Heart Foundation
Fighting for Australian hearts

Annual Report & Financial Statements 2018

National Heart Foundation of Australia

ABN 98 008 419 761
For the year ended 31 December 2018

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Directors and Office Bearers

Patron

His Excellency General the Honourable Sir Peter Cosgrove AK MC (retd)
Governor-General of the Commonwealth of Australia

Board of Directors

National President	Mr C B Leptos AM, BCom (Melb), MBA (Melb), FAICD, FCA, FCPA (from 28 May 2018) Dr J A Johns AM, MBBS, FRACP, FCSANZ (to 28 May 2018)
Directors	Associate Professor D M Colquhoun MBBS, FRACP, FCSANZ Ms R Davies AO, BEc, LLB (Hons), FAICD (to 28 May 2018) Dr J A Deague MBBS, FRACP, PHD, FCSANZ, GAICD Mr J Etherington, BEc, FCA, FAICD Mrs K E Hanslow, BA, LLB (Hons), TEP, GAICD (to 28 May 2018) Ms D J Heggie, MAICD, MCSP, Grad Dip Human Services Research Dr M K Ilton, MBBA, FRACP (to 28 May 2018) Professor L Kritharides MBBS, PhD, FRACP, FAHA, FCSANZ, FESC, FACC Ms C R Payne RN, DipApSc, BachApSc, MBA Mr T M Roberts BArtsAcc, FCA, FAICD, FGLF Mr G N Robson MEc, BCom (Hon), SFFINSIA FCAANZ (to 1 March 2018) Ms A Tay LLB, FGIA Ms J LTucker LLB, BCom, Advanced Diploma Management (Harvard),GDip Marketing, GAICD Mr B A Yvanovich BSc, MPA, FFIA (to 28 May 2018)
Group Chief Executive Officer	Adjunct Professor J G Kelly AM, BA (Hons), LLB, Grad Dip Leg Prac, FACN, AFAIM, MAICD, MAPS
Chief Medical Advisor	Professor G L Jennings AO, MBBS, MD, MRCP(UK),FRACP, FRCP (London), FAHA, FCSANZ, FMBRCA
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

Directors' Report (continued)
for the year ended 31 December 2018

The Directors present their report together with the financial report for the National Heart Foundation of Australia ("the Foundation"), for the year ended 31 December 2018 and auditors' report thereon, which is consolidated with the National Heart Foundation (South Australia), National Heart Foundation (Australian Capital Territory), National Heart Foundation (Tasmania), National Heart Foundation (Queensland), National Heart Foundation (Northern Territory), National Heart Foundation (Western Australia), National Heart Foundation (Victoria) and National Heart Foundation (New South Wales) (collectively referred to in this financial report as "the Group").

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 Held & Attended	Appointment and resignation
Mr J Etherington BEc, FCA, FAICD	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.	6/6	Appointed 15 May 2014
Ms R Davies AO 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; Deputy Chair Chris O'Brien Lifehouse; Member of Australian Health Ethics Committee, Health Innovations Advisory Committee and Community and Consumer Advisory Committee of the NHMRC. Also, Member Finance Council and the Catholic Development Fund Advisory Board, Archdiocese of Sydney.	2/2	Appointed 8 May 2014 Resigned 28 May 2018
Assoc. Professor D M Colquhoun MBBS, FRACP, FCSANZ	Cardiologist in private practice and actively involved in research and preventative cardiology. Member of the Scientific Committee of the National Institute of Complementary Medicine (NICM); member of the Scientific Committee of the Gallipoli Medical Research Foundation; and Co-President of the Clinical and Preventive Cardiology Council of the Cardiac Society of Australian and New Zealand (CSANZ).	6/6	Appointed 23 October 2017
Dr J A Deague MBBS, FRACP, PHD, FCSANZ, GAICD	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. Former Board member CSANZ and Presbyterian Ladies College in Perth. Graduate of the AICD.	6/6	Appointed 28 April 2017
Ms K E Hanslow BA, LLB (Hons), TEP, GAICD	Barrister and Solicitor, Member Law Society of Tasmania, Member AICD, Full Member Society of Trust and Estate Practitioners.	2/2	Appointed 21 December 2016 Resigned 28 May 2018
M D J Heggie MAICD, MCSP, Grad Dip Human Services Research	Over 26 years working in the Not for Profit sector with 10 years' experience in executive roles. Current directorships include Chair of Peninsula Health, Director of the Abbotsford Convent Foundation	2/2	Appointed 18 May 2017

Directors' Report (continued)
for the year ended 31 December 2018

Name and qualifications	Experience and special responsibilities	Board Meetings Held & Attended	Appointment and resignation
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.	2/2	Appointed 31 December 2013 Resigned 28 May 2018
Dr J A Johns AM MBBS, FRACP, FCSANZ *(National President)*	Cardiologist Austin and Epworth Healthcare; Vice President Australia Sri Lanka Medical Aid Team (AuSLMAT).	2/2	Appointed 15 May 2009 Elected President in May 2014 Resigned 28 May 2018
Professor L Kritharides MBBS, PhD, FRACP, FAHA, FCSANZ, FESC, FACC	Senior Staff Specialist and Head of the Department of Cardiology at Concord Repatriation General Hospital (CRGH) Sydney, Conjoint Professor in Medicine at the University of Sydney, Head of the Atherosclerosis Research Laboratory at the ANZAC Research Institute and Deputy Clinical Director of the Cardiovascular Stream of the Sydney Local Health District. Currently President of the Cardiac Society of Australia and New Zealand, Chair of the Specialist Training Committee in Cardiology of the Royal Australasian College of Physicians, and Chairman of the Board of Governors of the Heart Research Institute Sydney.	6/6	Appointed 24 May 2013
Mr C B Leptos AM, BCom (Melb), MBA (Melb), FAICD, FCA, FCPA *(President)*	Deputy Chairman of Flagstaff Partners and non-executive director of IDP Education (ASX:IEL). Currently chairman of SEA Electric and chairman of industry regulator auDA. Former Senior Partner with KPMG, and Managing Partner Government at Ernst & Young, and former General Manager of Corporate Development for Western Mining Corporation. Governor of The Smith Family, member of the Board at the Faculty of Business and Economics for the University of Melbourne, and Professorial Fellow with Monash University.	4/4	Appointed 28 May 2018
Ms C R Payne RN, DipApSc, BachApSc, MBA	A Registered Nurse with a Bachelor of Applied Science and an MBA, Member of AICD, Fellow with the Institute of Managers and Leaders, past Chair of the Arts Heath Institute, The Australian Organisational Excellence Foundation (NSW/ACT). Aged Care adviser and consultant. 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.	6/6	Appointed 29 May 2017
Mr T M Roberts BArtsAcc, FCA, FAICD, FGLF	Chartered Accountant for over 19 years; General Manager Business and Corporate Banking Victoria, 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; AICD; and the Governor's Leadership Foundation. Board member and sub-committee Chairman of other not for profit organisations ITA; Fellow of the Governor's Leadership Foundation.	6/6	Appointed 25 May 2012
Mr G N Robson MEc, BCom (Hon), SFFINSIA FCAANZ	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.	1/2	Appointed 29 May 2015 Resigned 1 March 2018
Ms A Tay LLB, FGIA, MAICD	Partner at Meyer Vandenberg Lawyers, leading the firm's corporate and commercial law division. Deputy Chair ACT Gambling and Racing Commission, Director Hands Across Canberra and Director Chief Minister's Charitable Fund.	5/6	Appointed 29 May 2017

Directors' Report (continued)
for the year ended 31 December 2018

Name and qualifications	Experience and special responsibilities	Board Meetings Held & Attended	Appointment and resignation
Ms J Tucker LLB, BCom, Advanced Diploma Management (Harvard), GDip Marketing, GAICD	Over 16 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 Dulux Group Ltd.	5/6	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.	2/2	Appointed 18 May 2015 Resigned 28 May 2018

A summary of meetings held and attendances of National Board Members up to 28 May 2018 is set out below:

	Cardiovascular Health Advisory Committee #	National Finance Advisory Committee #	Audit and Governance Committee #	National Revenue and Brand Advisory Committee #
Mr J Etherington		2/2	1/1	
Prof L Kritharides	1/1			
Dr J A Johns	1/1			
Ms A Tay			0/1	
Mr G Robson		1/1		

A summary of meetings held and attendances by Board Members as from 28 May 2018 is set out below:

	Risk Audit and Governance Committee #	Heart Health Committee #	Finance Committee #	Investment Committee #	Development and Brand Committee #	Research Strategy Committee #
A/Prof D M Colquhour	2/2	2/2				2/2
Dr J A Deague		2/2				
Mr J Etherington	2/2		2/2	3/3		
Prof L Kritharides		2/2				
Mr C B Leptos AM	1/2	2/2	2/2	3/3	1/3	2/2
Ms C R Payne			2/2		2/3	
Mr T M Roberts				3/3	2/2	
Ms A Tay	2/2			2/3		
Ms J LTucker					3/3	2/2

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 role of the Board is to provide strategic oversight and direction for the Foundation's and Group's activities and ensure that those organisational activities are directed towards achieving its vision of an Australia free of heart disease and its mission to prevent heart disease and improve the heart health and quality of life of all Australians through our work in prevention, support and care and research. The Board must ensure that the vision and mission are achieved in the most efficient and effective way.

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 Risk, Audit and Governance, Heart Health, Research Strategy, Finance, Investment, Development and Brand and Board Executive committees the 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 and is chaired by a Director of the Foundation and comprises at least two other Board members, and where appropriate, other relevant technical experts and consumer representatives.

Directors' Report (continued)
for the year ended 31 December 2018

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 Group 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 Group from government, industry and other groups in determining health and other policies and recommendations
- Ensuring the Group complies with relevant legislation and regulations
- Acting as an advocate for the Group 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 Group to the Group CEO and executive management.

Board members

All Directors are non-executive, serving in an honorary capacity without compensation. The Constitution of the Group specifies:

- The Directors of the Group shall be the President, and up to a maximum of ten additional Directors appointed in accordance with the Constitution.
- No person who is an employee of the Group is eligible for nomination or appointment as an office bearer or director.
- That at each annual general meeting any director elected as a casual director since the previous annual general meeting and a minimum of one third of the remaining 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.

The Board is the final authority on the operations of the Group and has complete responsibility for the control and the overall management of the affairs, funds and property of the Group. It oversees corporate strategy, policy and performance, thus helping protect the rights and interests of the Group, its employees, donors and stakeholders. The Board ensures it is well equipped with skills and expertise relevant to the Group's activities to make it a stable and effective governing body. The current Board's qualifications, skills, experience and responsibilities appear on pages 4-6. Management presentations to the Board enable Directors to maintain knowledge of the business and operations of the Group. 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 Group, 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 Group 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 Group 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, regulations 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 vision and mission of the Group. Board members, all staff and volunteers are provided with a copy of the Group's Code of Conduct policy during their induction to the organisation.

Involving stakeholders

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

Principal Activities and Achievement of Objectives

The primary activities of the Group 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.

Short and Long-Term Objectives and Strategies for Achieving These Objectives

The Group has a three-year strategic plan, "One Heart" 2018-2020, aligned directly with the Foundation's 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 "One Heart", the Group is focused on five pillars;

- Prevention
- Support & Care
- Research.
- Strengthening our Organisation
- Our People

Directors' Report (continued)
for the year ended 31 December 2018

The pillars will focus on reducing the prevalence and impact of risk factors for heart disease, improve the outcomes for Australians living with heart disease, fund the highest impact research into heart disease, ensure that we are financially viable, scaleable, sustainable and ethical and working as one team across all the Group's programs.

Review of Group Results and Operations for Current Year

The consolidated comprehensive income for the year is a deficit of $0.82 million, a $1.48 million decrease from the $0.66 million surplus in 2017. The main driver of this change was the retraction of the global equities market in late 2018 and the required revaluation of the Groups investment portfolio to market value. The Group's surplus before other comprehensive income is $6.04 million compared to a deficit of $5.22 million in 2017.

Total revenue from operating activities increased when compared to the 2017 result returning $65.75 million in 2018 compared to $59.51 million in 2017. Bequest income which can fluctuate year on year was $31.16 million compared to the amount received by the Group of $23.08 million in 2017. The bequest returns in 2018 were influenced by significantly higher bequest amounts than the Group's average long-term levels. This increase of bequest income was also accompanied by a $0.62 million increase of non-bequest fundraising income. The Group 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 $66.39 million compared to the $68.71 million in 2017. Fundraising expenditure decreased by $1.80m following reviews and rationalisation of fundraising activities along with the sale of a property in Queensland that returned $2.23 million as a net gain.

Research expenditure slightly increased to $14.93 million from $14.37 million in 2017. The Group funded a total of 189 Fellowships, Scholarships and Project Grant's with the commencement of 78 new research awards in 2018. Due to the generous bequests received in the past few years the Group has committed to increasing its research commitments over the 2018 to 2020 years to $50 million along with a special $5.0 million grant for research into the prevention of stroke. Financial support for previously awarded grants requiring payment in future periods totals $30 million over the next four years. Administration expenditure of $7.26 million includes significant costs associated with new and upgraded ICT platforms and advanced applications to support growth in fundraising activities.

Net Finance returns increased by $2.72 million primarily through increased dividends and distributions from the Group's investment portfolio. Returns from investments in shares and managed funds recorded in Other comprehensive income was a reduction of $6.86 million as a consequence of the capital value of investments falling due the reduction in investment values during the latter part of 2018.

Overall, the Group performed to the Boards expectations in 2018 delivering significant programs while at the same time operating within the scope of its financial capacity and maintaining its overall equity at $103.76 million allowing future investment towards achieving its mission.

A comprehensive discussion about the activities of the Group can be found in the 2018 Annual Review.

Significant changes in the state of affairs

Following a review of the Heart Foundations Federated structure and discussions with the State and Territory Divisions, there was a consensus reached to unify the activities and governance of the Federation and to put in place a structure to progress the unification of all Divisions into one entity. To this end the National Heart Foundation's constitution was revised on the 30th April 2018 and a skills-based board appointed at the AGM on the 28th of May 2018.

The Divisions held their Annual General Meetings on the following dates
National Heart Foundation of Australia (Qld Division) 23 May 2018
National Heart Foundation of Australia (NSW Division) 24 May 2018
National Heart Foundation of Australia (Vic Division) 22 May 2018
National Heart Foundation of Australia SA Division) 4 June 2018
National Heart Foundation of Australia (WA Division) 25 May 2018
National Heart Foundation of Australia (Tas Division) 22 May 2018
National Heart Foundation of Australia (ACT Division) 24 May 2018
National Heart Foundation of Australia (NT Division) 22 May 2018

All of the Divisions at their General Meetings resolved to adopt the recommendations to unify and as a result their constitutions and objects were aligned with those of the National Heart Foundation. Directorships and/or Board memberships for each entity also transitioned to National Heart Foundation Directors with the Queensland entity having one additional non-National Heart Foundation local director and the Northern Territory and South Australian entities having two additional non-National Heart Foundation local Directors appointed to their boards. The National Heart Foundation is now the sole member of each State and Territory entity except for the WA entity which has 6 members (all of whom are directors of the Foundation) as per regulatory requirements.

Conditions under Section 60 of the ACNC Act-2018 onwards

The Financial statements are consolidated with prior year comparison to the previous financial statements which were of the same form. All of the State and Territory entities as noted in the "Significant changes in the state of affairs" disclosure as well as the National Heart Foundation have Deductible Gift Recipient status. The Financial statements only includes information relating to registered ACNC entities and their financial results are fully included in the financial statements for 2017 and 2018. The ACNC has also granted group financial reporting which allows the Annual Financial Statement and Annual Financial Report to be lodged on a joint basis removing the requirement for each entity to lodge these documents separately.

Likely Developments

In the opinion of the Directors there are no likely developments that will change the nature of the operations of the National Heart Foundation.

Environmental Regulation

The Group's operations are not subject to any significant environmental regulations under both Commonwealth and State legislation. However, the Directors believe that the Group 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 Group.

Directors' Report (continued)
for the year ended 31 December 2018

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.

Insurance Premiums

Since the end of the previous financial year the Group has paid insurance premiums of $21,972.80 (2017: $15,952) 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 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 43 and forms part of the Directors' report for financial year 2018.

Signed in accordance with a resolution of the Directors.

Mr Chris Leptos AM
President
Dated at Sydney this 29th day of April 2019

Directors' Declaration
for the year ended 31 December 2018

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

(a) the financial statements and notes, set out on pages 11 to 38, are in accordance with the Australian Charities and Not-For-Profits Commission Act 2012, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2018 and its 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 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

Dated at Sydney this 29th day of April 2019

Statements of Surplus or Deficit and Other Comprehensive Income
for the year ended 31 December 2018

	Notes	2018 $'000	2017 $'000
Revenue			
Revenue from operating activities	4	65,745	59,514
Total revenue		65,745	59,514
Net gain/(loss) on sale of property, plant and equipment		2,231	(102)
Research expenditure		(14,931)	(14,373)
Health programs (including those funded by grants)		(29,022)	(31,206)
Fundraising expenditure		(11,908)	(13,717)
Cost of goods sold		-	(4)
Communications and publicity		(5,503)	(4,871)
Administration		(7,264)	(4,441)
Total expenditure		(66,397)	(68,714)
Results from operating activities		**(652)**	**(9,200)**
Finance income		7,005	4,389
Finance costs		(309)	(417)
Net finance income/(cost)	6	6,696	3,972
Surplus/(deficit) for the year before tax		**6,044**	**(5,228)**
Income tax expense	3c	-	-
Surplus/(deficit) for the year after tax		**6,044**	**(5,228)**
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	(6,866)	5,890
Items that may be reclassified subsequently to surplus or deficit		-	-
Total other comprehensive (deficit)/income		**(6,866)**	**5,890**
Total comprehensive (deficit)/income for the year		**(822)**	**662**

Statements of Financial Position
as at 31 December 2018

	Notes	2018 $'000	2017 $'000
Current assets			
Cash and cash equivalents	7a	26,319	26,241
Investments	9	2,765	624
Trade and other receivables	8	3,073	4,869
Property available for sale	10b	-	1,315
Inventories		89	92
Total current assets		32,246	33,141
Non-current assets			
Investments	9	81,023	86,363
Property, equipment and vehicles	10a	3,345	3,544
Intangibles	11	64	207
Total non-current assets		84,432	90,114
Total assets		116,678	123,255
Current liabilities			
Trade and other payables	12	2,238	5,623
Grant income deferred	13	6,879	9,506
Employee benefits	14	2,802	2,878
Provisions	17	14	14
Total current liabilities		11,933	18,021
Non-current liabilities			
Employee benefits	14	218	193
Provisions	17	767	459
Total non-current liabilities		985	652
Total liabilities		12,918	18,673
Net assets		**103,760**	**104,582**
Equity			
Reserves	15	30,779	40,335
Retained earnings		72,981	64,247
Total equity	15	**103,760**	**104,582**

The notes on pages 15 to 38 are an integral part of these financial statements

Statements of Changes in Equity
for the year ended 31 December 2018

	Notes	Fair Value Reserve $'000	Nutrition research & health Reserve $'000	Specific/ Restricted Reserve $'000	Retained earnings $'000	Total Equity $'000
Balance as at 1 January 2017		6,920	1,000	25,429	70,571	103,920
Comprehensive income for the period						
Surplus/(Deficit) for the period		-	-	-	(5,228)	(5,228)
Other comprehensive income						
Gains/(Losses) on sale of equities/managed funds	6	-	-	-	1,724	1,724
Net change in fair value of financial assets	6	4,166	-	-	-	4,166
Transfer (from)/to retained earnings	15	-	(1,000)	3,820	(2,820)	-
Total other comprehensive income		4,166	(1,000)	3,820	(1,096)	5,890
Total comprehensive income for the period		4,166	(1,000)	3,820	(6,324)	662
Balance as at 31 December 2017		11,086	-	29,249	64,247	104,582
Balance as at 1 January 2018		11,086	-	29,249	64,247	104,582
Comprehensive income for the period						
Surplus/(Deficit) for the period		-	-	-	6,044	6,044
Other comprehensive income						
Gains/(Losses) on sale of equities/managed funds	6	-	-	-	788	788
Net change in fair value of financial assets	6	(7,654)	-	-	-	(7,654)
Transfer (from)/to retained earnings	15	-	-	(1,902)	1,902	-
Total other comprehensive income		(7,654)	-	(1,902)	2,690	(6,866)
Total comprehensive income for the period		(7,654)	-	(1,902)	8,734	(822)
Balance as at 31 December 2018		3,432	-	27,347	72,981	103,760

Statements of Cash Flows
for the year ended 31 December 2018

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		64,495	62,438
Cash payments in the course of operations		(73,725)	(70,053)
Net grants made to National Heart Foundation of Australia		-	-
Net financial income		6,366	4,540
Net cash(used in)/from operating activities	7b	**(2,864)**	**(3,075)**
Cash flows from investing activities			
Proceeds from sale of property, equipment and vehicles		3,741	57
Acquisition of property, equipment, vehicles and computer software		(284)	(237)
Proceeds from sale of investments		36,106	30,212
Acquisition of investments		(36,621)	(34,563)
Net cash (used in)/from investing activities		**2,942**	**(4,531)**
Cash flows from financing activities		-	-
Net cash from financing activities		**-**	**-**
Net increase in cash and cash equivalents		78	(7,606)
Cash and cash equivalents at 1 January		26,241	33,847
Cash and cash equivalents at 31 December	7a	**26,319**	**26,241**

The notes on pages 15 to 38 are an integral part of these financial statements

Notes to the Financial Statements (continued)
for the year ended 31 December 2018

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 financial statements of the Foundation are as at and for the year ended 31 December 2018 and include the consolidation of the National Heart Foundation of Australia (South Australia), National Heart Foundation of Australia (Australian Capital Territory), National Heart Foundation of Australia (Tasmania), National Heart Foundation of Australia (Queensland), National Heart Foundation of Australia (Northern Territory), National Heart Foundation of Australia (Western Australia), National Heart Foundation of Australia (Victoria) and National Heart Foundation of Australia (New South Wales) (collectively referred to in this financial report as "the Group").

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 29th April 2019.

(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(k). 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 Financial Statements (continued)
for the year ended 31 December 2018

2 Basis of preparation (continued)

(e) 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. 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 are consistent with the policies adopted by the Foundation. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(f) Changes in accounting policies

The Group 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) 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 Group 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) 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 Group along with the school children across Australia who also supported the Group by participating and raising funds through the Jump Rope for Heart programs. 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.

(b) 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.

(c) Income tax

The Group is exempt from paying income tax due to being classified as a charitable institution in terms of section 50(5) of the Income Tax Assessment Act 1997. The Group is also endorsed as Deductible Gift Recipient and falls 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.

(d) 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

Notes to the Financial Statements (continued)
for the year ended 31 December 2018

3 Significant accounting policies (continued)

(d) Inventories (continued)

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.

(e) 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(j)(ii)). Cost includes expenditure directly attributable to the acquisition of the asset. Such assets are recognised/derecognised by the Group on the date it commits to purchase/sell each item. 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.

(iii) 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.

(f) Leased assets including property and equipment

Leases in terms of which the Group assumes 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 Group recognises lease periods as the initial term specified in the lease and renewal options are treated as separate leases should the Group elect to extend the lease period beyond the initial term. The leased assets are not recognised on the Group's Statement of Financial Position, however, in accordance with lease terms, future obligations have been recognised on the Group'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.

At the inception of an arrangement, the Group 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 Group the right to control the underlying asset. At inception or upon reassessment of the arrangement, the Group 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.

(g) 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

3 Significant accounting policies (continued)

(g) Intangible assets (continued)

ready for use. Estimated useful lives are deemed to be 2-3 years. Remaining useful lives are reassessed annually. No residual value is assumed.

(h) 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) Financial assets measured at amortised cost

A financial asset is subsequently measured at amortised cost, using the effective interest method and net of any impairment loss, if:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows ;and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

The Group's policy on impairment of financial assets measured at amortised cost is the same as that applied in its financial statements as at and for the year ended 31 December 2018 for loans, receivables and investments.

(ii) Financial assets measured at fair value

For investments in equity instruments that are not held for trading, the Group elected at initial recognition to present gains and losses in other comprehensive income. For instruments measured at fair value through other comprehensive income, gains and losses are never reclassified to surplus or deficit and no impairments are recognised in surplus or deficit. Dividends earned from such investments are recognised in profit or loss unless the dividends clearly represent a repayment of part of the cost of the investment. 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. All financial assets not classified as measured at amortised cost or Fair Value Other Comprehensive Income (FVOCI) are measured at Fair Value Through Profit Loss (FVTPL). This includes all non-equity financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets that are non-equity instruments are measured at FVTPL.

(iii) Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management; —the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

3 Significant accounting policies (continued)

(h) Non-derivative financial assets (continued)

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the asset.

(iv) Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features). A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

(v) Financial assets – Subsequent measurement and gains and losses

- Financial assets at FVTPL. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit & loss. The Group holds managed funds measured using this method. Financial assets at amortised cost. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- Debt investments at FVOCI. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gians and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
- Equity investments at FVOCI. These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. The Group holds equity share investments using this method.

(vi) 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.

(vii) 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(j)(i).

(viii) 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(j)(i).

(i) 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

Notes to the Financial Statements (continued)
for the year ended 31 December 2018

3 Significant accounting policies (continued)

(i) Non-derivative financial liabilities (continued)

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.

(j) 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 Group on terms that the Group 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 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.

(k) 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 Group expects 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

3 Significant accounting policies (continued)

(k) Employee benefits (continued)

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 Group expects to pay at each reporting date using

> assumed rate of future increases in wage and salary rates: 2018: 2.0% (2017: 3.0%)

> discount rate based on corporate securities which most closely match the terms to maturity of the related liabilities: 2018: 3.98% (2017: 3.81%)

> expected settlement dates: 2018: 2 years (2017: 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: 2018: 2.0% (2017: 3.0%)

> discount rate based on corporate securities which most closely match the terms to maturity of the related liabilities: 2018: 3.98% (2017: 3.81%)

> expected settlement dates based on turnover history: 2018:15 years (2017: 15 years)

(l) Provisions

A provision is recognised if, as a result of a past event, the Group 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 16).

(m) Segment reporting

The Group operates in only one business segment as a charity. The Group operates in one geographical segment (Australia).

(n) 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.

(o) Financial risk management

The Group has 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 Group, 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 Group activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. 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 Groups approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

(p) New standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group 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.

Notes to the Financial Statements (continued)
for the year ended 31 December 2018

3 Significant accounting policies (continued)

(p) New standards and interpretations

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 1053.

(q) 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 Financial Statements (continued)
for the year ended 31 December 2018

	2018	2017
	$'000	$'000
4 Revenue from operating activities		
Charitable support - bequests	31,166	23,085
Charitable support - non-bequests	19,003	18,388
Sale of goods	77	29
Total revenue from fundraising activities	50,246	41,502
Government non-reciprocal grants	64	64
Grants for specific health programs - Government	12,624	13,217
Grants for specific health programs and research - other	1,661	2,803
Food Information Program	68	669
Other	1,082	1,259
Total revenue from other operating activities	15,499	18,012
Total revenue from operating activities	65,745	59,514

	2018	2017
	$	$
5 Auditors' remuneration		
KPMG Australia: Audit services	104,248	209,470
KPMG Australia: Other services	30,597	19,248
Total Auditors remuneration	134,845	228,718

	2018	2017
	$'000	$'000
6 Finance income and costs		
Recognised in Surplus/(Deficit)		
Interest income	1,015	1,374
Dividend income and distributions from managed funds	5,857	3,015
Realised gain on disposal of bonds	133	-
Finance income	7,005	4,389
Impairment/ realised loss on trade receivables	(5)	(30)
Fair Value Market movement/amortisation of bonds	27	(13)
Fees of external investment managers	(138)	(161)
Realised loss on disposal of bonds	(193)	(213)
Finance costs	(309)	(417)
Net finance income and costs recognised in Surplus/(Deficit)	6,696	3,972
Recognised in other comprehensive income		
Impairment recovery on shares/managed fund units	-	906
Realised gain on disposal of shares	1,250	1,225
Realised (loss) on disposal of shares	(462)	(407)
Net surplus/(deficit) taken directly to retained earnings	788	1,724
Net fair value increments/(decrements) of financial assets	(7,654)	4,166
Net finance income and costs recognised in Other Comprehensive Income	(6,866)	5,890

Notes to the Financial Statements (continued)
for the year ended 31 December 2018

	2018 $'000	2017 $'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 2.4% (2017: 0% to 2.51%).	26,319	26,241
	26,319	26,241

The 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.

	2018 $'000	2017 $'000
7b Reconciliation of cash flows from operating activities		
Net surplus / (deficit) from ordinary activities	6,044	(5,228)
Adjustments for:		
Depreciation/Amortisation	485	940
Make good / Restoration	41	(98)
Investments acquired for nil consideration via bequests	(3,271)	(1,417)
Realised net loss/(gain) on disposal of bonds & other assets	38	156
Net loss/(gain) on disposal of property, equipment and vehicles	(2,231)	(3)
Office lease incentives deferred	27	27
Net cash from operating activities before changes in working capital and provisions	1,133	(5,623)
(Increase)/decrease in receivables	1,307	(1,674)
(Increase)/decrease in grants income accrued	489	(556)
(Increase)/decrease in inventories	3	7
Increase/(decrease) in payables	(3,385)	2,856
Increase/(decrease) in grants income deferred	(2,627)	2,299
Increase/(decrease) in employee benefits	(51)	(257)
Increase/(decrease) in provisions	267	(127)
Net cash from operating activities	(2,864)	(3,075)

	2018 $'000	2017 $'000
8 Trade and other receivables		
Grants income accrued	114	603
Other receivables and prepayments	2,959	4,266
	3,073	4,869

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

Notes to the Financial Statements (continued)
for the year ended 31 December 2018

	2018	2017
	$'000	**$'000**
9 Investments		
Current investments		
Term deposits maturing over 90 days	624	624
Bonds paying interest rates of 3.75% to 6% (2017 0%).	2,141	-
	2,765	624
Non-current investments		
Listed shares	24,978	28,202
Unlisted units in managed funds	37,949	37,898
Bonds paying interest rates of 1.5% to 6.00% (2017: 1.5% to 6.0%).	18,096	20,263
	81,023	86,363
	83,788	86,987

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

Notes to the Financial Statements (continued)
for the year ended 31 December 2018

10a Property, equipment and vehicles

	Freehold land	Buildings	Leasehold improve-ments	Office furniture & equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2017	2,160	3,194	3,577	5,215	393	14,539
Acquisitions	-	-	13	80	39	132
Transfer to Property available for sale	(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
Balance at 1 January 2018	1,660	1,873	2,121	4,618	359	10,631
Acquisitions	-	10	75	153	60	298
Disposals	-	(123)	(1,865)	(3,716)	(207)	(5,911)
Balance at 31 December 2018	1,660	1,760	331	1,055	212	5,018
Depreciation & Impairment losses						
Balance at 1 January 2017	-	1,047	3,266	4,484	225	9,022
Depreciation charge for the year	-	78	192	392	51	713
Transfer to Property available for sale	-	(506)	-	-	-	(506)
Disposals	-	-	(1,467)	(639)	(36)	(2,142)
Balance at 31 December 2017	-	619	1,991	4,237	240	7,087
Balance at 1 January 2018	-	619	1,991	4,237	240	7,087
Depreciation charge for the year	-	46	32	241	41	360
Disposals	-	(100)	(1,863)	(3,683)	(128)	(5,774)
Balance at 31 December 2018	-	565	160	795	153	1,673
Carrying amounts						
At 1 January 2017	2,160	2,147	311	731	168	5,517
At 31 December 2017	1,660	1,254	130	381	119	3,544
At 1 January 2018	1,660	1,254	130	381	119	3,544
At 31 December 2018	1,660	1,195	171	260	59	3,345

Notes to the Financial Statements (continued)
for the year ended 31 December 2018

10b Property available for sale

	Freehold land available for sale	Buildings available for sale	Total
	$'000	$'000	$'000
Balance at 1 January 2018	500	1,321	1,821
Disposal	(500)	(1,321)	(1,821)
Balance at 31 December 2018	-	-	-
Depreciation & Impairment losses			
Balance at 1 January 2018	-	506	506
Transfer from Land and Buildings	-	(506)	(506)
Balance at 31 December 2018	-	-	-
Carrying amounts			
At 1 January 2018	500	815	1,315
At 31 December 2018	-	-	-

Notes to the Financial Statements (continued)
for the year ended 31 December 2018

	2018 $'000	2017 $'000
11 Intangibles		
Computer software		
Cost		
Balance at 1 January	2,703	2,704
Acquisitions	-	105
Disposals	(2,297)	(106)
Balance at 31 December	406	2,703
Amortisation		
Balance at 1 January	2,496	2,375
Amortisation charge for the year	125	227
Disposals	(2,279)	(106)
Balance at 31 December	342	2,496
Carrying amounts		
1 January	207	329
31 December	64	207

	2018 $'000	2017 $'000
12 Trade and other payables		
Payables and accrued expenses	2,238	5,623
	2,238	5,623

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

	2018 $'000	2017 $'000
13 Grant income deferred		
Balance at 1 January	9,506	7,207
Amounts received	11,100	15,053
Income recognised as revenue	(13,727)	(12,754)
Balance at 31 December	6,879	9,506

The carrying value of grants income deferred is equal to fair value. The Group's exposure to liquidity risk relating to grants income deferred is disclosed in note 23.

	2018 $'000	2017 $'000
14 Employee benefits		
Aggregate liability for employee benefits including on-costs:		
Current - long service leave and annual leave	2,802	2,878
Non-current - long service leave	218	193
Total employee benefits	3,020	3,071
Personnel expenses:		
Wages and salaries	26,075	23,822
Contributions to superannuation plans	1,802	1,978
Total personnel expenses	27,877	25,800
Number of employees at year end (full time equivalents)	245	276

Notes to the Financial Statements (continued)
for the year ended 31 December 2018

	2018	2017
15 Reserves and Equity	**$'000**	**$'000**
Movements in reserves during the year:		
Fair value (related to investments)		
Balance at beginning of year	11,086	6,920
Net change in fair value of equities/managed investments	(7,654)	4,166
Balance at end of year	3,432	11,086
Nutrition research and health education		
Balance at beginning of year	-	1,000
Transfer from/(to) retained earnings, representing:	-	(1,000)
Surplus/(deficit) from Food Information Program	30	412
Interest & fair value movement/Reserve Adjustments	(30)	(1,412)
Payments for health & research programs	-	-
Balance at end of year	-	-
Specific or restricted purposes		
Balance at beginning of year	29,249	25,429
Transfer from/(to) retained earnings, representing:	(1,902)	3,820
Income received	628	1,113
Amounts set aside for specific purposes	1,709	3,115
Interest credited/(debited)	1,219	965
Fair value movement	(1,413)	1,794
Payments for research	(215)	(354)
Payments for health programs	(1,055)	(898)
Payments for Corporate programs	(2,775)	(1,915)
Balance at end of year	27,347	29,249
Total Reserves balance at year end	30,779	40,335
Reserves at beginning of year	40,335	33,349
Retained Earnings at beginning of year	64,247	70,571
Total Equity at beginning of year	**104,582**	**103,920**
Operating Surplus/(Deficit) for the year	6,044	(5,228)
Other Comprehensive Income	(6,866)	5,890
Total Comprehensive Income	(822)	662
Total Equity at end of year	**103,760**	**104,582**

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.
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 Financial Statements (continued)
for the year ended 31 December 2018

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 Group. The solvency buffer is based on continuation of budgeted levels of expenditure to fund the mission of the Group 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 Group. 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.

	2018	2017
	$'000	$'000
16 Operating leases as lessee		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	1,701	2,026
Between one and five years	5,518	7,360
Later than five years	7,101	2,337
	14,320	11,723
Expenditure in the period was as follows:		
Office equipment	44	42
Office space	2,020	1,668
	2,064	1,710

Notes to the Financial Statements (continued)
for the year ended 31 December 2018

17 Provisions

Obligations arising as a result of the Group's adherence with the prescribed treatment of leases outlined in the accounting standards are shown as follows:

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

	Operating lease expense obligations	Office lease incentives deferred	Make good of leased premises	Total
	$'000	$'000	$'000	$'000
Balance at 1 January 2018	159	14	300	473
Future obligations incurred	267	27	41	335
Incentives offset against lease rental expense	-	(27)	-	(27)
Expenditure recognised in the Statements of Surplus or Deficit and Other Comprehensive Income	-	-	-	-
Balance at 31 December 2018	426	14	341	781
Current	-	14	-	14
Non-current	426	-	341	767
	426	14	341	781

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

Notes to the Financial Statements (continued)
for the year ended 31 December 2018

18 Capital and other commitments	**2018**	**2017**
Research grants and fellowships	**$'000**	**$'000**
Board approved future commitments for existing research grants and fellowships as per agreements are payable as follows:		
2018	-	13,880
2019	14,010	8,585
2020	8,461	5,079
2021	5,235	2,460
2022	2,482	-
	30,188	30,004

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		
Performance guarantees	693	624
	693	624

The Group has guaranteed as party to its operating leases in Melbourne, Canberra and Brisbane, the payment of rentals in accordance with the signed agreements for the specified lease terms. The terms of the lease agreements required the Group to secure bank guarantees of $602,023, $21,964 and $69,011 respectively as minimum compensation payments to the lessor in the event of default. The Groups Melbourne lease term is due to expire by 31 October 2024, in Canberra by 31 July 2023 and Brisbane by 31 December 2023. The Directors considered no liability is required to be recognised in respect of these guarantees as the Group is 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 22 members as at 31 December 2018.

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 D M Colquhoun MBBS, FRACP, FCSANZ
Ms R Davies AO, BEc, LLB (Hons), FAICD (to 28 May 2018)
Dr J A Deague MBBS, FRACP, PHD, FCSANZ, GAICD
Mr J Etherington, BEc, FCA, FAICD
Mrs K E Hanslow, BA, LLB (Hons), TEP, GAICD (to 28 May 2018)
Ms D J Heggie, MAICD, MCSP, Grad Dip Human Services Research
Dr M K Ilton, MBBA, FRACP (to 28 May 2018)
Dr J A Johns MBBS, FRACP, FCSANZ (to 28 May 2018)
Professor L Kritharides MBBS, PhD, FRACP, FAHA, FCSANZ, FESC, FACC
Mr C B Leptos AM, Bcom, MBA, FAICD, FCA, FCPA. (from 28 May 2018)
Ms C R Payne RN, DipApSc, BachApSc, MBA
Mr T M Roberts BArtsAcc, FCA, FAICD, FGLF
Mr G N Robson MEc, BCom (Hon), SFFINSIA FCAANZ (to 1 March 2018)
Ms A Tay LLB, FGIA, MAICD
Ms J L Tucker LLB, BCom, ADM (Harvard), GDip Marketing, GAICD (to 28 May 2018)
Mr B A Yvanovich BSc, MPA, FFIA (to 28 May 2018)

Notes to the Financial Statements (continued)
for the year ended 31 December 2018

21 Related parties (continued)
Non-executive Directors did not receive any remuneration from the Group during the current financial year. Apart from details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving Directors' interests subsisting at year end.

Key Management Personnel
Adjunct Professor J G Kelly AM, CEO National Heart Foundation of Australia
Ms K Doyle - CEO National Heart Foundation of Australia (New South Wales Division) (to 28 May 2018)
Ms K Jolly - CEO National Heart Foundation of Australia (Victorian Division) (to 28 May 2018)
Mr G Lynch - CEO National Heart Foundation of Australia (Tasmania Division) (to 28 May 2018)
Mr S Dixon - CEO National Heart Foundation of Australia (Northern Territory Division) (to 28 May 2018)
Ms I Lynch - CEO National Heart Foundation of Australia (South Australian Division) (to 28 May 2018)
Mr A Stubbs - CEO National Heart Foundation of Australia (ACT Division) (to 28 May 2018)
Mr M Swanson - CEO National Heart Foundation of Australia (Western Australia Division) (to 28 May 2018)
Mr S Vines - CEO National Heart Foundation of Australia (Queensland Division) (to 28 May 2018)
Mr D Gerrard - Chief Financial Officer - Group
Mr B Stavreski - General Manager Heart Health & Research
Mr R Greenland - General Manager Advocacy
Ms J Tauber- Chief Development Officer (from 4 June 2018)
Mr C Taylor- Chief Marketing Officer (from 28 May 2018)
Mr C Miers - General Counsel (from 28 May 2018)
Ms C Mulcahy- General Manager Business Transformation, Strategy & Insights (from 28 May 2018)
Ms K Jacques - General Manager People & Culture (from 28 May 2018)

	2018	2017
The compensation of key management personnel was as follows:	**$'000**	**$'000**
Short term employee benefits	2,887	2,070
Other long term benefits	49	42
Total	2,936	2,112

Geographic CEO's were determined to no longer be KMP post unification of their respective regions.

DGR Entities and ACNC Registered Charities
All entities included in Note 2(e) are DGR and ACNC Registered Charities. The Financial statements are consolidated with prior year comparison to the previous financial statements which were of the same form. All of the State and Territory entities as noted in the “Significant changes in the state of affairs” disclosure as well as the National Heart Foundation have Deductible Gift Recipient status. The Financial statements only include information relating to registered ACNC entities and their financial results are fully included in the financial statements for 2017 and 2018. The ACNC has also granted group financial reporting which allows the Annual Financial Statement and Annual Financial Report to be lodged on a joint basis removing the requirement for each entity to lodge these documents separately.

22 Subsequent events
The Group is not aware of any subsequent event that has occurred since the balance date that could materially affect these consolidated financial statements.

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

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables and investment securities. The Group 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 Group's financial assets which are recognised in the Statement of Financial Position is the carrying amount of such assets, net of

Notes to the Financial Statements (continued)
for the year ended 31 December 2018

23 Financial instruments (continued)
Credit risk (continued)
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 Group's investment policy. Management does not expect any counterparty to fail to meet its obligations as the Group'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 Melbourne and Canberra 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	2018 $'000	2017 $'000
Financial assets			
Cash *		10,921	10,523
Cash call accounts *		3,428	5,838
Term deposits under 90 days *		11,970	9,880
Total cash and cash equivalents *	7a	26,319	26,241
Grants income accrued *	8	114	603
Trade and other receivables *	8	2,959	4,266
Investments - listed shares #	9	24,978	28,202
Investments - unlisted units in managed funds #	9	37,949	37,898
Investments - bonds ## (**)	9	20,237	20,263
Term deposits over 90 days *	9	624	624
		113,180	118,097
(**) Maturity profile of bonds			
Less than one year		2,141	-
Between one and five years		18,096	9,011
Later than five years		-	11,252
		20,237	20,263

* Financial assets held at cost\amortised cost
\# Financial assets held at fair value through other comprehensive income or surplus/(deficit)
\## Financial assets held at fair value through surplus/(deficit)

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

	2018 $'000	2017 $'000
Balance at 1 January of provision for doubtful debts	15	15
Realisation of impairment (loss)/recovery previously provided	(15)	-
Balance at 31 December of provision for doubtful debts	-	15
Impairment loss/(recovery) recognised in Surplus or Deficit	(15)	-

Based on receivables history, the Group 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.

23 Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group 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	2018 $'000	2017 $'000
Non derivative financial liabilities			
Trade and other payables	12	2,238	5,623
Grant income deferred	13	6,879	9,506
		9,117	15,129

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 Group'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 Group 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 Group'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 1% on page 37. The analysis is performed on the same basis as that used in 2017.

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 2017.

Equity/unit price risk

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

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.

Managed funds are designated at fair value through the surplus/(deficit) and their performance actively monitored and managed on a fair value basis

23 Financial instruments (continued)
Equity price risk (continued)
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 2017.

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 2017. 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 Group’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 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 Group’s operations. The Group’s objective is to manage operational risk so as to prevent financial losses and damage to the Group’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 Group. This responsibility is supported by the development of guidelines 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

Compliance with the Group’s 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 Group’s management and submitted to the Audit and Governance Committee.

Sensitivity Analysis Disclosure
The Group'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 Group 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 Financial Statements (continued)
for the year ended 31 December 2018

23 Financial instruments (continued)

	2018					2017				
		-1%		+1%			-1%		+1%	
Interest rate risk	**Carrying Amount/ Face Value**	**Surplus/ (Deficit)**	**Equity**	**Surplus/ (Deficit)**	**Equity**	**Carrying Amount/ Market Price**	**Surplus/ (Deficit)**	**Equity**	**Surplus/ (Deficit)**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets										
Fixed rate instruments										
Term deposits-maturing within 90 days	11,970	(120)	(120)	120	120	9,880	(99)	(99)	99	99
Term deposits-maturing beyond 90 days	624	(6)	(6)	6	6	624	(6)	(6)	6	6
Investments - bonds	20,237	(202)	(202)	202	202	20,263	(203)	(203)	203	203
Variable rate instruments										
Cash at bank	10,921	(109)	(109)	109	109	10,523	(105)	(105)	105	105
Cash call accounts	3,428	(34)	(34)	34	34	5,838	(58)	(58)	58	58
Total increase/(decrease)	47,180	(471)	(471)	471	471	47,128	(471)	(471)	471	471

	2018					2017				
		-10%		+10%			-10%		+10%	
Other market price risk	**Carrying Amount/ Market Value**	**Surplus/ (Deficit)**	**Equity**	**Surplus/ (Deficit)**	**Equity**	**Carrying Amount**	**Surplus/ (Deficit)**	**Equity**	**Surplus/ (Deficit)**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets										
Investments - listed shares	24,978	-	(2,498)	-	2,498	28,202	-	(2,820)	-	2,820
Investments - unlisted units in managed funds	37,949	-	(3,795)	-	3,795	37,898	-	(3,790)	-	3,790
Investments - bonds	20,237	(2,024)	-	2,024	-	20,263	(2,026)	-	2,026	
Total increase/(decrease)	83,164	(2,024)	(6,293)	2,024	6,293	86,363	(2,026)	(6,610)	2,026	6,610

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.

Notes to the Financial Statements (continued)
for the year ended 31 December 2018

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

	Notes	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

	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2018					
Fair Value	9	24,978	58,186	-	83,164
		24,978	58,186	-	83,164

KPMG

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 and its controlled entities (the Group).

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 the Group is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

i. giving a true and fair view of the Group's financial position as at 31 December 2018, and of its financial performance and its cash flows for the year ended on that date; and

ii. complying with *Australian Accounting Standards* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The ***Financial Report*** comprises:

i. Statement of financial position as at 31 December 2018.

ii. Statement of surplus or deficit and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.

iii. Notes including a summary of significant accounting policies.

iv. Directors' declaration of Company.

The Group comprises of National Heart Foundation of Australia 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 $19,003,000 is a significant source of fundraising revenue for National Heart Foundation of Australia. The Group 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 Group, are not appropriate given the size and nature of the Group.

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 in accordance with the auditor independence requirements of the *ACNC Act 2012* 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. 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified opinion section above, we were unable to obtain sufficient appropriate evidence about the completeness of cash donations. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. 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 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.

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

i. Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

ii. Obtain an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

iv. Conclude 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 Group'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 Company to cease to continue as a going concern.

v. Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the Group regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

Amanda Bond

Partner

Melbourne

29 April 2019

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 2018 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

KPMG

ABd

Amanda Bond

Partner

Melbourne

29 April 2019

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