

Victorian Health Promotion Foundation (VicHealth)

Financial statements

2021 – 2022

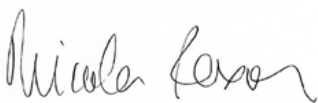
Board member's, accountable officer's and chief finance and accounting officer's declaration

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 Assistant Treasurer 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 2022 and financial position of VicHealth at 30 June 2022.

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.



The Hon. Nicola Roxon
Chair of the Board

Melbourne
26 August 2022



Dr Sandro Demaio
Accountable Officer

Melbourne
26 August 2022



Mr Paul Crapper
Chief Finance and
Accounting Officer

Melbourne
26 August 2022

Independent Auditor's Report

To the Board of the Victorian Health Promotion Foundation

Opinion	<p>I have audited the financial report of the Victorian Health Promotion Foundation (the foundation) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2022 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • board member's, accountable officer's and chief finance and accounting officer's declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the foundation as at 30 June 2022 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. 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 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>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 <i>Financial Management Act 1994</i>, 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.</p> <p>In preparing the financial report, the Board are responsible for assessing the foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>
Other Information	<p>The Board of the foundation are responsible for the Other Information, which comprises the information in the foundation's annual report for the year ended 30 June 2022, but does not include the financial report and my auditor's report thereon.</p> <p>My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.</p>

Auditor's responsibilities for the audit of the financial report

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

MELBOURNE
8 September 2022



Sanchu Chummar

as delegate for the Auditor-General of Victoria

Comprehensive operating statement

for the financial year ended 30 June 2022

	Notes	2022 (\$'000)	2021 (\$'000)
Income from transactions			
Appropriations and grants	2.1	42,767	41,312
Interest and other income	2.2	82	70
Total income		42,849	41,382
Expenses from transactions			
Employee expenses	3.1 (a)	8,793	9,428
Other employee expenses	3.1 (b)	1,238	1,120
Depreciation and amortisation	3.1 (c)	965	809
Grants and funding	3.1 (d)	29,097	26,624
Operating costs	3.1 (e)	2,748	3,023
Total expenses		42,841	41,004
Net result for the year		8	378
Comprehensive result for the year	8.1	8	378

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

Balance sheet

as at 30 June 2022

	Notes	2022 (\$'000)	2021 (\$'000)
Assets			
Current assets			
Cash and cash equivalents	4.1	4,264	5,179
Receivables	4.2	1,216	1,044
Prepayments		349	707
Total current assets		5,829	6,930
Non-current assets			
Property, plant and equipment	5.1	5,816	6,523
Intangible assets	5.2	1,373	1,384
Total non-current assets		7,189	7,907
Total assets		13,018	14,837
Current liabilities			
Payables	6.1	1,485	2,512
Borrowings	6.1	360	360
Provisions: employee benefits	6.2	1,285	1,704
Total current liabilities		3,130	4,576
Non-current liabilities			
Provisions: employee benefits	6.2	145	166
Borrowings	6.1	3,894	4,254
Total non-current liabilities		4,039	4,420
Total liabilities		7,169	8,996
Net assets		5,849	5,841
Equity			
Accumulated surplus		5,849	5,706
Reserves	8.2	-	135
Total equity		5,849	5,841

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

Statement of changes in equity

for the financial year ended 30 June 2022

2022	Equity at 1 July 2021 (\$'000)	Transfer of reserves (\$'000)	Total comprehensive result (\$'000)	Equity at 30 June 2022 (\$'000)
Accumulated surplus	5,706	135	8	5,849
Reserves	135	(135)	-	-
Total equity	5,841	-	8	5,849

2021	Equity at 1 July 2020 (\$'000)	Transfer of reserves (\$'000)	Total comprehensive result (\$'000)	Equity at 30 June 2021 (\$'000)
Accumulated surplus	5,284	44	378	5,706
Reserves	179	(44)	-	135
Total equity	5,463	-	378	5,841

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 2022

	Notes	2022 (\$'000)	2021 (\$'000)
Cash flows from operating activities			
Receipts			
Receipts from Government		42,767	41,312
Receipts from other entities		37	41
Interest received		45	30
Goods and Services Tax (paid to)/refund from the ATO		2,315	2,897
Total receipts		45,164	44,279
Payments			
Payment of grants and funding		(32,602)	(30,005)
Payments to suppliers and employees		(12,868)	(12,252)
Total payments		(45,470)	(42,257)
Net cash flow provided by/(used in) operating activities	8.3	(306)	2,022
Cash flows from investing activities			
Payments for non-financial assets		(248)	(2,682)
Net cash flows provided by/(used in) investing activities		(248)	(2,682)
Cash flows from financing activities			
Repayment of principal portion of lease liabilities		(361)	(515)
Net cash flow provided by/(used in) financing activities		(443)	(515)
Net increase/(decrease) in cash and cash equivalents		(915)	(1,175)
Cash and cash equivalents at the beginning of the financial year		5,179	6,354
Cash and cash equivalents at the end of the financial year	4.1	4,264	5,179

Note:

(a) VicHealth has recognised cash payments for the principal portion of right of use lease payments as financing activities.

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

Notes to the financial statements

for the year ended 30 June 2022

Table of contents

Note 1.	Summary of significant accounting policies	83
1.1	Statement of compliance	83
1.2	Reporting entity	83
1.3	Basis of accounting preparation and measurement	83
Note 2.	Income from transactions	86
2.1	Appropriation and grants	86
2.2	Interest and other income	87
Note 3.	Expenses from transactions	88
3.1	Expenses	88
3.2	Superannuation	91
Note 4.	Financial assets	92
4.1	Cash and cash equivalents	92
4.2	Receivables	93
Note 5.	Non-financial assets	94
5.1	Property, plant and equipment	94
5.2	Intangible assets	99
Note 6.	Liabilities and commitments	101
6.1	Payables and borrowings	101
6.2	Provisions: Employee benefits	104
6.3	Commitments for expenditure	107
Note 7.	Risk, contingencies and valuation uncertainties	108
7.1	Financial instruments	108
Note 8.	Other disclosures	117
8.1	Comprehensive result for the year by funding source	117
8.2	Reserves	118
8.3	Reconciliation of net result for the period to net cash flows from operating activities	118
8.4	Responsible persons	119
8.5	Remuneration of executives	121
8.6	Related parties	122
8.7	Ex-gratia payments	124
8.8	Remuneration of auditors	124
8.9	Economic support	124
8.10	Events subsequent to balance date	124
8.11	Issued but not yet effective Australian accounting and reporting pronouncements	125
8.12	Glossary of technical terms	126

Notes to the financial statements

for the year ended 30 June 2022

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 2022. 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), which include interpretations, issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of *AASB 1049 Whole of Government and General Government Sector Financial Reporting*.

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 Assistant Treasurer.

The Victorian Health Promotion Foundation (VicHealth) is a not-for-profit entity for financial reporting purposes under AAS and therefore applies the additional AUS paragraphs applicable to not-for-profit entities. Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Apart from the changes in accounting policies, standards and interpretations as noted below, material accounting policies adopted in the preparation of these financial statements are the same as those adopted in the previous period.

The annual financial statements were authorised for issue by the Board of VicHealth on 26 August 2022.

1.2 Reporting entity

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

VicHealth
Level 2 355 Spencer Street
West Melbourne Vic 3003

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

1.3 Basis of accounting preparation and measurement

ACCOUNTING POLICIES

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

The accounting policies in this report have been applied in preparing the financial statements for the year ended 30 June 2022, and the comparative information presented in these financial statements for the year ended 30 June 2021.

GOING CONCERN

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

Notes to the financial statements

for the year ended 30 June 2022

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

CURRENCY

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

ROUNDING

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

ACCRUAL BASIS OF ACCOUNTING

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

IMPACT OF CORONAVIRUS (COVID-19) GLOBAL PANDEMIC

In March 2020 a state of emergency was declared in Victoria due to the global coronavirus pandemic, known as COVID-19. On 2 August 2020 a state of disaster was added with both operating concurrently. The state of disaster in Victoria concluded on 28 October 2020 and the state of emergency concluded on 15 December 2021.

The impact of COVID-19 in the community is continues to develop. In order to contain the spread of COVID-19 and prioritise the health fund safety of our community, VicHealth was required to comply with various restrictions announced by the Commonwealth and State Governments during 2021-22.

However, apart from staff being required to work from home, COVID-19 has not had a significant impact on VicHealth operations and has not resulted in a change to any critical judgements or assumptions underlying the preparation of the financial statements.

The COVID-19 pandemic has created economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by the health service at the reporting date. Management recognises that it is difficult to reliably estimate with certainty, the potential impact of the pandemic after the reporting date on the health service, its operations, its future results and financial position.

Notes to the financial statements

for the year ended 30 June 2022

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

ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

GOODS AND SERVICES TAX (GST)

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

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

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

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

Notes to the financial statements

for the year ended 30 June 2022

Note 2. Income from transactions

2.1 Appropriation and grants

	2022 (\$'000)	2021 (\$'000)
General appropriation	42,590	41,312
Grants and special purpose funding	177	-
Total appropriation and grants	42,767	41,312

REVENUE RECOGNITION

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 "DoH".

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

GRANTS AND SPECIAL PURPOSE FUNDING

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

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

Grants and other transfers of income are recognised as income in accordance with AASB 15 where there is an enforceable contract with the customer and the conditions are sufficiently specific to enable determination if the conditions have been satisfied. Where sufficiently specific performance obligations do not exist, revenue is recognised upon receipt in line with AASB 1058.

COVID-19 IMPACT ON REVENUE

Revenue recognised to fund the delivery of our services during the financial year was not materially impacted by the COVID-19 Coronavirus pandemic.

Notes to the financial statements

for the year ended 30 June 2022

Note 2. Income from transactions (cont'd)

2.2 Interest and other income

	2022 (\$'000)	2021 (\$'000)
Interest income	45	30
Other income	37	40
Total interest and other income	82	70

INTEREST INCOME

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

OTHER INCOME

Other income represents fees and charges from miscellaneous services. Income is recognised to the extent that it is probable that the economic benefits will flow to VicHealth and the income can be reliably measured at fair value.

Notes to the financial statements

for the year ended 30 June 2022

Note 3. Expenses from transactions

3.1 Expenses

	2022 (\$'000)	2021 (\$'000)
(a) Employee expenses		
Salaries, wages and leave payments	8,793	9,428
Total employee expenses	8,793	9,428
(b) Other employee expenses		
Agency and temporary staff	193	142
Board and committee members fees	141	123
Fringe benefits tax	13	5
Superannuation	824	800
WorkCover premium	67	50
Total other employee expenses	1,238	1,120
(c) Depreciation and amortisation		
Depreciation		
Office equipment	43	34
Office equipment – Right of Use	76	16
Office furniture	48	23
Fixtures and fittings	2	7
Leasehold improvements	138	34
Motor vehicles	11	11
Buildings – Right of Use	467	557
Total depreciation	737	659
Amortisation – IT software	228	150
Total depreciation and amortisation	965	809
(d) Grants and funding		
General purpose grants and funding	28,392	26,127
Program support expenses	705	497
Total grants and other expense transfers	29,097	26,624

Notes to the financial statements

for the year ended 30 June 2022

Note 3. Expenses from transactions (cont'd)

	2022 (\$'000)	2021 (\$'000)
(e) Operating costs		
Audit and legal fees	134	218
Consultancy fees	501	394
Employee development and wellbeing	227	214
General administration	165	94
Information, communications and technology systems	1,304	1,322
Occupancy costs	336	764
Lease interest – Right of Use Assets	81	17
Total operating costs	2,748	3,023

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

EMPLOYEE EXPENSES

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

DEPRECIATION

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

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

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

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

- office equipment: 3–5 years
- office furniture: 10 years
- fixtures and fittings: 10 years
- motor vehicles: 6 years
- buildings (Right-of-Use): 10 years
- leasehold improvements: 10 years.

Notes to the financial statements

for the year ended 30 June 2022

Note 3. Expenses from transactions (cont'd)

AMORTISATION

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

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period.

In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the asset concerned is tested as to whether its carrying value exceeds its recoverable amount.

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

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

GRANTS AND FUNDING

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

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

Program support expenses

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

OPERATING COSTS

Operating costs generally represent the day-to-day running costs incurred in normal operations and include such things as:

- *Audit and legal fees:* Fees paid or payable to the Victorian Auditor-General's Office for the audit of these financial statements, costs incurred for the provision of internal audit services and associated activities and costs associated with the provision of legal advice for funding, contract and employment related matters.
- *Consultancy costs:* Provision of expertise and advice.
- *General administration:* Costs incurred due to the administration of VicHealth such as legal, marketing and advertising, printing and stationery.
- *Information, communications and technology systems:* Rental costs for IT equipment, non-capitalised IT hardware and software purchases, licence fees and associated services, support and maintenance.
- *Occupancy costs:* Costs associated with the lease of the office building and the associated outgoings.

COVID-19 IMPACT ON EXPENSES

Expenses incurred to deliver services during the financial year were not materially impacted by the COVID-19 Coronavirus pandemic.

Notes to the financial statements

for the year ended 30 June 2022

Note 3. Expenses from transactions (cont'd)

3.2 Superannuation

	Paid contribution for the year	
	2022 (\$'000)	2021 (\$'000)
(a) Defined benefit plan		
ESS Super New Scheme	10	10
Total defined benefit plan	10	10
(b) Defined contribution plan		
VicSuper	215	256
Hesta	76	86
UniSuper	67	56
Australian Super	150	103
Aware Super	49	50
Rest Superannuation	33	22
Host Plus Super	44	33
Sun Superannuation Fund	14	24
CBUS Super	21	4
Vision Super Saver	17	13
Australian Ethical Super	29	18
Other	120	137
Total defined contribution plan	835	802
Total superannuation contributions	845	812

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 defined benefit plan provides benefits based on years of service and final average salary. 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.

Notes to the financial statements

for the year ended 30 June 2022

Note 4. Financial assets

4.1 Cash and cash equivalents

	2022 (\$'000)	2021 (\$'000)
Cash on hand	3	3
Cash at bank	4,261	5,176
Total cash and cash equivalents	4,264	5,179

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 3 months or less, which are held for meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Notes to the financial statements

for the year ended 30 June 2022

Note 4. Financial assets (cont'd)

4.2 Receivables

	2022 (\$'000)	2021 (\$'000)
(a) Contractual		
Debtors	53	30
Total contractual receivables	53	30
(b) Statutory		
GST credits receivable	1,163	1,014
Total statutory receivables	1,163	1,014
Total receivables	1,216	1,044

Receivables consist of:

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

Receivables that are contractual are classified as financial instruments and categorised as financial assets at amortised cost.

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

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

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

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

AGEING ANALYSIS OF RECEIVABLES

All contractual receivables are not past due and not impaired as at 30 June 2022 and 30 June 2021.

NATURE AND EXTENT OF RISK ARISING FROM RECEIVABLES

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

Notes to the financial statements

for the year ended 30 June 2022

Note 5. Non-financial assets

5.1 Property, plant and equipment

5.1 (a) Property, plant and equipment schedule

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2022 (\$'000)	2021 (\$'000)	2022 (\$'000)	2021 (\$'000)	2022 (\$'000)	2021 (\$'000)
Office equipment	647	619	446	353	201	266
Office equipment Right-of-Use	-	-	-	-	-	-
Office furniture	268	265	48	23	220	242
Fixtures and fittings	20	20	2	-	18	20
Leasehold improvements	1,384	1,384	173	34	1,211	1,350
Motor vehicles	66	66	28	17	38	49
Buildings Right-of-Use	4,672	4,672	544	77	4,128	4,596
Total	7,057	7,026	1,241	504	5,816	6,523

VALUATION AND MEASUREMENT

All non-current physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned. Refer to Note 3.1 for details of the depreciation policy.

There were no changes in valuation techniques throughout the period to 30 June 2022. For all assets measured at fair value, the current use is considered the highest and best use. There have been no transfers between levels during the period.

REVALUATIONS OF NON-CURRENT PHYSICAL ASSETS

Non-current physical assets are measured at fair value in accordance with FRD 103H non-current physical assets. In accordance with FRD 103H, VicHealth's non-current physical assets were assessed to determine whether revaluation of the non-current physical assets was required. Based on the short-term nature of assets held by VicHealth, no assets were assessed as requiring revaluation.

Notes to the financial statements

for the year ended 30 June 2022

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

RIGHT OF USE ASSETS ACQUIRED BY LEASES – INITIAL MEASUREMENT

VicHealth recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentive received; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

RIGHT-OF-USE ASSET – SUBSEQUENT MEASUREMENT

VicHealth depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use assets are also subject to revaluation. In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

Right-of-use assets are subsequently measured at fair value, with the exception of right-of-use asset arising from leases with significantly below-market terms and conditions, which are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses where applicable.

Right-of-use assets are also adjusted for certain remeasurements of the lease liability (for example, when a variable lease payment based on an index or rate becomes effective).

VALUATION HIERARCHY

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

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

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

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

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

Notes to the financial statements

for the year ended 30 June 2022

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

Based on the above assessment, all property, plant and equipment held by VicHealth is deemed to be valued under Level 3 as at 30 June 2022 and at 30 June 2021.

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.

There were no changes in valuation techniques throughout the period to 30 June 2022.

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 and assets not yet available for use, 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 2022

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

5.1 (b) Property, plant and equipment reconciliation

2022	Office equipment (\$'000)	Office equipment ROU (\$'000)	Office furniture (\$'000)	Fixtures and fittings (\$'000)	Motor vehicles (\$'000)	Leasehold improvements (\$'000)	Buildings ROU (\$'000)	Total (\$'000)
Fair value								
Opening balance	619	-	266	20	66	1,384	4,672	7,027
Additions	29	-	2	-	-	-	-	31
Disposals	-	-	-	-	-	-	-	-
Fair value closing balance	647	-	268	20	66	1,384	4,672	7,058
Accumulated depreciation								
Opening balance	352	-	23	1	17	34	77	504
Depreciation	94	-	25	1	11	139	466	736
Disposals	-	-	-	-	-	-	-	-
Accumulated depreciation closing balance	446	-	48	2	28	173	543	1,240
Written-down value	201	-	220	18	38	1,211	4,128	5,816

Notes to the financial statements

for the year ended 30 June 2022

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

5.1 (b) Property, plant and equipment reconciliation cont'd

2021	Office equipment (\$'000)	Office equipment ROU (\$'000)	Office furniture (\$'000)	Fixtures and fittings (\$'000)	Motor vehicles (\$'000)	Leasehold improvements (\$'000)	Buildings ROU (\$'000)	Total (\$'000)
Fair value								
Opening balance	483	38	19	831	66	-	992	2,429
Additions	296	-	249	20	-	1,384	4,672	6,621
Disposals	(160)	(38)	(2)	(831)	-	-	(992)	(2,023)
Fair value closing balance	619	-	266	20	66	1,384	4,672	7,027
Accumulated depreciation								
Opening balance	476	22	19	826	6	-	563	1,912
Depreciation	34	16	6	1	11	34	557	659
Disposals	(158)	(38)	(2)	(826)	-	-	(1,043)	(2,067)
Accumulated depreciation closing balance	352	-	23	1	17	34	77	504
Written-down value	267	-	243	19	49	1,350	4,596	6,523

Notes to the financial statements

for the year ended 30 June 2022

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

5.2 Intangible assets

5.2 (a) Intangible assets – Gross carrying amount and accumulated amortisation

	2022 (\$'000)	2021 (\$'000)
Intangible produced assets – IT software	1,590	1,569
Less accumulated amortisation	(412)	(185)
	1,178	1,384
Intangible Non-Produced Assets – Core ICT systems replacement work in progress	195	-
Less accumulated amortisation	-	-
	195	-
Total intangible assets	1,373	1,384

5.2 (b) Intangible assets – Reconciliation of the carrying amount by class of asset

	IT Software (\$'000)	Work in progress (\$'000)	Total (\$'000)
Balance at 30 June 2020	-	882	882
Additions	652	-	652
Transfers	882	(882)	-
Amortisation (Note 3.1)	(150)	-	(150)
Balance at 30 June 2021	1,384	-	1,384
Additions	22	195	217
Transfers	-	-	-
Amortisation (Note 3.1)	(228)	-	(228)
Balance at 30 June 2022	1,178	195	1,373

Notes to the financial statements

for the year ended 30 June 2022

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

INTANGIBLE ASSETS

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

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

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

IMPAIRMENT OF INTANGIBLE ASSETS

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

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

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

Notes to the financial statements

for the year ended 30 June 2022

Note 6. Liabilities and commitments

6.1 Payables and borrowings

	2022 (\$'000)	2021 (\$'000)
Current		
(a) Contractual payables		
Trade creditors	596	624
Accrued wages and salaries	4	236
Grants payable	717	1,469
Accrued expenses	163	157
Total contractual payables	1,480	2,486
(b) Statutory payables		
GST/PAYG payable	5	5
Superannuation payable	-	21
Total statutory payables	5	26
Total payables	1,485	2,512
(c) Contractual borrowings		
Current		
Lease Liabilities	360	360
Total borrowings	360	360
Non-current		
Lease Liabilities	3,894	4,254
Total borrowings	3,894	4,254

Notes to the financial statements

for the year ended 30 June 2022

Note 6. Liabilities and commitments (cont'd)

Payables consist of:

Contractual payables

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

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

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

Statutory payables

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

Contractual borrowings

This consists of Lease liabilities in accordance with AASB 16 Leases which include:

- Right of use Asset – Buildings: This represents the capitalisation of the VicHealth office tenancy leases.
- Right of use Asset – Office Equipment: This represents the capitalisation of a photocopier lease.

A lease is defined as a contract, or part of a contract, that conveys the right for VicHealth to use an asset for a period of time in exchange for payment.

To apply this definition, VicHealth ensures the contract meets the following criteria:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to VicHealth and for which the supplier does not have substantive substitution rights
- VicHealth has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and VicHealth has the right to direct the use of the identified asset throughout the period of use and
- VicHealth has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

Notes to the financial statements

for the year ended 30 June 2022

Note 6. Liabilities and commitments (cont'd)

Initial measurement

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or VicHealth incremental borrowing rate. Our lease liability has been discounted by rates of between 1% to 2%.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments) less any lease incentive receivable
- variable payments based on an index or rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee and
- payments arising from purchase and termination options reasonably certain to be exercised.

The following types of lease arrangements, contain extension and termination options:

- Lease of offices at Level 2 355 Spencer Street West Melbourne: Option for extension of two (2) further terms of three (3) years each

These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the health service and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term and lease liability if the lease is reasonably certain to be extended (or not terminated).

Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of \$nil.

Subsequent measurement

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right of use asset is already reduced to zero.

Notes to the financial statements

for the year ended 30 June 2022

Note 6. Liabilities and commitments (cont'd)

6.2 Provisions: Employee benefits

	2022 (\$'000)	2021 (\$'000)
Current provisions		
Annual leave	641	607
Long service leave	511	666
On-costs Annual leave	72	62
On-costs Long service leave	61	68
Restructuring	-	301
Total current provisions	1,285	1,704
Current employee benefits		
Expected to be utilised within 12 months	621	1,050
Expected to be utilised after 12 months	664	654
Total current employee benefits	1,285	1,704
Non-current provisions		
Long service leave	128	151
On-costs	17	15
Total non-current provisions	145	166
Total provisions	1,430	1,870
Movement in employee benefits		
Opening balance	1,870	1,712
Settlement made during the year	(1,255)	(992)
Provision made during the year	815	1,150
Balance at end of year	1,430	1,870

Notes to the financial statements

for the year ended 30 June 2022

Note 6. Liabilities and commitments (cont'd)

Reconciliation of movement in on-cost provision

	2022 (\$'000)	2021 (\$'000)
Opening balance	145	158
Additional provisions recognised	80	86
Reductions arising from payments/other sacrifices of future economic benefits	(77)	(101)
Unwind of discount and effect of changes in the discount rate	2	2
Closing balance	150	145
Current	133	130
Non-current	17	15

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

Employee benefits are accrued in respect of annual leave, time in lieu and long service leave for services rendered to the reporting date as an expense during the period the services are delivered.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income as it is taken.

Annual leave and time in lieu

Liabilities for 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 annual leave and time in lieu are measured at:

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

Notes to the financial statements

for the year ended 30 June 2022

Note 6. Liabilities and commitments (cont'd)

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 month, or
- 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 separately from provisions for employee benefits.

Notes to the financial statements

for the year ended 30 June 2022

Note 6. Liabilities and commitments (cont'd)

6.3 Commitments for expenditure

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. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised on the balance sheet.

6.3 (a) Expenditure commitments

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

	2022 (\$'000)	2021 (\$'000)
Expenditure commitments		
No longer than 1 year	12,726	14,882
Longer than 1 year and not longer than 5 years	5,905	13,167
Total	18,631	28,049

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

Notes to the financial statements

for the year ended 30 June 2022

Note 7. Risk, contingencies and valuation uncertainties

7.1 Financial instruments

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

VicHealth's principal financial instruments comprise:

- 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.

CATEGORIES OF FINANCIAL INSTRUMENTS

Financial assets at amortised cost

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by VicHealth to collect the contractual cash flows; and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specific dates.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment. VicHealth recognises the following assets in this category:

- cash and deposits; and
- receivables (excluding statutory receivables).

Derecognition of financial assets

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired or
- VicHealth retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement or
- VicHealth has transferred its rights to receive cash flows from the asset and either:
 - (i) has transferred substantially all the risks and rewards of the asset or
 - (ii) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where VicHealth has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of VicHealth's continuing involvement in the asset.

Notes to the financial statements

for the year ended 30 June 2022

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

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 3 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 liabilities are recognised when VicHealth becomes a party to the contractual provisions to the instrument. Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately.

Financial liabilities are measured at amortised cost using the effective interest method, where they are not held at fair value through net result.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement.

Notes to the financial statements

for the year ended 30 June 2022

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

7.1 (a) Categorisation of financial instruments

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

2022	Financial assets at amortised cost (\$'000)	Financial liabilities at amortised cost (\$'000)	Total (\$'000)
Contractual financial assets			
Cash and cash equivalents	4,264	-	4,264
<i>Receivables</i> ⁽¹⁾			
Debtors	53	-	53
Total financial assets ⁽¹⁾	4,317	-	4,317
Financial liabilities			
Payables	-	1,485	1,485
Borrowings (Lease liabilities) – current	-	360	360
Borrowings (Lease liabilities) – non-current	-	3,894	3,894
Total financial liabilities ⁽¹⁾	-	5,739	5,739
2021	Financial assets at amortised cost (\$'000)	Financial liabilities at amortised cost (\$'000)	Total (\$'000)
Contractual financial assets			
Cash and cash equivalents	5,179	-	5,179
<i>Receivables</i> ⁽¹⁾			
Debtors	30	-	30
Total financial assets ⁽¹⁾	5,209	-	5,209
Financial liabilities			
Payables	-	2,486	2,486
Borrowings (Lease liabilities) – current	-	360	360
Borrowings (Lease liabilities) – non-current	-	4,254	4,254
Total financial liabilities ⁽¹⁾	-	7,100	7,100

Note:

(1) The carrying amount excludes statutory receivables (i.e. GST receivable and DoH receivable) and statutory payables (i.e. Revenue in Advance and DoH payable).

Notes to the financial statements

for the year ended 30 June 2022

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

7.1 (b) Credit risk

Credit risk arises from the contractual financial assets of VicHealth, which comprises 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.

Consistent with directions from the State Government, VicHealth's policy is to deal with financial institutions with high credit ratings.

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

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

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

	Government agencies (AAA credit rating) (\$'000)	Financial institutions (AA credit rating) (\$'000)	Other (no credit rating) (\$'000)	Total (\$'000)
2022				
Cash and cash equivalents	-	4,264	-	4,264
Contractual receivables	-	-	53	53
Total	-	4,264	53	4,317
2021				
Cash and cash equivalents	-	5,179	-	5,179
Contractual receivables	-	-	30	30
Total	-	5,179	30	5,209

Notes to the financial statements

for the year ended 30 June 2022

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

7.1 (c) Ageing of financial assets

All financial assets are not past due and not impaired as at 30 June 2022 and 30 June 2021.

7.1 (d) Liquidity risk

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

- careful maturity planning of its financial obligations based on forecasts of future cash flows maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations

- holding investments and other contractual financial assets that are readily tradeable in the financial markets.

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

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

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

	Carrying amount (\$'000)	Nominal amount (\$'000)	Maturity dates			
			Less than 1 month (\$'000)	1-3 months (\$'000)	3 months to 1 year (\$'000)	1-5 years (\$'000)
2022						
Contractual payables	1,485	1,485	1,485	-	-	-
Borrowings (Right of Use)	4,254	4,254	30	60	270	3,894
Total	5,739	5,739	1,515	60	270	3,894
2021						
Contractual payables	2,486	2,486	2,486	-	-	-
Borrowings (Right of Use)	4,614	4,614	30	60	270	4,254
Total	7,100	7,100	2,516	60	270	4,254

Notes to the financial statements

for the year ended 30 June 2022

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

7.1 (e) Market risk

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

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

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

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

Notes to the financial statements

for the year ended 30 June 2022

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

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

			Interest rate exposure		
2022	Weighted average interest rate (%)	Carrying amount (\$'000)	Fixed interest rate (\$'000)	Variable interest rate (\$'000)	Non-interest bearing (\$'000)
Financial assets					
Cash and deposits	0.3	4,264	-	4,261	3
Contractual receivables	-	53	-	-	53
Total financial assets		4,317	-	4,261	56
Financial liabilities					
Contractual payables	-	1,480	-	-	1,480
Borrowings (Right of Use lease liabilities)	1.8	4,254	4,254	-	-
Total financial liabilities		5,734	4,254	-	1,480
			Interest rate exposure		
2021	Weighted average interest rate (%)	Carrying amount (\$'000)	Fixed interest rate (\$'000)	Variable interest rate (\$'000)	Non-interest bearing (\$'000)
Financial assets					
Cash and deposits	0.3	5,179	-	5,176	3
Contractual receivables	-	30	-	-	30
Total financial assets		5,209	-	5,176	33
Financial liabilities					
Contractual payables	-	2,486	-	-	2,486
Borrowings (Right of Use lease liabilities)	1.8	4,614	4,614	-	-
Total financial liabilities		7,100	4,614	-	2,486

Notes to the financial statements

for the year ended 30 June 2022

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

7.1 (f) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, VicHealth believes the following movement is 'reasonably possible' over the next 12 months: a parallel shift of +2% and -2% 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 considered low and is outlined in the following table.

		-200 basis points	+200 basis points	-200 basis points	+200 basis points
	Carrying amount (\$'000)	Net result (\$'000)	Net result (\$'000)	Equity (\$'000)	Equity (\$'000)
2022					
Financial assets					
Cash and cash deposits	4,264	(85)	85	(85)	85
Receivables	53	(1)	1	(1)	1
Total financial assets	4,317	(86)	86	(86)	86
Financial liabilities					
Payables	1,480	-	-	-	-
Borrowings (Right of Use lease liabilities)	4,254	(85)	85	(85)	85
Total financial liabilities	5,734	(85)	85	(85)	85
2021					
Financial assets					
Cash and cash deposits	5,179	(104)	104	(104)	104
Receivables	30	-	-	-	-
Total financial assets	5,209	(104)	104	(104)	104
Financial liabilities					
Payables	2,486	-	-	-	-
Borrowings (Right of Use lease liabilities)	4,614	(92)	92	(92)	92
Total financial liabilities	7,100	(92)	92	(92)	92

Notes to the financial statements

for the year ended 30 June 2022

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

7.1 (g) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

- Financial assets and liabilities at fair value through net result
- Property, plant and equipment
- Right-of-use assets

In addition, the fair value of other assets and liabilities that are carried at amortised cost also need to be determined for disclosure.

In determining fair values a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy.

The levels are as follows:

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 and

Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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 2022

Note 8. Other disclosures

8.1 Comprehensive result for the year by funding source

	Notes	2022 (\$'000)	2021 (\$'000)
(a) Funding from general appropriation			
General appropriation and other income			
General appropriation income	2.1	42,590	41,312
Interest and other income	2.2	82	70
Expenses from transactions		(42,554)	(40,960)
Net surplus/(deficit) from general appropriation and other income		118	422
(b) Funding from grants and special purpose funding			
Income from externally funded programs			
External grants and special purpose funding	2.1	177	-
Expenses from transactions		(287)	(44)
Net surplus/(deficit) from externally funded programs		(110)	(44)
Comprehensive result for the year		8	378

The comprehensive result for the year includes a surplus of \$0.118m from general appropriation funding activities offset by a deficit of \$0.110m from special purpose funded activities, resulting in a net surplus comprehensive result for the year of \$0.008m.

Notes to the financial statements

for the year ended 30 June 2022

Note 8. Other disclosures (cont'd)

8.2 Reserves

	2022 (\$'000)	2021 (\$'000)
Externally funded programs reserve		
Bystanders for Primary Prevention Program	-	24
Sport Participation Research Project	-	111
Total externally funded programs reserve	-	135

VicHealth periodically receives special appropriations or other grants to deliver specific programs. As at balance date unspent funds are allocated to a reserve to ensure these funds are quarantined for their intended purpose.

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

	2022 (\$'000)	2021 (\$'000)
Net result for the period	8	378
Non-cash movements		
Depreciation and amortisation	965	809
Movements in assets and liabilities		
(Increase)/decrease in receivables	(172)	(289)
(Increase)/decrease in prepayments	360	(441)
Increase/(decrease) in payables	(1,027)	1,407
Increase/(decrease) in provisions	(440)	158
Net cash flows from/(used in) operating activities	(306)	2,022

Notes to the financial statements

for the year ended 30 June 2022

Note 8. Other disclosures (cont'd)

8.4 Responsible persons

8.4 (a) Responsible persons appointments

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

RESPONSIBLE MINISTER

The Hon. Martin Foley MP Minister for Health	01/07/2021 – 26/06/2022
The Hon. Mary-Anne Thomas Minister for Health	27/06/2022 – 30/06/2022

GOVERNING BOARD

The Hon. Nicola Roxon Chair	01/07/2021 – 30/06/2022
Ms Sarah Connolly MP	01/07/2021 – 30/06/2022
Dr Sally Fawkes	01/07/2021 – 30/06/2022
Mr Nick Green OAM	01/07/2021 – 30/06/2022
Mr Ian Hamm	05/10/2021 – 30/06/2022
Ms Catherine Harding	01/07/2021 – 30/06/2022
Mr Andy Meddick MP	01/07/2021 – 30/06/2022
Ms Peggy O'Neal AO	01/07/2021 – 11/02/2022
Ms Veronica Pardo	01/07/2021 – 30/06/2022
Prof Anna Peeters	01/07/2021 – 30/06/2022
Ms Div Pillay	20/07/2021 – 30/06/2022
Ms Stella Smith	01/07/2021 – 30/06/2022
Ms Bridget Vallence MP	01/07/2021 – 30/06/2022
Mr Phil Wade	05/10/2021 – 30/06/2022

ACCOUNTABLE OFFICER

Dr Sandro Demaio	01/07/2021 – 30/06/2022
------------------	-------------------------

Notes to the financial statements

for the year ended 30 June 2022

Note 8. Other disclosures (cont'd)

8.4 (b) Responsible persons remuneration

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

	2022 (\$'000)	2021 (\$'000)
Total amount	450	410
Income band	No.	No.
\$ 0 – 9,999	7	8
\$ 10,000 – 19,999	7	5
\$ 290,000 – 299,999	-	1
\$ 300,000 – 309,999	1	-
Total numbers	15	14

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

The compensation detailed above excludes the salaries and benefits the Responsible Ministers receive. The Ministers' remuneration and allowances are set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported in the State's annual financial report.

Notes to the financial statements

for the year ended 30 June 2022

Note 8. Other disclosures (cont'd)

8.5 Remuneration of executives

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

Category	2022 (\$'000)	2021 (\$'000)
Salaries and other short-term benefits	1,024	915
Post-employment benefits	105	97
Other long-term benefits	38	4
Termination benefits	54	172
Total remuneration	1,221	1,188
Total number of executive officers	11	9
Total annualised employee equivalent⁽ⁱ⁾	5	6

Note:

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

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

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

Notes to the financial statements

for the year ended 30 June 2022

Note 8. Other disclosures (cont'd)

8.6 Related parties

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

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

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

8.6 (a) Key management personnel

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

Category	2022 (\$'000)	2021 (\$'000)
Salaries and other short-term benefits	414	378
Post-employment benefits	36	32
Other long-term benefits	-	-
Total remuneration	450	410

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

Notes to the financial statements

for the year ended 30 June 2022

Note 8. Other disclosures (cont'd)

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

Given the breadth and depth of State Government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges.

Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission.

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

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

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

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

Key management personnel/transaction	2022 (\$'000)	2021 (\$'000)
Deakin University of which Prof. Anna Peeters served as an employee and Dr Sandro Demaio served as an adjunct associate professor	954	1,009
Women's Health West of which Ms Catherine Harding ⁽ⁱ⁾ served as a non-executive director	-	3
La Trobe University of which Dr Sally Fawkes served as an employee	426	995
Vicsport of which Ms Catherine Harding served as a Board member	208	209
AFL Vic of which Ms Peggy O'Neal AO served as a member of the AFL Mental Health Steering Committee	-	142
Multicultural Arts Victoria of which Ms Veronica Pardo served as Chief Executive Officer	101	19
Victorian Council of Social Services of which Ms Sheena Watt ⁽ⁱ⁾ served as a Board member	-	46
University of Melbourne of which Dr Sandro Demaio served as a Principal Fellow (Associate Professor)	418	598

Note:

(i) Ms Sheena Watt resigned as a VicHealth Board member on 12 October 2020.

Notes to the financial statements

for the year ended 30 June 2022

Note 8. Other disclosures (cont'd)

8.6 (c) Significant transactions with government-related entities

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

Entity	2022 (\$'000)	2021 (\$'000)
Department of Health – Appropriation	42,590	41,312
Department of Health – Special Purpose Grant	177	-

8.7 Ex-gratia payments

There were no ex-gratia payments made during the reporting period (2021: nil).

8.8 Remuneration of auditors

The payments made to the Victorian Auditor-General's Office during the reporting period are listed in the following table:

	2022 (\$'000)	2021 (\$'000)
Audit and review of the financial statements	25	23

8.9 Economic support

VicHealth is wholly dependent on the continued financial support of the State Government and the Department of Health (DoH). VicHealth's 4-year service agreement with DHHS expired in June 2019 and was renewed for a further 4 years expiring in June 2023. VicHealth's budget is required to be submitted to the Minister for Health for approval annually, as per the requirements of the *Tobacco Act 1987*.

8.10 Events subsequent to balance date

There have been no events that have occurred subsequent to 30 June 2022 which would, in the absence of disclosure, cause the financial statements to become misleading.

Notes to the financial statements

for the year ended 30 June 2022

Note 8. Other disclosures (cont'd)

8.11 Issued but not yet effective Australian accounting and reporting pronouncements

Certain new and revised accounting standards have been issued but are not effective for the 2021–22 reporting period.

These accounting standards have not been applied to the Financial Statements. VicHealth is reviewing its existing policies and assessing the potential implications of these accounting standards which includes:

- AASB 2020–1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non Current

This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted however the AASB has recently issued AASB 2020–1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date to defer the application by one year to periods beginning on or after 1 January 2023. VicHealth will not early adopt the Standard.

VicHealth is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods but are considered to have limited impact on the VicHealth's reporting.

- *AASB 17 Insurance Contracts.*
- *AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C).*
- *AASB 2020–2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities.*
- *AASB 2020–3 Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments.*
- *AASB 2020–7 Amendments to Australian Accounting Standards – Covid-19–Rent Related Concessions: Tier 2 Disclosures.*
- *AASB 2020–8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2.*
- *AASB 2020–9 Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments.*

Notes to the financial statements

for the year ended 30 June 2022

Note 8. Other disclosures (cont'd)

8.12 Glossary of technical terms

The following is a summary of the major technical terms used in this report.

Amortisation is the expense that results from the consumption, extraction or use over time of a non-produced physical or intangible asset. This expense is classified as an 'other economic flow'.

Borrowings refers to interest-bearing liabilities, lease liabilities, service concession arrangements and other interest-bearing arrangements. Borrowings may also include non interest-bearing advances from government that are acquired for policy purposes.

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Comprehensive result is the amount included in the operating statement representing total change in net worth other than transactions with owners as owners.

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transaction'.

Effective interest method is the method used to calculate the amortised cost of a financial asset and of 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.

Ex-gratia payments mean the voluntary payment of money or other non-monetary benefit (e.g. a write off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability or claim against the entity.

Financial asset is any asset that is either:

- cash
- an equity instrument of another entity
 1. a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.
- A financial asset can also be a contract that will or may be settled in the entity's own equity instruments and is either:
 1. a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments
 2. a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Notes to the financial statements

for the year ended 30 June 2022

Note 8. Other disclosures (cont'd)

Financial liability is any liability that is either:

- a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity
- a contract that will or may be settled in the entity's own equity instruments and is either:
 1. a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments
 2. a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements in the annual report comprises:

- a balance sheet as at the end of the period
- a comprehensive operating statement for the period
- a statement of changes in equity for the period
- a cash flow statement for the period
- notes, comprising a summary of significant accounting policies and other explanatory information
- comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 *Presentation of Financial Statements*

- a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 41 of AASB 101.

Grant expenses and other transfers are transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes.

Grants can be paid as general-purpose grants, which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants, which are paid for a particular purpose and/or have conditions attached regarding their use.

Notes to the financial statements

for the year ended 30 June 2022

Note 8. Other disclosures (cont'd)

Interest expense represents costs incurred in connection with borrowings. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of lease repayments, service concession financial liabilities and amortisation of discounts or premiums in relation to borrowings.

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

Leases are rights conveyed in a contract, or part of a contract, the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those classified as 'other non-owner movements in equity'.

Non-financial assets are all assets that are not financial assets and may include inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, cultural and heritage assets, intangibles and biological assets such as commercial forests.

Operating result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner movements in equity'. Refer also to 'net result'.

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. In simple terms, other economic flows are changes arising from

market remeasurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non produced) from their use or removal.

Payables includes short and long-term trade debt and accounts payable, grants, taxes and interest payable.

Produced assets include buildings, plant and equipment, inventories, cultivated assets and certain intangible assets. Intangible produced assets may include computer software, motion picture films and research and development costs (which does not include the start-up costs associated with capital projects).

Receivables include amounts owing from government through appropriation receivable, short and long-term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows into an entity such as depreciation, where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the Government.

Disclosure index

Legislation	Requirement	Page reference
Charter and purpose		
FRD 22H	Manner of establishment and the relevant Ministers	Page 1
FRD 22H	Purpose, functions, powers and duties	Page 1
FRD 22H	Initiatives and key achievements	Page 7
FRD 22H	Nature and range of services provided	Page 1
Management and structure		
FRD 22H	Organisational structure	Page 47
Financial and other information		
FRD 10A	Disclosure index	Page 128
FRD 11A	Disclosure of ex-gratia expenses	Page 123
FRD 21C	Responsible person and executive officer disclosures	Pages 118, 119, 120, 121, 122
FRD 22H	Application and operation of <i>Protected Disclosure 2012</i>	Page 68
FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	Page 67
FRD 22H	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	Page 67
FRD 22H	Details of consultancies over \$10,000	Page 65
FRD 22H	Details of consultancies under \$10,000	Page 65
FRD 22H	Employment and conduct principles	Page 61
FRD 22H	Information and communication technology expenditure	Page 66
FRD 22H	Major changes or factors affecting performance	Page 43
FRD 22H	Operational and budgetary objectives and performance against objectives	Page 39
FRD 22H	Summary of the entity's environmental performance	Page 69
FRD 22H	Significant changes in financial position during the year	Page 44
FRD 22H	Statement on National Competition Policy	Page 68
FRD 22H	Subsequent events	Page 44
FRD 22H	Summary of the financial results for the year	Page 42
FRD 22H	Additional information available on request	Page 70
FRD 22H	Workforce data disclosures including a statement on the application of employment and conduct principles	Page 61
FRD 25D	Local Jobs Disclosures	Page 68
FRD 29C	Workforce data disclosures	Page 61

Legislation	Requirement	Page reference
FRD 103H	Non-financial physical assets	Page 93
FRD 110A	Cash flow statements	Page 80
FRD 112D	Defined benefit superannuation obligations	Page 90
SD 5.2.3	Declaration in report of operations	Page 75
SD 3.7.1	Risk management framework and processes	Page 69
Other requirements under Standing Directions 5.2		
SD 5.2.2	Declaration in financial statements	Page 74
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	Page 74, 82
SD 5.2.1(a)	Compliance with Ministerial Directions	Page 82
Legislation		
	<i>Freedom of Information Act 1982</i>	Page 67
	<i>Protected Disclosure Act 2012</i>	Page 68
	<i>Local Jobs Disclosures</i>	Page 68
	<i>Building Act 1993</i>	Page 67
	<i>Financial Management Act 1994</i>	Page 67

Our origin

VicHealth (the Victorian Health Promotion Foundation) is the world's first health promotion foundation, created in 1987 with a mandate to promote good health. We were established with cross-party support by the State Parliament of Victoria with the statutory objectives mandated by the Tobacco Act 1987 (Vic) (the Act). The responsible minister is the Minister for Health, the Hon. Mary-Anne Thomas MP.

The objectives of VicHealth as set out in the Act are to:

- fund activity related to the promotion of good health, safety or the prevention and early detection of disease
- increase awareness of programs for promoting good health in the community through the sponsorship of sports, the arts and popular culture
- encourage healthy lifestyles in the community and support activities involving participation in healthy pursuits
- fund research and development activities in support of these objectives.

What we do

The functions of VicHealth as set out in the Act are to:

- promote its objectives
- make grants from the Health Promotion Fund for activities, facilities, projects or research programs in furtherance of the objectives of VicHealth
- provide sponsorships for sporting or cultural activities
- keep statistics and other records relating to the achievement of the objectives of VicHealth
- provide advice to the Minister on matters related to its objectives referred by the Minister to VicHealth and generally in relation to the achievement of its objectives
- make loans or otherwise provide financial accommodation for activities, facilities, projects or research programs in furtherance of the objectives of VicHealth
- consult regularly with relevant government departments and agencies and to liaise with persons and organisations affected by the operation of this Act
- perform such other functions as are conferred on VicHealth by this or any other Act.

VicHealth performs and manages these functions by:

- developing a strategic plan, including concept, context and operations
- initiating, facilitating and organising the development of projects and programs to fulfil the strategic plan
- ensuring an excellent standard of project management for all project and program grants paid by VicHealth
- developing systems to evaluate the impacts and outcomes of grants
- ensuring that such knowledge is transferred to the wider community.

Victorian Health Promotion Foundation

Melbourne Office
Level 2/355 Spencer St,
West Melbourne VIC 3003
T +61 3 9667 1333 F +61 3 9667 1375

vichealth@vichealth.vic.gov.au
vichealth.vic.gov.au
twitter.com/vichealth
facebook.com/vichealth

VicHealth acknowledges the support
of the Victorian Government.

© VicHealth 2022
August 2022
<https://doi.org/10.37309/2022.C11048>

