

Financial statements

Victorian Health Promotion Foundation
2017–18

Board Member's, accountable officer's and chief finance and accounting officer's declaration

The attached financial statements for the Victorian Health Promotion Foundation (VicHealth) have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards, including interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes presents fairly the financial transactions during the year ended 30 June 2018 and financial position of VicHealth at 30 June 2018.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on this day.



Ms Fiona McCormack
Chair of the Board

Melbourne
28 August 2018



Ms Jerril Rechter
Accountable Officer

Melbourne
28 August 2018



Mr Dale Mitchell
Chief Finance and Accounting Officer

Melbourne
28 August 2018

Independent Auditor's Report

To the Board of the Victorian Health Promotion Foundation

Opinion I have audited the financial report of the Victorian Health Promotion Foundation (VicHealth) which comprises the:

- balance sheet as at 30 June 2018
- comprehensive operating statement for the year then ended
- statement of changes in equity for the year then ended
- cash flow statement for the year then ended
- notes to the financial statements, including significant accounting policies
- board member's, accountable officer's and chief finance & accounting officer's declaration.

In my opinion the financial report presents fairly, in all material respects, the financial position of VicHealth as at 30 June 2018 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

Basis for Opinion I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

My independence is established by the *Constitution Act 1975*. My staff and I are independent of VicHealth in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Board's responsibilities for the financial report The Board of VicHealth is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board is responsible for assessing VicHealth's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VicHealth's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on VicHealth's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause VicHealth to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
28 August 2018



Ron Mak
as delegate for the Auditor-General of Victoria

Comprehensive operating statement

for the financial year ended 30 June 2018

	Notes	2018 (\$'000)	2017 (\$'000)
Income from transactions			
Appropriations and grants	2.1	39,863	38,558
Interest and other income	2.2	226	215
Total income		40,089	38,773
Expenses from transactions			
Employee expenses	3.1 (a)	8,964	8,233
Depreciation and amortisation	3.1 (b)	150	175
Grants and funding	3.1 (c)	26,596	27,455
Operating costs	3.1 (d)	2,653	2,489
Total expenses		38,363	38,352
Net result for the year		1,726	421
Comprehensive result for the year		1,726	421

The comprehensive operating statement should be read in conjunction with the accompanying notes.

Balance sheet

as at 30 June 2018

	Notes	2018 (\$'000)	2017 (\$'000)
Assets			
Current assets			
Cash and cash equivalents	4.1	6,991	4,696
Receivables	4.2	586	762
Prepayments		247	268
Total current assets		7,824	5,726
Non-current assets			
Property, plant and equipment	5.1	87	164
Intangible assets	5.2	24	97
Total non-current assets		111	261
Total assets		7,935	5,987
Current liabilities			
Payables	6.1	699	649
Income received in advance		20	16
Provisions: employee benefits	6.2	1,293	1,225
Total current liabilities		2,012	1,890
Non-current liabilities			
Provisions: employee benefits	6.2	267	167
Total non-current liabilities		267	167
Total liabilities		2,279	2,057
Net assets		5,656	3,930
Equity			
Accumulated surplus/(deficit)		5,084	3,792
Reserves	8.1	572	138
Total equity		5,656	3,930

The balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity

for the financial year ended 30 June 2018

2018	Equity at 1 July 2017 (\$'000)	Transfer of reserves (\$'000)	Total comprehensive result (\$'000)	Equity at 30 June 2018 (\$'000)
Accumulated surplus/(deficit)	3,204	-	1,726	4,930
Transfer from/(to) reserves	588	(434)	-	154
Total accumulated surplus/(deficit)	3,792	(434)	1,726	5,084
Reserves	380	-	-	380
Transfer (from)/to reserves	(242)	434	-	192
Total reserves	138	434	-	572
Total equity	3,930	-	1,726	5,656

2017	Equity at 1 July 2016 (\$'000)	Transfer of reserves (\$'000)	Total comprehensive result (\$'000)	Equity at 30 June 2017 (\$'000)
Accumulated surplus/(deficit)	2,783	-	421	3,204
Transfer from/(to) reserves	346	242	-	588
Total accumulated surplus/(deficit)	3,129	242	421	3,792
Reserves	380	-	-	380
Transfer (from)/to reserves	-	(242)	-	(242)
Total reserves	380	(242)	-	138
Total equity	3,509	-	421	3,930

The statement of changes in equity should be read in conjunction with the accompanying notes.

Cash flow statement

for the financial year ended 30 June 2018

	Notes	2018 (\$'000)	2017 (\$'000)
Cash flows from operating activities			
Receipts			
Receipts from Government		39,956	38,539
Receipts from other entities		60	111
Interest received		164	121
Goods and Services Tax (paid to)/refund from the ATO		2,929	2,726
Total receipts		43,109	41,497
Payments			
Payment of grants and funding		(25,620)	(27,555)
Payments to suppliers and employees		(14,194)	(13,631)
Total payments		(40,814)	(41,186)
Net cash flow provided by/(used in) operating activities	8.2	2,295	311
Cash flows from investing activities			
Payments for non-financial assets		-	(50)
Net cash flows provided by/(used in) investing activities		-	(50)
Net increase/(decrease) in cash and cash equivalents		2,295	261
Cash and cash equivalents at the beginning of the financial year		4,696	4,435
Cash and cash equivalents at the end of the financial year	4.1	6,991	4,696

The cash flow statement should be read in conjunction with the accompanying notes.

Notes to the financial statements

for the year ended 30 June 2018

Table of contents

Note 1	Summary of significant accounting policies	49
1.1	Statement of compliance	49
1.2	Reporting entity	49
1.3	Basis of accounting preparation and measurement	49
Note 2	Income from transactions	51
2.1	Appropriation and grants	51
2.2	Interest and other income	52
Note 3	Expenses from transactions	53
3.1	Expenses	53
3.2	Superannuation	55
Note 4	Financial assets	56
4.1	Cash and cash equivalents	56
4.2	Receivables	57
Note 5	Non-financial assets	58
5.1	Property, plant and equipment	58
5.2	Intangible assets	63
Note 6	Liabilities and commitments	64
6.1	Payables	64
6.2	Provisions: Employee benefits	65
6.3	Commitments	67
Note 7	Risk, contingencies and valuation uncertainties	68
7.1	Financial instruments	69
7.2	Contingencies	75
Note 8	Other disclosures	76
8.1	Reserves	76
8.2	Reconciliation of net result for the period to net cash flows from operating activities	76
8.3	Responsible persons disclosures	77
8.4	Remuneration of executives	79
8.5	Related parties	80
8.6	Ex-gratia payments	82
8.7	Economic support	82
8.8	Events subsequent to balance date	82
8.9	Issued but not yet effective Australian accounting and reporting pronouncements	83

Notes to the financial statements

for the year ended 30 June 2018

Note 1. Summary of significant accounting policies

The annual financial statements represent the audited general purpose financial statements for the Victorian Health Promotion Foundation (VicHealth) for the period ended 30 June 2018. The purpose of the report is to provide users with information about VicHealth's stewardship of resources entrusted to it.

1.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AASs) issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of *AASB 101 Presentation of Financial Statements*.

The financial statements also comply with relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury and Finance, and relevant Standing Directions (SDs) authorised by the Minister for Finance.

The Victorian Health Promotion Foundation (VicHealth) is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to not-for-profit entities under the AASs.

The annual financial statements were authorised for issue by the Board of VicHealth on 28 August 2018.

1.2 Reporting entity

The financial statements relate to VicHealth as an individual reporting entity. Its principal address is:

VicHealth
15–31 Pelham Street
Carlton VIC 3053

VicHealth was established under the *Tobacco Act 1987*. A description of the nature of VicHealth's operations and its principal activities is included in the report of operations, which does not form part of these financial statements.

1.3 Basis of accounting preparation and measurement

Accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, and consequently that the substance of the underlying transactions or other events is reported.

The accounting policies in this report have been applied in preparing the financial statements for the year ended 30 June 2018, and the comparative information presented in these financial statements for the year ended 30 June 2017.

Going concern

The going concern basis was used to prepare the financial statements.

Currency

These financial statements are presented in Australian dollars, the functional and presentation currency of VicHealth.

Rounding

Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise stated. Minor discrepancies in tables between totals and sum of components are due to rounding.

Accrual basis of accounting

The financial statements, except for cash flow information, have been prepared using the accrual basis of accounting. Under the accrual basis, items are recognised as assets, liabilities, equity, income or expenses when they satisfy the definitions and recognition criteria for those items; that is, they are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Notes to the financial statements

for the year ended 30 June 2018

Note 1. Summary of significant accounting policies (cont'd)

Accounting estimates

In the application of AASs, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision, and future periods, if the revision affects both current and future periods. Judgements made by management in the application of AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the subsequent reporting period, relate to:

- the fair value of plant and equipment (refer to note 5.1)
- assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount (refer to note 6.2).

Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are presented as an operating cash flow.

Commitments for expenditure and contingent assets and liabilities are presented on a gross basis.

Change in accounting policies

During the 2017–18 reporting period there have been no new or revised Accounting Standards adopted by VicHealth for the first time.

Comparative information

Certain figures in the financial statements have been reclassified so to better present the financial position and performance of VicHealth. The following have been reclassified:

- Note 3 Expenses from transactions
- Note 6.1 Payables
- Note 7.1 Financial Instruments.

Notes to the financial statements

for the year ended 30 June 2018

Note 2. Income from transactions

2.1 Appropriation and grants

	2018 (\$'000)	2017 (\$'000)
General appropriation	39,108	38,341
Grants and special purpose funding	755	217
Total appropriation and grants	39,863	38,558

Revenue recognition

Income is recognised in accordance with *AASB 118 Revenue* and to the extent that it is probable that the economic benefits will flow to VicHealth and the income can be reliably measured. Unearned income at reporting date is reported as income received in advance. Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes.

Income is recognised for each of VicHealth's major activities as follows:

Appropriation income

Appropriated income becomes controlled, and is recognised by VicHealth when it is appropriated from the consolidated fund by the Victorian Parliament, and applied to the purposes defined under the relevant Appropriations Act and working agreement with the Department of Health and Human Services.

General appropriations relate to monies paid to VicHealth under section 32 of the *Tobacco Act 1987*.

Grants and special purpose funding

Other grants relate to miscellaneous funding and/or grants to deliver specific programs from other organisations.

Special purpose funding relates to funding to deliver specific programs from the Federal or State Government.

In accordance with *AASB 1004 Contributions*, grants and other transfers of income (other than contributions by owners) are recognised as income when VicHealth gains control of the underlying assets irrespective of whether conditions are imposed on VicHealth's use of the contributions.

Contributions are deferred as income in advance when VicHealth has a present obligation to repay them and the present obligation can be reliably measured.

Notes to the financial statements

for the year ended 30 June 2018

Note 2. Income from transactions (cont'd)

2.2 Interest and other income

	2018 (\$'000)	2017 (\$'000)
Interest income	164	123
Other income	62	92
Total interest and other income	226	215

Interest income

Interest income includes interest received on bank term deposits. Interest income is recognised on a time-proportionate basis that considers the effective yield on the financial asset.

Other income

Other income represents fees and charges from miscellaneous services.

Notes to the financial statements

for the year ended 30 June 2018

Note 3. Expenses from transactions

3.1 Expenses

	2018 (\$'000)	2017 (\$'000)
(a) Employee expenses		
Salaries, wages, and leave payments	7,685	6,960
Board and committee members fees	144	147
Agency and temporary staff	308	347
Superannuation	707	642
Fringe benefits tax	53	44
Workcover premium	67	63
Total employee expenses	8,964	8,233
(b) Depreciation and amortisation		
Depreciation		
Office equipment	64	73
Fixtures and fittings	5	1
Motor vehicles	8	9
Total depreciation	77	83
Amortisation – IT software	73	92
Total depreciation and amortisation	150	175
(c) Grants and funding		
General purpose grants and funding	25,774	26,644
Program support expenses	822	811
Total grants and other expense transfers	26,596	27,455
(d) Operating costs		
Consultancy fees	542	472
Employee development and wellbeing	157	229
External audit fees (Victorian Auditor-General's Office)	23	22
General administration	124	194
Information, communications and technology systems	748	606
Internal audit fees	105	85
Legal fees	93	82
Occupancy costs	861	799
Total operating costs	2,653	2,489

Notes to the financial statements

for the year ended 30 June 2018

Note 3. Expenses from transactions (cont'd)

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

Employee expenses

Employee expenses include: wages and salaries, board and committee fees, leave entitlements, fringe benefits tax, work-cover premiums, and superannuation expenses. The name and details of the major employee superannuation funds and contributions made by VicHealth are outlined in Note 3.2.

Depreciation

Depreciation is calculated on a straight-line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and depreciation method for all assets are reviewed at least annually, and adjustments made where appropriate.

Depreciation is provided on property, plant and equipment. Depreciation begins when the asset is available for use, which is when it is in the location and condition necessary for it to be capable of operating in a manner intended by management.

Assets with a cost of more than \$2,000 are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost or valuation over their estimated useful lives.

The following are estimated useful lives for non-current assets on which the depreciation charges are based for both current and prior years:

- office equipment: 3–5 years
- office furniture: 10 years
- fixtures and fittings: 10 years
- motor vehicles: 6 years.

Amortisation

Intangible assets with a cost of more than \$2,000 are capitalised. Amortisation is allocated to intangible assets with finite useful lives on a straight-line basis over the asset's useful life. Amortisation begins when the asset is available for use; when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset

concerned is impaired. If so, the asset concerned is tested as to whether its carrying value exceeds its recoverable amount.

Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

Intangible assets with finite useful lives are amortised over two to five years in both the current and prior years.

Grants and funding

Grants and funding to third parties (other than contributions to owners) are recognised as an expense in the reporting period in which they are paid or payable. These relate to funding and other agreements for delivery of health promotion programs and campaigns and direct implementation costs.

They include transactions made to sporting organisations, local government, not-for-profit organisations, universities and community groups.

Program support expenses

Non-grant costs attributable to supporting the delivery of health promotion programs, campaigns and associated activities.

Operating costs

Operating costs generally represent the day-to-day running costs incurred in normal operations.

Consultancy costs: Provision of expertise and advice.

External audit fees: Fees paid or payable to the Victorian Auditor-General's Office for the audit of these financial statements.

Information, communications and technology systems:

Rental costs for IT equipment, non-capitalised IT hardware and software purchases, licence fees and associated services, support and maintenance.

Internal audit fees: Costs incurred for the provision of internal audit services and associated activities.

General administration: Costs incurred due to the administration of VicHealth such as legal, marketing and advertising, consultants, printing and stationery.

Legal fees: Costs associated with the provision of legal advice for funding, contract and employment related matters.

Occupancy costs: Costs associated with the lease of the office building and the associated outgoings.

Notes to the financial statements

for the year ended 30 June 2018

Note 3. Expenses from transactions (cont'd)

3.2 Superannuation

	Paid contribution for the year	
	2018 (\$'000)	2017 (\$'000)
(a) Defined benefit plan		
ESS Super New Scheme	9	14
Total defined benefit plan	9	14
(b) Defined contribution plan		
VicSuper	255	253
Hesta	52	64
UniSuper	47	38
Care Super	30	31
Vision Super	32	31
Australian Super	56	28
First State	30	28
Other	196	155
Total defined contribution plan	698	628
Total superannuation contributions	707	642

Employees of VicHealth are entitled to receive superannuation benefits and VicHealth contributes to both the defined benefit and defined contribution plans.

Defined contribution superannuation plans

In relation to defined contribution (i.e. accumulation) superannuation plans, the associated expense is simply the employer contributions that are paid or payable in respect of employees who are members of these plans during the reporting period. Contributions to defined contribution superannuation plans are expensed when incurred. VicHealth pays superannuation contributions in accordance with the superannuation guarantee legislation.

Defined benefit superannuation plans

The amount charged to the comprehensive operating statement in respect of defined benefit superannuation plans represents the contributions made by VicHealth to the superannuation plans in respect of the services of current VicHealth staff during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan and are based upon actuarial advice. The defined benefit plans provide benefits based on years of service and final average salary.

Notes to the financial statements

for the year ended 30 June 2018

Note 4. Financial assets

4.1 Cash and cash equivalents

	2018 (\$'000)	2017 (\$'000)
Cash on hand	3	4
Cash at bank	417	345
Bank deposits at call	571	347
Term deposits	6,000	4,000
Total cash and cash equivalents	6,991	4,696

Cash and cash equivalents comprise cash on hand and cash at bank, deposits at call, term deposits and highly liquid investments with an original maturity of three months or less, which are held for meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in value.

VicHealth assesses at each end of the reporting period whether a financial asset or group of financial assets is impaired.

Notes to the financial statements

for the year ended 30 June 2018

Note 4. Financial assets (cont'd)

4.2 Receivables

	2018 (\$'000)	2017 (\$'000)
(a) Contractual		
Debtors	127	125
Accrued income	7	10
Total contractual receivables	134	135
(b) Statutory		
GST credits receivable	452	627
Total statutory receivables	452	627
Total receivables	586	762

Revenue Recognition

Receivables consist of:

- Contractual receivables, which consists of debtors in relation to goods and services and accrued investment income; and
- Statutory receivables, which predominantly includes amounts owing from the Goods and Services Tax (GST) input tax credits recoverable.

Receivables that are contractual are classified as financial instruments and categorised as loans and receivables. Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables are recognised initially at fair value and subsequently measured at amortised cost less any accumulated impairment.

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with *AASB 136 Impairment of Assets*.

Debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition. Collectability of debts is reviewed on an ongoing basis, and debts which are known to be uncollectible are written off. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified.

Ageing analysis of receivables

Refer to Note 7.1 for the ageing analysis of contractual receivables.

Nature and extent of risk arising from receivables

Refer to Note 7.1 for the nature and extent of credit risk arising from contractual receivables.

Notes to the financial statements

for the year ended 30 June 2018

Note 5. Non-financial assets

5.1 Property, plant and equipment

5.1 (a) Property, plant and equipment schedule

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2018 (\$'000)	2017 (\$'000)	2018 (\$'000)	2017 (\$'000)	2018 (\$'000)	2017 (\$'000)
Office equipment	477	477	404	340	73	137
Office furniture	19	19	19	19	-	-
Fixtures and fittings	831	831	817	812	14	19
Motor vehicles	52	52	52	44	-	8
Total	1,379	1,379	1,292	1,215	87	164

Valuation and measurement

All non-current physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

Depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned. Refer to Note 3.1 for details of the depreciation policy.

There were no changes in valuation techniques throughout the period to 30 June 2018.

For all assets measured at fair value, the current use is considered the highest and best use. There have been no transfers between levels during the period.

Revaluations of non-current physical assets

Non-current physical assets are measured at fair value in accordance with FRD 103G non-current physical assets. In accordance with FRD 103G, VicHealth's non-current physical assets were assessed to determine whether revaluation of the non-current physical assets was required.

Valuation hierarchy

Consistent with AASB 13 Fair Value Measurement, VicHealth determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment and financial instruments, and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant FRDs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, VicHealth has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Where applicable, VicHealth determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Notes to the financial statements

for the year ended 30 June 2018

Note 5. Non-financial assets (cont'd)

Vehicles

VicHealth acquires new vehicles and at times disposes of them before completion of their economic life. The process of acquisition, use and disposal in the market is managed by VicHealth who set relevant depreciation rates during use to reflect the consumption of the vehicles. As a result, the fair value of vehicles does not differ materially from the carrying value (depreciated cost).

Office equipment, furniture and fixtures and fittings

Office equipment, furniture and fixtures and fittings is held at carrying value (depreciated cost). When office equipment, furniture and fixtures and fittings is specialised in use, such that it is rarely sold other than as part of a going concern, the depreciated replacement cost is used to estimate the fair value. Unless there is market evidence that current replacement costs are significantly different from the original acquisition cost, it is considered unlikely that depreciated replacement cost will be materially different from the existing carrying value.

Disposal of non-financial assets

Any gain or loss on the sale of non-financial assets is recognised in the comprehensive operating statement at the date that control of the asset is passed to the buyer, and is determined after deducting from the proceeds the carrying value of the asset at that time.

Impairment of non-financial assets

Apart from intangible assets with indefinite useful lives, all other non-financial assets are assessed annually for indications of impairment.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as an expense except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that same class of asset.

If there is an indication that there has been a change in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Notes to the financial statements

for the year ended 30 June 2018

Note 5. Non-financial assets (cont'd)

5.1 (b) Property, plant and equipment reconciliation

	Office equipment (\$'000)	Office furniture (\$'000)	Fixtures and fittings (\$'000)	Motor vehicles (\$'000)	Total (\$'000)
2018					
Fair value					
Opening balance	477	19	831	52	1,379
Additions	-	-	-	-	-
Transfers	-	-	-	-	-
Fair value closing balance	477	19	831	52	1,379
Accumulated depreciation					
Opening balance	340	19	812	44	1,215
Depreciation	64	-	5	8	77
Accumulated depreciation closing balance	404	19	817	52	1,292
Written-down value	73	-	14	-	87
2017					
Fair value					
Opening balance	467	19	815	52	1,353
Additions	10	-	16	-	26
Transfers	-	-	-	-	-
Fair value closing balance	477	19	831	52	1,379
Accumulated depreciation					
Opening balance	268	18	811	35	1,132
Depreciation	72	1	1	9	83
Accumulated depreciation closing balance	340	19	812	44	1,215
Written-down value	137	-	19	8	164

Notes to the financial statements

for the year ended 30 June 2018

Note 5. Non-financial assets (cont'd)

5.1 (c) Fair value measurement hierarchy for assets

	Carrying amount as at 30 June 2018 (\$'000)	Fair value measurement at end of reporting period using:		
		Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)
2018				
Office equipment	73	-	-	73
Office furniture	-	-	-	-
Fixtures and fittings	14	-	-	14
Motor vehicles	-	-	-	-
Written-down value	87	-	-	87

	Carrying amount as at 30 June 2017 (\$'000)	Fair value measurement at end of reporting period using:		
		Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)
2017				
Office equipment	137	-	-	137
Office furniture	-	-	-	-
Fixtures and fittings	19	-	-	19
Motor vehicles	8	-	-	8
Written-down value	164	-	-	164

Notes to the financial statements

for the year ended 30 June 2018

Note 5. Non-financial assets (cont'd)

5.1 (d) Reconciliation of level 3 fair value

	Office equipment (\$'000)	Office furniture (\$'000)	Fixtures and fittings (\$'000)	Motor vehicles (\$'000)	Total (\$'000)
2018					
Opening balance	137	-	19	8	164
Purchases/(sales)	-	-	-	-	-
Gains or losses recognised in net result					
Depreciation	(64)	-	(5)	(8)	(77)
Closing balance	73	-	14	-	87

	Office equipment (\$'000)	Office furniture (\$'000)	Fixtures and fittings (\$'000)	Motor vehicles (\$'000)	Total (\$'000)
2017					
Opening balance	199	1	4	17	221
Purchases/(sales)	10	-	16	-	26
Gains or losses recognised in net result					
Depreciation	(72)	(1)	(1)	(9)	(83)
Closing balance	137	-	19	8	164

Notes to the financial statements

for the year ended 30 June 2018

Note 5. Non-financial assets (cont'd)

5.2 Intangible assets

	2018 (\$'000)	2017 (\$'000)
Cost		
Opening balance	1,342	1,318
Additions	-	24
Cost closing balance	1,342	1,342
Accumulated amortisation		
Opening balance	1,245	1,152
Amortisation expense	73	93
Accumulated amortisation closing balance	1,318	1,245
Written-down value	24	97

Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance relating to computer software and development costs (where applicable).

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost, less accumulated amortisation and accumulated impairment losses. Refer to Note 3.1 for details of VicHealth's amortisation policy.

Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to VicHealth.

Impairment of intangible assets

Intangible assets are tested annually for impairment (i.e. whether their carrying value exceeds their recoverable amount, and so require write-downs) and whenever there is an indication that the asset may be impaired. All other assets are assessed annually for indications of impairment, except for financial assets.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as another economic flow, except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that class of asset.

It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Notes to the financial statements

for the year ended 30 June 2018

Note 6. Liabilities and commitments

6.1 Payables

	2018 (\$'000)	2017 (\$'000)
(a) Contractual payables		
Trade creditors	290	336
Accrued wages and salaries	121	121
Grants payable	110	93
Accrued expenses	122	74
Total contractual payables	643	625
(b) Statutory payables		
GST/PAYG payable	42	11
Superannuation payable	14	13
Total statutory payables	56	24
Total payables	699	649

Payables consist of:

Contractual payables

These consist predominantly of accounts payable representing liabilities for grants, goods and services provided to VicHealth prior to the end of the financial year that are unpaid, and arise when VicHealth becomes obliged to make future payments in respect of the purchase of those goods and services or provision of grant conditions.

The normal credit terms for accounts payable are usually net 30 days.

Contractual payables are initially recognised at fair value, and then subsequently carried at amortised cost.

Statutory payables

Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract. Statutory payables (such as GST and fringe benefits tax payable) are paid by the relevant legislative due date.

Notes to the financial statements

for the year ended 30 June 2018

Note 6. Liabilities and commitments (cont'd)

6.2 Provisions: Employee benefits

	2018 (\$'000)	2017 (\$'000)
Current provisions		
Annual leave	567	512
Long service leave	605	601
On-costs Annual leave	58	53
Long service leave	63	59
Total current provisions	1,293	1,225
Current employee benefits		
Expected to be utilised within 12 months	665	645
Expected to be utilised after 12 months	628	580
Total current employee benefits	1,293	1,225
Non-current provisions		
Long service leave	242	151
On-costs	25	16
Total non-current provisions	267	167
Total provisions	1,560	1,392
Movement in employee benefits		
Opening balance	1,392	1,298
Settlement made during the year	(820)	(706)
Provision made during the year	988	800
Balance at end of year	1,560	1,392

Notes to the financial statements

for the year ended 30 June 2018

Note 6. Liabilities and commitments (cont'd)

Provisions

Provisions are recognised when VicHealth has a present obligation, the sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows using a discount rate that reflects the time value of money and risks specific to the provision.

Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, time in lieu and long service leave for services rendered to the reporting date.

Wages and salaries, annual leave, time in lieu

Liabilities for wages and salaries, including non-monetary benefits, annual leave, purchased leave and time in lieu are recognised in the provision for employee benefits as current liabilities as VicHealth does not have an unconditional right to defer settlement of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and time in lieu are measured at:

- present value – component that VicHealth does not expect to wholly settle within 12 months
- undiscounted value – component that VicHealth expects to wholly settle within 12 months.

Long service leave

The liability for long service leave (LSL) is recognised in the provision for employee benefits.

Current liability – unconditional LSL (representing seven or more years of continuous service) is disclosed in the notes to the financial statements as a current liability even where VicHealth does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- present value – component that VicHealth does not expect to wholly settle within 12 months
- undiscounted value – component that VicHealth expects to wholly settle within 12 months.

Non-current liability – conditional LSL (representing less than seven years of continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. Conditional LSL is required to be measured at present value.

Consideration is given to the expected future wage and salary levels, experience of employee departure and periods of service. Expected future payments are discounted using interest rates of Commonwealth Government guaranteed securities in Australia.

On-costs

Employee benefit on-costs, such as worker's compensation premium and superannuation are recognised together with provisions for employee benefits.

Notes to the financial statements

for the year ended 30 June 2018

Note 6. Liabilities and commitments (cont'd)

6.3 Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note at their nominal value and are inclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised on the balance sheet.

6.3 (a) Lease commitments

	2018 (\$'000)	2017 (\$'000)
Non-cancellable operating lease commitments		
No longer than one year	619	604
Longer than one year and not longer than five years	1,141	1,774
Total	1,760	2,378

Lease commitments consist of information technology equipment leases and an office tenancy lease.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership.

Leases of property, plant and equipment are classified as finance leases whenever the terms of the lease substantially transfer all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

Operating leases

Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

Leasehold improvements

The cost of leasehold improvements is capitalised as an asset and depreciated over the remaining term of the lease or the estimated useful life of the improvements, whichever is the shorter.

Notes to the financial statements

for the year ended 30 June 2018

Note 6. Liabilities and commitments (cont'd)

6.3 (b) Expenditure commitments

The following commitments have not been recognised as liabilities in the financial statements.

	2018 (\$'000)	2017 (\$'000)
Expenditure commitments		
No longer than one year	18,245	14,703
Longer than one year and not longer than five years	12,492	10,878
Total	30,737	25,581

VicHealth has entered into certain agreements for funding of grants for multiple years. The payment of future years' instalments of these grants is dependent on the funded organisation meeting specified accountability requirements and the continued availability of funds from the Government. Additionally, VicHealth enters into multi-year contracts for the purchase of various goods and/or services.

Note 7. Risk, contingencies and valuation uncertainties

7.1 Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of VicHealth's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in *AASB 132 Financial Instruments: Presentation*.

VicHealth's principal financial instruments comprise of:

- cash and cash equivalents
- receivables (excluding statutory receivables)
- payables (excluding statutory payables).

The main purpose in holding financial instruments is to prudentially manage VicHealth's financial risks within the organisation's policy parameters.

Notes to the financial statements

for the year ended 30 June 2018

Note 7. Risk, contingencies and valuation uncertainties (cont'd)

7.1 (a) Categorisation of financial instruments

The carrying amounts of VicHealth's contractual financial assets and liabilities by category are set out as follows:

Contractual financial assets and liabilities				
	2018 Financial assets/ liabilities (\$'000)	2018 Holding gain/(loss) (\$'000)	2017 Financial assets/ liabilities (\$'000)	2017 Holding gain/(loss) (\$'000)
Financial assets				
Cash and deposits	6,991	164	4,696	123
Loans and receivables ⁽ⁱ⁾	134	-	135	-
Total financial assets	7,125	164	4,831	123
Financial liabilities				
Contractual payables ⁽ⁱ⁾	643	-	625	-
Total financial liabilities	643	-	625	-

Note:

(i) The total amounts disclosed exclude statutory amounts (e.g. GST input tax credit recoverable and taxes payable).

The following refers to financial instruments unless otherwise stated.

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

The loans and receivables category includes cash and deposits, term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

The effective interest method is a method of calculating the amortised cost of a financial asset and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method.

Financial instrument liabilities measured at amortised cost include all of VicHealth's contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

Notes to the financial statements

for the year ended 30 June 2018

Note 7. Risk, contingencies and valuation uncertainties (cont'd)

7.1 (b) Credit risk

Credit risk arises from the contractual financial assets of VicHealth, which comprise cash and deposits and non-statutory receivables. VicHealth's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to VicHealth. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with VicHealth's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than Government, VicHealth has limited credit risk due to limited dealings with entities external to the Victorian or Commonwealth Government.

In addition, VicHealth does not engage in high risk hedging for its financial assets and mainly obtains financial assets with variable interest rates. VicHealth policy is to deal with financial institutions with high credit ratings.

Provision of impairment for financial assets is calculated based on past experience, and current and expected changes in client credit ratings. Objective evidence includes financial difficulties of the debtor, default payments and debts which are more than 90 days overdue.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents VicHealth's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The following table outlines the credit quality of contractual financial assets that are neither past due nor impaired.

	Government agencies (AAA credit rating) (\$'000)	Financial institutions (AA credit rating) (\$'000)	Other (no credit rating) (\$'000)	Total (\$'000)
2018				
Cash and cash equivalents	4,000	2,988	3	6,991
Contractual receivables	-	-	134	134
Total	4,000	2,988	137	7,125
2017				
Cash and cash equivalents	2,000	2,692	4	4,696
Contractual receivables	-	-	135	135
Total	2,000	2,692	139	4,831

Notes to the financial statements

for the year ended 30 June 2018

Note 7. Risk, contingencies and valuation uncertainties (cont'd)

7.1 (c) Ageing of financial assets

The following table outlines the ageing of financial assets.

	Carrying amount (\$'000)	Not past due and not impaired (\$'000)	Past due but not impaired				Impaired financial assets (\$'000)
			Less than 1 month (\$'000)	1-3 months (\$'000)	3 months to 1 year (\$'000)	1-5 years (\$'000)	
2018							
Cash and cash equivalents	6,991	6,991	-	-	-	-	-
Contractual receivables	134	134	-	-	-	-	-
Total	7,125	7,125	-	-	-	-	-
2017							
Cash and cash equivalents	4,696	4,696	-	-	-	-	-
Contractual receivables	135	135	-	-	-	-	-
Total	4,831	4,831	-	-	-	-	-

7.1 (d) Liquidity risk

Liquidity risk is the risk that VicHealth would be unable to meet its financial obligations as and when they fall due. VicHealth's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet. VicHealth manages its liquidity risk as follows:

- careful maturity planning of its financial obligations based on forecasts of future cash flows maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations
- holding investments and other contractual financial assets that are readily tradeable in the financial markets.

It operates under the Government's fair payment policy of settling financial obligations generally within 30 days.

VicHealth's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

Notes to the financial statements

for the year ended 30 June 2018

Note 7. Risk, contingencies and valuation uncertainties (cont'd)

The following table discloses the contractual maturity analysis for VicHealth's contractual financial liabilities.

	Carrying amount (\$'000)	Nominal amount (\$'000)	Maturity dates			
			Less than 1 month (\$'000)	1-3 months (\$'000)	3 months to 1 year (\$'000)	1-5 years (\$'000)
2018						
Contractual payables	643	643	629	11	3	-
Total	643	643	629	11	3	-
2017						
Contractual payables	625	625	609	11	5	-
Total	625	625	609	11	5	-

7.1 (e) Market risk

VicHealth's exposure to market risk is primarily through interest rate risk. VicHealth has an insignificant exposure to currency risk and other market risks.

VicHealth does not hold any interest-bearing financial liabilities, therefore has nil exposure to interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

VicHealth has minimal exposure to cash flow interest rate risks through its cash, deposits at call and term deposits as these assets are held in variable interest rate accounts. Receivables are non-interest bearing.

Notes to the financial statements

for the year ended 30 June 2018

Note 7. Risk, contingencies and valuation uncertainties (cont'd)

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are outlined in the following table.

			Interest rate exposure		
	Weighted average interest rate (%)	Carrying amount (\$'000)	Fixed interest rate (\$'000)	Variable interest rate (\$'000)	Non-interest bearing (\$'000)
2018					
Financial assets					
Cash and deposits	1.0%	6,991	6,000	571	420
Contractual receivables	-	134	-	-	134
Total financial assets	-	7,125	6,000	571	554
Financial liabilities					
Contractual payables	-	643	-	-	643
Total financial liabilities	-	643	-	-	643
			Interest rate exposure		
	Weighted average interest rate (%)	Carrying amount (\$'000)	Fixed interest rate (\$'000)	Variable interest rate (\$'000)	Non-interest bearing (\$'000)
2017					
Financial assets					
Cash and deposits	1.5%	4,696	4,000	347	349
Contractual receivables	-	135	-	-	135
Total financial assets	-	4,831	4,000	347	484
Financial liabilities					
Contractual payables	-	625	-	-	625
Total financial liabilities	-	625	-	-	625

Notes to the financial statements

for the year ended 30 June 2018

Note 7. Risk, contingencies and valuation uncertainties (cont'd)

7.1 (f) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, VicHealth believes the following movement is 'reasonably possible' over the next 12 months: a parallel shift of +1% and -1% in market interest rates (AUD).

The table below discloses the impact on net operating result and equity for each category of financial instrument held by VicHealth at year-end as presented to key management personnel, if the below movements were to occur.

VicHealth's sensitivity to interest rate risk is outlined in the following table.

		-100 basis points	+100 basis points	-100 basis points	+100 basis points
	Carrying amount (\$'000)	Net result (\$'000)	Net result (\$'000)	Equity (\$'000)	Equity (\$'000)
2018					
Financial assets					
Cash and cash deposits	6,991	(66)	66	(66)	66
Receivables	134	-	-	-	-
Total financial assets	7,125	(66)	66	(66)	66
Financial liabilities					
Payables	643	-	-	-	-
Total financial liabilities	643	-	-	-	-
2017					
Financial assets					
Cash and cash deposits	4,696	(43)	43	(43)	43
Receivables	135	-	-	-	-
Total financial assets	4,831	(43)	43	(43)	43
Financial liabilities					
Payables	625	-	-	-	-
Total financial liabilities	625	-	-	-	-

Notes to the financial statements

for the year ended 30 June 2018

Note 7. Risk, contingencies and valuation uncertainties (cont'd)

7.1 (g) Fair value

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- Level 1 – the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets is determined with reference to quoted market prices
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly
- Level 3 – the fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

VicHealth considers that the carrying amount of financial assets and financial liabilities recorded in the financial report to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

7.2 Contingencies

The contingent assets and liabilities as at balance date are listed in the following table:

	2018 (\$'000)	2017 (\$'000)
Contingent assets	–	–
Contingent liabilities	–	–

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Notes to the financial statements

for the year ended 30 June 2018

Note 8. Other disclosures

8.1 Reserves

	2018 (\$'000)	2017 (\$'000)
Externally funded programs reserve		
Water Fountains Initiative	300	-
Bystanders for Primary Prevention Program	264	105
Other	8	33
Total externally funded programs reserve	572	138

VicHealth periodically receives special appropriations or other grants to deliver specific programs. This funding is often received upfront and is recognised as revenue in accordance with Note 2 with the delivery of the program occurring over subsequent and/or multiple financial years. As at balance date unspent funds are allocated to a reserve to ensure these funds are quarantined for their intended purpose.

8.2 Reconciliation of net result for the period to net cash flows from operating activities

	2018 (\$'000)	2017 (\$'000)
Net result for the period	1,726	421
Non-cash movements		
Depreciation and amortisation	152	175
Movements in assets and liabilities		
(Increase)/decrease in receivables	176	(217)
(Increase)/decrease in prepayments	21	(141)
Increase/(decrease) in payables	49	(37)
Increase/(decrease) in income received in advance	4	16
Increase/(decrease) in provisions	167	94
Net cash flows from/(used in) operating activities	2,295	311

Notes to the financial statements

for the year ended 30 June 2018

Note 8. Other disclosures (cont'd)

8.3 Responsible persons

8.3 (a) Responsible persons appointments

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

Responsible Minister

The Hon. Jill Hennessy, MP, Minister for Health	1/07/2017 – 30/06/2018
--	------------------------

Governing Board

Ms Fiona McCormack – Chair	1/07/2017 – 30/06/2018
Ms Nicole Livingstone OAM – Deputy Chair*	1/07/2017 – 17/04/2018
Ms Susan Crow	1/07/2017 – 30/06/2018
Dr Sally Fawkes	1/10/2017 – 30/06/2018
Mr Nick Green OAM	1/07/2017 – 30/06/2018
Professor Margaret Hamilton AO	1/07/2017 – 30/06/2018
Ms Colleen Hartland MLC**	1/07/2017 – 17/04/2018
Mr Ben Hartung	1/10/2017 – 30/06/2018
The Hon Wendy Lovell MLC	1/07/2017 – 30/06/2018
Ms Veronica Pardo	1/07/2017 – 30/06/2018
Mr Simon Ruth	1/07/2017 – 30/06/2018
Ms Natalie Suleyman MP	1/07/2017 – 30/06/2018
Mr Stephen Walter	1/07/2017 – 30/06/2018

* Ms Livingstone resigned on 20 November 2017. The Governor in Council accepted her resignation effective 17 April 2018.

** Ms Hartland resigned on 12 March 2018. The Governor in Council accepted her resignation effective 17 April 2018.

Accountable Officer

Ms Jerril Rechter	1/07/2017 – 30/06/2018
-------------------	------------------------

Notes to the financial statements

for the year ended 30 June 2018

Note 8. Other disclosures (cont'd)

8.3 (b) Responsible persons remuneration

The remuneration received or receivable by responsible persons is disclosed as follows:

Income band	2018 No.	2017 No.
\$ 0 – 9,999	4	5
\$ 10,000 – 19,999	8	10
\$ 20,000 – 29,999	1	-
\$ 300,000 – 309,999	-	1
\$ 310,000 – 319,999	1	-
Total numbers	14	16
Total amount	\$465,625	\$460,502

Remuneration of board members is prescribed by Governor in Council. The Parliamentary members of the Board received no remuneration for their services on the VicHealth Board.

The compensation detailed above excludes the salaries and benefits the Responsible Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported in the financial statements of the Parliamentary Services.

Notes to the financial statements

for the year ended 30 June 2018

Note 8. Other disclosures (cont'd)

8.4 Remuneration of executives

The number of executive officers, other than Ministers and Accountable Officers, and their total remuneration during the reporting period are shown in the table below. During the reporting period a number of employees acted in Executive Officer positions following employee resignations and/or parental leave. The remuneration in the following table only relates to their remuneration payable in their role as an Executive Officer.

Category	2018 \$	2017 \$
Salaries and other short-term benefits	723,241	812,972
Post-employment benefits	67,309	75,194
Other long-term benefits	10,894	9,773
Termination payments	-	14,553
Total remuneration	801,444	912,492
Total number of executive officers	5	6
Total annualised employee equivalent⁽ⁱ⁾	5	5

Note:

- (i) Annualised employee equivalent is based on 38 ordinary hours per week over the reporting period. The variance between number of executive officers and annualised employee equivalent is reflective of resignations during the year.

Remuneration comprises benefits in all forms of consideration paid, payable or provided in exchange for services rendered, and is disclosed in the following categories:

- *Salaries and other short-term employee benefits* include amounts such as superannuation entitlements and other retirement benefits paid or payable on a discrete basis when employment has ceased.
- *Post-employment benefits* include amounts such as superannuation entitlements and other retirement benefits paid or payable on a discrete basis when employment has ceased.
- *Other long-term benefits* include long service leave, other long-service benefits or deferred compensation.
- *Termination benefits* include termination of employment payments including leave payments.

Several factors affected total remuneration payable to executives over the reporting period. A number of employment contracts were completed during the year. A number of executives received bonus payments during the year. These bonus payments depend on the terms of individual employment contracts.

Notes to the financial statements

for the year ended 30 June 2018

Note 8. Other disclosures (cont'd)

8.5 Related parties

VicHealth is a wholly owned and controlled entity of the State of Victoria. Related parties of VicHealth include:

- all key management personnel and their close family members; and
- all Cabinet Ministers and their close family members.
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

8.5 (a) Key management personnel

Key management personnel (KMP) of VicHealth include the Portfolio Ministers and Cabinet Ministers, VicHealth Board Members and Chief Executive Officer as determined by VicHealth.

Category	2018 \$	2017 \$
Salaries and other short-term benefits	432,647	426,339
Post-employment benefits	32,978	34,163
Other long-term benefits	-	-
Termination payments	-	-
Total remuneration	465,625	460,502
Total number of KMPs	14	16

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided in exchange for services rendered, as described and in Note 8.3 Responsible Persons and Note 8.4 Remuneration of Executives.

Notes to the financial statements

for the year ended 30 June 2018

Note 8. Other disclosures (cont'd)

8.5 (b) Transactions with key management personnel and other related parties

Given the breadth and depth of State Government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission.

The *Tobacco Act* stipulates that VicHealth has a representational Board member composition, consequently there is an increased likelihood of related party transactions as Board members often are either employed or serve on Boards of organisations that VicHealth transacts with.

During the reporting period, related parties of key management personnel were awarded contracts on terms and conditions equivalent for those that prevail in arm's length transactions under VicHealth's Grant-making and Procurement policies and guidelines, including management of conflicts of interest.

All other transactions that may have occurred with key management personnel and their related parties have been trivial or domestic in nature. In this context, transactions are only disclosed if they are considered of interest to users of the financial report in making and evaluating decisions about the allocation of scarce resources.

The transactions (generally related to awarding of grants and funding) with key management personnel is outlined in the following table:

Key management personnel/transaction	2018 (\$'000)	2017 (\$'000)
Cricket Victoria of which Ms Susan Crow ⁽ⁱ⁾ served as a Board member	-	550
Cycling Australia of which Mr Nick Green served as the Chief Executive Officer ⁽ⁱⁱ⁾	94	10
Hockey Australia of which Mr Ben Hartung served as General Manager	86	-
Melbourne City Football Club of which Ms Susan Crow served as an employee	116	42
Vicsport of which Mr Ben Hartung ⁽ⁱⁱⁱ⁾ served as a Director	138	156
Victorian AIDS Council of which Mr Simon Ruth served as the Chief Executive Officer	77	60
Western Bulldogs Football Club of which Ms Jerril Rechter served as a Board member ^(iv)	66	-
Victorian Institute of Sport of which Ms Nicole Livingstone served as a Chairperson	58	-

Note:

- (i) Ms Crow served as a Cricket Victoria Board member until 13 April 2017.
- (ii) Mr Green served as the Chief Executive Officer of Cycling Australia until 5 February 2018.
- (iii) Mr Hartung was a Vicsport Director until 21 November 2017.
- (iv) Ms Rechter commenced as Western Bulldogs Football Club director on 24 January 2018.

Notes to the financial statements

for the year ended 30 June 2018

Note 8. Other disclosures (cont'd)

Significant transactions with government-related entities

During the financial period VicHealth funding received or receivable from government-related entity transactions were:

Entity	2018 (\$'000)	2017 (\$'000)
Department of Health and Human Services – Appropriation	39,108	38,341
Department of Health and Human Services – Special Purpose Grant	620	-
Department of Economic Development, Jobs, Transport and Resources – Special Purpose Grant	100	-
Department of Premier and Cabinet – Special Purpose Grant	-	105

8.6 Ex-gratia payments

The ex-gratia payments made during the reporting period are listed in the following table:

	2018 (\$'000)	2017 (\$'000)
Payment made on termination of employment	39	-

8.7 Economic support

VicHealth is wholly dependent on the continued financial support of the State Government and the Department of Health and Human Services (DHHS). VicHealth has a four-year service agreement with DHHS, which commenced in July 2015. VicHealth's budget is required to be submitted to the Minister for Health for approval annually, as per the requirements of the *Tobacco Act 1987*.

8.8 Events subsequent to balance date

There have been no events that have occurred subsequent to 30 June 2018 which would, in the absence of disclosure, cause the financial statements to become misleading.

Notes to the financial statements

for the year ended 30 June 2018

Note 8. Other disclosures (cont'd)

8.9 Issued but not yet effective Australian accounting and reporting pronouncements

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2018 reporting period. The following standards and interpretations have been issued by the AASB but are not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the following table. VicHealth has not early adopted these standards.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 <i>Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedge accounting model and a revised impairment loss model to recognise expected impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. The initial application of AASB 9 is not expected to significantly impact the financial position however there will be a change to the way financial instruments are classified and new disclosure requirements.
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1 Jan 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.

Notes to the financial statements

for the year ended 30 June 2018

Note 8. Other disclosures (cont'd)

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of operating leases (which are currently not recognised) on the balance sheet.	1 Jan 2019	The assessment has indicated that most operating leases, with the exception of short term and low value leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability. In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge.
AASB 1058 <i>Income of Not-for-Profit Entities</i>	AASB 1058 standard will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 Contributions. The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context, AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objective.	1 Jan 2019	The current revenue recognition for grants is to recognise revenue up front upon receipt of the funds. The revenue recognition for operating grants will need to be analysed to establish whether the requirements under other applicable standards need to be considered for recognition of liabilities (which will have the effect of deferring the income associated with these grants). Only after that analysis would it be possible to conclude whether there are any changes to operating grants. The impact on current revenue recognition of the changes is the phasing and timing of revenue recorded in the profit and loss statement.

In addition to the new standards above, the AASB has issued other amending standards and interpretations that are not effective for the 2017–18 reporting period that are not expected to have a significant impact on VicHealth's reporting.

Section 6: Disclosure index

Annual reports are required to contain a disclosure index to assist in identifying the extent of compliance with statutory disclosure and other requirements.

Note: This Disclosure Index consists of two pages, and is not required to be completed by denominational hospitals.

The annual report of VicHealth is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Department's compliance with statutory disclosure requirements.

Legislation	Requirement	Page reference
Charter and purpose		
FRD 22H	Manner of establishment and the relevant Ministers	Page 7
FRD 22H	Purpose, functions, powers and duties	Page 7
FRD 22H	Initiatives and key achievements	Page 7
FRD 22H	Nature and range of services provided	Page 7
Management and structure		
FRD 22H	Organisational structure	Page 25
Financial and other information		
FRD 10A	Disclosure index	Page 85
FRD 11A	Disclosure of ex-gratia expenses	Page 82
FRD 21C	Responsible person and executive officer disclosures	Page 78, 79, 80, 81
FRD 22H	Application and operation of <i>Protected Disclosure 2012</i>	Page 38
FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	Page 38
FRD 22H	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	Page 38
FRD 22H	Details of consultancies over \$10,000	Page 36
FRD 22H	Details of consultancies under \$10,000	Page 36
FRD 22H	Employment and conduct principles	Page 32
FRD 22H	Information and Communication Technology Expenditure	Page 37
FRD 22H	Major changes or factors affecting performance	Page 20
FRD 22H	Operational and budgetary objectives and performance against objectives	Page 18
FRD 22H	Summary of the entity's environmental performance	Page 38
FRD 22H	Significant changes in financial position during the year	Page 20
FRD 22H	Statement on National Competition Policy	Page 38
FRD 22H	Subsequent events	Page 20
FRD 22H	Summary of the financial results for the year	Page 20
FRD 22H	Additional information available on request	Page 38
FRD 22H	Workforce Data Disclosures including a statement on the application of employment and conduct principles	Page 34
FRD 25C	Victorian Industry Participation Policy disclosures	Page 38

Legislation	Requirement	Page reference
FRD 29B	Workforce Data disclosures	Page 34
FRD 103F	Non-Financial Physical Assets	Page 58
FRD 110A	Cash flow Statements	Page 47
FRD 112D	Defined Benefit Superannuation Obligations	Page 55
SD 5.2.3	Declaration in report of operations	Page 6
SD 3.7.1	Risk management framework and processes	Page 39
Other requirements under Standing Directions 5.2		
SD 5.2.2	Declaration in financial statements	Page 41
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	Page 41, 49
SD 5.2.1(a)	Compliance with Ministerial Directions	Page 49
Legislation		
<i>Freedom of Information Act 1982</i>		Page 38
<i>Protected Disclosure Act 2012</i>		Page 38
<i>Victorian Industry Participation Policy Act 2003</i>		Page 38
<i>Building Act 1993</i>		Page 38
<i>Financial Management Act 1994</i>		Page 49