Financial Statements

Victorian Health Promotion Foundation

2012–13

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

We certify that the attached financial statements for the Victorian Health Promotion Foundation (VicHealth) have been prepared in accordance with Standing Direction 4.2 of 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 statements and notes forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2013 and financial position of VicHealth at 30 June 2013.

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.

Mr Mark Birrell
Chair of the Board

Melbourne
14 August 2013

Ms Jerril Rechter
Accountable Officer

Melbourne
14 August 2013

Mr Dale Mitchell
Chief Finance and Accounting Officer

Melbourne
14 August 2013

VAGO
Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Victorian Health Promotion Foundation

The Financial Report

The accompanying financial report for the year ended 30 June 2013 of the Victorian Health Promotion Foundation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the Board Member's, Accountable Officer's and Chief Finance and Accounting Officer's declaration has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of the Victorian Health Promotion Foundation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

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

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Victorian Health Promotion Foundation as at 30 June 2013 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Victorian Health Promotion Foundation for the year ended 30 June 2013 included both in the Victorian Health Promotion Foundation's annual report and on the website. The Board Members of the Victorian Health Promotion Foundation are responsible for the integrity of the Victorian Health Promotion Foundation's website. I have not been engaged to report on the integrity of the Victorian Health Promotion Foundation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
16 August 2013

for John Doyle
Auditor-General

Comprehensive operating statement for the year ended 30 June 2013

	Notes	2013 ($'000)	2012 ($'000)
Income from transactions			
General appropriations		35,543	34,829
Special appropriations		2,798	4,093
Grants and other income transfers	2(b)	2,832	1,735
Interest income	2(a)	296	334
Other income		90	110
Profit/(loss) on disposal of plant and equipment	2(c)	15	-
Total income		**41,574**	**41,101**
Expenses from transactions			
Employee expenses	3(a)	7,167	6,670
Depreciation and amortisation	3(b)	124	130
Grants and other expense transfers	3(c)	30,500	29,122
Other operating expenses	3(d)	2,536	2,337
Total expenses		**40,327**	**38,259**
Comprehensive result for the year		**1,247**	**2,842**

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

Balance sheet as at 30 June 2013

	Notes	*2013 ($'000)*	*2012 ($'000)*
Assets			
Current assets			
Cash and cash equivalents	4	8,012	10,501
Receivables	5	2,271	1,172
Prepayments		18	8
Total current assets		**10,301**	**11,681**
Non-current assets			
Property, plant and equipment	6.1, 6.2	89	62
Intangible assets	7	98	128
Total non-current assets		**187**	**190**
Total assets		**10,488**	**11,871**
Current liabilities			
Payables	8	2,736	5,476
Provisions: Employee benefits	9	778	713
Total current liabilities		**3,514**	**6,189**
Non-current liabilities			
Provisions: Employee benefits	9	125	80
Total non-current liabilities		**125**	**80**
Total liabilities		**3,639**	**6,269**
Net assets		**6,849**	**5,602**
Equity			
Accumulated surplus/(deficit)		1,705	5,602
Reserves	10	5,144	0
Total equity		**6,849**	**5,602**

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

Statement of changes in equity for the year ended 30 June 2013

2013	*Equity at 1 July 2012 ($'000)*	*Transfer of reserves ($'000)*	*Total comprehensive result ($'000)*	*Equity at 30 June 2013 ($'000)*
Accumulated surplus/(deficit)	5,602	-	1,247	6,849
Transfer from/(to) reserves	-	(5,144)	-	(5,144)
Total accumulated surplus/(deficit)	**5,602**	**(5,144)**	**1,247**	**1,705**
Reserves	-	-	-	-
Transfer (from)/to reserves	-	5,144	-	5,144
Total reserves	**-**	**5,144**	**-**	**5,144**
Total equity	**5,602**	**-**	**1,247**	**6,849**

2012	*Equity at 1 July 2011 ($'000)*	*Transfer of reserves ($'000)*	*Total comprehensive result ($'000)*	*Equity at 30 June 2012 ($'000)*
Accumulated surplus/(deficit)	2,760	-	2,842	5,602
Transfer from/(to) reserves	-	-	-	-
Total accumulated surplus/(deficit)	**2,760**	-	**2,842**	**5,602**
Reserves	-	-	-	-
Transfer (from)/to reserves	-	-	-	-
Total reserves	**-**	**-**	**-**	**-**
Total equity	**2,760**	**-**	**2,842**	**5,602**

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

Cash flow statement for the year ended 30 June 2013

	Notes	2013 ($'000)	2012 ($'000)
Cash flow from operating activities			
Receipts from Government		40,308	40,649
Receipts from other entities		91	110
Interest received		301	328
Goods and Services Tax (paid to)/refund from the ATO		2,958	2,786
Total receipts		**43,657**	**43,873**
Payments			
Payment of grants and other transfers		(36,289)	(29,268)
Payments to suppliers and employees		(9,752)	(9,216)
Total payments		**(46,041)**	**(38,484)**
Net cash flow provided by/(used in) operating activities	**15**	**(2,384)**	**5,389**
Payments for non-financial assets		(106)	(33)
Net cash flows provided by/(used in) investing activities		**(106)**	**(33)**
Net increase/(decrease) in cash and cash equivalents		**(2,490)**	**5,356**
Cash and cash equivalents at the beginning of the year		10,501	5,145
Cash and cash equivalents at the end of the year	**4**	**8,012**	**10,501**

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

Notes to the financial statements for the year ended 30 June 2013

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Notes to the financial statements for the year ended 30 June 2013

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 ending 30 June 2013. The purpose of the report is to provide users with information about VicHealth's stewardship of resources entrusted to it.

(a) 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 14 August 2013.

(b) Basis of accounting preparation and measurement

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 set out below have been applied in preparing the financial statements for the year ended 30 June 2013, and the comparative information presented in these financial statements for the year ended 30 June 2012.

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

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

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.

The financial statements are prepared in accordance with the historical cost convention, except for the revaluation of certain non-financial assets and financial instruments, as noted. Particularly, exceptions to the historical cost convention include:

- 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.

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

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 1(h))
- assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(i)).

Notes to the financial statements for the year ended 30 June 2013

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

(c) 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.

(d) Scope and presentation of financial statements

Comprehensive operating statement

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from transactions or other economic flows. The net result is equivalent to profit or loss derived in accordance with AASs.

Balance sheet

Assets and liabilities are categorised as current and non-current assets and liabilities (those expected to be recovered or settled beyond 12 months).

Statement of changes in equity

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also separately shows changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income related to other non-owner changes in equity.

Cash flow statement

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under *AASB 107 Statement of cash flows*.

For the cash flow statement presentation purposes, cash and cash equivalents includes short-term cash deposits and investments.

(e) 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.

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

Special appropriations relates to funding to deliver specific programs.

Notes to the financial statements for the year ended 30 June 2013

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

Government grants and other transfers of income

In accordance with *AASB 1004 Contributions*, government 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.

Commonwealth grants

VicHealth's administered grants mainly comprise funds provided by the Commonwealth to assist the State Government in meeting general or specific service delivery obligations, primarily for the purpose of aiding in the financing of the operations of the recipient, capital purposes and/or for on passing to other recipients. Grants also include grants from other jurisdictions.

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.

(f) Expenses from transactions

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
- annual leave
- sick leave
- long service leave
- work-cover premiums
- salary continuance insurance
- superannuation expenses.

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

The name and details of the major employee superannuation funds and contributions made by VicHealth are outlined in Note 11.

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.

Depreciation

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. 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.

Notes to the financial statements for the year ended 30 June 2013

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

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.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually or whenever there is an indication that the asset may be impaired. The useful lives of intangible assets that are not being amortised are reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. In addition, VicHealth tests all intangible assets with indefinite useful lives for impairment by comparing the recoverable amount for each asset with its carrying amount:

- annually whenever there is an indication that the intangible asset may be impaired.

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 5 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.

They include transactions made to State-owned agencies, local government, non-government schools, and community groups.

Other operating expenses

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

Occupancy costs

Costs associated with the lease of the office building and the associated outgoings.

General administration

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

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.

Project specific expenses

Non-grant and wage expenses directly attributable to the delivery of programs.

Personnel costs

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

Notes to the financial statements for the year ended 30 June 2013

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

Impairment of non-financial 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.

(g) Financial assets

Cash and deposits

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three 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.

Receivables

Receivables consist of:

- contractual receivables, which includes debtors for services provided and accrued interest income
- statutory receivables which is predominantly GST input tax credits recoverable.

Receivables that are contractual are classified as financial instruments. 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, using the effective interest method, less an allowance for impairment.

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.

Investments

Investments are classified in the following categories:

- financial assets at fair value through profit or loss
- loans and receivables
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition. VicHealth classifies investments as loans and receivables.

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 2013

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

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*.

(h) Non-financial Assets

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.

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

Revaluations of noncurrent physical assets

Non-current physical assets are measured at fair value in accordance with *FRD 103D Non-current physical assets*.

This revaluation process normally occurs at least every five years, based upon the asset's Government Purpose Classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations and any interim revaluations are determined in accordance with the requirements of the FRDs. Revaluation increments or decrements arise from differences between an asset's carrying value and fair value.

Revaluation increments are credited directly to the asset revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that same class of asset previously recognised as an expense in net result, the increment is recognised as income in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of assets, they are debited directly to the asset revaluation surplus.

Revaluation increases and revaluation decreases relating to individual assets within an asset class are offset against one another within that class but are not offset in respect of assets in different classes.

Revaluation surplus is not transferred to accumulated funds on derecognition of the relevant asset.

In accordance with *FRD 103D*, VicHealth's non-current physical assets were assessed to determine whether revaluation of the non-current physical assets was required.

Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance such as 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.

Prepayments

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services, or that part of expenditure made in one accounting period covering a term extending beyond that period.

Notes to the financial statements for the year ended 30 June 2013

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

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.

(i) Liabilities

Payables

Payables consist of:

- contractual payables which 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
- statutory payables, such as goods and services tax and fringe benefits tax payables.

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

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

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.

Notes to the financial statements for the year ended 30 June 2013

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

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.

(i) Wages and salaries, annual leave, time in lieu

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting period, are recognised in the provision for employee benefits. These liabilities are classified as current liabilities and measured at their nominal values.

Those liabilities that are not expected to be settled within 12 months are recognised in the provision for employee benefits as current liabilities, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

(ii) 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 settle within 12 months
- nominal value – component that VicHealth expects to 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.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. VicHealth recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iv) On-costs

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

(j) Leases

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.

Notes to the financial statements for the year ended 30 June 2013

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

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.

Lease incentives

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature, form or the timing of payments.

In the event that lease incentives are received to enter into operating leases, the aggregate cost of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

(k) Equity

Contributions by owners

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners.

Reserves

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 1(e) 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 (as disclosed in Note 10).

(l) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Notes 12 and 13) 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.

(m) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 18) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

(n) 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 2013

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

(o) Events after the reporting period

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.

(p) 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.

(q) Comparative Information

Certain figures in the financial statement have been reclassified so better present the financial performance and position of VicHealth. Payments for operating activities in the Cash flow statement have been reclassified.

(r) 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 (refer to Note 1(g)), 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.

Notes to the financial statements for the year ended 30 June 2013

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

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 2013

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

(s) Issued but not yet effective Australian accounting and reporting pronouncements

Certain new Australian accounting stands have been published that are not mandatory for the 30 June 2013 reporting period. The Department of Treasury and Finance assesses the impact of all these new standards and advises VicHealth of their applicability and early adoption where applicable.

As at 30 June 2013, the following standards and interpretations had 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 table below. 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 Financial instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).*	1 Jan 2015	Subject to AASB's further modifications to AASB 9, together with the anticipated changes resulting from the staged projects on impairments and hedge accounting, details of impacts will be assessed.
AASB 13 Fair Value Measurement	This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other Australian accounting standards. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.	1 Jan 2013	Disclosure for fair value measurements using unobservable inputs are relatively detailed compared to disclosure for fair value measurements using observable inputs. Consequently, the Standard may increase the disclosures required assets measured using depreciated replacement cost.

Notes to the financial statements for the year ended 30 June 2013

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 119 Employee Benefits	In this revised Standard for defined benefit superannuation plans, there is a change to the methodology in the calculation of superannuation expenses, in particular there is now a change in the split between superannuation interest expense (classified as transactions) and actuarial gains and losses (classified as 'Other economic flows – other movements in equity') reported on the comprehensive operating statement.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. While the total superannuation expense is unchanged, the revised methodology is expected to have a negative impact on the net result from transactions a few Victorian public sector entities that report superannuation defined benefit plans.
AASB 1053 Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities, and has not decided if RDRs will be implemented in the Victorian public sector.

Notes to the financial statements for the year ended 30 June 2013

In addition to the new standards above, the AASB has issued a list of amending standards that are not effective for the 2012–13 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. The two AASB Interpretations in the list below are also not effective for the 2012–13 reporting period and are considered to have insignificant impacts on public sector reporting.

- AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9.*
- AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.*
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010).
- AASB 2010-10 *Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters.*
- AASB 2011-2 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements.*
- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.*
- AASB 2011-6 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements.*
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.*
- AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13.*
- AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119* (September 2011).
- AASB 2011-11 *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements.*
- AASB 2011-12 *Amendments to Australian Accounting Standards arising from Interpretation 20*
- 2012-1 *Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements.*
- 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.*
- 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities.*
- 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle.*
- 2012-7 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.*
- 2012-9 *Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039.*
- 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments.*
- 2012-11 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments*.
- 2013-1 *Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements*.
- 2013-2 *Amendments to AASB 1038 – Regulatory Capital*.
- 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*.
- *AASB Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine*.
- *AASB Interpretation 21 Levies*.

Notes to the financial statements for the year ended 30 June 2013

Note 2. Income from transactions

	2013 ($'000)	2012 ($'000)
(a) Interest		
Interest on treasury deposits	188	134
Interest on bank deposits	108	200
Total interest	**296**	**334**
(b) Grants and other income transfers		
Commonwealth grants	1,489	1,442
Other grants	1,343	293
Total grants and other income transfer	**2,832**	**1,735**
(c) Profit/(loss) on disposal of plant and equipment		
Proceeds from disposal of plant and equipment	15	-
Written-down value of plant and equipment	-	-
Total profit/(loss) on disposal of plant and equipment	**15**	**-**

Notes to the financial statements for the year ended 30 June 2013

Note 3. Expenses from transactions

	2013 ($'000)	2012 ($'000)
(a) Employee expenses		
Salaries, wages, and leave payments	6,418	5,859
Defined contribution superannuation expense	630	640
Defined benefits superannuation expense	6	6
Termination benefits	10	45
Other on-costs	103	120
Total employee expenses	**7,167**	**6,670**
(b) Depreciation and amortisation		
Depreciation		
Office equipment	22	22
Office furniture	1	4
Fixtures and fittings	3	7
Motor vehicles	9	8
Total depreciation	**35**	**41**
Amortisation – IT software	89	89
Total depreciation and amortisation	**124**	**130**
(c) Grants and other expense transfers		
General purpose grants	28,569	26,572
Project specific expenses	1,931	2,550
Total grants and other expense transfers	**30,500**	**29,122**
(d) Other operating expenses		
Personnel costs	416	497
Occupancy costs	676	607
Board and committee members fees	69	77
External audit fees (Victorian Auditor General's Office)	20	29
Internal audit fees	92	84
General administration	595	482
Information systems	668	561
Total	**2,536**	**2,337**

Notes to the financial statements for the year ended 30 June 2013

Note 4. Cash and cash equivalents

	2013 ($'000)	2012 ($'000)
Cash on hand	1	1
Cash at bank	303	415
Bank deposits at call	2,708	4,085
Treasury Corporation Victoria deposit at call	2,000	6,000
Treasury Corporation Victoria term deposit	3,000	-
Total cash and cash equivalents	**8,012**	**10,501**

Note 5. Receivables

	2013 ($'000)	2012 ($'000)
Contractual		
Trade debtors	160	139
Grants receivable	1,320	110
Accrued income	9	15
Total contractual receivables	**1,489**	**264**
Statutory		
GST credits receivable	782	908
Total statutory receivables	**782**	**908**
Total receivables	**2,271**	**1,172**

Notes to the financial statements for the year ended 30 June 2013

Note 6.1. Property, plant and equipment

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2013 ($'000)	*2012 ($'000)*	*2013 ($'000)*	*2012 ($'000)*	*2013 ($'000)*	*2012 ($'000)*
Office equipment	189	179	156	133	33	46
Office furniture	19	19	18	17	1	2
Fixtures and fittings	815	815	805	802	10	13
Motor vehicles	52	44	7	43	45	1
Written-down value	**1,075**	**1,057**	**986**	**995**	**89**	**62**

Note 6.2. Property, plant and equipment reconciliation

	2013 ($'000)	*2012 ($'000)*
Fair value		
Opening balance	1,057	1,138
Additions	62	32
Disposals	(44)	(13)
Reclassification[(i)]	-	(100)
Fair value closing balance	**1,075**	**1,057**
Accumulated depreciation		
Opening balance	995	1,031
Depreciation	35	41
Disposals	(44)	(13)
Reclassification[(i)]	-	(64)
Accumulated depreciation closing balance	**986**	**995**
Written-down value	**89**	**62**

Notes:

(i) Certain items of plant and equipment acquired in prior years were reclassified as operating expenses during 2011-12, as the initial acquisition cost was below the asset capitalisation threshold of $2,000.

Notes to the financial statements for the year ended 30 June 2013

Note 7. Intangible assets

	2013 ($'000)	*2012 ($'000)*
Cost		
Opening balance	999	999
Additions	59	-
Disposals	-	-
Cost closing balance	**1,058**	**999**
Accumulated amortisation		
Opening balance	871	781
Amortisation expense	89	90
Disposals	-	-
Accumulated amortisation closing balance	**960**	**871**
Written-down value	**98**	**128**

Note 8. Payables

	2013 ($'000)	*2012 ($'000)*
Contractual payables		
Accrued wages and salaries	77	-
Accrued grant payments	1,919	4,617
Accrued expenses	33	181
Trade creditors	490	493
Total contractual payables	**2,519**	**5,291**
Statutory payables		
GST/PAYG payable	217	185
Total statutory payables	**217**	**185**
Total payables	**2,736**	**5,476**

Notes to the financial statements for the year ended 30 June 2013

Note 9. Provisions: Employee benefits

		2013 ($'000)	2012 ($'000)
Current provisions			
Annual leave		399	339
Long service leave		307	303
On-costs	Annual leave	40	38
	Long service leave	32	33
Total current provisions		**778**	**713**
Current employee benefits			
Expected to be utilised within 12 months		509	435
Expected to be utilised after 12 months		269	278
Total current employee benefits		**778**	**713**
Non-current provisions			
Long service leave		113	72
On-costs		12	8
Total non-current provisions		**125**	**80**
Total provisions		**903**	**793**
Movement in employee benefits			
Opening balance		793	555
Settlement made during the year		(672)	(538)
Provision made during the year		782	776
Balance at end of year		**903**	**793**

Notes to the financial statements for the year ended 30 June 2013

Note 10. Reserves

	2013 ($'000)	*2012 ($'000)*
Externally funded programs reserve		
Alcohol Cultural Change	2,597	-
Active Cities	1,200	-
National Community Attitudes Survey	1,105	-
Other	242	-
Total externally funded programs reserve	**5,144**	**-**

Reserves relate to special purpose funding, unspent as at balance date. These funds have been quarantined for use on these projects. Refer to the Statement of Changes in Equity and Note 1(k) for additional information.

Note 11. Superannuation

	Paid contribution for the year	
	2013 ($'000)	*2012 ($'000)*
Defined benefit plan		
ESS Super New Scheme	10	7
Total defined benefit plan	**10**	**7**
Defined contribution plan		
VicSuper	297	264
Other	276	353
Hesta	43	59
Vision Super	28	7
Total defined contribution plan	**644**	**683**
Total superannuation contributions	**654**	**690**

Notes to the financial statements for the year ended 30 June 2013

Note 12. Lease commitments

Disclosures for lessees

Leasing arrangements

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

	2013 ($'000)	2012 ($'000)
Non-cancellable operating lease commitments		
Not longer than one year	594	609
Longer than one year and not longer than five years	2,414	2,382
Longer than five years	1,823	2,449
Total	**4,831**	**5,440**

Note 13. Expenditure commitments

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

Future grants commitments

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 subject to the funded organisations meeting accountability requirements are:

	2013 ($'000)	2012 ($'000)
Payable		
Not longer than one year	19,511	20,190
Longer than one year and not longer than five years	12,190	26,671
Longer than five years	-	-
Total	**31,701**	**46,861**

Notes to the financial statements for the year ended 30 June 2013

Note 14. Financial instruments

(a) 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).

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument, are disclosed in Note 1 to the financial statements.

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

Table 14.1 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			
	2013 Financial assets/ liabilities ($'000)	*2013 Holding gain/(loss) ($'000)*	*2012 Financial assets/ liabilities ($'000)*	*2012 Holding gain/(loss) ($'000)*
Financial assets				
Cash and deposits	8,012	296	10,501	334
Loans and receivables[(i)]	1,489	-	264	-
Total financial assets	**9,501**	**296**	**10,765**	**334**
Financial liabilities				
Amortised cost[(i)]	2,519	-	5,291	-
Total financial liabilities	**2,519**	**-**	**5,291**	**-**

Note:

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

Notes to the financial statements for the year ended 30 June 2013

Note 14. Financial instruments (cont'd)

(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.

Table 14.2 Credit quality of contractual financial assets that are neither past due nor impaired

2013	*Financial institutions (AAA Credit Rating) ($'000)*	*Government agencies (AAA Credit Rating) ($'000)*	*Other (AA credit rating) ($'000)*	*Other (no credit rating) ($'000)*	***Total ($'000)***
Cash and cash equivalents	5,000	-	3,011	1	**8,012**
Contractual receivables	-	1,320	-	169	**1,489**
Total	**5,000**	**1,320**	**3,011**	**170**	**9,501**
2012					
Cash and cash equivalents	6,000	-	4,500	1	**10,501**
Contractual receivables	-	125	-	139	**264**
Total	**6,000**	**125**	**4,500**	**140**	**10,765**

Notes to the financial statements for the year ended 30 June 2013

Note 14. Financial instruments (cont'd)

Table 14.3 Ageing analysis of contractual financial assets

			Past due but not impaired				
2013	*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	8,012	8,012	-	-	-	-	-
Contractual receivables	1,489	1,487	-	-	2	-	-
Total	**9,501**	**9,499**	**-**	**-**	**2**	**-**	**-**
2012							
Cash and cash equivalents	10,501	10,501	-	-	-	-	-
Contractual receivables	264	253	7	-	4	-	-
Total	**10,765**	**10,754**	**7**	**-**	**4**	**-**	**-**

Notes to the financial statements for the year ended 30 June 2013

Note 14. Financial instruments (cont'd)

(c) 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. Cash for unexpected events is generally sourced from liquidation of available-for-sale financial investments.

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

Table 14.4 Maturity analysis of contractual financial liabilities

			Past due but not impaired			
2013	*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	2,519	2,519	2,476	22	21	-
Total	**2,519**	**2,519**	**2,476**	**22**	**21**	**-**
2012						
Contractual payables	5,291	5,291	5,249	18	24	-
Total	**5,291**	**5,291**	**5,249**	**18**	**24**	**-**

Notes to the financial statements for the year ended 30 June 2013

Note 14. Financial instruments (cont'd)

(d) Market risk

VicHealth's exposure to market risk are 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 outlined in the following table.

Table 14.5 Interest rate exposure of financial assets and liabilities

			Interest rate exposure		
2013	*Weighted average interest rate %*	*Carrying amount ($'000)*	*Fixed interest rate ($'000)*	*Variable interest rate ($'000)*	*Non-interest bearing ($'000)*
Financial assets					
Cash and deposits	1.9%	8,012	3,000	4,709	303
Contractual receivables	-	1,489	-	-	1,489
Total financial assets	-	**9,501**	**3,000**	**4,709**	**1,792**
Financial liabilities					
Contractual payables	-	2,519	-	-	2,519
Total financial liabilities	-	**2,519**	**-**	**-**	**2,519**

			Interest rate exposure		
2012	*Weighted average interest rate %*	*Carrying amount ($'000)*	*Fixed interest rate ($'000)*	*Variable interest rate ($'000)*	*Non-interest bearing ($'000)*
Financial assets					
Cash and deposits	3.7%	10,501	-	10,500	1
Contractual receivables	-	264	-	-	264
Total financial assets	-	**10,765**	**-**	**10,500**	**265**
Financial liabilities					
Contractual payables	-	5,291	-	-	5,291
Total financial liabilities	-	**5,291**	**-**	**-**	**5,291**

Notes to the financial statements for the year ended 30 June 2013

Note 14. Financial instruments (cont'd)

(e) 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 14.6 Interest risk exposure – sensitivity analysis

		-100 basis points	+100 basis points
2013	*Carrying amount ($'000)*	*Net result ($'000)*	*Net result ($'000)*
Financial assets			
Cash and cash deposits	8,012	(57)	57
Receivables	1,489	-	-
Total financial assets	**9,501**	**(57)**	**57**
Financial liabilities			
Payables	2,519	-	-
Total financial liabilities	**2,519**	**-**	**-**
2012			
Financial assets			
Cash and cash deposits	10,501	(101)	101
Receivables	264	-	-
Total financial assets	**10,765**	**(101)**	**101**
Financial liabilities			
Payables	5,291	-	-
Total financial liabilities	**5,291**	**-**	**-**

Notes to the financial statements for the year ended 30 June 2013

Note 14. Financial instruments (cont'd)

(f) Fair value

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

- 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
- the fair value of other 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.

Note 15. Reconciliation of net result for the period to net cash flows from operating activities

	2013 ($'000)	*2012 ($'000)*
Net result for the period	**1,247**	**2,842**
Non-cash movements		
(Gain)/loss on disposal of non-financial assets	(15)	-
Depreciation and amortisation	124	130
Reclassification of assets below capitalisation threshold	-	36
Movements in assets and liabilities		
(Increase)/decrease in receivables	(1,285)	(337)
(Increase)/decrease in prepayments	(12)	(5)
Increase/(decrease) in payables	(2,554)	2,485
Increase/(decrease) in provisions	111	238
Net cash flows from/(used in) operating activities	**(2,384)**	**5,389**

Notes to the financial statements for the year ended 30 June 2013

Note 16.1. Responsible person's disclosures

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. David Davis MLC, Minister for Health
1/07/2012 – 30/06/2013

Governing Board

Mr Mark Birrell, Chair	1/07/2012 – 30/06/2013
Professor John Catford, Deputy Chair	1/07/2012 – 30/06/2013
Mr Neil Angus MLA	1/07/2012 – 30/06/2013
Mr Tim Bull MLA	1/07/2012 – 30/06/2013
Ms Susan Crow	1/07/2012 – 30/06/2013
Ms Belinda Duarte	1/07/2012 – 30/06/2013
Ms Danielle Green MLA	1/07/2012 – 30/06/2013
Professor Margaret Hamilton AO	1/07/2012 – 30/06/2013
Ms Margot Foster	1/07/2012 – 30/06/2013
Ms Nicole Livingstone OAM	1/07/2012 – 30/06/2013
Professor Michael Morgan	1/07/2012 – 30/06/2013
Professor Ruth Rentschler OAM	1/07/2012 – 30/06/2013

Accountable Officer

Ms Jerril Rechter	17/10/2012 – 30/06/2013

Notes to the financial statements for the year ended 30 June 2013

Remuneration of responsible persons

	2013 No.	2012 No.
Income Band		
$ 0 – 9,999	11	12
$ 10,000 – 19,999	2	1
$ 60,000 – 69,999	-	1
$ 150,000 – 159,999	-	1
$ 250,000 – 259 999	1	-
Total numbers	**14**	**15**
Total amount	**$320,713**	**$254,394**

Amounts relating to responsible Ministers are reported in the statements of the Department of Premier and Cabinet. The three parliamentary members of the Board received no remuneration for their services. Three members are ineligible to receive remuneration under the Victorian Governments Appointment and Remuneration for Victorian Boards, Statutory Bodies and Advisory Committees as they are employees of other Government agencies.

Notes to the financial statements for the year ended 30 June 2013

Note 16.2. Related party transactions

Other transactions (including grant payments) of responsible persons and their related parties

	2013 $'000	2012 $'000
Cancer Council Victoria of which Professor Margaret Hamilton served as a Board member within the period	9,105	6,894
Australian Drug Foundation of which Professor Margaret Hamilton has declared a pecuniary interest	330	706
AFL of which Ms Belinda Duarte was an employee within the period	803	908
Parenting Research Centre of which Ms Jane Fenton has declared a pecuniary interest	-	220
Deakin University of which Professor John Catford and Professor Ruth Rentschler were employees within the period	551	529
Cricket Victoria of which Ms Susan Crow served as a Board member within the period	211	155
VicSport of which Ms Margot Foster served as a Board member within the period	192	313
University of Melbourne of which Professor Michael Morgan was an employee within the period	2,615	2,386
Monash University of which Professor John Catford served as an employee within the period	59	242
Melbourne Heart of which Ms Susan Crow served as an employee within the period	127	-
Victorian Employers' Chamber of Commerce and Industry of which Mr Mark Birrell served as a Board Member within the period	1	-

Notes to the financial statements for the year ended 30 June 2013

Note 17. Remuneration of executives

The number of executive officers (including acting executive officers) and their total remuneration during the reporting period is shown in the first two columns in the table below in the relevant income band. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

	Total remuneration		Base remuneration	
	2013 No.	*2012 No.*	*2013 No.*	*2012 No.*
Income Band				
$ 0 – 9,999	-	-	-	1
$ 20,000 – 29,999	-	1	-	1
$ 40,000 – 49,999	-	1	-	1
$ 50,000 – 59,000	1	-	1	-
$ 60,000 – 69,999	-	1	-	1
$ 80,000 – 89,999	-	1	-	1
$ 90,000 – 99,999	-	2	1	2
$ 140,000 – 149,999	-	-	1	-
$ 150,000 – 159,999	2	-	1	1
$ 160,000 – 169,999	-	1	-	-
$ 170,000 – 179,999	1	-	1	-
$ 180,000 – 189,999	1	2	-	1
Total numbers	**5**	**9**	**5**	**9**
Total annualised employee equivalent (i)	**4**	**5**	**4**	**5**
Total amount	**$727,154**	**$938,174**	**$622,142**	**$738,174**

Note:

(i) Annualised employee equivalent is based on 38 ordinary hours per week over the reporting period.

During the year a number of employees acted in executive management positions following employee resignations. The annualised remuneration of the executive management positions exceeded $100,000, however only the pro-rata amount earned whilst undertaking that role has been disclosed in the table. The variance between total remuneration relates to employee entitlements upon resignation and bonus.

Notes to the financial statements for the year ended 30 June 2013

Note 18. Contingencies

There were no contingent assets or liabilities as at 30 June 2013 or 30 June 2012.

	2013 ($'000)	*2012 ($'000)*
Contingent assets	-	-
Contingent liabilities	-	-

Note 19. Ex-gratia payments

VicHealth made the following ex-gratia payments during the reporting period:

	2013 ($'000)	*2012 ($'000)*
Payments to employees upon termination of employment.	-	107

Note 20. Economic dependency

VicHealth is wholly dependent on the continued financial support of the State Government and in particular, the Department of Health. VicHealth has a three-year service agreement with the Department of Health, commencing July 2012. 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 21. Events subsequent to balance date

There have been no events that have occurred subsequent to 30 June 2013 which would, in the absences of disclosure, cause the financial statements to become misleading.

Section 6: Disclosure index

Disclosure index

The Annual Report of the Victorian Health Promotion Foundation is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of VicHealth's compliance with statutory disclosure requirements.

Legislation	Requirement	Page reference
Ministerial Directions		
Report of operations – FRD Guidance		
Charter and purpose		
FRD 22C	Manner of establishment and the relevant Ministers	Page 5
FRD 22C	Objectives, functions, powers and duties	Page 5
FRD 22C	Nature and range of services provided	Page 5
Management and structure		
FRD 22C	Organisational structure	Page 20
Financial and other information		
FRD 10	Disclosure index	Page 74
FRD 12A	Disclosure of major contracts	Page 27
FRD 15B	Executive officer disclosures	Page 25, 72
FRD 22C, SD 4.2(k)	Operational and budgetary objectives and performance against objectives	Pages 11, 12
FRD 22C	Employment and conduct principles	Page 23
FRD 22C	Occupational health and safety policy	Page 24
FRD 22C	Summary of the financial results for the year	Page 19
FRD 22C	Significant changes in financial position during the year	Page 19
FRD 22C	Major changes or factors affecting performance	Page 19
FRD 22C	Subsequent events	Page 19
FRD 22C	Application and operation of *Freedom of Information Act 1982*	Page 27
FRD 22C	Compliance with building and maintenance provisions of *Building Act 1993*	Page 27
FRD 22C	Statement on National Competition Policy	Page 28
FRD 22C	Application and operation of the *Protected Disclosure Act 2012*	Page 27
FRD 22C	Details of consultancies over $10,000	Page 26
FRD 22C	Details of consultancies under $10,000	Page 26
FRD 22C	Statement of availability of other information	Page 28
FRD 24C	Reporting of office-based environmental impacts	Page 28