

ANNUAL REPORT + FINANCIAL STATEMENTS 2017

National Heart Foundation of Australia
(National Office and Group)

ABN 98 008 419 761

For the year ended 31 December 2017



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Directors and Office Bearers

Patron

His Excellency General the Honourable Sir Peter Cosgrove (ret'd)
Governor-General of the Commonwealth of Australia

Board of Directors

National President

Dr J A Johns AM MBBS, FRACP, FCSANZ

National Treasurer

Mr J Etherington, BEc, FCA, FAICD (from 29 May 2017)
Mr T M Roberts BArtsAcc, FCA, FAICD, FGLF (to 29 May 2017)

Directors

Associate Professor David Colquhoun MBBS, FRACP, FCSANZ
(from 23 October 2017)
Ms R Davies BEc, LLB (Hons), FAICD
Mr B S Delaney BCom, FCA, MAICD (to 23 October 2017)
Mr J Etherington, BEc, FCA, FAICD
Mrs Kate Hanslow, BA, LLB (Hons), TEP, GAICD
Ms D Heggie, MAICD, MCSP, Grad Dip (from 18 May 2017)
Dr M K Ilton, MBBA, FRACP
Mr T M Roberts BArtsAcc, FCA, FAICD, FGLF
Mr G Robson MEd, BCom (Hon), SFFINSIA FCAANZ
Mr B A Yvanovich BSc, MPA, FFIA

Representative of the Cardiac Society of Australia and New Zealand

Dr Jenny Deague MBBS, FRACP, PHD, FCSANZ, GAICD
(from 28 April 2017)

Additional Directors

Professor L Kritharides MB, BS, PhD, FRACP, FAHA, FCSANZ, FESC
Mr C B Taylor FFin, FPNA, MAICD, Chair National Finance Advisory
Committee (to 21 January 2017)
Mr D H Gillam BBus, FCPA, FAICD (to 29 May 2017)
Mr S R Larkin B.Ec M.Com(Hons) AAIBF DFP GAICD (to 10 February 2017)
Ms Jennifer Tucker LLB, BCom, Advanced Diploma Management
(Harvard), GDip Marketing, GAICD (from 29 May 2017)
Ms Cynthia Payne RN, DipApSc, BachApSc, MBA (from 29 May 2017)
Ms Alice Tay LLB, FGIA (from 29 May 2017)

Members

Mr R H Allert AO, FCA
Mr B J Carter, BEc, MBA, FCA, FAICD
Mr B J Davies OAM, FCA, FCPA
Professor G L Jennings AO, MBBS, MD, FAAHMS, FRACP, FRCP (London),
FAHA, FCSANZ, FHBRCA, MAICD
Mr L T Cox BEc, FCA
Professor P H Harris AM, BSc(Med)(Hons), MBBS(Hons), DPhil(Oxon),
FRACP, FACC, FAHA, FCSANZ
Mr H R Hope BCom, LLB, FAICD
Mr R V Ryan AO
Professor A M Tonkin OAM MBBS, MD, FRACP

Chief Executive Officer- National Adjunct Professor J G Kelly AM, BA (Hons), LLB, Grad Dip Leg Prac, FACN,
AFAM, MAICD, MAPS

Company Secretary

Ms D A Cope

Auditors

KPMG

Registered Office

Level 2, 850 Collins Street, Docklands, Victoria 3008

Preferred Postal Address

Level 2, 850 Collins Street, Docklands, Victoria 3008

National Heart Foundation of Australia (National Office and Group)

Directors' Report (continued)
for the year ended 31 December 2017

The directors present their report together with the financial report for the National Heart Foundation of Australia ("the Foundation") and the consolidated financial report of the consolidated entity ("Group"), being the Foundation and the State and Territory Divisions, for the year ended 31 December 2017 and auditors' report thereon.

Directors

The following directors of the Foundation, all of whom are independent, non-executive and held office at any time during or since the end of the financial year:

Name and qualifications	Experience and special responsibilities	Board Meetings Attended & held #	Appointment and resignation
Mr J Etherington BEc, FCA, FAICD (National Treasurer and Chair of NFAC)	Chartered Accountant; 28 years in public practice, including 16 years as a partner of Deloitte. Currently a non executive director on a range of public, private and not for profit organisations. National Treasurer and Chair of the National Heart Foundation Finance Advisory Committee, Member of the National Board Executive Group, Member of the Audit and Governance Committee	7/8	Appointed 15 May 2014
Ms R Davies BEc, LLB (hons), FAICD	Facilitator, Company Directors Course, AICD. Chancellor and Board member of, Juvenile Diabetes Research Foundation Australia and International. Director of Transparency International Australia; Catholic Healthcare Limited; The Actuator Operations Limited; and Chair, Palestrina Foundation and Deputy Chair Chris O'Brien Lifehouse. Member of Australian Health Ethics Committee, Health Innovations Advisory Committee and Community and Consumer Advisory Committee of NHMRC. Member Finance Council and the Catholic Development Fund Advisory Board, Archdiocese of Sydney. President of the National Heart Foundation of Australia (New South Wales Division).	8/8	Appointed 8 May 2014
Assoc. Professor David Colquhoun MBBS, FRACP, FCSANZ	Clinical Cardiologist. has been consulting at The Wesley Hospital since 1984. Does invasive and non-invasive cardiology and has a particular interest in preventative cardiology, nutrition and psychosocial factors for heart disease. Sub-specialities are lipidology, echocardiography and angiography. Commenced the non-invasive lab at The Wesley Hospital in 1984 which has continued to flourish and is now run by the HeartCare Partners. Conducted the first randomised clinical controlled trial in the hospital. Associate Professor of Medicine at the University of Queensland. President of the National Heart Foundation of Australia (Queensland Division).	2/3	Appointed 23 October 2017
Dr J Deague MBBS, FRACP, PHD, FCSANZ, GAICD (CSANZ Representative)	Currently Director of Cardiology at Joondalup Health Campus since 2012. Completed MBBS in 1990 at the University of Melbourne and then residency and Fellowship of the Royal Australasian College of Physicians at The Royal Melbourne Hospital. Completed a PhD entitled Family studies of heart size, diastolic filling and haemodynamics at the University of Melbourne whilst completing advanced training in echocardiography followed by postgraduate fellowship training in echocardiography at Massachusetts General Hospital and Harvard University. Returned to Perth in 2002 to take up a position as Head of the Echocardiography at Royal Perth Hospital and then worked in private practice at Hearts West and in public at Armadale Hospital coordinating undergraduate medical training (Notre Dame and University of Western Australia). Coordinates medical student education with the University of Western Australia and is a member of the Senior Leadership Team, Medical Advisory Committee and Clinical Review Committee at Joondalup Hospital. Assisting in developing an active research programme within cardiology department at Joondalup Hospital. Board member CSANZ and Presbyterian Ladies College in Perth. Graduate of the AICD.	6/6	Appointed 28 April 2017

National Heart Foundation of Australia (National Office and Group)

Directors' Report (continued)
for the year ended 31 December 2017

Mr B S Delaney BCom, FCA, MAICD	Chartered Accountant. Worked for PriceWaterhouseCoopers (PwC) for over 30 years. Recently retired from Public Practice but is still active with a few consultancies and Board Positions. Graduated from the University of Queensland with a Bachelor of Commerce in 1982. Became a Chartered Accountant in 1985 and worked in the UK for Coopers & Lybrand (now PwC) for 3 years before returning to Brisbane. Worked as a partner for PwC in both their Gold Coast and Brisbane firms until retirement in 2012. President of the National Heart Foundation of Australia (Queensland Division).	3/5	Appointed 8 May 2015 Resigned 23 October 2017
Mr D H Gillam BBus, FCPA, FAICD	Councillor and Member of the National Director Professional Development Committee of the Australian Institute of Company Directors. Former National Director of AICD. Member, National Heart Foundation of Australia, National Revenue and Brand Advisory Committee.	1/2	Appointed 27 May 2011 Resigned 15 May 2014 Appointed 23 May 2014 Resigned 29 May 2017
Ms K Hanslow BA, LLB (Hons), TEP, GAICD	Barrister and Solicitor, Member Law Society of Tasmania, Member AICD, Full Member Society of Trust and Estate Practitioners. Member National Heart Foundation of Australia Audit and Governance Committee. President of the National Heart Foundation of Australia (Tasmanian Division) and President of National Heart Foundation of Australia (Tasmania Division) Governance Committee.	8/8	Appointed 21 December 2016
M D Heggie MAICD, MCSP, Grad Dip	Over 25 years working in the Not For Profit sector with 10 years experience in executive roles. Current directorships include Chair of Peninsula Health, Director of Toorak College, the National Heart Foundation and the Abbotsford Convent Foundation, and a Foundation Board Member of the Heide Museum of Modern Art and President of National Heart Foundation (Victorian Division).	4/5	Appointed 18 May 2017
Dr M K Ilton MBBA, FRACP	Director of Cardiology, Royal Darwin Hospital and has been working as a Cardiologist in Darwin since 1997. Helped to establish the Echocardiographic service in Darwin, the outreach Cardiology and Echocardiographic Services throughout the NT (including at Alice Springs Hospital) and the Coronary Angiography service in Darwin in 2001. Has a long association with the Heart Foundation of Australia (Northern Territory Division), joining as Medical Advisor in 1998. Elected as Vice President of the National Heart Foundation of Australia (NT Division) in 2009 and then President in 2013.	8/8	Appointed 31 December 2013
Dr J A Johns AM MBBS, FRACP, FCSANZ (National President)	Cardiologist Austin and Epworth Healthcare; Vice President Australia Sri Lanka Medical Aid Team (AuSLMAT). Member Heart Foundation of Australia Cardiovascular Health Advisory Committee and Chair of the National Board Executive Group.	8/8	Appointed 15 May 2009 Elected President in May 2014
Professor L Kritharides MB, BS, PhD, FRACP, FAHA, FCSANZ, FESC (Chair Cardiovascular Health Advisory Committee)	Head of the Department of Cardiology at Concord Repatriation General Hospital (CRGH) Sydney and Professor in Medicine at the University of Sydney. Practises as a General and Interventional Cardiologist and leads the Atherosclerosis and Vascular Biology Group of the ANZAC Research Institute. Has published widely on biochemical, cellular and clinical aspects of heart disease. Is past Chair of the Scientific Committee of the Cardiac Society of Australia and New Zealand (CSANZ), currently chairs the Specialist Training Committee in Cardiology of the Royal Australian College of Physicians. Board Member and President elect (2018 – 2019) of the CSANZ and Chair of the Heart Research Institute in Sydney. Chair of the National Heart Foundation Cardiovascular Health Advisory Committee since 2013 and member of the National Board Executive Group.	7/8	Appointed 24 May 2013

National Heart Foundation of Australia (National Office and Group)

Directors' Report (continued)
for the year ended 31 December 2017

<p>Ms C Payne RN, DipApSc, BachApSc, MBA</p>	<p>A Registered Nurse with a Bachelor of Applied Science and an MBA who leads quality aged care provider, SummitCare across NSW as Chief Executive Officer. Member of AICD, Fellow with the Institute of Managers and Leaders, past Chair of the Arts Health Institute, The Australian Organisational Excellence Foundation. In NSW/ACT. She Chairs the leading Age Services Association Member Advisory Committee and has been a recipient of several Awards including GOLD for SummitCare under the Australian Business Excellence Framework.</p>	<p>5/6</p>	<p>Appointed 29 May 2017</p>
<p>Mr S R Larkin B.Ec M.Com(Hons) AAIBF DFP GAICD</p>	<p>Principal of Larkin Group, Chairman of the Larkin Group Advisory Board and Secretary of the not-for-profit Larkin Foundation Inc. He has maintained a Private Wealth Management focus for over 15 years through Trading (Market Making), Family Office Asset and Private Ancillary Fund Management, Wholesale Wealth Advisory and Expert Network positions in Australia, China and abroad. Senior university lecturer internationally for over a decade and writes a weekly column in the <i>Weekend Australian</i> newspaper. Is an active member of Philanthropy Australia's <i>New (Gen)eration of Giving</i> program; a group all under the age of 40, seeking to further Australia's philanthropic footprint and Graduate of the Australian Institute of Company Directors (GAICD). Board Member of the <i>Centre for Contemporary Photography</i> and Board member of the Art Gallery of Ballarat. Chair of the National Revenue & Brand Advisory Committee.</p>	<p>0/0</p>	<p>Appointed 10 August 2015 Resigned 10 February 2017</p>
<p>Mr T M Roberts BArtsAcc, FCA, FAICD, FGLF</p>	<p>Chartered Accountant for over 18 years; General Manager Institutional & Corporate Banking South Australia and Northern Territory for the Commonwealth Bank of Australia. Formerly a Partner in a Chartered Accounting firm and Finance Director and CFO of a Private Equity backed investment; fellow of the Institute of Chartered Accountants; Fellow of the AICD; member of FINSIA; Associate of ARITA; Fellow of the Governor's Leadership Foundation; former Treasurer of the National Heart Foundation of Australia; President of the National Heart Foundation of Australia (South Australia Division), member Audit and Governance Committee.</p>	<p>6/8</p>	<p>Appointed 25 May 2012</p>
<p>Mr G N Robson MEc, BCom (Hon), SFFINSIA FCAANZ (Chair Investment Committee)</p>	<p>Chartered Accountant in public practice specialising in accounting and tax for large superannuation funds. Formerly a lecturer in finance and accounting in universities in Melbourne and Perth and corporate lending manager with a major Australian bank. Honorary Treasurer for the WA Division from 2005 until 2014. President National Heart Foundation of Australia (WA Division), Chair of the Heart Foundation Investment Committee.</p>	<p>8/8</p>	<p>Appointed 29 May 2015 Resigned 1 March 2018</p>
<p>Ms A Tay LLB, FGIA (Chair of Audit & Governance Committee)</p>	<p>Partner at Meyer Vandenberg Lawyers, leading the firm's corporate and commercial law division in Canberra, delivering legal and advisory services to clients ranging from Commonwealth Government Authorities, SME's, industry associations, not-for-profits, small business and private clients. Chair of the National Audit and Governance Committee.</p>	<p>6/6</p>	<p>Appointed 29 May 2017</p>
<p>Mr C B Taylor FFin, FPNA, MAICD</p>	<p>Retired senior banking and finance executive with 33 years' experience; Chair National Heart Foundation of Australia Finance Advisory Committee; member National Board Executive Group; member of the Audit and Governance and Investment Committees; Life Member National Heart Foundation of Australia (South Australian Division).</p>	<p>0/0</p>	<p>Appointed 21 January 2008 Retired 18 January 2017</p>

Directors' Report (continued)

for the year ended 31 December 2017

Ms J Tucker LLB, BCom, Advanced Diploma Management (Harvard), GDip Marketing, GAICD	Joined in 2017 with over 15 years' experience in a range of senior marketing, sales and business leadership roles in the consumer products sector, and a proven track record in developing marketing and consumer experience platforms to accelerate innovation, consumer conversion and drive organisational change. Currently the Executive General Manager at Yates, a division of DuluxGroup Ltd.	4/6	Appointed 29 May 2017
Mr B A Yvanovich BSc, MPA, FFIA	Retired senior fundraiser and manager in higher education (ANU, ACU), government (Federal and ACT), Greening Australia and industry. Degrees in science (Flinders) and management (Canberra). Fellow of the Fundraising Institute. President National Heart Foundation of Australia (ACT Division). Member, National Brand and Revenue Advisory Committee.	8/8	Appointed 18 May 2015

Meetings of Committees Reporting to the Board

A summary of meetings held and attendances of National Board Members at advisory committees in 2017 is set out below:

	National Executive Group #	Cardiovascular Health Advisory Committee #	National Finance Advisory Committee #	Audit and Governance Committee #	National Revenue and Brand Advisory Committee ➤ #
Mr J Etherington	2/3		2/2	2/4	
Prof L Kritharides	3/3	4/4			
Dr J A Johns	3/3	4/4			
Mr T M Roberts	1/1		2/2	3/4	
Ms A Tay	2/3			2/3	
Mr B Yvanovich					1/1

These committees include other honoraries who are not directors of the National Heart Foundation of Australia.

➤ This committee is in recess pending the outcome of the discussions regarding the unification of the divisions into a single entity.

Corporate Governance Statement

The Foundation is a company limited by guarantee, incorporated under the *Corporations Act 2001* and registered under the Australian Charities and Not-For-Profits Commission (ACNC). Ultimate responsibility for the governance of the company rests with the Board of Directors. This corporate governance statement outlines how the Board meets that responsibility. The Board believes the principles of good corporate governance underpin the values and behaviour of the Foundation.

Role of the Board

The Board's primary role is to ensure that the activities of the Foundation are directed towards achieving its mission to reduce suffering and death from heart, stroke and blood vessel disease in Australia. The Board must ensure that this mission is achieved in the most efficient and effective way. The Foundation operates as part of a co-operative federation with Divisions in each of the other States and Territories of Australia with the relationships between all entities set out in Federation Agreement with the Divisions making grants to the National Heart Foundation of Australia to fund research and other health programs conducted on a National basis.

Oversight by the Board

The Board oversees and monitors the performance of management by:

- > Meeting at least six times during the year
- > Receiving detailed financial and other reports from management at those meetings
- > Receiving additional information and input from management when necessary
- > Assigning to the National Executive group, Cardiovascular Health Advisory Committee; the National Finance Advisory Committee; the Audit and Governance Committee; and National Revenue and Brand Advisory Committee responsibility to oversee particular aspects and provide advice on the operations and administration of the Foundation.

Each Board Committee operates under its own terms of reference approved by the Board.

Directors' Report (continued)
for the year ended 31 December 2017

Specific responsibilities of the Board

The Board fulfils its primary role by:

- > Selecting, appointing, guiding and monitoring the performance of the Chief Executive Officer ("CEO")
- > Developing the strategic plan of the Foundation in conjunction with the CEO and management
- > Approving operating and capital budgets developed by the CEO and management
- > Monitoring the progress of management in achievements against the strategic plan
- > Monitoring the adherence by management to operating and capital budgets
- > Ensuring the integrity of internal control, risk management and management information systems
- > Ensuring stakeholders receive regular reports, including financial reports
- > Ensuring the independence of the Foundation from government, industry and other groups in determining health and other policies and recommendations
- > Ensuring the Foundation complies with relevant legislation and regulations
- > Acting as an advocate for the Foundation whenever and wherever necessary

These responsibilities are set out in a *Corporate Governance Framework*, including a *Board Charter*.

Responsibilities of management

The Board has formally delegated responsibility for the day-to-day operations and administration of the Foundation to the CEO and executive management.

Board members

All Board members are independent, non-executive directors and act in an honorary capacity. The Constitution of the Foundation specifies:

- > The directors of the Foundation shall be the National President, the State Member Foundation Representatives, the Treasurer and up to a maximum of five additional directors appointed in accordance with the Constitution.
- > Other than for the position of Secretary, no person who is an employee of the Foundation, a State Member Foundation, or a local branch of a State Member Foundation, is eligible for nomination or appointment as an office bearer or director.
- > That at each Annual General Meeting a minimum of one third of the directors retire from office, but each is eligible for re-election.
- > That no director may serve more than a maximum of nine consecutive years before they become ineligible for re-election.
- > Each State Member Foundation Representative is appointed by his or her State or Territory and holds office as a director of the Foundation for the duration of their appointment by their Division. Usually, the appointee is the President of the Division.

The Board is the final authority on the operations of the Foundation and has complete responsibility for the control and the overall management of the affairs, funds and property of the Foundation. It oversees corporate strategy, policy and performance, thus helping protect the rights and interests of the Foundation, its employees, donors and stakeholders. The Board ensures it is well equipped with skills and expertise relevant to the Foundation's activities to make it a stable and effective governing body. The current Board's qualifications, skills, experience and responsibilities appear on pages 4-7. Management presentations to the Board enable directors to maintain knowledge of the business and operations of the Foundation. New Board members receive written advice of the terms and conditions of their appointment and are provided with an induction when first appointed. A formalised *Board Performance Evaluation* process is undertaken.

Risk management

The Board oversees the establishment, implementation, monitoring and regular review of the risk management system of the Foundation, which is designed to protect its reputation and manage those risks that might preclude it from achieving its mission. Management is responsible for establishing and implementing the risk management system which assesses, monitors and manages operational, financial reporting and compliance risks. The financial statements of the Foundation are subject to independent, external audit. Guidelines for internal controls have been adopted and compliance is reviewed bi-annually by independent staff from another Division. The Foundation has also appointed an external body to undertake the internal audit function.

Ethical standards and code of conduct

Board members, all staff and volunteers are expected to comply with relevant laws and codes of conduct of relevant professional bodies, and to act with integrity, compassion, fairness and honesty at all times when dealing with colleagues and any stakeholders in the mission of the Foundation. Board members, all staff and volunteers are provided with a copy of the Foundation's Code of Conduct policy during their induction to the organisation.

Involving stakeholders

The Foundation has many stakeholders, including its donors and supporters, its staff and volunteers, the broader community, its suppliers and other members of the National Heart Foundation of Australia co-operative federation. The Foundation adopts a consultative approach in dealing with its stakeholders. The Board has endorsed and is constantly reviewing the Foundation's policies and procedures that uphold the reputation and standing of the Foundation.

PRINCIPAL ACTIVITIES AND ACHIEVEMENT OF OBJECTIVES

The primary activities of the Foundation are directed towards achieving its mission to reduce suffering and death from heart, stroke and blood vessel disease in Australia through the support of research into the causes and cures of heart disease, the rehabilitation of sufferers from heart disease, professional and community education about heart disease, and the raising of funds to carry out this work. There were no significant changes in the nature of those activities during the year.

Directors' Report (continued)
for the year ended 31 December 2017

SHORT AND LONG-TERM OBJECTIVES AND STRATEGIES FOR ACHIEVING THESE OBJECTIVES

Alignment to strategic plan "For All Hearts"

The Foundation has a five-year strategic plan, "For All Hearts" 2013-2017, aligned directly with our vision for Australians to have the best cardiovascular health in the world and our mission to reduce suffering and death from heart, stroke and blood vessel disease in Australia. Through "For All Hearts", we will be focused on four goals;

- Healthy Hearts
- Heart Care
- Health Equity and
- Research.

The plan aims to unite and empower all Australians to transform our nation's heart health. Our aspirational goal is to link our work to supporting a global target of a 25% reduction in premature deaths by 2025, through curbing chronic disease risks (including cardiovascular disease).

Review of Results and Operations for Current Year

The consolidated comprehensive income for the year is a surplus of \$0.66million, a \$22.59 million decrease from the \$23.25 million surplus in 2016. The Foundation's comprehensive income is a surplus of \$0.92 million compared to a surplus of \$23.18 million in 2016. The consolidated results before other comprehensive income decreased significantly in 2017, reporting a deficit of \$5.23 million compared to a \$22.42 million surplus in 2016.

Total revenue from operating activities decreased when compared to the 2016 result returning \$59.51 million in 2017 compared to \$81.58 million in 2016. Bequest income which can fluctuate year on year was \$23.09 million compared to the extraordinary and highest ever amount received by the Foundation of \$44.07 million in 2016. The bequest returns in 2017 are more in line with the Foundation's average long-term income levels. This decrease of bequest income was also joined by a \$2.17 million decrease of non-bequest fundraising income which reflects the continuing challenge that the Foundation faces in raising funds to continue its mission. The Foundation is primarily supported by generous donations from the Australian public and is continuing to review and renew its fundraising efforts and programs to develop new initiatives and refresh existing activities to enable the growth of non-bequest income.

Total operating expenditure was \$68.71 million compared to the \$63.16 million in 2016. Health program expenditure increased by \$3.27m primarily funded by a \$2.81m increase in external funding. Fundraising expenditure decreased by \$1.74m following reviews and rationalisation of fundraising activities.

Research expenditure increased by \$2.03m to \$14.37m from \$12.34m in 2016. The Foundation funded a total of 230 Fellowships, Scholarships and Project Grants with the commencement of 84 new research awards in 2017. Due to the generous bequests received in 2016 the Foundation increased its research commitments in 2017 along with a special \$5.0 million grant for research into the prevention of stroke. Additionally, the Board has committed \$50 million to research funding over the 2018 to 2020 years. Financial support for previously awarded grants requiring payment in future periods totals \$30 million over the next four years.

Administration expenditure of \$4.44m includes costs to enhance the ICT platform and to support the unification process.

Net Finance returns have remained stable at \$4m. Returns from investments in shares and managed funds recorded in Other comprehensive income were \$5.89m, \$5.06 million more than 2016, reflecting an increase of \$4.17m in the market value of the Foundations investment portfolio along with a profit on trading of \$1.72m.

Overall, the Foundation performed to budgeted expectations in 2017 delivering significant programs while at the same time operating within the scope of its financial capacity and increasing its overall equity by \$0.66 million allowing future investment towards achieving its mission.

A comprehensive discussion about the activities of the Foundation and the Group can be found in the 2017 Annual Review.

Events Subsequent to Reporting Date

At 30 June 2018 the Federation Agreement will expire and will not be renewed. The National Heart Foundation of Australia divisions are currently in the process of unifying into a National entity. The boards of all the Divisions of the National Heart Foundation have resolved to recommend to their members at the Divisions' upcoming annual general meetings that the Division's entity unify into a National entity. Consequently, the National Heart Foundation of Australia has provided a legally enforceable irrevocable letter of support confirming their intention to financially support all Divisions. This support will be provided for twelve months from the date of signing the Divisions' 31st December 2017 financial report.

Likely Developments

The Foundation's implementation of its new One Heart Strategy 2018-2020 will continue unchanged should the unification into a National Entity occur.

Environmental Regulation

The Foundation's operations are not subject to any significant environmental regulations under both Commonwealth and State legislation. However, the Directors believe that the Foundation has adequate systems in place for the management of its environmental requirements and are not aware of any breach of those environmental requirements as they apply to the Foundation.

Rounding Off

The Foundation and the Group is of a kind referred to in ASIC Class Order 2016/191 dated 1 April 2016, and in accordance with that Class Order, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Directors' Report (continued)
for the year ended 31 December 2017

Insurance Premiums

Since the end of the previous financial year the Foundation has paid insurance premiums of \$15,952 (2016: \$14,685) in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former officers, including executive officers, of the Foundation and directors and executive officers of the State and Territory Divisions. The insurance premiums relate to:

- > costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- > other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The premiums were paid in respect of the directors and officers of the Foundation listed in this report, and do not contain details of premiums paid in respect of individual directors or officers.

Indemnification

During the year, the Foundation and the Group has not indemnified or made a relevant agreement for indemnifying against a liability, any person who is or has been an officer or auditor of the Foundation or the Group.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 45 and forms part of the directors' report for financial year 2017.

Signed in accordance with a resolution of the Directors.



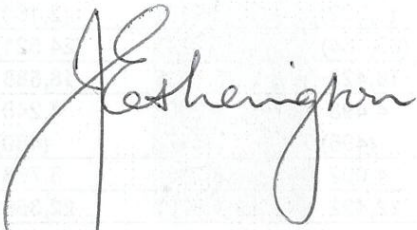
Dr Jennifer Johns AM
National President
Dated at Melbourne this 30th day of April 2018

Directors' Declaration
for the year ended 31 December 2017

In the opinion of the directors of National Heart Foundation of Australia ("the Foundation"):

- (a) the financial statements and notes, set out on pages 12 to 41, are in accordance with the Australian Charities and Not-For-Profits Commission Act 2012, including:
 - (i) giving a true and fair view of the Foundation and Group's financial position as at 31 December 2017 and of their performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Australian Charities and Not-For-Profits Regulations 2013; and
- (b) there are reasonable grounds to believe that the Foundation and Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



J Etherington
Director and Treasurer

Dated at Melbourne this 30th day of April 2018

Statements of Surplus or Deficit and Other Comprehensive Income
 for the year ended 31 December 2017

	Notes	Consolidated		The Foundation	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Revenue					
Revenue from operating activities	4	59,514	81,584	24,618	43,109
Total revenue		59,514	81,584	24,618	43,109
Net gain/(loss) on sale of property, plant and equipment		(102)	(7)	-	(27)
Research expenditure		(14,373)	(12,339)	(13,565)	(11,046)
Health programs (including those funded by grants)		(31,206)	(27,939)	(12,477)	(8,633)
Fundraising expenditure		(13,717)	(15,456)	(150)	(73)
Cost of goods sold		(4)	(13)	-	-
Communications and publicity		(4,871)	(4,208)	(3,261)	(2,578)
Administration		(4,441)	(3,202)	(3,918)	(2,164)
Total expenditure		(68,714)	(63,164)	(33,371)	(24,521)
Results from operating activities		(9,200)	18,420	(8,753)	18,588
Finance income		4,389	4,498	4,200	4,248
Finance costs		(417)	(496)	(417)	(480)
Net finance income/(cost)	6	3,972	4,002	3,783	3,768
Surplus/(deficit) for the year before tax		(5,228)	22,422	(4,970)	22,356
Income tax expense	3d	-	-	-	-
Surplus/(deficit) for the year after tax		(5,228)	22,422	(4,970)	22,356
Other comprehensive income					
Items that will not be reclassified to surplus or deficit					
Gains/(Losses) on sale and revaluation of equities/managed funds	6,15	5,890	826	5,890	826
Items that may be reclassified subsequently to surplus or deficit					
		-	-	-	-
Total other comprehensive income		5,890	826	5,890	826
Total comprehensive income for the year		662	23,248	920	23,182

Statement of Financial Position
 as at 31 December 2017

	Notes	Consolidated		The Foundation	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current assets					
Cash and cash equivalents	7a	26,241	33,847	13,469	17,369
Investments	9	624	15,393	602	15,372
Trade and other receivables	8	4,869	2,639	6,506	8,229
Property available for sale	10b	1,315	-	1,315	-
Inventories		92	99	90	98
Total current assets		33,141	51,978	21,982	41,068
Non-current assets					
Investments	9	86,363	60,093	86,363	60,090
Property, equipment and vehicles	10a	3,544	5,517	1,539	3,051
Intangibles	11	207	329	207	223
Total non-current assets		90,114	65,939	88,109	63,364
Total assets		123,255	117,917	110,091	104,432
Current liabilities					
Trade and other payables	12	5,623	2,767	4,923	2,700
Grant income deferred	13	9,506	7,207	3,670	984
Employee benefits	14	2,878	3,032	888	1,152
Provisions	17	14	410	-	-
Total current liabilities		18,021	13,416	9,481	4,836
Non-current liabilities					
Employee benefits	14	193	296	44	115
Provisions	17	459	285	165	-
Total non-current liabilities		652	581	209	115
Total liabilities		18,673	13,997	9,690	4,951
Net assets		104,582	103,920	100,401	99,481
Equity					
Reserves		40,335	33,349	36,427	30,686
Retained earnings		64,247	70,571	63,974	68,795
Total equity	15	104,582	103,920	100,401	99,481

National Heart Foundation of Australia (National Office and Group)

Statements of Changes in Equity
for the year ended 31 December 2017

	Notes	Consolidated					The Foundation				
		Fair Value Reserve	Nutrition research & health Reserve	Specific/ Restricted Reserve	Retained earnings	Total Equity	Fair Value Reserve	Nutrition research & health Reserve	Specific/ Restricted Reserve	Retained earnings	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2016		5,933	1,000	20,419	53,320	80,672	5,933	1,000	19,232	50,134	76,299
Comprehensive income for the period											
Surplus/(Deficit) for the period		-	-	-	22,422	22,422	-	-	-	22,356	22,356
Other comprehensive income											
Gains/(Losses) on sale of equities/managed funds	6	-	-	-	(161)	(161)	-	-	-	(161)	(161)
Net change in fair value of financial assets	6	987	-	-	-	987	987	-	-	-	987
Transfer (from)/to retained earnings	15	-	-	5,010	(5,010)	-	-	-	3,534	(3,534)	-
Total other comprehensive income		987	-	5,010	(5,171)	826	987	-	3,534	(3,695)	826
Total comprehensive income for the period		987	-	5,010	17,251	23,248	987	-	3,534	18,661	23,182
Balance as at 31 December 2016		6,920	1,000	25,429	70,571	103,920	6,920	1,000	22,766	68,795	99,481
Balance as at 1 January 2017		6,920	1,000	25,429	70,571	103,920	6,920	1,000	22,766	68,795	99,481
Comprehensive income for the period											
Surplus/(Deficit) for the period		-	-	-	(5,228)	(5,228)	-	-	-	(4,970)	(4,970)
Other comprehensive income											
Gains/(Losses) on sale of equities/managed funds	6	-	-	-	1,724	1,724	-	-	-	1,724	1,724
Net change in fair value of financial assets	6	4,166	-	-	-	4,166	4,166	-	-	-	4,166
Transfer (from)/to retained earnings	15	-	(1,000)	3,820	(2,820)	-	-	(1,000)	2,575	(1,575)	-
Total other comprehensive income		4,166	(1,000)	3,820	(1,096)	5,890	4,166	(1,000)	2,575	149	5,890
Total comprehensive income for the period		4,166	(1,000)	3,820	(6,324)	662	4,166	(1,000)	2,575	(4,821)	920
Balance as at 31 December 2017		11,086	-	29,249	64,247	104,582	11,086	-	25,341	63,974	100,401

The notes on pages 16 to 41 are an integral part of these financial statements

Statements of Cash Flows

for the year ended 31 December 2017

	Notes	Consolidated		The Foundation	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash flows from operating activities					
Cash receipts in the course of operations		62,438	74,965	13,431	9,591
Cash payments in the course of operations		(70,053)	(65,613)	(43,106)	(35,566)
Net grants made to National Heart Foundation of Australia		-	-	25,943	32,639
Net financial income		4,540	4,165	4,352	3,892
Net cash(used in)/from operating activities	7b	(3,075)	13,517	620	10,556
Cash flows from investing activities					
Proceeds from sale of property, equipment and vehicles		57	69	-	-
Acquisition of property, equipment, vehicles and computer software		(237)	(373)	(172)	(142)
Proceeds from sale of investments		30,212	32,174	30,213	32,174
Acquisition of investments		(34,563)	(41,430)	(34,561)	(41,429)
Net cash (used in)/from investing activities		(4,531)	(9,560)	(4,520)	(9,397)
Cash flows from financing activities					
Net cash from financing activities		-	-	-	-
Net increase in cash and cash equivalents		(7,606)	3,957	(3,900)	1,159
Cash and cash equivalents at 1 January		33,847	29,890	17,369	16,210
Cash and cash equivalents at 31 December	7a	26,241	33,847	13,469	17,369

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2017

1 Reporting entity

The National Heart Foundation of Australia (the "Foundation") (ABN: 98 008 419 761) is a company domiciled in Australia. The address of the Foundation's registered office is Level 2, 850 Collins Street, Docklands, Victoria 3008. The Foundation is a not for profit charity, registered under the Australian Charities and Not-For-Profits Commission (ACNC), devoted to reducing suffering and death from heart, stroke and blood vessel disease in Australia. The consolidated financial statements of the Foundation as at and for the year ended 31 December 2017 comprise the Foundation and the State and Territory Divisions (together referred to as the "Group" and individually as the "Divisions").

2 Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Australian Charities and Not-For-Profits Commission Act 2012. The financial report was authorised for issue by the directors on 30th April 2018.

(b) Basis of measurement

The financial report is prepared on the historical cost basis except for equity and bond instruments which are measured at fair value.

(c) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Foundation's functional currency. The Foundation is of a kind referred to in ASIC Class Order 2016/191 dated 1 April 2016, and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. 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 estimates are revised and any future periods affected.

Significant accounting judgments

The Foundation has entered into leases of premises and office equipment as disclosed in note 16. Management has determined that all of the risks and rewards of ownership of these premises and equipment remain with the lessor and has therefore classified the leases as operating leases.

Significant accounting estimates and assumptions

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Make good provisions

Provisions for future costs to return certain leased premises to their original condition are based on the Foundation's past experience with similar premises and estimates of likely restoration costs determined by the property manager of the leased premises. These estimates may vary from the actual costs incurred as a result of conditions existing at the date the premises are vacated. Refer to note 17.

(ii) Provisions for employee benefits

Provisions for employee benefits payable after 12 months from the reporting date are based on future wage and salary levels, experience of employee departures, and periods of service, as discussed in note 3(l). The amount of these provisions would change should any of these factors change in the next 12 months. Refer to note 14.

(iii) Valuation of investments

Investments in listed equity securities are classified as fair value through other comprehensive income and movements in fair value are recognised directly in equity. The fair value of listed securities has been determined by reference to published price quotations in an active market. Investments in debt instruments (bonds) are classified at fair value through profit and loss and movements in fair value are recognised directly in the Surplus or Deficit. The fair value of debt instruments has been determined by reference to published price quotations in an active market.

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2017

2 Basis of preparation (continued)

(e) Changes in accounting policies

The Foundation has consistently applied the accounting policies set out in note 3 to all periods presented in these financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in this financial report.

(a) Basis of consolidation

The State and Territory Divisions in Queensland, New South Wales, Victoria, South Australia, Western Australia, Tasmania, Australian Capital Territory and Northern Territory (“the Divisions”) are separately incorporated, and each Division is a member of the National Heart Foundation of Australia. The consolidated financial statements comprise the financial statements of the Foundation and the Divisions. Intra-entity balances and transactions are eliminated in preparing the consolidated financial statements. The accounting policies of Divisions and Territories have been changed when necessary to align them with the policies adopted by the National Heart Foundation of Australia.

(b) Revenue recognition

(i) Charitable support

Revenue is received from appeals, donations, fundraising events and is brought to account on a cash received basis. When assets, such as cash, investments or properties, are received from a bequest, an asset and corresponding revenue is recognised, at fair value, when the Foundation or a Division gains control of such assets and the value of the asset can be reliably measured.

(ii) Interest and dividend revenue and distributions from managed funds

Interest revenue is recognised as it accrues on a daily basis. Dividend revenue is recognised when the right to receive payment is established. Where dividends are franked the dividend is recognised inclusive of imputation credits, which are refunded by the ATO. Distributions from managed investment funds are recognised as revenue in the period to which they relate.

(iii) Grants for health programs and research (deferred income)

Grants received for specific health programs or research are recognised as income only to the extent of work completed on those projects. Any funds attributable to work still to be completed are carried forward as grant income deferred as recognised in note 13. In the circumstances where the terms of the grants stipulate that any unexpended funds are to be returned to the sponsor these unexpended funds are held as deferred income until such time as they are returned to the funding body.

(iv) Food Information Program

Licence fees received from this program are recognised upon the signing of the contract. Licences are provided on a 12 to 36 month basis and subject to conditions of the contract. All remaining licences are due to expire.

(v) Grants from states and territories

Grants from the Divisions to the Foundation are recognised as revenue on an accrual basis and in accordance with the Federation Agreement between the Foundation and the Divisions.

(vi) Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. Revenue from the sale of goods is recognised when control of the goods passes to the customer.

(vii) Services of volunteers

A substantial number of volunteers, including directors and members of committees, donate a significant amount of their time to the activities of the Foundation. School children across Australia also supported the Foundation by participating and raising funds through the Jump Rope for Heart programs. In 2017, 1,400 schools across the country registered to participate in the Heart Foundations Jump Rope for Heart and Jump Rope for Heart Outreach programs. The program engaged an estimated 330,000 children, their families and over 1,400 teachers in physical activity. The Foundation's 2017 door knock program saw the recruitment of 11,537 volunteer collectors.

However, as no objective basis exists for recording and assigning values to these services, they are not reflected in the financial statements as either revenue or expenses.

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2017

3 Significant accounting policies (continued)**(c) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"). Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office ("ATO") is included as a current asset or current liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis.

(d) Income tax

The Foundation and the Divisions are exempt from paying income tax due to being a charitable institution in terms of section 50(5) of the Income Tax Assessment Act 1997. The Foundation and Divisions are also endorsed as Deductible Gift Recipients and fall under item 1 of the table in section 30-15 of the Income Tax Assessment Act 1997. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Inventories

Inventories, representing publications held for resale, are measured at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs and include purchase prices plus design and freight costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of disposal.

(f) Property, equipment and vehicles**(i) Recognition and measurement**

Items of property, equipment and vehicles are measured at cost less accumulated depreciation and impairment losses (refer to note 3(k)(ii)). Cost includes expenditure directly attributable to the acquisition of the asset. Such assets are recognised/derecognised by the Foundation on the date it commits to purchase/sell each item. All of the items of property owned by the Group are occupied wholly or predominantly by the Divisions. Gains and losses on disposal of an item of property, equipment and vehicles, are determined by comparing the proceeds from the disposal with the carrying amount of property, equipment and vehicles and are recognised on a net basis in the Statement of Surplus or Deficit and Other Comprehensive Income.

(ii) Depreciation

Depreciation is charged to the Statement of Surplus or Deficit and Other Comprehensive Income on a straight-line basis over the estimated useful lives of each item of property, equipment and vehicles from the date they are acquired and are ready for use. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

> buildings	40 years
> leasehold improvements	5 - 10 years
> office furniture and equipment	3 - 10 years
> motor vehicles	6 - 7 years

Depreciation methods, remaining useful lives and the residual values of individual assets, if not insignificant, are reviewed at each reporting date.

(ii) Reclassification to assets held for sale

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held-for-sale, property, plant and equipment are no longer depreciated.

(g) Leased assets including property and equipment

Leases in terms of which the Foundation and/or a Division assume substantially all the risks and benefits of ownership are classified as finance leases. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by payments made. The interest components of the lease payments are expensed. There have been no finance leases during the periods covered by these financial statements.

Other leases are classified as operating leases and payments are expensed on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease. The Foundation and/or a Division recognises lease periods as the initial term specified in the lease and renewal options are treated as separate leases should the Foundation and/or a Division elect to extend the lease period beyond the initial term. The leased assets are not recognised on the Foundation's and/or a Division's Statement of Financial Position, however, in accordance with lease terms, future obligations have been recognised on the Foundation's and/or Division's Statement of Financial Position for the costs of restoring leased premises to conditions as set out in the lease agreement. This future obligation will be adjusted annually to reflect increases in CPI (refer to note 17).

Determining whether an arrangement contains a lease

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2017

3 Significant accounting policies (continued)**(g) Leased assets including property and equipment (continued)**

At the inception of an arrangement, the Foundation determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Foundation the right to control the underlying asset. At inception or upon reassessment of the arrangement, the Foundation separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

(h) Intangible assets**(i) Computer software**

Significant items of computer software are stated at cost less accumulated amortisation and impairment losses. Minor expenditure on computer software is expensed as incurred.

(ii) Amortisation

Amortisation is charged to the Statement of Surplus or Deficit and Other Comprehensive Income on a straight-line basis over the estimated useful lives of each item of computer software from the date it is acquired and is ready for use. Estimated useful lives are deemed to be 2-3 years. Remaining useful lives are reassessed annually. No residual value is assumed.

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date when they originated. All other financial assets are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value. If the financial asset is not subsequently measured at fair value through Surplus or Deficit, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. The Group subsequently measures financial assets at either amortised cost or fair value.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. On initial recognition, the Group classifies its financial assets as subsequently measured at either amortised cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

(i) Fair Value through Other Comprehensive Income

Investments in equity instruments are held directly or through managed investment funds and are classified and measured at fair value. The fair value of equity instruments is their quoted bid price as at the statement of financial position date. Any resultant gain or loss from cost whether related to market movement or from derecognition of the instrument is recognised directly in other comprehensive income. Investments classified as fair value are recognised/derecognised by the Group on the date it commits to purchase/sell the investments.

(ii) Amortised cost

Term deposits maturing beyond 90 days that are held directly, are classified and measured at amortised cost. Any differential between face or maturity value and cost is recognised in the Statement of Surplus or Deficit and Other Comprehensive Income over the remaining term to maturity of each instrument. If an amortised costs investment is considered to be impaired such impairment is recognised directly in the Statement of Surplus or Deficit and Other Comprehensive Income. Investments classified at amortised cost are recognised/derecognised by the Group on the date it commits to purchase/sell the investments.

(iii) Fair Value through Surplus or Deficit

Investments in debt instruments (bonds) are classified and measured at fair value. The fair value of debt instruments is their quoted bid price as at the statement of financial position date. Any resultant gain or loss from cost whether related to market movement or from derecognition of the instrument is recognised directly in the Surplus or Deficit. Investments classified as fair value are recognised/derecognised by the Group on the date it commits to purchase/sell the investments.

(iv) Other financial instruments

A financial instrument is recognised on the date the Group and/or Division becomes party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's and/or a Division's contractual rights to the cash flows from the financial assets expire. Purchases and sales of financial assets are accounted for at trade date. Accounting for finance income and finance cost is discussed in note 3(o). Other non-derivative financial instruments are measured at amortised costs using effective interest method, less any impairment losses.

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2017

3 Significant accounting policies (continued)**(i) Non-derivative financial assets (continued)****Share capital**

The Foundation has no issued capital and is a company limited by guarantee. If the Foundation is wound up each member would have a liability of an amount not exceeding \$20. Refer note 20.

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank accounts and short term deposits maturing within 90 days and are stated at fair value. Bonds and term deposits maturing beyond 90 days are classified as investments. Trade and other receivables are stated at cost less impairment losses, this being equivalent to fair value. Refer to note 3(k)(i).

Trade and other receivables

Trade and other receivables are stated at cost less impairment losses, this being equivalent to fair value. Refer to note 3(k)(i).

(j) Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group classifies all other non-derivative financial liabilities into the amortised cost measurement category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Financial liabilities comprise trade and other payables that are stated at cost, this being equivalent to fair value. Research grants and fellowships are payable generally by quarterly instalments over a period of up to three years. Liabilities are recognised for these payments as they become due and payable, with the balance of the approved grants and fellowships recorded as unenforceable commitments.

(k) Impairment**(i) Non-derivative financial assets including receivables**

Each financial asset not classified at fair value through surplus or deficit is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset and can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount by the Foundation and/or a Division on terms that the Foundation and/or Division would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security. An impairment loss in respect of amortised cost investments is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at an appropriate effective interest rate and is recognised directly in the Surplus or Deficit. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised and is recorded as an amortisation adjustment between face and maturity values over the remaining period to maturity.

(ii) Non-financial assets

The carrying amounts of non-financial assets, other than inventory, are reviewed at each reporting date to determine whether there is any objective evidence that they are impaired. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss for an individual asset measured under the cost model is recognised in the Statement of Surplus or Deficit and Other Comprehensive Income, whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The reversal is recognised in the Statement of Surplus or Deficit and Other Comprehensive Income to the extent that an impairment loss was previously recognised in the Statement of Surplus or Deficit and Other Comprehensive Income. The recoverable amount of an asset is the greater of its depreciated replacement cost and its fair value less costs to sell. Depreciated replacement cost is defined as the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. The current replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Impairment losses are recognised in Surplus or Deficit. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the unit (group of units) on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2017

3 Significant accounting policies (continued)

(k) Impairment (continued)

exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. As the future economic benefits of the asset are not primarily dependent on the asset's ability to generate cash inflows, value in use is the depreciated replacement cost of the asset concerned.

(l) Employee benefits

(i) Short term benefits

The provisions for employee entitlements to wages, salaries, annual and paid maternity leave represent obligations resulting from employees' services provided up to reporting date, that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees rendered the related services. These are calculated at undiscounted amounts based on wage and salary rates, including related on-costs, which the Foundation or the Divisions expect to pay at each reporting date. Short term employee benefits are expensed as the related service is provided.

(ii) Other long term benefits

The provisions for employee entitlements to long service leave represent legal and constructive obligations resulting from employees' services provided up to reporting date, that are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees rendered the related services. These are calculated at actuarial present values based on wage and salary rates, including related on-costs, which the Foundation or the Divisions expect to pay at each reporting date using

> assumed rate of future increases in wage and salary rates: 2017: 3.0% (2016: 3.0%)

> discount rate based on corporate securities which most closely match the terms to maturity of the related liabilities: 2017: 3.81% (2016: 2.79%)

> expected settlement dates: 2017: 2 years (2016: 2 years)

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided up to reporting date. The provision is calculated using the following weighted averages:

> assumed rate of future increases in wage and salary rates: 2017: 3.0% (2016: 3.0%)

> discount rate based on corporate securities which most closely match the terms to maturity of the related liabilities: 2017: 3.81% (2016: 2.79%)

> expected settlement dates based on turnover history: 2017:15 years (2016: 15 years)

(m) Provisions

A provision is recognised if, as a result of a past event, the Foundation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the true value of money and risks specific to the liability. Provisions consist of operating leases expenses, office lease incentives deferred and make good of leased premises. The unwinding of the discount is recognised as a finance cost (refer to note 17).

(n) Segment reporting

The Foundation and the Divisions operate in only one business segment as a charity. The Foundation operates in one geographical segment (Australia), with each Division operating in individual State and Territories as disclosed in note 21.

(o) Finance income and finance costs

Finance income comprises interest income, dividend income and gains on disposal of financial assets. Finance costs comprise management fees, losses on disposal and impairment of financial assets.

(p) Financial risk management

The Foundation and/or Divisions have exposure to the following risks from their use of financial instruments:

> credit risk

> liquidity risk

> market risk

> operational risk

Further details in respect of each of these risks are set out in note 23 Financial Instruments. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Foundation and/or Divisions, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Foundation and/or Divisions activities. The Foundation and/or Divisions, through their training and management

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2017

3 Significant accounting policies (continued)

(p) Financial risk management (continued)

standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain supporter, donor, creditor and market confidence and to sustain future development of the business. There were no changes in the Foundation and/or Divisions approach to capital management during the year. The Foundation and/or Divisions are not subject to externally imposed capital requirements.

Economic dependency

The Foundation and the State and Territory Divisions operate as a co-operative federation. Virtually all revenue from charitable support is received by the Divisions, however most expenditure on research and certain health programs is spent by the Foundation. The Foundation relies on the distribution of net grants from the Divisions to fund its commitments. Such grants are receivable under the terms of the Federation Agreement between the Foundation and each of the Divisions. The Federation Agreement also provides funding to the Foundation in the event that there are insufficient funds internally generated to support an adequate level of working capital to deliver the business plan approved by the Board.

(q) New standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 and have not been applied in preparing these financial statements. Those which may be relevant to the Foundation are set out below. The Foundation does not plan to adopt these standards early.

Not-for-profit (NFP) entities will account for income under either AASB 15 or the new NFP specific standard.

AASB 15 Revenue from Contracts with Customers

AASB 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The application of AASB 15 for not-for-profit entities is for financial years beginning 1 January 2019.

Where such a transaction meets the requirements of AASB 15 Revenue from Contracts with Customers, revenue will be recognised in accordance with the requirements of this standard. To assist NFPs apply AASB 15 to their circumstances, specific implementation guidance and illustrative examples have been inserted into AASB 15.

AASB 1058 Income of Not-for-Profit Entities

AASB 1058 replaces the income recognition requirements relating to private sector NFP entities, as well as the majority of income recognition requirements relating to public sector NFP entities previously reflected in AASB 1004 Contributions for financial years beginning 1 January 2019 onwards.

AASB 1058 establishes principles for NFP entities that apply specifically to transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a NFP entity to further its objectives and to volunteer services received.

The accounting guidance applied is driven by whether the agreement is enforceable and contains performance obligations. NFP entities will assess which standard is applicable for each individual agreement.

AASB 16 Leases

AASB 16 removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the lease accounting requirements.

There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. Early adoption will be permitted for entities that also adopt AASB 153

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2017

3 Significant accounting policies (continued)

(r) Determination of fair values

A number of the Group's accounting policies and disclosures required the determination of fair value. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

(i) Equity and debt securities

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.

(ii) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2017

	Consolidated		The Foundation	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
4 Revenue from operating activities				
Charitable support - bequests	23,085	44,072	402	5,836
Charitable support - non-bequests	18,388	20,554	15	12
Sale of goods	29	112	18	48
<i>Total revenue from fundraising activities</i>	41,502	64,738	435	5,896
Net grants from Divisions (note 21)	-	-	16,040	31,779
Government non-reciprocal grants	64	63	-	-
Grants for specific health programs - Government	13,217	9,557	5,787	1,292
Grants for specific health programs and research - other	2,803	3,656	380	472
Food Information Program	669	1,410	669	1,410
Other	1,259	2,160	1,307	2,260
<i>Total revenue from other operating activities</i>	18,012	16,846	24,183	37,213
Total revenue from operating activities	59,514	81,584	24,618	43,109
	2017	2016	2017	2016
	\$	\$	\$	\$
5 Auditors' remuneration				
KPMG Australia: Audit services	209,470	216,808	53,913	52,962
KPMG Australia: Other services	19,248	36,790	-	6,201
Total Auditors remuneration	228,718	253,598	53,913	59,163
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
6 Finance income and costs				
Recognised in Surplus/(Deficit)				
Interest income	1,374	948	1,250	754
Dividend income and distributions from managed funds	3,015	3,412	2,950	3,356
Realised gain on disposal of bonds	-	138	-	138
Finance income	4,389	4,498	4,200	4,248
Impairment/ realised loss on trade receivables	(30)	(8)	(30)	-
Fair Value Market movement/amortisation of bonds	(13)	(233)	(13)	(233)
Fees of external investment managers	(161)	(198)	(161)	(190)
Realised loss on disposal of bonds	(213)	(57)	(213)	(57)
Finance costs	(417)	(496)	(417)	(480)
Net finance income and costs recognised in Surplus/(Deficit)	3,972	4,002	3,783	3,768
Recognised in other comprehensive income				
Impairment recovery on shares/managed fund units	906	45	906	45
Realised gain on disposal of shares	1,225	2,418	1,225	2,418
Realised (loss) on disposal of shares	(407)	(2,624)	(407)	(2,624)
Net surplus/(deficit) taken directly to retained earnings	1,724	(161)	1,724	(161)
Net fair value increments/(decrements) of financial assets	4,166	987	4,166	987
Net finance income and costs recognised in Other Comprehensive Income	5,890	826	5,890	826

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2017

	Consolidated		The Foundation	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
7a Cash and cash equivalents				
Cash and cash equivalents include bank accounts and short term deposits maturing within 90 days paying interest rates of 0% to 2.51% (2016: 0% to 2.60%).	26,241	33,847	13,469	17,369
	26,241	33,847	13,469	17,369
The Foundation's and Group's exposure to interest rate risk for financial assets and liabilities are disclosed in note 23. The carrying value of cash and cash equivalents is equal to fair value.				
7b Reconciliation of cash flows from operating activities				
Net surplus / (deficit) from ordinary activities	(5,228)	22,422	(4,970)	22,356
Adjustments for:				
Depreciation/Amortisation	940	1,022	386	474
Make good / Restoration	(98)	(39)	6	-
Operating lease expense obligations incurred	-	-	159	-
Investments acquired for nil consideration via bequests	(1,417)	(6,856)	(1,417)	(7,127)
Realised net loss/(gain) on disposal of bonds & other assets	156	152	145	152
Net loss/(gain) on disposal of property, equipment and vehicles	(3)	7	-	27
Office lease incentives deferred	27	27	-	-
Net cash from operating activities before changes in working capital and provisions	(5,623)	16,735	(5,691)	15,882
(Increase)/decrease in receivables	(1,674)	402	2,287	(4,605)
(Increase)/decrease in grants income accrued	(556)	77	(565)	(8)
(Increase)/decrease in inventories	7	66	8	64
Increase/(decrease) in payables	2,856	(300)	2,224	272
Increase/(decrease) in grants income deferred	2,299	(3,257)	2,686	(1,172)
Increase/(decrease) in employee benefits	(257)	132	(335)	123
Increase/(decrease) in provisions	(127)	(338)	6	-
Net cash from operating activities	(3,075)	13,517	620	10,556
8 Trade and other receivables				
Trade receivables owing by other National Heart Foundation divisions	-	-	3,721	6,318
Grants income accrued	603	47	595	30
Other receivables and prepayments	4,266	2,592	2,190	1,881
	4,869	2,639	6,506	8,229

The carrying value of trade and other receivables is equal to fair value. The Foundation's and Group's exposure to credit risk relates to trade and other receivables is disclosed in note 23.

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2017

	Consolidated		The Foundation	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
9 Investments				
Current investments				
Term deposits maturing over 90 days	624	15,096	602	15,075
Bonds paying interest rates of 0% (2016 4.75%).	-	297	-	297
	624	15,393	602	15,372
Non-current investments				
Listed shares	28,202	30,650	28,202	30,647
Unlisted units in managed funds	37,898	19,727	37,898	19,727
Bonds paying interest rates of 1.5% to 6.00% (2016: 2.5% to 6.25%).	20,263	9,716	20,263	9,716
	86,363	60,093	86,363	60,090
	86,987	75,486	86,965	75,462

The carrying value of investments is equal to fair value. The Foundation's and Group's exposure to interest rate risk and equity price risk are disclosed in note 23.

Investment policy

The excess of the equity funds of the Foundation over a calculated solvency buffer and the use of those funds on basic infrastructure (including freehold properties) is calculated each year as part of the annual budget process. 75% of that excess is then deemed to be available for investment.

The share and bond investments are managed by external fund managers overseen by an Investment Committee comprising directors and non-executive volunteers with investment expertise. The cash components are managed by Foundation finance staff but are also overseen by the Investment Committee.

Notes to the consolidated Financial Statements (continued)
for the year ended 31 December 2017

10a Property, equipment and vehicles

	Consolidated						The Foundation			
	Freehold land	Buildings	Leasehold improvements	Office furniture & equipment	Motor vehicles	Total	Freehold land	Buildings	Office furniture & equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2016	2,160	3,451	3,547	5,185	385	14,728	1,050	2,494	1,670	5,214
Acquisitions	-	10	30	59	112	211	-	10	38	48
Disposals	-	(267)	-	(29)	(104)	(400)	-	-	(2)	(2)
Balance at 31 December 2016	2,160	3,194	3,577	5,215	393	14,539	1,050	2,504	1,706	5,260
Balance at 1 January 2017	2,160	3,194	3,577	5,215	393	14,539	1,050	2,504	1,706	5,260
Acquisitions	-	-	13	80	39	132	-	-	67	67
Transfer to Property available for sale	(500)	(1,321)	-	-	-	(1,821)	(500)	(1,321)	-	(1,821)
Disposals	-	-	(1,469)	(677)	(73)	(2,219)	-	-	-	-
Balance at 31 December 2017	1,660	1,873	2,121	4,618	359	10,631	550	1,183	1,773	3,506

Depreciation & Impairment losses

Balance at 1 January 2016	-	966	3,044	4,044	225	8,279	-	785	1,144	1,929
Depreciation charge for the year	-	81	222	465	61	829	-	64	217	281
Disposals	-	-	-	(25)	(61)	(86)	-	-	(1)	(1)
Balance at 31 December 2016	-	1,047	3,266	4,484	225	9,022	-	849	1,360	2,209
Balance at 1 January 2017	-	1,047	3,266	4,484	225	9,022	-	849	1,360	2,209
Depreciation charge for the year	-	78	192	392	51	713	-	61	204	265
Transfer to Property available for sale	-	(506)	-	-	-	(506)	-	(506)	-	(506)
Disposals	-	-	(1,467)	(639)	(36)	(2,142)	-	-	(1)	(1)
Balance at 31 December 2017	-	619	1,991	4,237	240	7,087	-	404	1,563	1,967

Carrying amounts

At 1 January 2016	2,160	2,485	503	1,141	160	6,449	1,050	1,709	526	3,285
At 31 December 2016	2,160	2,147	311	731	168	5,517	1,050	1,655	346	3,051
At 1 January 2017	2,160	2,147	311	731	168	5,517	1,050	1,655	346	3,051
At 31 December 2017	1,660	1,254	130	381	119	3,544	550	779	210	1,539

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2017

10b Property available for sale

	Consolidated			The Foundation		
	Freehold land available for sale	Buildings available for sale	Total	Freehold land available for sale	Buildings available for sale	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2017	-	-	-	-	-	-
Transfer from Property, equipment and vehicles	500	1,321	1,821	500	1,321	1,821
Balance at 31 December 2017	500	1,321	1,821	500	1,321	1,821
Depreciation & Impairment losses						
Balance at 1 January 2017	-	-	-	-	-	-
Transfer from Property, equipment and vehicles	-	506	506	-	506	506
Balance at 31 December 2017	-	506	506	-	506	506
Carrying amounts						
At 1 January 2017	-	-	-	-	-	-
At 31 December 2017	500	815	1,315	500	815	1,315

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2017

	Consolidated		The Foundation	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
11 Intangibles				
Computer software				
Cost				
Balance at 1 January	2,704	2,541	2,573	2,480
Acquisitions	105	163	105	94
Disposals	(106)	-	-	(1)
Balance at 31 December	2,703	2,704	2,678	2,573
Amortisation				
Balance at 1 January	2,375	2,182	2,350	2,157
Amortisation charge for the year	227	193	121	193
Disposals	(106)	-	-	-
Balance at 31 December	2,496	2,375	2,471	2,350
Carrying amounts				
1 January	329	359	223	323
31 December	207	329	207	223
12 Trade and other payables				
Trade payables to other National Heart Foundation divisions	-	-	660	902
Other payables and accrued expenses	5,623	2,767	4,263	1,798
	5,623	2,767	4,923	2,700
The carrying value of trade and other payables is equal to fair value. The Foundation's and Group's exposure to liquidity risk relates to trade and other payables is disclosed in note 23.				
13 Grant income deferred				
Balance at 1 January	7,207	10,464	984	2,156
Amounts received	15,053	5,990	8,853	593
Income recognised as revenue	(12,754)	(9,247)	(6,167)	(1,765)
Balance at 31 December	9,506	7,207	3,670	984
The carrying value of grants income deferred is equal to fair value. The Foundation's and Group's exposure to liquidity risk relating to grants income deferred is disclosed in note 23.				
14 Employee benefits				
Aggregate liability for employee benefits including on-costs:				
Current - long service leave and annual leave	2,878	3,032	888	1,152
Non-current - long service leave	193	296	44	115
Total employee benefits	3,071	3,328	932	1,267
<i>Personnel expenses:</i>				
Wages and salaries	23,822	23,867	10,358	10,274
Contributions to superannuation plans	1,978	1,584	775	336
Total personnel expenses	25,800	25,451	11,133	10,610
Number of employees at year end (full time equivalents)	276	259	118	107

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2017

	Consolidated		The Foundation	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
15 Reserves and Equity				
Movements in reserves during the year:				
Fair value (related to investments)				
Balance at beginning of year	6,920	5,933	6,920	5,933
Net change in fair value of equities/managed investments	4,166	987	4,166	987
Balance at end of year	11,086	6,920	11,086	6,920
Nutrition research and health education				
Balance at beginning of year	1,000	1,000	1,000	1,000
Transfer from/(to) retained earnings, representing:	(1,000)	-	(1,000)	-
Surplus/(deficit) from Food Information Program	412	365	412	365
Interest & fair value movement/Reserve Adjustments	(1,412)	(365)	(1,412)	(365)
Payments for health & research programs	-	-	-	-
Balance at end of year	-	1,000	-	1,000
Specific or restricted purposes				
Balance at beginning of year	25,429	20,419	22,766	19,232
Transfer from/(to) retained earnings, representing:	3,820	5,010	2,575	3,534
Income received	1,113	1,210	-	-
Amounts set aside for specific purposes	3,115	4,131	2,149	3,161
Interest credited/(debited)	965	969	966	970
Fair value movement	1,794	206	1,794	206
Payments for research	(354)	(803)	(354)	(803)
Payments for health programs	(898)	(703)	(65)	-
Payments for Corporate programs	(1,915)	-	(1,915)	-
Balance at end of year	29,249	25,429	25,341	22,766
Total Reserves balance at year end	40,335	33,349	36,427	30,686
Reserves at beginning of year	33,349	27,352	30,686	26,165
Retained Earnings at beginning of year	70,571	53,320	68,795	50,134
Total Equity at beginning of year	103,920	80,672	99,481	76,299
Operating Surplus/(Deficit) for the year	(5,228)	22,422	(4,970)	22,356
Other Comprehensive Income	5,890	826	5,890	826
Total Comprehensive Income	662	23,248	920	23,182
Total Equity at end of year	104,582	103,920	100,401	99,481

Nature and purpose of reserves**Fair value**

The fair value reserve includes the cumulative net change in the fair value of investments until the investment is derecognised through sale.

Nutrition research and health programs

Revenue and expenditure from the Food Information Program (Tick) is recorded in the Statement of Surplus or Deficit and Other Comprehensive Income. The net surplus from that Program was spent upon nutrition research and health programs. With the retirement of the program the board decided to close the reserve and return its balance to retained earnings.

Specific or restricted purposes

Funds and bequests received for specific or restricted purposes or funds set aside for non-recurring expenditure to be incurred in subsequent years are accounted for separately so as to maintain their identity. All revenue and expenses relating to these funds are recorded initially through the Statement of Surplus or Deficit and Other Comprehensive Income, with their net effect then transferred from retained earnings to this reserve.

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2017

15 Reserves and Equity (continued)**Retained earnings**

Each year when budgets for the following year are being formulated, an estimate is made of an optimum level of retained earnings. That optimum level takes into account a solvency buffer, outstanding commitments for research grants and fellowships extending beyond one year, and the necessary funding of the basic infrastructure of the Foundation. The solvency buffer is based on continuation of budgeted levels of expenditure to fund the Mission of the Foundation for three years, less possible reduced levels of income from fundraising, investments and other sources. Basic infrastructure includes receivables, inventories, property, equipment and vehicles. The excess of actual retained earnings over the optimum level so calculated is available for non-recurring expenditure in subsequent years to fund the Mission of the Foundation. Such excess retained earnings arise from time to time when actual income exceeds the forecast at the time of preparing the annual budget. The annual budget aims to match income forecasts with recurring expenditure.

Assets held in trust

From time to time the Foundation or the Divisions are appointed as trustees in relation to funds to be applied for research and other programs related to cardiovascular health. As no equity is held in those assets they are excluded from the financial statements. At year end such funds totalled:

	QLD	NSW	SA	Total
	\$'000	\$'000	\$'000	\$'000
Balance brought forward	280	1,052	292	1,624
Interest and donations received	5	29	11	45
Expenditure	-	(24)	(67)	(91)
Balance carried forward	285	1,057	236	1,578

16 Operating leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated		The Foundation	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Less than one year	2,026	824	1,214	23
Between one and five years	7,360	3,160	4,907	-
Later than five years	2,337	149	2,281	-
	11,723	4,133	8,402	23
Expenditure in the period was as follows:				
Office equipment	42	42	26	25
Office space	1,668	1,742	196	-
	1,710	1,784	222	25

Notes to the consolidated Financial Statements (continued)
for the year ended 31 December 2017

17 Provisions

Obligations arising as a result of the Foundation's and/or Divisions' adherence with the prescribed treatment of leases outlined in the accounting standards are shown as follows:

	Consolidated				The Foundation			
	Operating lease expense obligations	Office lease incentives deferred	Make good of leased premises	Total	Operating lease expense obligations	Office lease incentives deferred	Make good of leased premises	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2016	314	322	397	1,033	-	-	-	-
Future obligations incurred	-	27	(39)	(12)	-	-	-	-
Incentives offset against lease rental expense	(149)	(217)	-	(366)	-	-	-	-
Expenditure recognised in the Statements of Surplus or Deficit and Other Comprehensive Income	-	-	40	40	-	-	-	-
Balance at 31 December 2016	165	132	398	695	-	-	-	-
Current	165	132	113	410	-	-	-	-
Non-current	-	-	285	285	-	-	-	-
	165	132	398	695	-	-	-	-

	Consolidated				The Foundation			
	Operating lease expense obligations	Office lease incentives deferred	Make good of leased premises	Total	Operating lease expense obligations	Office lease incentives deferred	Make good of leased premises	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2017	165	132	398	695	-	-	-	-
Future obligations incurred	159	27	-	186	159	-	-	159
Incentives offset against lease rental expense	(165)	(145)	-	(310)	-	-	-	-
Expenditure recognised in the Statements of Surplus or Deficit and Other Comprehensive Income	-	-	(98)	(98)	-	-	6	6
Balance at 31 December 2017	159	14	300	473	159	-	6	165
Current	-	14	-	14	-	-	-	-
Non-current	159	-	300	459	159	-	6	165
	159	14	300	473	159	-	6	165

The carrying value of make good of leased premises is equal to fair value. The Foundation's and consolidated entity's exposure to liquidity risk related to the make good provision is disclosed in note 23.

Notes to the consolidated Financial Statements (continued)
for the year ended 31 December 2017

	Consolidated		The Foundation	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
18 Capital and other commitments				
Research grants and fellowships				
Commitments for approved research grants and fellowships (which are unenforceable) are payable as follows:				
2017	-	13,709	-	13,709
2018	13,880	8,640	13,880	8,640
2019	8,585	5,502	8,585	5,502
2020	5,079	2,686	5,079	2,686
2021	2,460	-	2,460	-
	30,004	30,537	30,004	30,537
19 Contingencies				
The directors are of the opinion that provisions are not required in respect of these matters as it is not probable that a future sacrifice of economic benefits will be required.				
Contingent liabilities considered remote				
<i>Performance guarantees The Foundation</i>	602	-	602	-
<i>Performance guarantees Vic Division</i>	-	365	-	-
<i>Performance guarantees ACT Division</i>	22	22	-	-
	624	387	602	-

The Foundation and Australian Capital Territory (ACT) Divisions have guaranteed as parties to their operating leases, the payment of rentals in accordance with the signed agreements for the specified lease terms. The terms of the lease agreements required the Foundation and ACT Divisions to secure bank guarantees of \$602,023 and \$21,964 respectively as minimum compensation payments to the lessor in the event of default. The Foundation lease term is due to expire by 31 October 2024 and the ACT by 31 July 2023. The directors considered no liability is required to be recognised in respect of these guarantees as the Divisions are in compliance with the lease agreements.

20 Company limited by guarantee

The National Heart Foundation of Australia ("the Foundation") is a company incorporated in Australia under the Corporations Act 2001 as a company limited by guarantee. Every member of the Foundation undertakes to contribute to the assets of the Foundation in the event of the same being wound up during the time that they are a member, or within one year afterwards for payment of the debts and liabilities of the Foundation contracted before the time at which they cease to become a member and of the costs, charges and expenses of winding up the same, and for the adjustment of the rights of the contributories amongst themselves such an amount as may be required not exceeding the sum of \$20. There are 24 members as at 31 December 2017.

21 Related parties

Key management personnel and director related parties

The following were key management personnel of the Group at any time during the reporting period, and, unless otherwise indicated were directors or executive staff of the Group for the entire period:

Non-executive directors

Associate Professor David Colquhoun MBBS, FRACP, FCSANZ (from 23 October 2017)

Ms R Davies BEc, LLB (Hons), FAICD

Dr Jenny Deague MBBS, FRACP, PHD, FCSANZ, GAICD (from 28 April 2017)

Mr B S Delaney BCom, FCA, MAICD (to 23 October 2017)

Mr J Etherington, BEc, FCA, FAICD (from 29 May 2017)

Mr D H Gillam BBus, FCPA, FAICD (to 29 May 2017)

Mrs Kate Hanslow, BA, LLB (Hons), TEP, GAICD

Ms D Heggie, MAICD, MCSP, Grad Dip (from 18 May 2017)

Dr M K Ilton, MBBA, FRACP

Professor L Kritharides MB, BS, PhD, FRACP, FAHA, FCSANZ, FESC

Mr S R Larkin B.Ec M.Com(Hons) AAIBF DFP GAICD (to 10 February 2017)

Ms Cynthia Payne RN, DipApSc, BachApSc, MBA (from 29 May 2017)

Mr T M Roberts BArtsAcc, FCA, FAICD, FGLF

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2017

21 Related parties (continued)**Non-executive directors (continued)**

Ms Alice Tay FGIA (from 29 May 2017)

Mr G Robson MEd, BCom (Hon), SFFINSIA FCAANZ

Mr C B Taylor FFin, FPNA, MAICD, Chair National Finance Advisory Committee (to 18 January 2017)

Ms Jennifer Tucker LLB, BCom, ADM(Harvard), GDip Marketing, GAICD (from 29 May 2017)

Mr B A Yvanovich BSc, MPA, FFIA

Directors of the Foundation are directors and/or members of one of the Divisions, a member of the Cardiac Society or appointed as an additional director. Non-executive directors did not receive any remuneration from the Foundation during the current financial year. Apart from details disclosed in this note, no director has entered into a material contract with the Foundation or any Division since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year end.

Key Management Personnel - The Foundation

Adjunct Professor J G Kelly AM, BA (Hons), LLB, Grad Dip Leg Prac, FACN, AFAM, MAICD, MAPS - CEO National Heart Foundation of Australia

Mr Mark Dupe B Economics (Accounting), CPA, MBA, GAICD - General Manager Corporate Services (to 30 August 2017)

Mr Lawrence Jackson Bcom, MBA, Cert ADMA- General Manager Revenue & Brand (to 28 April 2017)

Mr D Gerrard Bbus (Accounting), CPA, MBA, GAICD - Chief Financial Officer - Group

Mr R Greenland, BA - General Manager Advocacy

Mr Bill Straveski B.Econ (Hons), MPPM - General Manager Heart Health & Research

Key Management Personnel - Consolidated

Adjunct Professor J G Kelly AM, BA (Hons), LLB, Grad Dip Leg Prac, FACN, AFAM, MAICD, MAPS - CEO National Heart Foundation of Australia

Ms K Doyle PSM, BA (Hons) Class 1 - CEO National Heart Foundation of Australia (New South Wales Division)

Ms K Jolly GradDipAppSci (OralHealth Therapy), MHLthSci (Health Promotion) - CEO National Heart Foundation of Australia (Victorian Division)

Mr G Lynch BCom, LLB (Hons), Grad Dip LS, FCPA, GAICD, FAIM- CEO National Heart Foundation of Australia (Tasmania Division)

Mr Simon Dixon - CEO National Heart Foundation of Australia (Northern Territory Division)

Ms I Lynch RN BNg MH(SM GAICD) - CEO National Heart Foundation of Australia (South Australian Division) (From 14 January 2017)

A/Prof Amanda Rischbieth PhD, GAICD, FGLF - CEO National Heart Foundation of Australia (South Australian Division) (to 13 January 2017)

Mr A Stubbs BAsc (Health) - CEO National Heart Foundation of Australia (ACT Division)

Mr M Swanson BSc, GradDip Nutrition & Dietetics, GradDip Health Science, MPH - CEO National Heart Foundation of Australia (Western Australia Division)

Mr S Vines MBA, BBus Mgmt, MAICD - CEO National Heart Foundation of Australia (Queensland Division)

	Consolidated		The Foundation	
	2017	2016	2017	2016
The compensation of key management personnel was as follows:	\$'000	\$'000	\$'000	\$'000
Short term employee benefits	2,070	1,958	1,306	1,594
Other long term benefits	42	29	15	15
Total	2,112	1,987	1,321	1,609

Other related parties

Classes of other related parties are all Foundation, State and Territory Divisions and directors of related parties and their director-related entities.

The Foundation receives grants from the Divisions, primarily to fund research and other health programs conducted on an Australia-wide basis. Such grants are payable under the terms of the Federation Agreement between the Foundation and the Divisions.

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2017

21 Related parties (continued)**Other related parties (continued)**

The grant payable by each Division is equal to its net operating surplus (payable monthly in arrears) representing the excess of income received less capital expenditure and operating expenditure (excluding depreciation). If there is a deficit from application of the above arrangement, a grant is paid by the Foundation to any Division affected. Contributions by the Divisions to the Surplus or Deficit for the period (before grants made to/by the Foundation), net grants made by the Divisions to the Foundation, and total income were as follows:

	Net contribution/(loss)		Net grants paid/(received)	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Queensland	1,975	4,337	1,924	4,527
New South Wales	5,769	10,841	6,069	10,526
Victoria	7,273	9,067	7,176	9,097
South Australia	57	2,271	38	2,210
Western Australia	1,150	6,747	1,209	6,882
Tasmania	328	(265)	391	(299)
Australian Capital Territory	67	(299)	60	(290)
Northern Territory	(837)	(855)	(827)	(874)
The Foundation (excluding grants received from Divisions)	(21,010)	(9,422)	(16,040)	(31,779)
	(5,228)	22,422	-	-

The aggregate amounts included in the profit from ordinary activities that resulted from transactions with non-director related parties are:

	Consolidated		The Foundation	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<i>Contributions received from sale of services</i>				
Divisions - rent for occupancy	-	-	388	361
Divisions - grants to fund research and health programs	-	-	16,867	33,242
Divisions - services	-	-	301	411
	-	-	17,556	34,014
<i>Contributions paid for purchase of services</i>				
Divisions - subsidies	-	-	(827)	(1,463)
Divisions - services	-	-	248	232
	-	-	(579)	(1,231)

Amounts receivable and payable to non-director related parties are shown in notes 8 and 12 respectively.

22 Subsequent events

The boards of all the Divisions of the National Heart Foundation have resolved to recommend to their members at the Divisions' upcoming annual general meetings that the Division's entity unify into a National entity. Consequently, the National Heart Foundation of Australia has provided a legally enforceable irrevocable letter of support confirming their intention to financially support all Divisions. This support will be provided for twelve months from the date of signing the Divisions' 31st December 2017 financial report.

Other than this the Foundation is not aware of any subsequent event that has occurred since the balance date that could materially affect these consolidated financial statements.

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2017

23 Financial instruments

Exposure to credit, liquidity, market, interest rate, other market price and operational risks arises in the normal course of the Foundation's business.

Credit risk

Credit risk is the risk of financial loss to the Foundation and/or Divisions if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Foundation's and/or Divisions receivables and investment securities. The Foundation does not require collateral in respect of financial assets. Exposure to credit risk is monitored by management on an ongoing basis. The credit risk relating to the Foundation's financial assets which are recognised in the Statement of Financial Position is the carrying amount of such assets, net of any allowances for impairment in respect of trade receivables and investments. Investments are allowed only in liquid securities and equity securities in Australian shares that are in compliance with the Foundation's investment policy. Management does not expect any counterparty to fail to meet its obligations as the Foundation's financial assets have high credit quality. The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was only Australia.

At the reporting date, there were no significant concentrations of credit risk apart from the performance guarantees referred to in note 19 relating to the Foundation and ACT Division's office lease agreements.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position as summarised below:

	Notes	Consolidated		The Foundation	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Financial assets					
Cash *		10,523	6,215	6,255	3,137
Cash call accounts *		5,838	11,566	14	2,232
Term deposits under 90 days *		9,880	16,066	7,200	12,000
Total cash and cash equivalents *	7a	26,241	33,847	13,469	17,369
Trade and other receivables *	8	4,266	2,592	5,911	8,199
Grants income accrued *	8	603	47	595	30
Investments - listed shares #	9	28,202	30,650	28,202	30,647
Investments - unlisted units in managed funds #	9	37,898	19,727	37,898	19,727
Investments - bonds ## (**)	9	20,263	10,013	20,263	10,013
Term deposits over 90 days *	9	624	15,096	602	15,075
		118,097	111,972	106,940	101,060
(**) Maturity profile of bonds					
Less than one year		-	297	-	297
Between one and five years		9,011	5,008	9,011	5,008
Later than five years		11,252	4,708	11,252	4,708
		20,263	10,013	20,263	10,013

* Financial assets held at cost/amortised cost

Financial assets held at fair value through other comprehensive income

Financial assets held at fair value through surplus/(deficit)

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2017

23 Financial instruments (continued)**Impairment loss from trade receivables**

The movement in the allowance for impairment in respect of trade receivables during the year as as follows:

	Consolidated		The Foundation	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January of provision for doubtful debts	15	15	-	-
Realisation of impairment (loss)/recovery previously provided	-	-	-	-
Balance at 31 December of provision for doubtful debts	15	15	-	-
Impairment loss/(recovery) recognised in Surplus or Deficit	-	-	-	-

Based on receivables history, the Foundation believes that no further impairment allowance is necessary in respect of trade receivables, as trade and other receivables predominately relate to inter divisional accounts and grants income accrued.

Liquidity risk

Liquidity risk is the risk that the Foundation and/or Divisions will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Trade and other payables, and grants income deferred have contractual cash flows which are 6 months or less. Provisions relating to obligations for office leases have contractual cash flow obligations until lease expiry, which are all between 5 and 10 years.

The maximum exposure to liquidity risk is represented by the carrying amount of each financial liability in the Statement of Financial Position as summarised below:

	Notes	Consolidated		The Foundation	
		2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000
Non derivative financial liabilities					
Trade and other payables	12	5,623	2,767	4,923	2,700
Grant income deferred	13	9,506	7,207	3,670	984
		15,129	9,974	8,593	3,684

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices or foreign exchange movements will affect the Foundation's and/or Division's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All such transactions are carried out within the guidelines set by the Board.

Interest rate risk

The Foundation has limited exposure to interest rate risk as it does not have borrowings or fixed rate debt securities that would change in their fair value due to changes in interest rates.

The Foundation's and/or Division's exposure to this risk is controlled by ensuring that cash securities are limited to short dated bank bills no longer than 90 days.

Investments in equity securities and short-term receivables and payables are not exposed to interest rate risk. The exposure to interest rate risk for financial assets and liabilities at the reporting date are shown in the Sensitivity Analysis Disclosure as noted below.

Fair value sensitivity analysis for fixed rate instruments

The Surplus or Deficit would be affected by changes in the fixed interest rate as shown in the Sensitivity Analysis Disclosure. The analysis assumes all other variables remain constant. The analysis is performed using a change of 1% on page 38. The analysis is performed on the same basis as that used in 2016.

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2017

23 Financial instruments (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 1% in interest rates at the reporting date would have increased/(decreased) equity and surplus/(deficit) by the amounts shown in the Sensitivity Analysis Disclosure. This analysis assumes all other variables remain constant. The analysis is performed on the same basis as that used in 2016.

Equity price risk

Equity price risk arises from fair value equity securities held by the Foundation as part of managing the investment of available funds. The Foundation's exposure to this risk is controlled by investing with several investment managers who must meet the stringent investment guidelines of the Foundation.

Equity securities are designated at fair value through other comprehensive income and their performance is actively monitored and managed on a fair value basis. There would be no impact on surplus/(deficit) due to valuation changes as the resultant gain or loss is recognised directly in other comprehensive income.

Fair value sensitivity analysis - listed shares

A change of 10% in market price at the reporting date would have increased/(decreased) equity by the amounts shown below in the Sensitivity Analysis Disclosure as noted below. This analysis assumes all other variables remain constant. The analysis is performed on the same basis as that used in 2016.

Investments in fair value equities are designated at fair value through equity and their performance is actively monitored and managed on a fair value basis. There would be no impact on surplus/(deficit) due to valuation changes as the resultant gain or loss is recognised directly in other comprehensive income.

Fair value sensitivity analysis - unlisted units in managed funds

A change of 10% in market price at the reporting date would have increased/(decreased) equity by the amounts shown in the Sensitivity Analysis Disclosure as noted below. This analysis assumes all other variables remain constant. The analysis is performed on the same basis as that used in 2016. Investments in unlisted units in managed funds are designated at fair value through equity and their performance is actively monitored and managed on a fair value basis. There would be no impact on surplus/(deficit) due to valuation changes as the resultant gain or loss is recognised directly in other comprehensive income.

Fair value sensitivity analysis - bonds

A change of -10% in market price at the reporting date would have decreased profit by the amounts shown in the Sensitivity Analysis Disclosure as noted below. This analysis assumes all other variables remain constant. Investments in bonds are designated and carried at fair value through Surplus or Deficit and their performance/market price is actively monitored and managed to ensure they meet the Foundation's investment policy. A significant change in market price may be an indication of impairment for these investments and would impact on surplus/(deficit) as the resultant loss would be recognised directly in surplus/(deficit).

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Foundation's and/or Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all the Foundation's and/or Group's operations. The Foundation's and/or Group's objective is to manage operational risk so as to prevent financial losses and damage to the Foundation's and/or Group's reputation. The primary responsibility for the development and implementation of controls to address operational risk is assigned to the management of the Foundation and/or Group. This responsibility is supported by the development of overall group guidelines across all State and Territory Divisions for the management of risk in the following areas:

- requirements for appropriate segregation of duties including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced and adequacy of controls and procedures
- to address the risks identified
- development of contingency plans
- ethical and high level business standards
- risk mitigation including insurance

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2017

23 Financial instruments (continued)

Compliance with group standards is supported by a programme of periodic reviews of internal controls undertaken by internal audit. The results of these reviews are discussed with the Foundation's management and submitted to the Audit and Governance Committee.

Sensitivity Analysis Disclosure

The Foundation's financial instruments subject to changes in market prices include cash and cash equivalents, comprising of cash at bank, cash call accounts and term deposits. Based on historic movements and volatilities in these market variables, and management's knowledge and experience of the financial markets, the Foundation believes the following movements are 'reasonably possible' over a 12 month period:

- A parallel shift of +1%/-1% in market interest rates (AUD) from year end rates of 2.51%
- Proportional other market price risk movement of equity securities listed on the ASX index of +10%/-10%

Notes to the consolidated Financial Statements (continued)
for the year ended 31 December 2017

23 Financial instruments (continued)

	Consolidated										The Foundation									
	2017					2016					2017					2016				
	Carrying Amount/ Face Value	-1%		+1%		Carrying Amount/ Market Price	-1%		+1%		Carrying Amount/ Face Value	-1%		+1%		Carrying Amount/ Market Price	-1%		+1%	
		Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity		Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity		Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity		Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Interest rate risk																				
Financial assets																				
Fixed rate instruments																				
Term deposits-maturing within 90 days	9,880	(99)	(99)	99	99	16,066	(161)	(161)	161	161	7,200	(72)	(72)	72	72	12,000	(120)	(120)	120	120
Term deposits-maturing beyond 90 days	624	(6)	(6)	6	6	15,096	(151)	(151)	151	151	602	(6)	(6)	6	6	15,075	(151)	(151)	151	151
Investments - bonds	20,263	(203)	(203)	203	203	10,013	(100)	(100)	100	100	20,263	(203)	(203)	203	203	10,013	(100)	(100)	100	100
Variable rate instruments																				
Cash at bank	10,523	(105)	(105)	105	105	6,215	(62)	(62)	62	62	6,255	(63)	(63)	63	63	3,137	(31)	(31)	31	31
Cash call accounts	5,838	(58)	(58)	58	58	11,566	(116)	(116)	116	116	14	-	-	-	-	2,232	(22)	(22)	22	22
Total increase/(decrease)	47,128	(471)	(471)	471	471	58,956	(590)	(590)	590	590	34,334	(344)	(344)	344	344	42,457	(424)	(424)	424	424

	Consolidated										The Foundation									
	2017					2016					2017					2016				
	Carrying Amount/ Market Value	-10%		+10%		Carrying Amount	-10%		+10%		Carrying Amount/ Market Value	-10%		+10%		Carrying Amount	-10%		+10%	
		Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity		Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity		Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity		Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Other market price risk																				
Financial assets																				
Investments - listed shares	28,202	-	(2,820)	-	2,820	30,650	-	(3,065)	-	3,065	28,202	-	(2,820)	-	2,820	30,647	-	(3,065)	-	3,065
Investments - unlisted units in managed funds	37,898	-	(3,790)	-	3,790	19,727	-	(1,973)	-	1,973	37,898	-	(3,790)	-	3,790	19,727	-	(1,973)	-	1,973
Investments - bonds	20,263	(2,026)	-	2,026	-	10,013	(1,001)	-	1,001	-	20,263	(2,026)	-	2,026	-	10,013	(1,001)	-	1,001	-
Total increase/(decrease)	86,363	(2,026)	(6,610)	2,026	6,610	60,390	(1,001)	(5,038)	1,001	5,038	86,363	(2,026)	(6,610)	2,026	6,610	60,387	(1,001)	(5,038)	1,001	5,038

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2017

23 Financial instruments (continued)**Measurement of fair values**

- When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
- Level 1: Quoted prices unadjusted in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). These Level 2 financial instruments are valued using the market comparison technique, by basing fair values on quoted prices. In respect of level 2 financial instruments, there are no significant unobservable inputs.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

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

		Consolidated				The Foundation			
	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2016									
Fair Value	9	30,650	29,740	-	60,390	30,647	29,740	-	60,387
		30,650	29,740	-	60,390	30,647	29,740	-	60,387
		Consolidated				The Foundation			
	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2017									
Fair Value	9	28,202	58,161	-	86,363	28,202	58,161	-	86,363
		28,202	58,161	-	86,363	28,202	58,161	-	86,363



Independent Auditor's Report

To the members of National Heart Foundation of Australia

Qualified Opinion

We have audited the **Financial Report**, of National Heart Foundation of Australia (the Foundation).

In our opinion except for the possible effects of the matter described in the Basis for Qualified opinion section of our report, the accompanying **Financial Report** of National Heart Foundation of Australia is in accordance with the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

- (i) giving a true and fair view of the Group and Foundation's financial position as at 31 December 2017, and of their financial performance for the year ended on that date; and
- (ii) complying with *Australian Accounting Standards* and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- (i) Statements of financial position as at 31 December 2017.
- (ii) Statements of surplus or deficit and other comprehensive income, Statements of changes in equity, and Statements of cash flows for the year then ended.
- (iii) Notes including a summary of significant accounting policies.
- (iv) Directors' declaration.

The Group comprises of the Foundation and each of the State and Territory Member Foundations at the year-end or from time to time during the financial year.

Basis for Qualified opinion

Charitable fundraising of \$18,388,000 is a significant source of fundraising revenue for National Heart Foundation of Australia. The Foundation has determined that it is impracticable to establish controls over the collection of charitable fundraising revenue, mainly comprising of cash donations, prior to entry into its financial records. Accordingly, as the evidence available to us regarding fundraising revenue from this source was limited, our audit procedures with respect to charitable fundraising revenue, mainly comprising of cash donations, had to be restricted to the amounts recorded in the financial records. We therefore are unable to express an opinion whether charitable fundraising to National Heart Foundation of Australia, reported in the accompanying financial report is complete. In respect of the qualification however, based on our understanding of the internal controls, nothing has come to our attention which would cause us to believe that the internal controls over revenue from fundraising appeal activities by the Foundation, are not appropriate given the size and nature of the Foundation.

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group and Foundation in accordance with the auditor independence requirements of the *ACNC Act 2072* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other information

Other Information is financial and non-financial information in National Heart Foundation of Australia's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the Directors and Office Bearers and Directors' Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude there is a material misstatement of this Other Information and, based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report, other than the matter detailed in the Basis for Qualified opinion section above, we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- (i) preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the ACNC.
- (ii) implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- (iii) assessing the Group and Foundation's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Foundation or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- (i) to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- (ii) to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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.



Undertaking an audit in accordance with *Australian Auditing Standards*, means exercising professional judgment and maintaining professional skepticism.

Our responsibilities include:

- (i) Identifying and assessing the risks of material misstatement of the Financial Report, whether due to fraud or error.
- (ii) Designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error. This is because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (iii) Obtaining an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances. This is not for the purpose of expressing an opinion on its effectiveness.
- (iv) Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (v) Concluding on the appropriateness of the Directors 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 we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group and Foundation to cease to continue as a going concern.
- (vi) Evaluating 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.

KPMG

Amanda Bond

Partner

Melbourne

30 April 2018



Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the directors of National Heart Foundation of Australia

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Amanda Bond

Partner

Melbourne

30 April 2018



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