lives, recognition is at depreciated historical cost.

c) Fair value hierarchy of Property, Plant and Equipment

Management has determined that as a result of a range of significant inputs in the property portfolio being classified as unobservable plus the substantial value of the residential portfolio, the entire property assets class will be categorised as level 3 for the purpose of the fair value hierarchy table. The table in note 20 *(i)* & *(ii)* reflects transfers between all property, plant and equipment.

NOTE 21: INTANGIBLE ASSETS

	2018 $'000	2017 $'000
Software, at cost	6 354	5 914
Less: accumulated amortisation	(3 454)	(1 609)
Total intangible assets	**2 900**	**4 305**

(i) Reconciliation of the carrying amounts of software at the beginning and end of the current and previous financial year are set out below:

Carrying amount, beginning of year	4 305	5 178
Additions	440	403
Amortisation (note 10)	(1 845)	(1 276)
Carrying amount at end of year	**2 900**	**4 305**

(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 $'000	Total $'000
At 1 July 2017		
Cost (gross carrying amount)	5 914	5 914
Accumulated amortisation and impairment	(1 609)	(1 609)
Net carrying amount	4 305	4 305
At June 2018		
Cost (gross carrying amount)	6 354	6 354
Accumulated amortisation and impairment	(3 454)	(3 454)
Net carrying amount	2 900	2 900

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NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 22: CURRENT LIABILITIES – PAYABLES

	2018 $'000	2017 $'000
Trade creditors	39 172	51 423
Rent received in advance	47 450	45 231
Other creditors - credit balances in sundry debtors	9 801	221
FACS - personnel services	11 789	10 487
Accrued operating expenditure	60 461	85 469
Accrued capital expenditure	37 254	71 787
FACS - other	4 046	3 563
Other creditors	16 335	6 065
Total current payables	**226 308**	**274 246**

NOTE 23: CURRENT/NON-CURRENT LIABILITIES – BORROWINGS

Current - unsecured		
State advances - Commonwealth loans	15 518	15 394
NSW Treasury Corporation	15 117	11 555
Other	458	461
Total current interest bearing liabilities	**31 093**	**27 410**
Non-current - unsecured		
State advances - Commonwealth loans	358 432	373 950
NSW Treasury Corporation	141 698	148 458
Other	4 795	5 253
Total non-current interest bearing liabilities	**504 925**	**527 661**
Total interest bearing liabilities *(i)*	**536 018**	**555 071**

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

Nominal value of borrowings	782 091	813 729
Less: Re-measurement adjustment	(246 073)	(258 658)
Balance reported in Statement of Financial Position	**536 018**	**555 071**

NOTE 23: CURRENT/NON-CURRENT LIABILITIES – BORROWINGS (continued)

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

	Principal 2018 $'000	Interest 2018 $'000	2018 Total $'000
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**

	Principal 2017 $'000	Interest 2017 $'000	2017 Total $'000
Not later than one year	42 648	37 868	80 516
Later than one year but no later than five years	195 534	128 281	323 815
Later than five years	575 547	213 804	789 351
Total cash outflow	**813 729**	**379 953**	**1 193 682**

(iii) Changes in liabilities arising from financing activities:

	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 2018

NOTE 24: CURRENT/NON-CURRENT LIABILITIES – PROVISIONS

	2018 $'000	2017 $'000
Current		
Third party claims *(i) & (ii)(a)*	6 302	7 143
Head leasing refurbishments *(ii)(b)*	-	53
Other *(ii)(c)*	-	-
Total current provisions	**6 302**	**7 196**

(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:

	2018 $'000	2017 $'000
Balance, beginning of year	7 143	4 928
Payment	(5 469)	(2 170)
Increase in provision	4 628	4 385
Balance at end of year	**6 302**	**7 143**

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

	2018 $'000	2017 $'000
Balance, beginning of year	53	52
Payment	(74)	-
Increase in provision	21	1
Balance at end of year	-	**53**

(c) The movement in current provisions for Social Housing Subsidy Program is as follows:

	2018 $'000	2017 $'000
Balance, beginning of year	-	14 282
Transfer to payables	-	(13 031)
(Decrease) in provision	-	(1 251)
Balance at end of year	-	-

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 25: MILLERS POINT RESTRICTED FUNDS BANK ACCOUNT

	2018 $'000	2017 $'000
Statement of Cash Receipts and Payments		
Receipts		
Net proceeds from Millers Point property sales *(i)*	210 579	125 242
Interest	771	185
Other	-	5
Total Receipts	**211 350**	**125 432**
Payments		
Expenditures relating to Millers Point Accommodation Plan *(ii)*	15 122	13 466
Expenditures relating to reinvestment *(iii)*	147 339	109 386
Total Payments	**162 461**	**122 852**
Movement for the year *(iv)*	**48 889**	**2 580**
Opening balance of bank account	**28 641**	**26 061**
Movement for the year	48 889	2 580
Closing balance of bank account	**77 530**	**28 641**

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) Expenditures relating to Millers Point Accommodation Plan represent the costs incurred to bring Millers Point properties to sale, including infrastructure and titling, tenancy relocation and marketing costs.

(iii) Expenditures relating to reinvestment represent the costs of new dwellings. Commitments to new dwellings are approved by the Minister of Family and Community Services as part of LAHC's annual budget process.

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

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 26: COMMITMENTS FOR EXPENDITURE

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

	2018 $'000	2017 $'000
(i)* Capital expenditure *(a)		
Aggregate capital expenditure for the acquisition of property, plant and equipment, contracted for at balance date and not provided for:		
Not later than one year	59 893	100 982
Later than 1 year but not later than 5 years	13 504	6 440
Later than 5 years	-	-
	73 397	**107 422**
(ii)* Operating Leases - Head leasing *(b)		
Future non-cancellable rentals not provided for and payable:		
Not later than one year	22 782	33 883
Later than 1 year but not later than 5 years	12 234	16 480
Later than 5 years	-	-
	35 016	**50 363**
(iii)* Operating Leases – Office accommodation *(c)		
Future non-cancellable rentals not provided for and payable:		
Not later than one year	3 340	2 973
Later than 1 year but not later than 5 years	5 783	7 063
Later than 5 years	-	-
	9 123	**10 036**

(a) These commitments relate primarily to costs attributable to LAHC properties which will be used in the provision of rental accommodation. The costs are GST inclusive as they directly relate to an input taxed activity where GST cannot be claimed from the ATO.

(b) 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)*).

(c) Commitments are provided for rental charges on the primary premises that LAHC occupies.

NOTE 27: 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 $10.6 million (2017: $16.0 million) and the long term leases at $19.5 million (2017:$13.6 million).

Contingent Liabilities

As at the end of the reporting period, LAHC is not aware of any contingent liability, which may materially affect its financial position. There is a claim of $3.0 million (2017: $3.2 million) for which LAHC may be liable.

NOTE 28: RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT

	2018 $'000	2017 $'000
Net result for the year	**(462 982)**	**(401 392)**
Grants to community groups - vested properties (note 11)	76 323	-
Other non-cash items	(6 269)	(4 752)
(Gain) on sale of assets (note 13*(i),(iv)*)	(132 199)	(91 996)
Assets demolished (note 13*(ii)*)	35 472	22 037
Assets written off (note 13*(iii)*)	8 700	20 227
Depreciation and amortisation (note 10)	500 351	477 329
Re-measurement adjustment of borrowings	12 585	19 106
(Decrease) in provision for impairment of receivables	(6 334)	(2 208)
(Increase) in receivables	(7 718)	(2 628)
(Decrease) in other provisions	(894)	(12 066)
(Decrease) / increase in payables	(13 405)	67 084
Decrease / (increase) in other assets	5 766	(5 220)
Net cash flows from operating activities	**9 396**	**85 521**

NOTE 29: NON-CASH FINANCING AND INVESTING ACTIVITIES

During the year, LAHC vested 158 properties to a community housing provider with a carrying value of $76.3 million (2017: nil) (refer note 11 *(a)*).

NOTE 30: FINANCIAL INSTRUMENTS

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

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

Treasury management policies have been established to identify and analyse the risks faced by LAHC, to set risk limits and controls and to monitor risks. Compliance with the policies are reported to the Executive and the Audit and Risk Committee.

LAHC has exposure to the following risks from the use of financial instruments:
- Credit Risk
- Liquidity Risk
- Market Risk

(a) Credit Risk

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

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

Credit risk associated with LAHC's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. This is in accordance with LAHC's treasury management policy and NSW Treasury guidelines.

LAHC's maximum exposure is the carrying amount of financial assets, net of allowance for impairment as detailed further in the following note disclosures.

Cash

Cash comprises cash on hand and bank balances. LAHC's main transaction banking account is held with Westpac Banking Corporation. Interest earned on the Westpac bank account is based on the Reserve Bank of Australia's prevailing cash rate.

NOTE 30: FINANCIAL INSTRUMENTS (continued)

Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience, current and expected changes in economic conditions, as well as, debtor credit ratings if available. No interest is earned on trade debtors.

i) Rental debtors

Rental debtors relate to the rental housing assistance provided to people on low to moderate income across NSW. As such, the credit quality of debts that are neither past due nor impaired is considered to be correspondingly low to moderate. LAHC is not materially exposed to concentrations of credit risk to a single debtor or group of debtors.

Arrears management policies and processes are applied to manage credit risk associated with these receivables. These policies and procedures include:

- Speedy follow up of debtors who fall into arrears via letters, telephone calls, or direct
- Negotiation of payment arrangements with debtors.
- Use of debt collection agencies for certain debtors.

ii) Other debtors

The credit quality of debts other than rental debtors, that are neither past due nor impaired is considered to be moderate. LAHC is not materially exposed to concentrations of credit risk to a single debtor or group of debtors. To minimise risk, timely monitoring and management of overdue accounts is conducted, including follow up of outstanding debts with letters and phone calls. A debt collection agency is used for certain debts.

Ageing of Financial Assets by Class for Assets Past Due or Impaired:

	Past due but not impaired[1,2]	Considered impaired[1,2]	Total[1,2]
	$'000	$'000	$'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
2017			
< 3 months overdue	5 264	5 939	11 203
3 months - 6 months overdue	-	994	994
> 6 months overdue	-	19 915	19 915

1. Each column in the table reports 'gross receivables'.
2. The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired.

NOTE 30: FINANCIAL INSTRUMENTS (continued)

iii) Mortgage Assistance Scheme

The Mortgage Assistance Scheme provides short-term help for people experiencing temporary difficulties with their home loan repayments because of an unavoidable change in circumstances. Mortgage assistance is not a grant but a loan to be repaid at a future time.

Mortgage assistance is provided as a loan which is paid directly to the home lender. The loan is usually payment of home loan arrears and/or subsidy towards the home loan repayments of the debtor. LAHC lodges a caveat on the property to protect its interests.

Authority Deposits with Financial Institutions and Fixed Interest Investments

As at 30 June 2018, LAHC has no authority deposits with financial institutions and fixed interest investments. 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). A centralised fund in the Treasury Banking System (TBS) will facilitate the NSW Government's strategy to optimise the State's cash and liquidity position.

Consequently, LAHC has transferred proceeds of its fixed interest investments to TBS upon maturity. The last of such maturity was 6 October 2017. The weighted average interest rate on the investment portfolio until the maturity of these fixed interest investments was 1.76% (2017: 2.10%) on an average balance of $231 million (2017: $288 million). None of these assets are past due or impaired.

(b) Liquidity Risk

Liquidity risk is the risk that LAHC will be unable to meet its payment obligations when they fall due. LAHC continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

During the current and prior year, there were no defaults of loans payable. No assets have been pledged as collateral. LAHC's exposure to liquidity risk has been managed in accordance with LAHC's Treasury Management Policy.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12 *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.

LAHC, as in prior years, expects to maintain its strategic assets sales program to generate sufficient cash flows to enable all liabilities to be met as and when they fall due. During the past 5 years there have been no defaults or breaches on any loans or liabilities payable.

NSW LAND AND HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 30: FINANCIAL INSTRUMENTS (continued)

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

Maturity Analysis and interest rate exposure of financial liabilities

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)*:								
FACS - 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 30: FINANCIAL INSTRUMENTS (continued)

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

Maturity Analysis and interest rate exposure of financial liabilities

2017	Weighted Avg. Effective Interest Rate %	Nominal Amount $'000	Interest Rate Exposure: Fixed Interest Rate $'000	Interest Rate Exposure: Variable Interest Rate $'000	Interest Rate Exposure: Non-interest bearing $'000	Maturity Dates: < 1 yr $'000	Maturity Dates: 1-5 yrs $'000	Maturity Dates: > 5 yrs $'000
Financial liabilities *(i)*								
Payables *(ii)*:								
Personnel Services		10 487			10 487	10 487		-
Trade creditors	-	51 423	-	-	51 423	51 423	-	-
Accrued operating expenditure	-	85 469	-	-	85 469	85 469	-	-
Accrued capital expenditure	-	71 787	-	-	71 787	71 787	-	-
Other	-	9 542	-	-	9 542	9 542	-	-
Borrowings:								
Commonwealth loans	4.54	658 374	658 374	-	-	30 632	123 891	503 851
NSW Treasury Corporation loans	3.98	149 641	149 641	-	-	11 555	69 776	68 310
Other	4.56	5 714	5 714	-	-	461	1 867	3 386
Total financial liabilities		**1 042 437**	**813 729**	-	**228 708**	**271 356**	**195 534**	**575 547**

Notes:

(i) The amounts disclosed are the contractual undiscounted cash flows of financial liabilities. Hence they do not reconcile to the Statement of Financial Position.

(ii) Excludes statutory payables and unearned revenue (ie. not within the scope of AASB 7).

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 30: FINANCIAL INSTRUMENTS (continued)

(c) Market Risk

Market Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. LAHC's exposures to market risk are primarily through interest rate risk on borrowings and short-term deposits. LAHC has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which LAHC operates and the timeframe for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis as the prior year and assumes all other variables remain constant.

Interest Rate Risk

Exposure to interest rate risk arises primarily through LAHC's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily from NSW TCorp. LAHC does not account for any fixed rate financial instruments at fair value through profit or loss or as available for sale. A reasonably possible change of interest rates of +/-1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. LAHC's exposure to interest rate risk is set out below.

$'000	Carrying amount	+1% Profit	+1% Equity	-1% Profit	-1% Equity
2018					
Financial assets					
Cash and cash equivalents	278 452	2 785	2 785	(2 785)	(2 785)
Bank term deposits	-	-	-	-	-
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
2017					
Financial assets					
Cash and cash equivalents	120 210	1 202	1 202	(1 202)	(1 202)
Bank term deposits	153 504	1 535	1 535	(1 535)	(1 535)
Financial liabilities					
Financial liabilities measured at amortised cost :					
State advances - Commonwealth loans	(389 344)	(3 893)	(3 893)	3 893	3 893
NSW Treasury Corporation loans	(160 013)	(1 600)	(1 600)	1 600	1 600
Other	(5 714)	(57)	(57)	57	57

Receivables (refer note 16) and payables (refer note 22) are non-interest bearing and therefore excluded from the interest rate risk volatility analysis.

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 30: FINANCIAL INSTRUMENTS (continued)

d) Fair value compared to carrying amount

Except where specified below, the amortised cost of the financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short term nature of many of the financial instruments. The following table details the financial instruments where the fair value differs from the carrying amount.

	Net Carrying Amount		Fair Value	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Financial liabilities				
NSW Treasury Corporation loans	156 815	160 013	163 378	166 734

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NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 31: 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.

	2018	2017
	$'000	$'000
Short-term employee benefits *(i)*	397	341
Other long-term employee benefits	-	21
Post-employment benefits	20	20
Total KMP compensation[(ii)]	**417**	**382**

(i) Short-term employee benefits include salaries, other monetary allowances and non-monetary benefits.

(ii) The amounts paid / payable for all personnel services provided by FACS (including KMP) are disclosed in Notes 8 and 22.

(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.

KMP related transactions

During the year, LAHC did not enter into transactions with its KMP, their close family members and controlled or jointly controlled entities thereof.

b) Other related party transactions

LAHC is a controlled entity of the NSW Government. Refer to Note 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.

FACS cluster agencies

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 1i), 9, 16, 22 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.

NOTE 31: RELATED PARTY DISCLOSURES (continued)

b) Other related party transactions (continued)

Other NSW Government-related entities

LAHC also regularly transacts with other NSW government-related entities in the normal course of its activities, including:

- 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 (i) the provision of finance; (ii) the management, administration or advice on management of assets and liabilities; as well as (iii) the acceptance of funds for investment. Transactions and outstanding balances from these activities are disclosed in Notes 12, 23 and 30;
- 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 25.

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 32: RECLASSIFICATION OF PRIOR YEAR COMPARATIVES

In accordance with AASB 101 *Presentation of Financial Statements* and guided by TPP18-01 *Accounting Policy: Financial Reporting Code for NSW Government Sector Entities*, the table below discloses reclassifications made to the prior year's financial statements to enhance comparability with the current year's financial statements:

a) allowance for impairment from total expenses to other losses;
b) amortisation of premium / (discount) on TCorp loans from other revenue to finance costs; and
c) loss on debt restructuring from finance costs to other losses.

As a result, prior year's Statement of Comprehensive Income has been amended to conform to the current year's classification and presentation. Net result for the year ended 30 June 2017 remains the same.

NOTE 32: RECLASSIFICATION OF PRIOR YEAR COMPARATIVES (continued)

	Notes	2017 Actual $'000	Reclassification		2017 Adjusted $'000
Revenue					
Rent and other tenant charges	2	869 402			869 402
Government grants	3	151 690			151 690
Investment revenue	4	6 333			6 333
Management fees	5	9 061			9 061
Other revenue	6	14 002	(1 155)	*b)*	12 847
Total revenue		**1 050 488**	**(1 155)**		**1 049 333**
Expenses					
Repairs and maintenance	7	408 420			408 420
Council rates		131 106			131 106
Water rates		96 717			96 717
Tenancy management	1i)	112 163			112 163
Personnel services	8	59 608			59 608
Depreciation and amortisation	10	477 329			477 329
Grants and subsidies	11	3 000			3 000
Finance costs	12	55 237	(1 837)	*c)*	53 400
Allowance for impairment	14,16*(i)*	2 768	(2 768)	*a)*	-
Other expenses	9	155 264			155 264
Total expenses		**1 501 612**	**(4 605)**		**1 497 007**
Operating result					**(447 674)**
Gain on disposal of assets	13	49 732			49 732
Other losses	14		(3 450)	*a), b), c)*	(3 450)
Net result		**(401 392)**	**-**		**(401 392)**

NOTE 33: EVENTS AFTER THE REPORTING DATE

As previously reported in the financial statements for the year ended 30 June 2017, LAHC is undertaking a management transfer program to support the NSW Government strategy set out in its publication *Future Directions for Social Housing in NSW*.

Under the management transfer program, the management of around 14,000 properties will be transferred to community housing providers (CHPs) over the next three years, such that the community housing sector will eventually manage up to 35% of all social housing in NSW.

Following a rigorous tender evaluation process, nine successful CHPs were selected and transfers to six CHPs are expected to occur in the 2018-19 financial year. The management transfer program will lead to a reduction of both net rental revenue and property related expenditure. However, accounting policies outlined in note 1 l) still apply to these properties as they are still under the control of LAHC.

Other than the above mentioned, there has not been any matter or circumstance occurring subsequent to the end of the period that has significantly affected the operations, the results of those operations, or the state of affairs of LAHC in future financial years.

-------------------- **END OF AUDITED FINANCIAL STATEMENTS** --------------------

NSW LAND AND HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Register of Land Held

STATEMENT OF FINANCIAL POSITION	**2018**	**2017**
	$'000	**$'000**
Residential properties	28 330 502	25 177 731
Land for redevelopment	556 252	380 636
Vacant land	42 224	45 614
Land under Roads	73 176	76 085
Commercial properties	33 665	35 485
Community purpose built properties	96 617	93 611
Assets held for sale		
Residential properties	46 831	23 868
Commercial	22	-
Vacant Land	8 151	3 155
Total	**29 187 440**	**25 836 185**

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 2018

INDEPENDENT AUDITOR'S REPORT

Home Purchase Assistance Fund

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Home Purchase Assistance Fund (the Fund), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, 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 2018, 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.

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 is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

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

Karen Taylor

Karen Taylor
Director, Financial Audit Services

28 September 2018
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 2018 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.

James McNeil,
Alternate Director, Permanent Custodians Ltd

For and on behalf of
Permanent Custodians Ltd, Trustee

Sydney, 28 September 2018

Home Purchase Assistance Fund

Statement of Comprehensive Income
For the year ended 30 June 2018

	Actual 2018 $'000	Budget 2018 $'000	Actual 2017 $'000
Expenses			
Grants and subsidies under the National Rental Affordability Scheme	7,336	7,500	3,438
Trustee's remuneration	133	134	134
Auditor's remuneration (audit of financial statements)	36	38	35
Indemnity paid for defaulting mortgages	-	14	-
Other expenses	31	28	33
Total expenses	**7,536**	**7,714**	**3,640**
Revenue			
Interest from mortgage loans	2	5	3
Interest from investments – related parties	427	521	923
Interest from investments – non-related parties	6,222	8,366	7,185
Total interest revenue	6,651	8,892	8,111
Other revenue	-	9	-
Total revenue	**6,651**	**8,901**	**8,111**
Net result	**(885)**	**1,187**	**4,471**
Other comprehensive income/(loss)	-	-	-
Total comprehensive income/(loss) for the year	**(885)**	**1,187**	**4,471**

Home Purchase Assistance Fund

Statement of Financial Position
As at 30 June 2018

	Notes	Actual 2018 $'000	Budget 2018 $'000	Actual 2017 $'000
Assets				
Current assets				
Cash and cash equivalents	2(a)	194,805	176,204	195,490
Receivables	3	2,308	2,118	2,350
Other financial assets	4	31,400	52,753	49,900
Total current assets		**228,513**	**231,075**	**247,740**
Non-current assets				
Receivables	3	-	70	26
Other financial assets	4	6,495	5,359	7,591
Total non-current assets		**6,495**	**5,429**	**7,617**
Total assets		**235,008**	**236,504**	**255,357**
Liabilities				
Current liabilities				
Payables	5	91	35	51
Provisions	6	49	49	49
Total current liabilities		**140**	**84**	**100**
Non-current liabilities		-	-	-
Total non-current liabilities		-	-	-
Total liabilities		**140**	**84**	**100**
Net assets		**234,868**	**236,420**	**255,257**
Equity				
Accumulated funds		234,868	236,420	255,257
Total equity		**234,868**	**236,420**	**255,257**

Home Purchase Assistance Fund

Statement of Changes in Equity
For the year ended 30 June 2018

	Notes	Accumulated Funds 2018 $'000	Accumulated Funds 2017 $'000
Balance as at 1 July		255,257	270,156
Net result		(885)	4,471
Other comprehensive income/(loss)		-	-
Total comprehensive income for the year		**254,372**	**274,627**
Transactions with owners in their capacity as owners			
Distribution to beneficiaries	8	(19,504)	(19,370)
Total transactions with owners in their capacity as owners		**(19,504)**	**(19,370)**
Balance as at 30 June		**234,868**	**255,257**

Home Purchase Assistance Fund

Statement of Cash Flows
For the year ended 30 June 2018

	Notes	Actual 2018 $'000	Budget 2018 $'000	Actual 2017 $'000
Cash flows from operating activities				
Receipts				
Interest received:				
Interest from mortgage loans		2	5	3
Investments - related parties		427	432	923
Investments - non-related parties		6,596	8,492	7,123
Other non-related parties		38	63	62
Mortgage loans		57	-	29
Other income		-	9	-
Total receipts		**7,120**	**9,001**	**8,138**
Payments				
Payments for grants and subsidies		(7,336)	(7,500)	(3,438)
Indemnity paid for defaulting mortgages		(403)	(14)	-
Trustee's remuneration		(98)	(134)	(134)
Auditor's remuneration		(31)	(38)	(28)
Other expenses		(29)	(26)	(19)
Total payments		**(7,897)**	**(7,712)**	**(3,619)**
Net cash received from /(used in) operating activities	2(b)	**(777)**	**1,289**	**4,519**
Cash flows from investing activities				
Cash inflow from investments in interest bearing bonds		1,296	6	1,536
(Purchase)/sale of short term deposits		18,300	1,469	2,200
Net cash received from investing activities		**19,596**	**1,475**	**3,736**
Cash flows from financing activities				
Payments to New South Wales Treasury		(18,753)	(18,751)	(19,166)
Payments to Special Beneficiaries		(751)	(520)	(204)
Net cash used in financing activities		**(19,504)**	**(19,271)**	**(19,370)**
Net decrease in cash and cash equivalents		**(685)**	**(16,507)**	**(11,115)**
Cash and cash equivalents at the beginning of the year		**195,490**	**192,711**	**206,605**
Cash and cash equivalents at the end of the year	2(a)	**194,805**	**176,204**	**195,490**

Home Purchase Assistance Fund

Notes to the Financial Statements
For the year ended 30 June 2018

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 2018 were authorised for issue by the Trustee on 26 September 2018.

Home Purchase Assistance Fund

Notes to the Financial Statements
For the year ended 30 June 2018

1. Summary of significant accounting policies

(a) Basis of preparation

The financial statements of the Fund are general purpose financial statements which have been prepared on accrual basis and in accordance with Australian Accounting Standards (which include Australian Accounting Interpretations), the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* and the Financial Reporting Directions issued by the Treasurer.

The financial statements have been prepared on the basis of historical cost convention, except for the valuation of certain financial instruments. All amounts are rounded to the nearest thousand dollars expressed in Australian currency. Accounting policies are consistent with those of the previous year.

(b) Income recognition – interest revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 "*Financial Instruments: Recognition and Measurement*". Interest revenue on cash and cash equivalents are recognised at nominal value. Other revenue relates to recovery of indemnity claims during the reporting period.

(c) Accounting for goods and services tax (GST)

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

- amount of GST incurred by the Fund as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense and
- receivables and payables are stated with the amount of GST included.

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

(d) Investments

i) Short term money market deposits

The Fund invests in short term money market deposits with Australian banks and Australian subsidiaries of international banks. These deposits have a maturity day greater than 90 days and lower than 365 days. The short term money market deposits are reported at fair value which closely approximates their amortized cost due to their nature of being highly liquid and having short terms to maturity.

ii) Non-quoted securities

The First Australian National Mortgage Acceptance Corporation Limited (FANMAC) Bond is a non-tradable security which is specific to the requirements of the Fund. It is measured at cost which represents fair value as this instrument does not have a tradable market and was not purchased with a premium or discount.

1. Summary of significant accounting policies (continued)

(e) Income tax

The surplus arising out of the Fund is fully distributed to the beneficiaries and accordingly no income tax is payable by the Fund.

(f) Payables

Payables and accruals are recognised when the Fund becomes obliged to make future payments resulting from the purchase of services.

(g) Receivables

Mortgage and other receivables are recognised as amounts receivable at reporting date using amortised cost method. All receivables are reviewed on an ongoing basis and any debts that are known to be uncollectible are written off. In addition, an allowance for impairment is raised when there is some objective evidence that the Fund will not be able to collect all amounts due.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, short term deposits with the maturity date of three months or less from reporting date.

(i) Accounting estimates and judgments

The preparation of financial statements in accordance with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. They are disclosed in the relevant notes in the financial statements.

(j) New Australian Accounting Standards Issued but not effective

During the current reporting period, the Fund adopted all the new and revised Standards and Interpretations issued by the AASB that are relevant to the operations of the Fund and effective for the current reporting period.

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period. In accordance with the NSW Treasury mandate (TC 18/01), the Fund did not early adopt any of these accounting standards and interpretations that are not yet effective.

The Fund's assessment of the impact of these new standards and interpretations is that they will not materially affect any of the amounts recognised in the financial statements or significantly impact the disclosures in relation to the Fund.

Home Purchase Assistance Fund

Notes to the Financial Statements
For the year ended 30 June 2018

1. Summary of significant accounting policies (continued)

(k) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period, as adjusted for section 24 of the *Public Finance and Audit Act 1983* where there has been a transfer of functions between agencies. However, amounts disclosed in the budget paper as current and non-current borrowings at amortised cost in the Statement of Financial Position have been re-classified from debt to equity and finance costs in the Statement of Comprehensive Income have been removed from the Fund's budgeted amounts as the Fund accounts for the advance from NSW Treasury as a contribution to equity and not as debt.

This is to achieve consistency with the accounting treatment of the actual repayments of the NSW Treasury advance as distributions out of the net assets of the Fund and not as principal and interest payments. In the Statement of Cash Flows, budgeted finance costs and payments to special beneficiaries budgeted for in other expenses have been reclassified from cash flows from operating activities to cash flows from financing activities. Other amendments made to the budget are not reflected in the budgeted amounts.

(l) Comparative information

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

2. Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash at bank, short-term (on demand) deposits and bank bills.

	2018 $'000	2017 $'000
(a) Cash and cash equivalents consists of:		
Cash and cash equivalents at bank	1,205	990
Term deposits with the maturity within 90 days	193,600	194,500
	194,805	195,490

(b) Reconciliation of net result for the year to net cash received from operating activities

	2018 $'000	2017 $'000
Net result/(deficit)	(885)	4,471
Net repayment of loans receivable:		
Mortgage loans	57	29
Changes in net assets and liabilities:		
Decrease/(increase) in interest receivable	412	(2)
Decrease in goods and services tax recoverable	2	2
(Increase)/decrease in sundry debtors	(403)	-
Increase in sundry payables and provisions	40	19
Net cash (used in)/received from operating activities	(777)	4,519

Refer to Note 9 Financial Instruments for details regarding credit risk, liquidity risk and market risk.

Home Purchase Assistance Fund

Notes to the Financial Statements
For the year ended 30 June 2018

3. Receivables

	2018 $'000	2017 $'000
Mortgage loans	-	31
Interest receivable - non-related parties	1,905	2,317
Goods and services tax recoverable	-	2
Sundry debtors	403	-
Total current receivables	2,308	2,350
Mortgage loans	-	26
Total non-current receivables:	-	26

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	30,400	48,700
Investment in non-quoted securities at cost (i)	1,000	1,200
Total current other financial assets	31,400	49,900
Investment in non-quoted securities at cost (i)	6,495	7,591
Total non-current other financial assets	6,495	7,591

(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 2018 was $7.5 million (30 June 2017: $8.8 million). The Master Trust securities are not traded in the financial markets.

Refer to Note 9 Financial Instruments for details regarding credit risk, liquidity risk and market risk.

5. Payables

Accounting fees	20	20
Audit fees	36	31
Trustee fees	35	-
Total payables	91	51

Refer to Note 9 Financial Instruments for details regarding credit risk, liquidity risk and market risk.

6. Provisions

	2018 $'000	2017 $'000
Government Guaranteed Loan Scheme	49	49

7. Related party information

During the reporting period, the Fund transacted with the following related entities: the State (The beneficiary of the Trust), Permanent Custodians Limited.

Apart from administrative services all other transactions with related parties were conducted on a normal commercial basis and are disclosed in the statement of financial position, statement of comprehensive income, statement of cash flows and the accompanying notes to the financial statements.

Administrative services were provided by NSW Department of Family and Community Services Staff to the Fund during the reporting period on a free-of-charge basis.

Key Management Personnel

The key management personnel of the Fund are deemed to be the directors of Permanent Custodians Limited. No amounts were paid by the Fund directly to the directors of Permanent Custodians Limited (2017: 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 2018 $'000	Interest 30 June 2018 $'000	2018 Total $'000	Principal 30 June 2017 $'000	Interest 30 June 2017 $'000	2017 Total $'000
Not later than one year	11,481	6,793	18,274	11,439	7,313	18,752
Later than one year but not later than five years	45,198	21,935	67,133	45,530	24,028	69,558
Later than five years	92,658	21,702	114,360	103,807	26,402	130,209
Total cash outflow	**149,337**	**50,430**	**199,767**	**160,776**	**57,743**	**218,519**

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.

	2018 $'000	2017 $'000
FANMAC Trust	392	283
Shared Equity Schemes	359	(79)
NSW Treasury	18,753	19,166
	19,504	19,370

9. Financial instruments

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

(a) Cash and cash equivalents

Cash comprises cash at bank, while cash equivalents comprise short term deposits with Australian banks. Term deposits have specific maturity dates for terms of up to 90 days. Interest on cash is earned on a daily basis and paid monthly while interest on the term deposits is calculated on a yearly basis and paid at maturity of each instrument.

(b) Term deposits with maturity more than 90 days

These represent term deposits with Australian banks and the Australian subsidiaries of international banks. These deposits have a maturity day greater than 90 days and lower than 365 days.

(c) FANMAC Master Trust Bonds (long-term securities)

Bonds issued by the Master Trust have been wholly-owned by the Fund since the trust was established in 2001 through the consolidation of several other FANMAC Trusts. The bonds have a maturity date in 2070. Interest and principal are paid on the bonds monthly.

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

Risk management policies are established to identify and analyse the risks faced by the Fund, to set risk limits and controls and to monitor risks. Investments are only carried out by officers with approved financial delegations.

9. Financial instruments (continued)

The net carrying amount of the financial assets and financial liabilities are outlined below:

Categories of Financial Instruments

	Notes	Category	2018 $'000	2017 $'000
Financial assets				
Cash and cash equivalents	2	N/A	194,805	195,490
Receivables (i)	3	Loans and receivables (at amortised cost)	2,308	2,374
Other financial assets	4	Other financial assets	37,895	57,491
Total financial assets			**235,008**	**255,355**
Financial liabilities				
Payables (ii)	5	Financial liabilities	91	51
Total financial liabilities			**91**	**51**

(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 2018 (30 June 2017: Nil).

Credit risk

Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation there under. The Fund's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the statement of financial position. Mortgage and other receivables are recognised as amounts receivable at balance date. All receivables are reviewed on an ongoing basis. In addition, an allowance for impairment is raised when there is some objective evidence that the Fund will not be able to collect all amounts due.

9. Financial instruments (continued)

The table below outlines the maturity analysis based on carrying amounts for all financial assets of the Fund:

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**

2017	Weighted average interest rate %	Variable interest rate $'m	Fixed interest rate <1 year $'m	Fixed interest rate 1-5 yrs. $'m	Fixed interest rate >5 year $'m	Non-interest bearing $'m	Total $'m
Financial assets							
Cash and cash equivalents	2.71%	1.0	194.5	-	-	-	195.5
Receivables	4.83%	-	-	-	-	2.4	2.4
Other financial assets	3.06%	7.6	49.9	-	-	-	57.5
Total financial assets		**8.6**	**244.4**	**-**	**-**	**2.4**	**255.4**

The table below outlines the concentration of categories of financial assets for the Fund:

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**

2017	Governments $'m	Banks $'m	Other $'m	Total $'m
Financial assets				
Cash and cash equivalents	-	195.5	-	195.5
Receivables	-	2.4	-	2.4
Other financial assets	-	48.7	8.8	57.5
Total financial assets	**-**	**246.6**	**8.8**	**255.4**

Receivables

Collectability of all debtors is reviewed on an ongoing basis. Procedures are followed to recover any outstanding amounts; these include the issuing of letters of demand. The Fund is not exposed to concentrations of credit risk to a single debtor or group of debtors. Based on past experience, debtors that are not past due and less the 6 months past due are not considered impaired. No receivables were past due or impaired at 30 June 2018 (30 June 2017: Nil).

9. Financial Instruments (continued)

Authority deposits and fixed interest investments

The Fund has placed funds on fixed term deposit with Australian Banks (ANZ, NAB, Bankwest, Suncorp, NSW Tcorp and Bank of Queensland) and Australian subsidiaries of foreign banks (ING).

Standard and Poor's credit ratings as at the reporting date for the Australian banks (ANZ, NAB and Bankwest) are A1+ for short term investments and AA- for long term investments. Suncorp is rated A1 for short term and A+ for long term. NSW TCorp is rated A-1+ for short term and AAA- for long term investments. Bank of Queensland is rated A2 for short term and BBB+ for long term. ING Australia is rated A1 for short term and A for long term.

The weighted average interest rate on the investment portfolio as at 30 June 2018 was 2.49% (30 June 2017: 2.71%). None of these assets are past due or impaired.

The following information is provided in accordance with the provisions of AASB 7 "*Financial Instruments: Disclosures*". The Fund monitors and manages the financial risks relating its operations. These risks include market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Fund will be unable to meet its payment obligations when they fall due. The Fund continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. No assets have been pledged as collateral. The Fund's 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 2018. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through the Fund's investments portfolio. This risk is minimised by undertaking mainly fixed rate Investments, primarily with Australian Banks and Treasury Corporations in NSW.

The Fund does not account for any fixed rate financial instruments at fair value through statement of comprehensive income or as available for sale.

A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Fund's exposure to interest rate risk is set out on the following page.

9. Financial instruments (continued)

	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)**

	Carrying amount $'000	+1% Net Result $'000	+1% Equity $'000	-1% -Net Result $'000	-1% Equity $'000
2017					
Financial assets					
Cash and cash equivalents	195,490	1,955	1,955	(1,955)	(1,955)
Receivables	2,374	24	24	(24)	(24)
Other financial assets	57,491	575	575	(575)	(575)
Total financial assets	**255,355**	**2,554**	**2,554**	**(2,554)**	**(2,554)**

Fair value measurement

The carrying amount of financial instruments recognised in the statement of financial position approximates the fair value due to short term nature of many of the financial instruments.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- level 3: unobservable inputs for the asset or liability

The Fund had no assets or liabilities measured at fair value on a non-recurring basis as at 30 June 2018 (30 June 2017: 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 2018 (30 June 2017: Nil).

11. Commitments

The Fund is committed to support the National Rental Affordable Scheme, over 10 years as follows:

	2018 $'000	2017 $'000
Not later than one year	7,500	7,500
Later than one year but not later than five years	27,856	31,921
Later than five years	-	21,842
Total	**35,356**	**61,263**

12. Investment powers compliance

Under the *Public Authorities (Financial Arrangements) Regulation 2005*, the Trustee of the Home Purchase Assistance Fund (the "Fund") is defined as an entity included in the definition of an "authority", thereby having Part 2 investment powers under *Public Authorities (Financial Arrangements) Act 1987* (the "Act").

The following investments are authorised for an authority which may exercise Part 2 investment powers:

a) deposits with a bank or the Treasury Corporation and deposits with or withdrawable shares in a building society or credit union (not including certificates of deposit or other transferable securities),

b) investments in an Hour-Glass investment facility of the Treasury Corporation (being a facility under which the Treasury Corporation accepts funds on behalf of Government and public or other authorities for investment by Fund Managers approved by the Treasury Corporation),

c) investments with, issued by, or guaranteed by, the Government of New South Wales or an eligible entity which is the Government of any other State or of the Commonwealth or of a Territory,

12. Investment powers compliance (continued)

d) bills of exchange that have been accepted by a bank, building society or credit union,

e) a loan to an eligible entity which is a dealer in the short-term money market and in relation to which, at the time the loan is made, the Reserve Bank of Australia stands as lender of last resort,

f) certificates of deposit issued by a bank, building society or credit union,

g) such additional investments as are prescribed.

The legislative change to increase the investment powers of the Fund under the Act from Part 1 to Part 2 was effective from 13 January 2010.

13. Budget Review

Net Result

For the year ended 30 June 2018, the net result of the Fund was unfavourable by $2.07m as compared to the budgeted amount. The unfavourable result was primarily attributable to the following:

a) Interest income earned was $2.24m lower than the budgeted amount due to lower than budgeted interest rates for the underlying investments (i.e. term deposits) during the year; and

b) National Rental Affordability Scheme grant payments to Family and Community Services were $0.16m lower than the budgeted allocation due to timing of the payments.

Assets

a) Cash and cash equivalents were higher than the budgeted amount by $18.6m, principally due to sale of current other financial assets during the year. Overall, total assets were $1.5m lower than the budgeted amount.

13. Budget Review (continued)

Cash flows

a) Cash flows from operating activities – Cash flows used in operating activities were unfavourable as compared to the budgeted amount by $2.07m. The reason for the unfavourable inflow from operating activities is listed below:

(i) The receipt of interest income was $1.93m below the budgeted amount which was offset by lower than budgeted payments towards grants and subsidies of $0.16m.

b) Cash flows from investing activities – Cash flows provided by investing activities were favourable as compared to the budgeted amount by $18.12m, due to higher than budgeted cash inflow from investments on interest bearing bonds of $1.29m and higher than budgeted sale of short term deposits of $16.83m.

c) Cash flows from financing activities – Cash flows used in financing activities were unfavourable as compared to the budgeted amount by $0.23m due to higher than budgeted payments to Special Beneficiaries and New South Wales Treasury.

14. Subsequent events

There are no events subsequent to the balance sheet date which affect the financial statements.

15. Additional Fund information

Home Purchase Assistance Fund is registered in and operates in Australia.

Registered office

Permanent Custodians Limited
Level 2, 1 Bligh Street
Sydney NSW 2000

****END OF AUDITED FINANCIAL STATEMENTS****

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