Financial Statements
Victorian Health Promotion Foundation
2016–17

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 2017 and financial position of VicHealth at 30 June 2017.

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 Nicole Livingstone OAM
Deputy Chair of the Board

Melbourne
15 August 2017

Ms Jerril Rechter
Accountable Officer

Melbourne
15 August 2017

Mr Dale Mitchell
Chief Finance and Accounting Officer

Melbourne
15 August 2017

Independent Auditor's Report

VAGO
Victorian Auditor-General's Office

To the Board of the Victorian Health Promotion Foundation

Opinion

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

- balance sheet as at 30 June 2017
- 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 a summary of significant accounting policies
- board member's, accountable officer's and chief finance and accounting officer's declaration.

In my opinion the financial report presents fairly, in all material respects, the financial position of the foundation as at 30 June 2017 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. My responsibilities under the Act are further described 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 the foundation 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 Australia. 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 the foundation 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 the foundation's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.

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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 our 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 the foundation'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 the foundation'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 the foundation 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.

C. Jeffries

MELBOURNE
25 August 2017

Charlotte Jeffries
as delegate for the Auditor-General of Victoria

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Comprehensive operating statement
for the financial year ended 30 June 2017

	Notes	2017 ($'000)	2016 ($'000)
Income from transactions			
Appropriations and grants	2(a)	38,558	38,305
Interest and other income	2(b)	215	256
Total income		**38,773**	**38,561**
Expenses from transactions			
Employee expenses	3(a)	7,702	8,160
Depreciation and amortisation	3(b)	175	165
Grants and other expense transfers	3(c)	27,535	26,440
Other operating expenses	3(d)	2,940	2,829
Total expenses		**38,352**	**37,594**
Net result for the year		**421**	**967**
Comprehensive result for the year		**421**	**967**

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

Balance sheet
as at 30 June 2017

	Notes	2017 ($'000)	2016 ($'000)
Assets			
Current assets			
Cash and cash equivalents	4	4,696	4,435
Receivables	5	762	545
Prepayments		268	127
Total current assets		**5,726**	**5,107**
Non-current assets			
Property, plant and equipment	6	164	221
Intangible assets	7	97	166
Total non-current assets		**261**	**387**
Total assets		**5,987**	**5,494**
Current liabilities			
Payables	8	665	687
Provisions: employee benefits	9	1,225	1,056
Total current liabilities		**1,890**	**1,743**
Non-current liabilities			
Provisions: employee benefits	9	167	242
Total non-current liabilities		**167**	**242**
Total liabilities		**2,057**	**1,985**
Net assets		**3,930**	**3,509**
Equity			
Accumulated surplus/(deficit)		3,792	3,129
Reserves	10	138	380
Total equity		**3,930**	**3,509**

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

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

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**

2016	Equity at 1 July 2015 ($'000)	Transfer of reserves ($'000)	Total comprehensive result ($'000)	Equity at 30 June 2016 ($'000)
Accumulated surplus/(deficit)	1,816	-	967	2,783
Transfer from/(to) reserves	-	346	-	346
Total accumulated surplus/(deficit)	**1,816**	**346**	**967**	**3,129**
Reserves	726	-	-	726
Transfer (from)/to reserves	-	(346)	-	(346)
Total reserves	**726**	**(346)**	**-**	**380**
Total equity	**2,542**	**-**	**967**	**3,509**

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 2017

	Notes	2017 ($'000)	2016 ($'000)
Cash flows from operating activities			
Receipts			
Receipts from Government		38,539	38,189
Receipts from other entities		111	180
Interest received		121	143
Goods and Services Tax (paid to)/refund from the ATO		2,726	2,761
Total receipts		**41,497**	**41,273**
Payments			
Payment of grants and other transfers		(27,555)	(29,667)
Payments to suppliers and employees		(13,631)	(11,544)
Total payments		**(41,186)**	**(41,211)**
Net cash flow provided by/(used in) operating activities	**13**	**311**	**62**
Cash flows from investing activities			
Payments for non-financial assets		(50)	(42)
Net cash flows provided by/(used in) investing activities		**(50)**	**(42)**
Net increase/(decrease) in cash and cash equivalents		**261**	**20**
Cash and cash equivalents at the beginning of the financial year		4,435	4,415
Cash and cash equivalents at the end of the financial year	**4**	**4,696**	**4,435**

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

Notes to the financial statements
for the year ended 30 June 2017

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Notes to the financial statements for the year ended 30 June 2017

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 2017. 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 15 August 2017.

1.2 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 2017, and the comparative information presented in these financial statements for the year ended 30 June 2016.

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.

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.

Historic cost accounting

The financial statements are prepared in accordance with the historical cost convention, except:

- non-current physical assets which, subsequent to acquisition, are measured at valuation and are re-assessed with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair values
- the fair value of assets, which is generally based on their depreciated replacement value.
- employee benefit provisions which are generally based on a net present value calculation.

Historical cost is based on the fair values of the consideration given in exchange for assets.

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
- assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount.

Notes to the financial statements
for the year ended 30 June 2017

Fair values

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.

Impairment of financial assets

VicHealth assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Bad and doubtful debts for financial assets are assessed on a regular basis. Those bad debts considered as written off are classified as a transaction expense.

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

1.3 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*. The Act stipulates that VicHealth's objectives are to:

(a) fund activity related to the promotion of good health, safety or the prevention and early detection of disease

(b) increase awareness of programs for promoting good health in the community through the sponsorship of sports, the arts and popular culture

(c) encourage healthy lifestyles in the community, and support activities involving participation in healthy pursuits

(d) fund research and development activities in support of these objects.

VicHealth is predominantly funded by accrual-based parliamentary appropriations for the provision of outputs.

1.4 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.

Notes to the financial statements
for the year ended 30 June 2017

1.5 Rounding of amounts

Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise stated. Figures in the financial statements may not equate due to rounding.

1.6 Change in accounting policies

Subsequent to the 2015–16 reporting period there have been no new or revised Accounting Standards adopted by VicHealth for the first time with the exception of implementation of *AASB 124 Related Party Transactions.*

1.7 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:

- Comprehensive operating statement
- Note 2 categories of income
- Note 3 categories of expenses.

Notes to the financial statements
for the year ended 30 June 2017

1.8 Issued but not yet effective Australian accounting and reporting pronouncements

The table below is provided to assist entities in updating their disclosure in relation to the Australian accounting standards that are issued but not yet effective for 2016–17 in accordance with paragraph 30 of AASB 108. This disclosure should be included in the *Summary of Significant Accounting Policies* note of entities' financial reports. Entities are expected to review the relevance of the proposed disclosure based on their own circumstances.

Standard/Interpretation[i]	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 *Financial Instruments*	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise 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. While there will be no significant impact arising from AASB 9, there will be a change to the way financial instruments are disclosed.
AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010)	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: • the change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and • other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 Jan 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI). Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge. For entities with significant lending activities, an overhaul of related systems and processes may be needed.
AASB 2014-1 *Amendments to Australian Accounting Standards [Part E Financial Instruments]*	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018–19 reporting period in accordance with the transition requirements.

Notes to the financial statements
for the year ended 30 June 2017

Standard/Interpretation[i]	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9*	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 15 *Revenue from Contracts with Customers*	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.	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.
AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*	Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when: • the entity's right to receive payment of the dividend is established; • it is probable that the economic benefits associated with the dividend will flow to the entity; and • the amount can be measured reliably.	1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 Jan 2018	This amending standard will defer the application period of AASB 15 for for-profit entities to the 2018–19 reporting period in accordance with the transition requirements.

Notes to the financial statements
for the year ended 30 June 2017

Standard/Interpretation[(i)]	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*	This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: • a promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; • for items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and • for licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified for AASB 15 above.
AASB 2016-7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities*	This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 Jan 2019	This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019–20 reporting period.
AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*	This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events. The amendments: • require non-contractual receivables arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with AASB 9 as if those receivables are financial instruments; and • clarifies circumstances when a contract with a customer is within the scope of AASB 15.	1 Jan 2019	The assessment has indicated that there will be no significant impact for the public sector, other than the impacts identified for AASB 9 and AASB 15 above.

Notes to the financial statements
for the year ended 30 June 2017

Standard/Interpretation[(i)]	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 16 *Leases*	The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet.	1 Jan 2019	The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase. Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. No change for lessors.
AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*	The standard amends AASB 136 *Impairment of Assets* to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	1 Jan 2017	The assessment has indicated that there is minimal impact. Given the specialised nature and restrictions of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 *Fair Value Measurement* is the same as the depreciated replacement cost concept under AASB 136.
AASB 1058 *Income of Not-for-Profit Entities*	This standard replaces AASB 1004 *Contributions* and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.	1 Jan 2019	The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.

Notes:

(i) For the current year, given the number of consequential amendments to AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*, the standards/interpretations have been grouped together to provide a more relevant view of the upcoming changes.

Notes to the financial statements
for the year ended 30 June 2017

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2016-17 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* [AASB 112]
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurements of Share-based Payment Transactions*
- AASB 2016-6 *Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*
- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-16 Cycle and Other Amendments*
- AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-16 Cycle*

Notes to the financial statements
for the year ended 30 June 2017

Note 2. Income from transactions

	2017 ($'000)	2016 ($'000)
(a) Appropriation and grants		
General appropriation	38,341	37,589
Grants and Special appropriation	217	716
Total appropriation and grants	**38,558**	**38,305**
(b) Interest and other income		
Interest Income	123	136
Other Income	92	120
Total interest and other income	**215**	**256**

Income from transactions

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 relates to monies paid to VicHealth under section 32 of the *Tobacco Act 1987*.

Grants and special appropriations

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

Special appropriations 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.

Interest income

Interest income includes interest received on bank term deposits. Interest income is recognised on a time-proportionate basis that takes into account 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 2017

Note 3. Expenses from transactions

3.1 Schedule of Expenses

	2017 ($'000)	2016 ($'000)
(a) Employee expenses		
Salaries, wages, and leave payments	6,960	7,370
Defined contribution superannuation expense	621	669
Defined benefits superannuation expense	14	11
Other on-costs	107	110
Total employee expenses	**7,702**	**8,160**
(b) Depreciation and amortisation		
Depreciation		
Office equipment	73	66
Fixtures and fittings	1	2
Motor vehicles	9	9
Total depreciation	**83**	**77**
Amortisation – IT software	92	88
Total depreciation and amortisation	**175**	**165**
(c) Grants and other expense transfers		
General purpose grants	26,644	25,285
Project specific expenses	891	1,155
Total grants and other expense transfers	**27,535**	**26,440**
(d) Other operating expenses		
Personnel costs	554	541
Occupancy costs	696	673
Board and committee members fees	172	168
External audit fees (Victorian Auditor-General's Office)	22	22
Internal audit fees	85	96
General administration	864	808
Information systems	547	521
Total other operating expenses	**2,940**	**2,829**

Notes to the financial statements
for the year ended 30 June 2017

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, 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 in excess of $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 in excess of $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 five years in both the current and prior years.

Interest expense

Interest expenses are recognised as expenses in the period in which they are incurred.

Grants and other expense transfers

Grants and other transfers 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 state-owned agencies, local government, not-for profit-organisations, universities and community groups.

Project specific expenses
Non-grant and wage expenses directly attributable to the delivery of programs and associated activities.

Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

Personnel costs: Agency staff, staff training, professional development and payroll processing costs.

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

Board and committee member's fees: Remuneration, allowances and expenses paid to VicHealth Board and Committee Members.

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

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.

Information systems: Rental costs for IT equipment, non-capitalised IT hardware and software purchases, and services/support.

Bad and doubtful debts: Bad and doubtful debts are assessed on a regular basis. Those bad debts considered as written off are classified as a transaction expense.

Disposal of non-financial assets: Any gain or loss on the sale of non-financial assets is recognised 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.

Notes to the financial statements
for the year ended 30 June 2017

Note 3.2. Superannuation

	Paid contribution for the year	
	2017 ($'000)	**2016 ($'000)**
(a) Defined benefit plan		
ESS Super New Scheme	14	11
Total defined benefit plan	**14**	**11**
(b) Defined contribution plan		
VicSuper	253	286
Hesta	63	70
UniSuper	37	29
Care Super	30	28
Vision Super	30	31
Australian Super	28	20
First State	25	23
Other	155	182
Total defined contribution plan	**621**	**669**
Total superannuation contributions	**635**	**680**

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 2017

Note 4. Cash and cash equivalents

	2017 ($'000)	2016 ($'000)
Cash on hand	4	1
Cash at bank	345	358
Bank deposits at call	347	4,076
Term deposits	4,000	-
Total cash and cash equivalents	**4,696**	**4,435**

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 six months or less, which are held for the purpose of 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.

Note 5. Receivables

	2017 ($'000)	2016 ($'000)
(a) Contractual		
Debtors	125	23
Accrued income	10	8
Total contractual receivables	**135**	**31**
(b) Statutory		
GST credits receivable	627	514
Total statutory receivables	**627**	**514**
Total receivables	**762**	**545**

Receivables

Receivables consist of:

Contractual receivables

These include debtors for services provided and accrued interest income.

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

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less an allowance for impairment.

Receivables that are contractual are classified as financial instruments.

Statutory receivables

These are predominantly GST input tax credits recoverable.

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.

Notes to the financial statements
for the year ended 30 June 2017

Note 6. Property, plant and equipment

6.1 Property, plant and equipment schedule

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2017 ($'000)	**2016 ($'000)**	**2017 ($'000)**	**2016 ($'000)**	**2017 ($'000)**	**2016 ($'000)**
Office equipment	477	467	340	268	137	199
Office furniture	19	19	19	18	-	1
Fixtures and fittings	831	815	812	811	19	4
Motor vehicles	52	52	44	35	8	17
Total	**1,379**	**1,353**	**1,215**	**1,132**	**164**	**221**

6.2 Property, plant and equipment reconciliation

2017	**Office equipment ($'000)**	**Office furniture ($'000)**	**Fixtures and fittings ($'000)**	**Motor vehicles ($'000)**	**Total ($'000)**
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 2017

2016	Office equipment ($'000)	Office furniture ($'000)	Fixtures and fittings ($'000)	Motor vehicles ($'000)	Total ($'000)
Fair value					
Opening balance	444	19	815	52	**1,330**
Additions	26	-	-	-	**26**
Disposals	(3)				**(3)**
Fair value closing balance	**467**	**19**	**815**	**52**	**1,353**
Accumulated depreciation					
Opening balance	203	18	809	26	**1,056**
Depreciation	66	-	2	9	**77**
Accumulated depreciation closing balance	**268**	**18**	**811**	**35**	**1,132**
Written-down value	**199**	**1**	**4**	**17**	**221**

6.3 Fair value measurement hierarchy for assets

2017	Carrying amount as at 30 June 2017 ($'000)	Fair value measurement(i) at end of reporting period using: Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)
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 2017

2016	Carrying amount as at 30 June 2016 ($'000)	Fair value measurement(i) at end of reporting period using: Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)
Office equipment	199	-	-	199
Office furniture	1	-	-	1
Fixtures and fittings	4	-	-	4
Motor vehicles	17	-	-	17
Written-down value	**221**	**-**	**-**	**221**

Note:
(i) Classified in accordance with the fair value hierarchy (refer Note 1.2).

6.4 Reconciliation of level 3 fair value

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

2016	Office equipment ($'000)	Office furniture ($'000)	Fixtures and fittings ($'000)	Motor vehicles ($'000)
Opening balance	**241**	**1**	**6**	**26**
Purchases/(sales)	26	-	-	-
Transfers in/(out) of Level 3	(3)	-	-	-
Gains or losses recognised in net result				
Depreciation	(66)	-	(2)	(9)
Closing balance	**199**	**1**	**4**	**17**

Notes to the financial statements
for the year ended 30 June 2017

There were no changes in valuation techniques throughout the period to 30 June 2017.

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.

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.

Property, plant and equipment

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. Details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 1.2.

Depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

Revaluations of non-current physical assets

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

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 2017

Note 7. Intangible assets

	2017 ($'000)	2016 ($'000)
Cost		
Opening balance	1,318	1,298
Additions	24	20
Cost closing balance	**1,342**	**1,318**
Accumulated amortisation		
Opening balance	1,152	1,065
Amortisation expense	93	87
Accumulated amortisation closing balance	**1,245**	**1,152**
Written-down value	**97**	**166**

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.

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 2017

Note 8. Payables

	2017 ($'000)	2016 ($'000)
(a) Contractual payables		
Accrued wages and salaries	134	119
Grants payable	93	113
Accrued expenses	75	75
Trade creditors	336	359
Other	16	17
Total contractual payables	**654**	**683**
(b) Statutory payables		
GST/PAYG payable	11	4
Total statutory payables	**11**	**4**
Total payables	**665**	**687**

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

Examples of these are goods and services tax and fringe benefits tax 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 are paid by the relevant legislative due date.

Notes to the financial statements
for the year ended 30 June 2017

Note 9. Provisions: Employee benefits

		2017 ($'000)	2016 ($'000)
Current provisions			
Annual leave		512	490
Long service leave		601	468
On-costs	Annual leave	53	50
	Long service leave	59	48
Total current provisions		**1,225**	**1,056**
Current employee benefits			
Expected to be utilised within 12 months		645	660
Expected to be utilised after 12 months		580	396
Total current employee benefits		**1,225**	**1,056**
Non-current provisions			
Long service leave		151	219
On-costs		16	23
Total non-current provisions		**167**	**242**
Total provisions		**1,392**	**1,298**
Movement in employee benefits			
Opening balance		1,298	1,127
Settlement made during the year		(706)	(719)
Provision made during the year		800	890
Balance at end of year		**1,392**	**1,298**

Notes to the financial statements
for the year ended 30 June 2017

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 2017

Note 10. Reserves

	2017 ($'000)	2016 ($'000)
Externally funded programs reserve		
Bystanders for Primary Prevention Program	105	-
National Community Attitudes Towards Violence Against Women Survey	-	60
Sports Recreation Victoria	-	50
Victorian Law Enforcement Drug Fund	13	270
Other	20	-
Total externally funded programs reserve	**138**	**380**

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 multiple financial years. As at balance date unspent funds are allocated to a reserve to ensure these funds are quarantined for their intended purpose.

Notes to the financial statements
for the year ended 30 June 2017

Note 11. 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.

11.1 Leases

	2017 ($'000)	2016 ($'000)
Non-cancellable operating lease commitments		
No longer than one year	604	631
Longer than one year and not longer than five years	1,774	2,450
Total	**2,378**	**3,081**

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.

11.2 Expenditure commitments

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

	2017 ($'000)	2016 ($'000)
Expenditure commitments		
No longer than one year	14,703	14,361
Longer than one year and not longer than five years	10,878	18,150
Total	**25,581**	**32,511**

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.

Instalments of grants to be paid in future years are subject to the funded organisations meeting accountability requirements. Additionally VicHealth enters into multi-year contracts for the purchase of various goods and/or services.

Note 12. Financial instrument

12.1 Financial risk management objectives and policies

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.

Categorisation of 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.* For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

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.

Table 12 (a) Categorisation of financial instruments and holding gain/(loss)
The carrying amounts of VicHealth's contractual financial assets and financial liabilities by category are set out as follows:

	Contractual financial assets and liabilities			
	2017 Financial assets/ liabilities ($'000)	**2017 Holding gain/(loss) ($'000)**	**2016 Financial assets/ liabilities ($'000)**	**2016 Holding gain/(loss) ($'000)**
Financial assets				
Cash and deposits	4,696	123	4,435	136
Loans and receivables[(i)]	135	-	31	-
Total financial assets	**4,831**	**123**	**4,466**	**136**
Financial liabilities				
Contractual payables[(i)]	654	-	683	-
Total financial liabilities	**654**	**-**	**683**	**-**

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

Notes to the financial statements
for the year ended 30 June 2017

12.2 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.

Table 12(b) Credit quality of contractual financial assets that are neither past due nor impaired

2017	Financial institutions (AAA Credit Rating) ($'000)	Government agencies (AAA Credit Rating) ($'000)	Other (AA credit rating) ($'000)	Other (AA- credit rating) ($'000)	Other (no credit rating) ($'000)	Total ($'000)
Cash and cash equivalents	-	-	-	4,696	-	**4,696**
Contractual receivables	-	-	-	-	135	**135**
Total	**-**	**-**	**-**	**4,696**	**135**	**4,831**
2016						
Cash and cash equivalents	-	-	-	4,435	-	**4,435**
Contractual receivables	-	-	-	-	31	**31**
Total	**-**	**-**	**-**	**4,435**	**31**	**4,466**

Table 12(c) Ageing analysis of contractual financial assets

			Past due but not impaired				
2017	**Carrying amount ($'000)**	**Not past due and not impaired ($'000)**	**Less than 1 month ($'000)**	**1-3 months ($'000)**	**3 months to 1 year ($'000)**	**1-5 years ($'000)**	**Impaired financial assets ($'000)**
Cash and cash equivalents	4,696	4,696	-	-	-	-	-
Contractual receivables	135	135	-	-	-	-	-
Total	**4,831**	**4,831**	**-**	**-**	**-**	**-**	**-**
2016							
Cash and cash equivalents	4,435	4,435	-	-	-	-	-
Contractual receivables	31	23	-	-	8	-	-
Total	**4,466**	**4,458**	**-**	**-**	**8**	**-**	**-**

12.3 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.

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

Table 12(d) Maturity analysis of contractual financial liabilities

			Maturity Dates			
2017	**Carrying amount ($'000)**	**Nominal amount ($'000)**	**Less than 1 month ($'000)**	**1-3 months ($'000)**	**3 months to 1 year ($'000)**	**1-5 years ($'000)**
Contractual payables	654	654	638	11	5	-
Total	**654**	**654**	**638**	**11**	**5**	**-**
2016						
Contractual payables	682	682	672	5	5	-
Total	**682**	**682**	**672**	**5**	**5**	**-**

Notes to the financial statements
for the year ended 30 June 2017

12.4 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 and deposits, term deposits as these assets are held in variable interest rate accounts. Receivables are non-interest bearing.

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

Table 12(e) Interest rate exposure of financial assets and liabilities

			Interest rate exposure		
2017	**Weighted average interest rate**	**Carrying amount ($'000)**	**Fixed interest rate ($'000)**	**Variable interest rate ($'000)**	**Non-interest bearing ($'000)**
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	-	654	-	-	654
Total financial liabilities	**-**	**654**	**-**	**-**	**654**
			Interest rate exposure		
2016	**Weighted average interest rate**	**Carrying amount ($'000)**	**Fixed interest rate ($'000)**	**Variable interest rate ($'000)**	**Non-interest bearing ($'000)**
Financial assets					
Cash and deposits	1.6%	4,435	-	4,076	359
Contractual receivables	-	31	-	-	31
Total financial assets	**-**	**4,446**	**-**	**4,076**	**390**
Financial liabilities					
Contractual payables	-	683	-	-	683
Total financial liabilities	**-**	**683**	**-**	**-**	**683**

Notes to the financial statements
for the year ended 30 June 2017

12.5 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.

Table 12(f) Interest risk exposure – sensitivity analysis

		-100 basis points	+100 basis points	-100 basis points	+100 basis points
2017	**Carrying amount ($'000)**	**Net result ($'000)**	**Net result ($'000)**	**Equity ($'000)**	**Equity ($'000)**
Financial assets					
Cash and cash deposits	4,696	(43)	43	(43)	43
Receivables	135	-	-	-	-
Total financial assets	**4,831**	**(43)**	**43**	**(43)**	**43**
Financial liabilities					
Payables	654				
Total financial liabilities	**654**				
2016	**Carrying amount ($'000)**	**Net result ($'000)**	**Net result ($'000)**	**Equity ($'000)**	**Equity ($'000)**
Financial assets					
Cash and cash deposits	4,435	(41)	41	(41)	41
Receivables	31	-	-	-	-
Total financial assets	**4,466**	**(41)**	**41**	**(41)**	**41**
Financial liabilities					
Payables	683	-	-	-	-
Total financial liabilities	**683**	**-**	**-**	**-**	**-**

12.6 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.

Notes to the financial statements
for the year ended 30 June 2017

Note 13. Reconciliation of net result for the period to net cash flows from operating activities

	2017 ($'000)	2016 ($'000)
Net result for the period	**421**	**967**
Non-cash movements		
Depreciation and amortisation	175	165
Movements in assets and liabilities		
(Increase)/decrease in receivables	(217)	134
(Increase)/decrease in prepayments	(141)	97
Increase/(decrease) in payables	(21)	(1,472)
Increase/(decrease) in provisions	94	171
Net cash flows from/(used in) operating activities	**311**	**62**

Note 14. Responsible persons disclosures

14.1 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, MLA, Minister for Health	1/07/2016 – 30/06/2017

Governing Board

Professor John Catford – Chair	1/07/2016 – 30/09/2016
Ms Fiona McCormack – Chair(1/10/2016 to 30/06/2017)	1/07/2016 – 30/06/2017
Ms Nicole Livingstone OAM – Deputy Chair	1/07/2016 – 30/06/2017
Ms Susan Crow	1/07/2016 – 30/06/2017
Dr Sally Fawkes	1/10/2016 – 30/06/2017
Mr Nick Green OAM	1/07/2016 – 30/06/2017
Professor Margaret Hamilton AO	1/07/2016 – 30/06/2017
Ms Colleen Hartland MLC	1/07/2016 – 30/06/2017
Mr Ben Hartung	1/10/2016 – 30/06/2017
The Hon Wendy Lovell MLC	1/07/2016 – 30/06/2017
Ms Veronica Pardo	1/07/2016 – 30/06/2017
Ms Sarah Ralph(*)	1/07/2016 – 29/11/2016
Mr Simon Ruth	1/07/2016 – 30/06/2017
Ms Natalie Suleyman MP	1/07/2016 – 30/06/2017
Mr Stephen Walter	1/07/2016 – 30/06/2017

(*) Ms Ralph resigned on 23 August 2016. The Governor in Counsel accepted her resignation effective 29 November 2016.

Accountable Officer

Ms Jerril Rechter	1/07/2016 – 30/06/2017

Notes to the financial statements
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14.2 Responsible persons remuneration

The remuneration of responsible persons is disclosed as follows:

Income band		
	2017	**2016**
		No.
$ 0 – 9,999	5	7
$ 10,000 – 19,999	10	7
$ 20,000 – 29,999	-	1
$ 290,000 – 299,999	-	1
$ 300,000 – 309,999	1	-
Total numbers	**16**	**16**
Total amount	**$460,502**	**$431,094**

Total remuneration received or receivable by the Accountable Officer was in the range: $300,000 – $309,999 ($290,000 – $299,999 in 2015–16).

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.

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 salaries, performance incentives, leave taken, as well as non-monetary benefits such as allowances and car parking.
- *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 benefit or deferred compensation.
- *Termination benefits* include termination of employment payments including leave payments.

	2017
Salaries and other short-term benefits	$426,339
Post-employment benefits	$34,163
Other long-term benefits	-
Termination payments	-
Total remuneration	**$460,502**
Total number of responsible persons officers	**16**

This is the first year of implementation of AASB124, hence no comparative figures are required to be disclosed.

14.3 Responsible persons related party transactions

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.

Key management personnel (KMP) of VicHealth include the Portfolio Ministers and Cabinet Ministers, VicHealth Board Members and Chief Executive Officer as determined by VicHealth. The remuneration detailed in Note 14.2 excludes the salaries and benefits the Portfolio Ministers receive. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968*, and is reported within the Department of Parliamentary Services' Financial Report.

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 scare resources. The transactions generally related to awarding of grants and funding as outlined in the following table:

Table 14 (a) Expenditure transactions (including grant payments) of responsible persons and their related parties

	2017 ($'000)
Cricket Victoria of which Ms Susan Crow served as a Board member until 13 April 2017	550
Cycling Australia of which Mr Nick Green served as the Chief Executive Officer	10
Melbourne City Football Club of which Ms Susan Crow served as an employee	42
VicSport of which Mr Ben Hartung [(i)] served as a Director	156
Victorian AIDS Council of which Mr Simon Ruth served as the Chief Executive Officer	60

This is the first year of implementation of AASB124, hence no comparative figures are required to be disclosed

Note:
(i) Mr Ben Hartung commenced as VicHealth Board member on 1 October 2017.

Notes to the financial statements
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Significant transactions with government-related entities

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

Entity	2017 ($'000)
Department of Health and Human Services – Appropriation	$38,341
Department of Premier and Cabinet – Special Purpose Grant	$105

This is the first year of implementation of AASB124, hence no comparative figures are required to be disclosed.

Note 15. 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 year a number of employees acted in Executive Officer positions following employee resignations. The remuneration in the following table only relates to their remuneration payable in their role as an Executive Officer.

	2017
Salaries and other short-term benefits	$812,972
Post-employment benefits	$75,194
Other long-term benefits	$9,773
Termination payments	$14,553
Total remuneration	**$912,492**
Total number of executive officers	**6**
Total annualised employee equivalent(i)	**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.

This if the first year of implementation of FRD21C, hence no comparative figures are required to be disclosed.

Remuneration comprises employee 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 salaries, performance incentives, leave taken, as well as non-monetary benefits such as allowances and car parking.
- *Post-employment benefits include amounts such as superannuation entitlements and other retirement benefits.*
- *Other long-term benefits* include long service leave, other long-service benefit or deferred compensation.
- *Termination benefits* include termination of employment payments including leave payments

Several factors affected total remuneration payable to executives over the year. 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 2017

Note 16. Contingencies

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

	2017 ($'000)	2016 ($'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.

Note 17. Ex-gratia payments

VicHealth made no ex-gratia payments during the years ended 30 June 2017 or 30 June 2016.

Note 18. Economic support

VicHealth is wholly dependent on the continued financial support of the State Government and in particular, the Department of Health and Human Services (DHHS). VicHealth has a three-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*.

Note 19. Events subsequent to balance date

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between VicHealth and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period.

Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting period and before the date the financial statements are authorised for issue, where those events provide information about conditions which existed in the reporting period. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue, where the events relate to conditions which arose after the end of the reporting period, and which may have a material impact on the results of subsequent reporting periods.

There have been no events that have occurred subsequent to 30 June 2017 which would, in the absences of disclosure, cause the financial statements to become misleading.

Section 6: Disclosure index

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.

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