"I feel that by giving a donation I may help to save a life." "The heart is so vital to life. Keep up the good work." "I support the Heart Foundation because they have been a great help to me, 15 years ago I had a triple bypass, since then a stent and valve and pacemaker operation and am told it's a miracle I'm still here." "It's important work you're doing – thank you!" "I donate because I lost a friend to heart disease. She was only 24 when she died and it broke my heart." "I love being part of an organisation that wants to find cures and make people's lives easier with their heart health and general wellbeing." "I think of all those who might have a longer happier life if the heart health message was better heard." "I support the Heart Foundation because it might happen to me and anyone I know or anyone else." "Being a volunteer for many years now, gives me a sense of worth and pride that I can help in small ways as well."

ANNUAL REPORT 2013

+ FINANCIAL STATEMENTS

National Heart Foundation of Australia
(National Office and Group) ABN 98 008 419 761
For the year ended 31 December 2013

Heart Foundation®

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Directors and Office Bearers

Patron

Her Excellency Ms Quentin Bryce AC
Governor-General of the Commonwealth of Australia

Board of Directors

National President	Associate Professor P T Sexton JP, FAMA, BSc(Hons), MBBS, PhD, FAFPHM, FAICD
Deputy National President	Dr J A Johns MBBS, FRACP, FCSANZ
National Treasurer	Mr T M Roberts BArtsAcc, FCA, IPAA, FAICD, SAFIN, FGLF
Directors	Mr A D Caudle BSc(Hons), MEngSc Mr J R Cowen LLM, BCL, Sol BL (Vic) TEP, Chair Audit and Governance Committee (to 3 April 2013) Mr D H Gillam BBus, FCPA, FAICD Dr M K Ilton, MBBA, FRACP (from 31 December 2013) Mr F F Lancione, LLM, BA, GDLP, MAICD Mr M J Laverty LLM Dr J P O'Shea MBBS, FRACP, FCSANZ Dr R Wilkinson MBBS, BA, M.Litt, FRACP, MBBS, BA, M.Litt., FCSANZ (from 3 April 2013)
Representative of the Cardiac Society of Australia and New Zealand	Professor I T Meredith AM, MBBS(Hons), BSc(Hons), PhD, FRACP, FACC, FAHA, FCSANZ, FSCAI
Additional Directors	Professor G L Jennings AM, MBBS, MD, MRCP(UK), FRACP, FRCP (London), FAHA, FCSANZ, FMBRCA, Chair National Cardiovascular Health Advisory Committee (to 24 May 2013) Professor L Kritharides MB, BS, PhD, FRACP, FAHA, FCSANZ (from 24 May 2013) Mr C B Taylor FFin, FPNA, MAICD, Chair National Finance Advisory Committee
Members at Large	Mr R H Allert AO, FCA Mr B J Carter, BEc, MBA, FCA, FAICD Mr B J Davies OAM, FCA, FCPA Professor G L Jennings AM, MBBS, MD, MRCP(UK),FRACP, FRCP (London), FAHA, FCSANZ, FMBRCA Mr L T Cox BEc, FCA Professor P H Harris AM, BSc(Med)(Hons), MBBS(Hons), DPhil(Oxon), FRACP, FACC, FAHA, FCSANZ Mr H R Hope BCom, LLB, FAICD Mr R V Ryan AO Professor A M Tonkin, AM MBBS, MD, FRACP
Chief Executive Officer- National	Dr L M Roberts AM, DipAppSci (Chem), BA(Hons), PhD (to 31 December 2013)
Company Secretary	Ms D A Cope
Solicitors	Norton Rose Fulbright
Auditors	KPMG
Registered Office	Level 12, 500 Collins Street, Melbourne, Victoria 3000
Preferred Postal Address	Level 12, 500 Collins Street, Melbourne, Victoria 3000

Directors' Report
For the year ended 31 December 2013

The directors present their report together with the financial report for the National Heart Foundation of Australia ("the Foundation") and the consolidated financial report of the consolidated entity ("Group"), being the Foundation and the State and Territory Divisions, for the year ended 31 December 2013 and auditors' report thereon.

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

Name and qualifications	Experience and special responsibilities	Board Meetings Attended & held #	Appointment and resignation
Mr A D Caudle BSc(Hons), MEngSc	Director of Canberra based national IT company providing a wide range of solutions to corporations and government; graduate of Duntroon and whilst in the Army as a Surveyor Engineer, did duty in Australia, New Zealand, the South Pacific and South East Asia; a graduate from the University of NSW); member of the National Heart Foundation Information Technology Advisory Committee (ITAC); the Audit and Governance Committee; and President of the National Heart Foundation (Australian Capital Territory Division. An active volunteer with the Heart Foundation and other Canberra-based community organisations.	6/6	Appointed 14 May 2012
Mr J R Cowen LLM BCL, Sol.BL(Vic), TEP	Lawyer and Finance Investment professional with in excess of 20 years experience; Member Corporations Law Committee, QLD; Member Law Society Inc and Business Law Committee, Law Council of Australia; Fellow CEO Institute; Chair National Heart Foundation Audit and Governance Committee, member of the National Heart Foundation Executive; and President of the National Heart Foundation (Queensland Division).	0/2	Appointed 25 May 2009 (resigned 3 April 2013)
Mr D H Gillam BBus, FCPA, FAICD	Advisor to Business. Recent: National Director of Australian Institute of Company Directors, Chair-Board, Audit, Risk and Compliance Committee; Chair-National NFP Steering Committee. Chair-GP Assist [Tasmania]. Chair of CPA Australia, Ethics Centre of Excellence. Heart Foundation of Australia (National Board): Chair-Audit and Governance Committee; Member-Executive Committee. Heart Foundation of Australia (Tasmanian Division). President/Chair and Chair-Governance Committee.	6/6	Appointed 27 May 2011
Dr M K Ilton MBBA, FRACP	Dr Ilton, is Director of Cardiology, Royal Darwin Hospital and has been working as a Cardiologist in Darwin since 1997. He helped 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. Dr Ilton has a long association with the Heart Foundation NT, joining as Medical Advisor in 1998 and continuing on to become the Vice President in 2009 and the President in 2013.	6/6	Appointed 31 December 2013
Professor G L Jennings AM, MBBS, MD, MRCP (UK), FRACP, FRCP(London), FAHA, FCSANZ, FMBRCA	Director Baker IDI Heart & Diabetes Institute; Cardiologist The Alfred Hospital; Adjunct Professor of Medicine Monash University; Board Member Association of Australian Research Institutes; Nucleus Network Pty Ltd; Asia Pacific Society of Hypertension and Trustee Foundation for High Blood Pressure Research; Chair National Heart Foundation Cardiovascular Health Advisory Committee to May 2013.	3/3	Appointed 16 August 2002 (resigned 24 May 2013)
Dr J A Johns MBBS, FRACP, FCSANZ (Deputy National President)	Cardiologist; Medical Director, Speciality Services CSU, Austin Hospital; Co-founder and member of Women in Cardiology Working Group; Vice President Australia Sri Lanka Medical Aid Team (AuSLMAT); Member of the National Heart Foundation of Australia Executive; Member National Heart Foundation of Australia Cardiovascular Health Advisory Committee, President National Heart Foundation of Australia (Victorian Division).	5/6	Appointed 15 May 2009

Directors' Report (continued)
for the year ended 31 December 2013

Professor L Kritharides MB, BS, PhD, FRACP, FAHA, FCSANZ (Chair, CVHAC)	Head of Department and Director of Cardiology at Concord Repatriation General Hospital (CRGH) Sydney and Professor in Medicine at the University of Sydney. He practises as a General and Interventional Cardiologist and leads the Atherosclerosis and Vascular Biology Groups of the ANZAC Research Institute. Immediate past Chair of the Scientific Committee of the Cardiac Society of Australia and New Zealand (CSANZ), is a member of the Specialist Training Committee in Cardiology of the RACP/CSANZ, and currently chairs the Heart Foundation's Cardiovascular Health and Advisory Committee. Professor Kritharides has published widely on the biochemical, cellular and clinical aspects of cardiovascular disease, hyperlipidemia and thrombosis.	3/3	Appointed 24 May 2013
Mr F F Lancione LLM, BA, GDLP, MAICD	A practising lawyer with over 25 years experience; a partner of national law firm Piper Alderman specialising in corporate and capital reconstruction, dispute resolution and private wealth management with a focus on risk management; consults in corporate governance and advises widely on *Corporations Act* compliance; a member of the Law Council of Australia; the Law Society of South Australia; the Australian Institute of Company Directors; the Private Wealth Network, and the Australian Restructuring Insolvency and Turnaround Association; President of the National Heart Foundation Inc (South Australian Division) and board member since 2004; member of the National Audit and Governance Committee and a founding director helping to establish the Julian Burton Burns Trust, a charity in which he was involved from 2004 to 2012. Mr Lancione has developed a key interest in philanthropic pursuits of high net worth estates and Family Offices.	5/6	Appointed 7 May 2012
Mr M J Laverty LLM	CEO, Catholic Health Australia; Chairperson, Social Determinants of Health Alliance; Board Member, National Disability Insurance Agency; Board Member, NSW Public Service Commission; Member, National Health Performance Authority Advisory Committee for Private Hospitals; Member, Australian Catholic University Faculty of Health Sciences Advisory Board; Member, Heart Foundation National Audit and Governance Committee; Member, Heart Foundation National Finance Advisory Committee; President Heart Foundation of Australia, (New South Wales Division).	5/6	Appointed 27 May 2011
Professor I T Meredith AM MBBS(Hons), BSc(Hons), PhD, FRACP FACC FAHA FCSANZ FSCAI (Cardiac Society of Australia and New Zealand representative)	Professor & Director of MonashHeart, Monash Health, Professor of Medicine & Cardiology Monash University, Executive Director of Monash Cardiovascular Research Centre; CSANZ Representative National Heart Foundation; Medical Vice President of the National Heart Foundation of Australia (Victorian Division); Member of CSANZ Federal Board; Associate Director of Transcatheter Therapeutics (TCT) Cardiovascular Research Foundation; Board Member Asian Interventional Cardiovascular Therapeutics.	2/6	Appointed 27 May 2011
Dr J P O'Shea MBBS, FRACP, FCSANZ	Cardiologist Fremantle Hospital; Director, WA Cardiology Services; President National Heart Foundation of Australia (Western Australian Division).	5/6	Appointed 27 May 2011
Mr T M Roberts BArtsAcc, FCA, IPAA, FAICD, FINSIA, SAFIN, FGLF (National Treasurer)	Chartered Accountant for over 16 years; General Manager Institutional & Corporate Banking SA/NT for the Commonwealth Bank of Australia responsible for managing the significant investment in the South Australian and the Northern Territory markets and chartered with growing these business; formerly a Partner in a Chartered Accounting firm and Finance Director and CFO of a Private Equity backed investment; fellow of the Institute of Chartered Accountants; Fellow of the AICD; member of FINSIA; Associate of the Insolvency Practitioners Association of Australia; Fellow of the Governor's Leadership Foundation; Director of the National Heart Foundation of Australia (South Australia Division); member of the Audit and Governance Committee, National Finance Advisory Committee; and Investment Committee.	6/6	Appointed 25 May 2012

Directors' Report (continued)
for the year ended 31 December 2013

Associate Professor P T Sexton JP, FAMA, BSc(Hons), MBBS, PhD, FAFPHM, FAICD (National President)	Professorial Fellow Baker IDI Heart and Diabetes Institute; Clinical Associate Professor, School of Medicine, University of Tasmania; General Practitioner, Clarence GP Superclinic Hobart; State Medical Officer, Cricket Australia (Tasmania); Chairman Tasmanian Medical Board; Alderman Hobart City Council; Trustee, Tasmanian Museum and Art Gallery; Member Advisory Committee on the Safety of Medicines, Therapeutic Goods Administration; Chair National Heart Foundation of Australia Executive; Member National Heart Foundation of Australia Cardiovascular Health Advisory Committee.	5/6	Appointed 13 May 2005
Mr C B Taylor FFin, FPNA, MAICD	Retired senior banking and finance executive with 32 years experience; Chair National Heart Foundation of Australia Finance Advisory Committee; member National Heart Foundation of Australia Executive; Member; member of the Audit and Governance and Investment Committees; Life Member National Heart Foundation of Australia (South Australian Division).	5/6	Appointed 21 January 2008
Dr R K Wilkinson MBBS, BA, M.Litt., FRACP, MBBS, BA, M.Litt., FCSANZ	Senior Visiting Consultant in Cardiology, Royal Brisbane Hospital, Consultant Cardiologist to St Andrew's War Memorial Hospital, Greenslopes Private Hospital and the Wesley Hospital. Senior Lecturer in Medicine (Clinical) University of Queensland. Appointed Director: 31/10/96. Deputy President 20/4/05 to 19/4/06. President 19/4/06 to 25/5/09. Member of the CVHAC and appointed Queensland President for a second term in in April 2013	4/4	Appointed 3 April 2013

Meetings of Committees Reporting to the Board

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

	National Executive Committee #	Cardiovascular Health Advisory Committee #	National Finance Advisory Committee	Audit and Governance Committee #
Mr A D Caudle				5/5
Mr J R Cowen	0/0			1/1
Mr D H Gillam				5/5
Professor G L Jennings	1/1	2/2		
Dr L Kritharides	0/0	4/5		
Dr J A Johns	1/1	5/5		
Mr F F Lancione				4/5
Mr M J Laverty			2/3	3/5
Mr T M Roberts	1/1		5/6	4/5
Assoc Professor P T Sexton	1/1	3/5		
Mr C B Taylor	0/1		5/6	4/5
Dr R K WIkinson		5/5		

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

Corporate Governance Statement
The Foundation is a company limited by guarantee, incorporated under the *Corporations Act 2001.* Ultimate responsibility for the governance of the company rests with the Board of Directors. This corporate governance statement outlines how the Board meets that responsibility. The Board believes the principles of good corporate governance underpin the values and behaviour of the Foundation.

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

Federation Agreement
The Foundation entered into a new 5 year Federation Agreement on the 23rd November 2012. This agreement replaced the previous Memorandum of Understanding and took effect from 1 January 2013. Shared Services which were the responsibility of and hosted by various divisions in other States and Territories continue to be hosted by those divisions but are now the responsibility and under the direct control of the Foundation. All costs associated with these renamed "Group Services" are held and accounted for in the Foundation's accounts unless there is a requirement at law for them to be recognised elsewhere in which case they are recovered. This change to the operational structure has increased the Foundation's expenditure but is offset by increased contributions from the divisions as their expenditure has been reduced.

Oversight by the Board
The Board oversees and monitors the performance of management by:
> Meeting six times during the year

Directors' Report (continued)
for the year ended 31 December 2013

> Receiving detailed financial and other reports from management at those meetings
> Receiving additional information and input from management when necessary
> Assigning to the Cardiovascular Health Advisory Committee; the National Finance Advisory Committee; and the Audit and Governance Committee responsibility to oversee particular aspects of the operations and administration of the Foundation

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

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")
> Formulating the strategic plan of the Foundation in conjunction with the CEO and management
> Approving operating and capital budgets formulated by the CEO and management
> Monitoring the progress of management in achieving the strategic plan
> Monitoring the adherence by management to operating and capital budgets
> Ensuring the integrity of internal control, risk management and management information systems
> Ensuring stakeholders receive regular reports, including financial reports
> Ensuring the independence of the Foundation from government, industry and other groups in determining health and other policies and recommendations
> Ensuring the Foundation complies with relevant legislation and regulations
> Acting as an advocate for the Foundation whenever and wherever necessary

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

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

Board members
All Board members are independent, non-executive directors and act in an honorary capacity. The Constitution of the Foundation specifies:
> The directors of the Foundation shall be the National President, the State Member Foundation Representatives, the Cardiac Society Representative and any additional directors appointed in accordance with the Constitution.
> Other than for the position of Secretary, no person who is an employee of the Foundation, a State Member Foundation, or a local branch of a State Member Foundation, is eligible for nomination or appointment as an office bearer or director.

The Constitution requires all additional directors to retire from office at each Annual General Meeting, but each is eligible for re-election. The maximum number of additional directors to be elected shall not exceed five. The Constitution also requires, at each Annual General Meeting, the election of the National President, the Deputy National President and the National Treasurer.
The Cardiac Society of Australia and New Zealand Representative holds office as a director of the Foundation until the person ceases to be a member of the Cardiac Society, or the Cardiac Society nominates another person.
Each State Member Foundation Representative is appointed by his or her State or Territory and holds office as a director of the Foundation for the duration of their appointment by their Division. Usually, the appointee is the President of the Division.
The Board is the final authority on the operations of the Foundation and has complete responsibility for the control and overall management of the affairs, funds and property of the Foundation. It oversees corporate strategy, policy and performance, thus helping protect the rights and interests of the Foundation, its employees, donors and stakeholders. The Board ensures it is well equipped with skills and expertise relevant to the Foundation's activities to make it a stable and effective governing body. The current Board's qualifications, skills, experience and responsibilities appear on pages 4-6.
Board members receive written advice of the terms and conditions of their appointment and complete a structured induction program when first appointed. Management presentations to the Board enable directors to maintain knowledge of the business and operations of the Foundation.

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

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

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

PRINCIPAL ACTIVITIES AND ACHIEVEMENT OF OBJECTIVES

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

Directors' Report (continued)
for the year ended 31 December 2013

SHORT AND LONG TERM OBJECTIVES AND STRATEGIES FOR ACHIEVING THESE OBJECTIVES

Alignment to strategic plan "For All Hearts"

The Foundation has a five-year strategic plan, "For All Hearts" 2013-2017, aligned directly with our vision for Australians to have the best cardiovascular health in the world and our mission to reduce suffering and death from heart, stroke and blood vessel disease in Australia. Through "For All Hearts", we will be focused on 4 goals;

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

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

Performance Measures and Key Achievements in 2013

The Foundation has a process for measuring its performance and regular reports are provided to the Board on the following key results areas:
> Finance and Operations
> Fundraising and Donor Engagement
> Research
> Community Engagement and Awareness

Some key Achievements against some of these performance measures included significant increases in:
> personal relevance of the Heart Foundation to Australians aged 30 - 65
> the Foundation's effectiveness in raising the community's awareness/knowledge of heart health;
> awareness of heart disease as a leading cause of death for Australian women;
> unprompted awareness of the Tick brand;
> awareness of risk factors by women; and
> awareness of atypical heart attack symptoms.

Review of Results and Operations for Current Year

The consolidated comprehensive income for the year was a surplus of $5.88 million, compared to a deficit of $2.81 million in 2012. The Foundation's comprehensive income was a surplus of $7.25 million compared to a deficit of $2.71 million in 2012. The total comprehensive income was influenced by a $4.91 million increase in the net fair value of investments. The operating results reflect the Foundation's level of spending to support activities aligned to the final year of its For All Hearts strategic plan.

Total revenue from operating activities increased by $2.96 million to $69.47 million in 2013. Bequest income which can fluctuate significantly year on year was relatively stable with a slight increase of $200,000 to $22.7 million which is closer to the Foundation's average income levels after a significant increase experienced in 2011. This increase was counter balanced by a $223,000 decrease of non bequest income to $29.05 million. The Foundation is primarily supported by generous donations from the Australian public and the Foundation continued to invest back into consolidating and strengthening its donor acquisition and retention programs which have ensured that the level of non-bequest income does not decline.

Total expenditure decreased by $4.81m to $72.15 million in 2013. The major programs funded from accumulated reserves during the previous Championing Hearts strategy have now finished and any additional spending from accumulated reserves is approved by the Board to support the strategic plan through out the life of the For all Hearts plan.

The major public messaging campaign delivered by television, radio and print initially commenced by the Foundation in 2011 and wound down in 2012/2013. The "Warning signs" campaign was conducted in metropolitan and rural regions across Australia and returned increased awareness of the vital indicators of a potential heart attack and the need to dial 000 without delay in order obtain access to treatment and care. Warning signs was conducted in association with the Ambulance service and local hospitals.

In 2013, the Foundation commenced funding of 72 new research awards. The 195 awards/projects funded in 2013 equate to an allocation of $12.18 million towards cardiovascular research to advance our understanding and knowledge of heart health and improve the lives of all Australians.

Investment income was stable compared to 2012 with interest income falling slightly as interest rates declined, but was offset by increased dividends as more company profits were returned to shareholders. The equities markets continued to experience fluctuations of uncertainty but rose overall to increase the value of the Foundation's investments by $1.5 million over that achieved in 2012.

Overall, the Foundation performed to expectations in 2013 delivering significant programs while at the same time operating within the scope of its financial capacity.

A comprehensive discussion about the activities of the Foundation and the Group can be found in the 2013 Annual Review.

Events Subsequent to Reporting Date

No matter or circumstances have arisen in the interval between the end of the financial year and the date of this report, which are likely in the opinion of the Directors to significantly affect the operations of the Foundation, the results of those operations or the state of affairs of the Foundation in subsequent financial years.

Likely Developments

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

Environmental Regulation

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

Directors' Report (continued)
for the year ended 31 December 2013

Rounding Off
The Foundation and the Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998, 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 Foundation has paid insurance premiums of $11,175 (2012: $11,747) in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former officers, including executive officers, of the Foundation and directors and executive officers of the State and Territory Divisions. The insurance premiums relate to:

> costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and

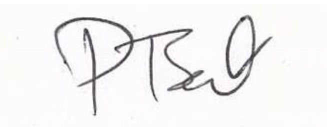
> other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

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

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

Lead auditor's independence declaration
The lead auditor's independence declaration is set out on page 42 and forms part of the directors' report for financial year 2013.

Signed in accordance with a resolution of the Directors.



Associate Professor P T Sexton
National President

Dated at Sydney this 11th day of April 2014

Directors' Declaration

for the year ended 31 December 2013

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

(a) the financial statements and notes, set out on pages 11 to 39, are in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Foundation and Group's financial position as at 31 December 2013 and of their performance for the financial year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

T M Roberts
Director and Treasurer

Dated at Sydney this 11th day of April 2014

Statements of Surplus or Deficit and Other Comprehensive Income
for the year ended 31 December 2013

		Consolidated		The Foundation	
		2013	2012	2013	2012
	Notes	$'000	$'000	$'000	$'000
Revenue					
Revenue from operating activities	4	69,470	66,512	29,157	24,112
Total revenue		69,470	66,512	29,157	24,112
Net gain/(loss) on sale of property, plant and equipment		1	840	0	0
Research		(12,182)	(12,445)	(11,943)	(11,730)
Health programs (including those funded by grants)		(35,020)	(37,250)	(13,720)	(16,397)
Fundraising		(18,533)	(19,798)	(749)	(346)
Cost of goods sold		(34)	(316)	0	0
Communications and publicity		(3,422)	(3,032)	(1,855)	(1,447)
Administration		(2,961)	(4,961)	(1,879)	(3,863)
Results from Operating activities		(2,681)	(10,450)	(989)	(9,671)
Finance income		3,649	3,780	3,278	3,300
Finance costs		(186)	(219)	(180)	(219)
Net finance income/(cost)	6	3,463	3,561	3,098	3,081
Surplus/(deficit) for the year before tax		**782**	**(6,889)**	**2,109**	**(6,590)**
Income tax expense	3d	0	0	0	0
Surplus/(deficit) for the year after tax		**782**	**(6,889)**	**2,109**	**(6,590)**
Other comprehensive income					
Items that will not be reclassified to surplus or deficit					
Gains/(Losses) on sale and revaluation of equities/managed funds	6,15	5,096	4,075	5,137	3,885
Items that may be reclassified subsequently to surplus or deficit		0	0	0	0
Total other comprehensive income		**5,096**	**4,075**	**5,137**	**3,885**
Total comprehensive income for the year		**5,878**	**(2,814)**	**7,246**	**(2,705)**

Statements of Financial Position
as at 31 December 2013

		Consolidated		The Foundation	
	Notes	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current assets					
Cash and cash equivalents	7a	25,148	23,644	10,351	8,853
Trade and other receivables	8	3,488	3,691	4,811	3,463
Inventories		198	143	186	0
Total current assets		28,834	27,478	15,348	12,316
Non-current assets					
Investments	9	46,762	42,678	46,699	42,555
Property, equipment and vehicles	10	7,438	7,813	3,469	3,272
Intangibles	11	582	593	583	588
Total non-current assets		54,782	51,084	50,751	46,415
Total assets		83,616	78,562	66,099	58,731
Current liabilities					
Trade and other payables	12	4,154	5,075	3,649	4,181
Grant income deferred	13	9,360	8,856	1,330	1,075
Employee benefits	14	2,450	2,599	872	559
Provisions	17	404	543	0	0
Total current liabilities		16,368	17,073	5,851	5,815
Non-current liabilities					
Employee benefits	14	379	395	159	74
Provisions	17	1,177	1,280	0	0
Total non-current liabilities		1,556	1,675	159	74
Total liabilities		17,924	18,748	6,010	5,889
Net assets		**65,692**	**59,814**	**60,089**	**52,842**
Equity					
Reserves		27,238	23,928	26,444	23,678
Retained earnings		38,454	35,886	33,645	29,165
Total equity	15	**65,692**	**59,814**	**60,089**	**52,843**

The notes on pages 15 to 39 are an integral part of these financial statements

Statements of Changes in Equity
for the year ended 31 December 2013

		Consolidated					The Foundation				
Consolidated		**Fair Value Reserve**	**Nutrition research & health Reserve**	**Specific/ Restricted Reserve**	**Retained earnings**	**Total Equity**	**Fair Value Reserve**	**Nutrition research & health Reserve**	**Specific/ Restricted Reserve**	**Retained earnings**	**Total Equity**
	Notes	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance as at 1 January 2012		662	3,097	24,292	34,577	62,628	662	3,097	24,192	27,597	55,548
Comprehensive income for the period						0					
Surplus/(Deficit) for the period		0	0	0	(6,889)	(6,889)	0	0	0	(6,590)	(6,590)
Other comprehensive income						0					
Gains/(Losses) on sale of equities/managed funds	6	0	0	0	523	523	0	0	0	483	483
Increase in Trust Funds held on Balance sheet *	6,15	0	0	150	0	150	0	0	0	0	0
Net change in fair value of sale financial assets	6	3,402	0	0	0	3,402	3,402	0	0	0	3,402
Transfer (from)/to retained earnings	15	0	(853)	(6,822)	7,675	0	0	(853)	(6,822)	7,675	0
Total other comprehensive income		3,402	(853)	(6,672)	8,198	4,075	3,402	(853)	(6,822)	8,158	3,885
Total comprehensive income for the period		3,402	(853)	(6,672)	1,309	(2,814)	3,402	(853)	(6,822)	1,568	(2,705)
Balance as at 31 December 2012		4,064	2,244	17,620	35,886	59,814	4,064	2,244	17,370	29,165	52,843
Balance as at 1 January 2013		4,064	2,244	17,620	35,886	59,814	4,064	2,244	17,370	29,165	52,843
Comprehensive income for the period											
Surplus/(Deficit) for the period		0	0	0	782	782	0	0	0	2,109	2,109
Other comprehensive income											
Gains/(Losses) on sale of equities/managed funds	6	0	0	0	186	186	0	0	0	224	224
Net change in fair value of financial assets	6	4,910	0	0	0	4,910	4,913	0	0	0	4,913
Transfer (from)/to retained earnings	15	0	290	(1,890)	1,600	0	0	290	(2,437)	2,147	0
Total other comprehensive income		4,910	290	(1,890)	1,786	5,096	4,913	290	(2,437)	2,371	5,137
Total comprehensive income for the period		4,910	290	(1,890)	2,568	5,878	4,913	290	(2,437)	4,480	7,246
Balance as at 31 December 2013		8,974	2,534	15,730	38,454	65,692	8,977	2,534	14,933	33,645	60,089

* Trust funds are held by the Foundation as trustee to generate returns to fund specific research scholorships.

The notes on pages 15 to 39 are an integral part of these financial statements

Statements of Cash Flows
for the year ended 31 December 2013

		Consolidated		The Foundation	
		2013	2012	2013	2012
	Notes	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Cash receipts in the course of operations		75,254	70,458	10,241	7,410
Cash payments in the course of operations		(78,124)	(83,701)	(44,084)	(36,076)
Net grants made to National Heart Foundation of Australia		0	0	31,260	17,183
Net financial income		3,692	3,809	3,314	3,078
Net cash from operating activities	7b	**822**	**(9,434)**	**731**	**(8,405)**
Cash flows from investing activities					
Proceeds from sale of property, equipment and vehicles		104	1,191	0	0
Acquisition of property, equipment, vehicles and computer software		(1,003)	(1,010)	(789)	(508)
Proceeds from sale of investments		3,138	4,763	3,136	4,722
Acquisition of investments		(1,557)	(4,715)	(1,580)	(4,619)
Net cash from investing activities		**682**	**229**	**767**	**(405)**
Cash flows from financing activities		0	0	0	0
Net cash from financing activities		**0**	**0**	**0**	**0**
Net increase in cash and cash equivalents		1,504	(9,205)	1,498	(8,810)
Cash and cash equivalents at 1 January		23,644	32,849	8,853	17,663
Cash and cash equivalents at 31 December	7a	**25,148**	**23,644**	**10,351**	**8,853**

The notes on pages 15 to 39 are an integral part of these financial statements

Notes to the consolidated Financial Statements

for the year ended 31 December 2013

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 12, 500 Collins Street, Melbourne, Victoria 3000. The Foundation is a not for profit charity devoted to reducing suffering and death from heart, stroke and blood vessel disease in Australia. The consolidated financial statements of the Foundation as at and for the year ended 31 December 2013 comprise the Foundation and the State and Territory Divisions (together referred to as the “Group” and individually as the “Divisions”).

2 Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.The financial report was authorised for issue by the directors on 11th April 2014.

(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 98/100 dated 10 July 1998, 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) Changes of accounting policy

(i) AASB9 Financial Instruments (2011)

The Foundation early adopted AASB9 Financial Instruments with a date of initial application of 1 January 2011. AASB9 requires that an entity classifies its financial assets as subsequently measured at either amortised cost or fair value depending upon the entities business model for managing financial assets and the contractual cash flow characteristics of the financial assets. At initial application of AASB9 the Foundation’s business model in relation to debt securities (bonds) was such that they were classified and measured at amortised cost. A review of the business model has indicated that the previous classification is no longer appropriate and that debt instruments should now be classified and measured at fair value. The business model has changed from predominantly holding these types of instruments to maturity to one where the Foundation’s portfolio managers trade on a regular basis to achieve higher rates of return from the instruments. AASB9 does not allow retrospective restatement of previously recognised gains, losses or interest. Refer to note 24 for the impact of change in accounting policy due to the reclassification of debt instruments.

(ii) AASB119 Employee Benefits (2011)

The Foundation has applied the revised AASB119 (2011) and therefore changed the definition of short term and long term employee benefits to clarify the distinction between the two. The affect of this, applied retrospectively has been to measure annual leave which is not expected to be settled within 12 months after the end of the annual reporting period to long term employee benefits under the standards new definition the Foundations obligation is determined at an actuarial present value (changed from an undiscounted value). Refer to note 14 and note 21. There has been no material change in the prior year’s re-measurement of annual leave.

(e) 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 company 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:

2 Basis of preparation (continued)

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

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

(iii) Valuation of investments
Investments in listed 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.
Policy applicable from 1 January 2013. Debt instruments (Bonds) have been reclassified as from 1 January 2013 as at fair value through profit and loss and their value has been determined by reference to published price quotations in an active market.
Policy applicable prior to 1 January 2013. Debt instruments (Bonds) are disclosed in the previous period as being held at amortised cost with any variance between maturity value and cost being recognised in the Statement of Surplus or Deficit and Other Comprehensive Income, over the period between the date of purchase and maturity. The standard applicable AASB9 Financial Instruments does not allow respective reclassification.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in this financial report with the exception of debt instruments which have differing policies in the periods presented.

(a) Basis of consolidation

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

(b) Revenue recognition

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

(ii) Interest and dividend revenue
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. Where the terms of the grant do not stipulate that unexpended funds are to be returned to the funding body they are recognised as revenue once all agreed project outcomes and specified work has been completed.

(iv) Food Information Program
Licence fees received from this program are upon the signing of the contract. Licences are provided on a 12 to 36 month basis and subject to conditions of the contract.

Notes to the consolidated Financial Statements (continued)
for the year ended 31 December 2013

3 Significant accounting policies (continued)

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

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

(vii) Services of volunteers
A substantial number of volunteers, including directors and members of committees, donate a significant amount of their time to the activities of the Foundation. School children across Australia also supported the Foundation by participating and raising funds through the Jump Rope for Heart program. In total this involved over 308,000 children and 1,793 schools and groups throughout Australia. The Foundation's door knock program successfully recruited over 120,000 volunteers to collect funds in 2013. 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.

(c) Goods and services tax

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

The Foundation and the Divisions are exempt from paying income tax due to being a charitable institution in terms of section 50(5) of the Income Tax Assessment Act 1997. The Foundation and Divisions are also endorsed as a Deductible Gift Recipient and fall under item 1 of the table in section 30-15 of the Income Tax Assessment Act 1997.

(e) Inventories

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

(f) Property, equipment and vehicles

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

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

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

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

Notes to the consolidated Financial Statements (continued)
for the year ended 31 December 2013

3 Significant accounting policies (continued)

(g) Leased assets including property and equipment

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

Other leases are classified as operating leases and payments are expensed on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease. The Foundation and/or a Division recognises lease periods as the initial term specified in the lease and renewal options are treated as separate leases should the Foundation and/or a Division elect to extend the lease period beyond the initial term. The leased assets are not recognised on the Foundation's and/or a Division's Statement of Financial Position, however, in accordance with lease terms, future obligations have been recognised on the Foundation's and/or Division's Statement of Financial Position for the costs of restoring leased premises to conditions as set out in the lease agreement. This future obligation will be adjusted annually to reflect increases in CPI (refer to note 16).

Determining whether an arrangement contains a lease

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

(h) Intangible assets

(i) Computer software

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

(ii) Amortisation

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

(i) Non-derivative financial assets

The Group initially recognises financial assets 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. In accordance with the transitional provisions of AASB9 (2011), the classification of financial assets that the Foundation held at the date of initial application was based on the facts and circumstances of the business model in which the financial assets were held at that date.

(i) Fair Value through Other Comprehensive Income

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

3 Significant accounting policies (continued)

(ii) Amortised cost (policy applicable prior to 1 January 2013)
In 2012 investments in debt instruments (Bonds) were classified and measured at amortised cost and are disclosed as such. Term deposits maturing beyond 90 days that are held directly, are classified and measured at amortised cost. Any differential between face or maturity value and cost is recognised in the Statement of Surplus or Deficit and Other Comprehensive Income over the remaining term to maturity of each instrument. If an amortised costs investment is considered to be impaired such impairment is recognised directly in the Statement of Surplus or Deficit and Other Comprehensive Income. Investments classified at amortised cost are recognised/derecognised by the Group on the date it commits to purchase/sell the investments.
(iii) Fair Value through Surplus or Deficit (policy applicable from 1 January 2013)
In 2013 investments in debt instruments (Bonds) have been reclassified and are now stated at fair value. The fair value of debt instruments is their quoted bid price as at the statement of financial position date. Any resultant gain or loss from cost whether related to market movement or from derecognition of the instrument is recognised directly in the Surplus or Deficit. Investments classified as fair value are recognised/derecognised by the Group on the date it commits to purchase/sell the investments.
(iv) Other financial instruments
A financial instrument is recognised on the date the Group and/or Division becomes party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's and/or a Division's contractual rights to the cashflows from the financial assets expire. Purchases and sales of financial assets are accounted for at trade date. Accounting for finance income and finance cost is discussed in note 3(o). Other non-derivative financial instruments are measured at amortised costs using effective interest method, less any impairment losses.

Share capital

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

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank accounts and short term deposits maturing within 90 days and are stated at fair value. Bonds and term deposits maturing beyond 90 days are classified as investments.

Trade and other receivables

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

(j) Non-derivative financial liabilities

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

(k) Impairment

(i) Non-derivative financial assets including receivables
Each financial asset apart from those classified at fair value through other comprehensive income is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset and can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount by the Foundation and/or a Division on terms that the Foundation and/or Division would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, 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.

3 Significant accounting policies (continued)

(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 net selling price and value in use. As the future economic benefits of the asset are not primarily dependent on the asset's ability to generate cash inflows, value in use is the depreciated replacement cost of the asset concerned.

(l) Employee benefits
(i) Short term benefits
The provisions for employee entitlements to wages, salaries, annual and paid maternity leave represent obligations resulting from employees' services provided up to reporting date, that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees rendered the related services. These are calculated at undiscounted amounts based on wage and salary rates, including related on-costs, which the Foundation or the Divisions expect to pay at each reporting date.
(ii) Other long term benefits
The provisions for employee entitlements to wages, annual and long service leave represent obligations resulting from employees' services provided up to reporting date, that are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees rendered the related services. These are calculated at actuarial present values based on wage and salary rates, including related on-costs, which the Foundation or the Divisions expect to pay at each reporting date using
> assumed rate of future increases in wage and salary rates: 2013 2% (2012 3.0%)
> discount rate based on national government securities which most closely match the terms to maturity of the related liabilities: 2013: 4.23% (2012: 3.32%)
> expected settlement dates: 2013: 2 years (2012: 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: 2013: 2% (2012: 3.0%)
> discount rate based on national government securities which most closely match the terms to maturity of the related liabilities: 2013: 4.23% (2012: 3.32%)
> expected settlement dates based on turnover history: 2013:15 years (2012: 15 years)
(iii) Defined contribution plans
A defined contribution superannuation plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Superannuation contributions are made by the Foundation in respect of all employees to provide accumulation style benefits only. Obligations for contributions to defined contribution superannuation plans are recognised as a personnel expense in the Statement of Surplus or Deficit and Other Comprehensive Income in the period

Notes to the consolidated Financial Statements (continued)
for the year ended 31 December 2013

3 Significant accounting policies (continued)

during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(m) Provisions

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

(n) Segment reporting

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

(o) Finance income and finance costs

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

(p) Financial risk management

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

Financial instruments

> credit risk
> liquidity risk
> market risk
> operational risk

Further details in respect of each of these risks are set out in note 23 Financial Instruments. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Foundation and/or Divisions, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Foundation and/or Divisions activities. The Foundation and/or Divisions, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Capital management

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

Economic dependency

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

(q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements. The Foundation does not plan to early adopt any new standards early.

(r) Determination of fair values

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

(i) Equity and debt securities

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted determined using a valuation technique. Valuation techniques employed

3 Significant accounting policies (continued)

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.

(iii) Property, plant and equipment

The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

Notes to the consolidated Financial Statements (continued)
for the year ended 31 December 2013

	Consolidated		The Foundation	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
4 Revenue from operating activities				
Charitable support - bequests	22,702	22,506	0	0
Charitable support - non-bequests	29,048	29,271	782	746
Sale of goods	90	108	17	0
Total revenue from fundraising activities	51,840	51,885	799	746
Net grants from Divisions (note 21)	0	0	22,073	18,376
Government non-reciprocal grants	53	57	0	0
Grants for specific health programs - Government	11,562	8,278	766	160
Grants for specific health programs and research - other	1,480	2,376	854	1,261
Food Information Program	2,807	2,761	2,807	2,761
Other	1,728	1,155	1,858	807
Total revenue from other operating activities	17,630	14,627	28,358	23,365
Total revenue from operating activities	69,470	66,512	29,157	24,111

	2013 $	2012 $	2013 $	2012 $
5 Auditors' remuneration				
KPMG Australia: Audit services	151,262	151,134	44,383	44,383
KPMG Australia: Other services	33,044	39,978	3,310	3,100
	184,306	191,112	47,693	47,483
Other auditors: Audit services	62,732	78,465	0	0
Other auditors: Other services	14,250	12,110	0	0
Total Auditors remuneration	76,982	90,575	0	0

	2013 $'000	2012 $'000	2013 $'000	2012 $'000
6 Finance income and costs				
Recognised in Surplus/(Deficit)				
Interest income	1,072	1,548	756	1,118
Dividend income and distributions from managed funds	2,462	2,079	2,400	2,029
Fair Value Market movement/amortisation of bonds	51	(98)	58	(98)
Realised gain on disposal of bonds	64	153	64	153
Finance income	3,649	3,682	3,278	3,202
Impairment/ realised loss on trade receivables	(6)	0	0	0
Fees of external investment managers	(120)	(121)	(120)	(121)
Realised loss on disposal of bonds	(60)	0	(60)	0
Finance costs	(186)	(121)	(180)	(121)
Net finance income and costs recognised in Surplus/(Deficit)	3,463	3,561	3,098	3,081
Recognised in other comprehensive income				
Impairment (loss)/recovery on shares/managed fund units	57	401	57	401
Realised gain on disposal of shares	384	408	384	368
Realised (loss) on disposal of shares	(255)	(286)	(217)	(286)
Reserve trust fund gain	0	150	0	0
Net surplus/(deficit) taken directly to retained earnings	186	673	224	483
Net fair value increments/(decrements) of financial assets	4,910	3,402	4,913	3,402
Net finance income and costs recognised in Other Comprehensive Income	5,096	4,075	5,137	3,885

Notes to the consolidated Financial Statements (continued)
for the year ended 31 December 2013

	Consolidated		The Foundation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
7a Cash and cash equivalents				
Cash and cash equivalents include bank accounts and short term deposits maturing within 90 days paying interest rates of 0.01% to 4.1% (2012: 0.01% to 5.87%)	25,148	23,644	10,351	8,853
	25,148	23,644	10,351	8,853
The Foundation's and Group's exposure to interest rate risk for financial assets and liabilities are disclosed in note 23. The carrying value of cash and cash equivalents is equal to fair value.				
7b Reconciliation of cash flows from operating activities				
Net surplus / (deficit) from ordinary activities	782	(6,889)	2,109	(6,591)
Adjustments for:-	0			
Depreciation/Amortisation	1,267	1,416	597	570
Make good / Restoration	2	(21)	0	0
Operating lease expense obligations incurred	0	38	0	0
Investments acquired for nil consideration via bequests	(502)	(2,383)	(502)	(2,383)
Realised net loss/(gain) on disposal of bonds & other assets	(55)	(55)	(62)	(55)
Net loss/(gain) on disposal of property, equipment and vehicles	(1)	(840)	0	0
Office lease incentives deferred	0	86	0	0
Net cash from operating activities before changes in working capital and provisions	1,493	(8,648)	2,142	(8,459)
(Increase)/decrease in receivables	93	(1,398)	(1,376)	(57)
(Increase)/decrease in grants income accrued	112	(78)	29	(11)
(Increase)/decrease in inventories	(55)	105	(186)	0
Increase/(decrease) in payables	(919)	(797)	(531)	(192)
Increase/(decrease) in grants income deferred	505	944	256	234
Increase/(decrease) in employee benefits	(166)	334	398	80
Increase/(decrease) in provisions	(242)	104	0	0
Net cash from operating activities	821	(9,434)	731	(8,405)
8 Trade and other receivables				
Trade receivables owing by other National Heart Foundation divisions	0	0	2,645	1,845
Grants income accrued	17	129	6	36
Other receivables and prepayments	3,471	3,562	2,160	1,582
	3,488	3,691	4,811	3,463

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

Notes to the consolidated Financial Statements (continued)
for the year ended 31 December 2013

	Consolidated		The Foundation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
9 Investments				
Non-current investments				
Listed shares	24,930	21,469	24,889	21,443
Unlisted units in managed funds	12,551	11,332	12,551	11,332
Bonds paying interest rates of 3.25% to 8.0% (2012: 4.75% to 8.0%)	9,259	9,780	9,259	9,780
Equity investment in joint venture	0	75	0	0
Term deposits maturing over 90 days	22	22	0	0
	46,762	42,678	46,699	42,555
	46,762	42,678	46,699	42,555

The carrying value of investments is equal to fair value except for bonds which are measured at amortised cost in 2012 and fair value through the Statement of Surplus or Deficit and Other Comprehensive Income in 2013 (refer note 2(d)). The change in accounting policy related to bond investments is disclosed in note 24. The Foundation's and Group's exposure to interest rate risk and equity price risk are disclosed in note 22.

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

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

Notes to the consolidated Financial Statements (continued)
for the year ended 31 December 2013

10 Property, equipment and vehicles

	Consolidated						The Foundation			
	Freehold land	Buildings	Office furniture & equipment	Motor vehicles	Leasehold improve-ments	Total	Freehold land	Buildings	Office furniture & equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2012	2,320	3,292	5,363	643	3,449	15,067	1,050	2,336	1,414	4,800
Acquisitions	0	0	411	102	228	741	0	0	237	237
Disposals	(160)	(266)	(647)	(91)	0	(1,164)	0	0	(307)	(307)
Balance at 31 December 2012	2,160	3,026	5,127	654	3,677	14,644	1,050	2,336	1,344	4,730
Balance at 1 January 2013	2,160	3,026	5,127	654	3,677	14,644	1,050	2,336	1,344	4,730
Acquisitions	0	158	346	125	13	642	0	158	269	427
Disposals	0	0	(157)	(215)	(167)	(539)	0	0	(38)	(38)
Balance at 31 December 2013	2,160	3,184	5,316	564	3,523	14,747	1,050	2,494	1,575	5,119
Depreciation & Impairment losses										
Balance at 1 January 2012	0	690	3,332	177	2,348	6,547	0	505	1,004	1,509
Depreciation charge for the year	0	88	522	94	232	936	0	68	148	216
Disposals	0	(76)	(541)	(35)	0	(652)	0	0	(267)	(267)
Balance at 31 December 2012	0	702	3,313	236	2,580	6,831	0	573	885	1,458
Balance at 1 January 2013	0	702	3,313	236	2,580	6,831	0	573	885	1,458
Depreciation charge for the year	0	86	497	100	207	890	0	68	159	227
Disposals	0	0	(134)	(111)	(167)	(412)	0	0	(35)	(35)
Balance at 31 December 2013	0	788	3,676	225	2,620	7,309	0	641	1,009	1,650
Carrying amounts										
At 1 January 2012	2,320	2,602	2,031	466	1,101	8,520	1,050	1,831	410	3,291
At 31 December 2012	2,160	2,324	1,814	418	1,097	7,813	1,050	1,763	459	3,272
At 1 January 2013	2,160	2,324	1,814	418	1,097	7,813	1,050	1,763	459	3,272
At 31 December 2013	2,160	2,395	1,640	339	903	7,438	1,050	1,853	566	3,469

Notes to the consolidated Financial Statements (continued)
for the year ended 31 December 2013

	Consolidated		The Foundation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
11 Intangibles				
Computer software				
Cost				
Balance at 1 January	2,527	2,638	2,503	2,614
Acquisitions	366	315	366	315
Disposals	0	(426)	0	(426)
Balance at 31 December	2,893	2,527	2,869	2,503
Amortisation				
Balance at 1 January	1,934	1,991	1,915	1,980
Amortisation charge for the year	377	362	371	354
Disposals	0	(419)	0	(419)
Balance at 31 December	2,311	1,934	2,286	1,915
Carrying amounts				
1 January	593	647	588	634
31 December	582	593	583	588
12 Trade and other payables				
Trade payables to other National Heart Foundation divisions	0	0	627	1,638
Other payables and accrued expenses	4,154	5,075	3,022	2,543
	4,154	5,075	3,649	4,181
The carrying value of trade and other payables is equal to fair value. The Foundation's and Group's exposure to liquidity risk relates to trade and other payables is disclosed in note 23.				
13 Grant income deferred				
Balance at 1 January	8,856	7,912	1,075	841
Amounts received	13,657	10,823	1,893	1,658
Income recognised as revenue	(13,153)	(9,879)	(1,638)	(1,424)
Balance at 31 December	9,360	8,856	1,330	1,075
The carrying value of grants income deferred is equal to fair value. The Foundation's and Group's exposure to liquidity risk relating to grants income deferred is disclosed in note 23.				
14 Employee benefits				
Aggregate liability for employee benefits including on-costs:				
Current - long service leave and annual leave	2,450	2,599	872	559
Non-current - long service leave	379	395	159	74
Total employee benefits	2,829	2,994	1,031	633
Personnel expenses:				
Wages and salaries	24,918	24,965	10,750	6,630
Contributions to superannuation plans	1,968	2,022	840	525
Total personnel expenses	26,886	26,987	11,590	7,155
Number of employees at year end (full time equivalents)	288	300	113	73

Notes to the consolidated Financial Statements (continued)
for the year ended 31 December 2013

	Consolidated		The Foundation	
	2013	2012	2013	2012
15 Reserves and Equity	$'000	$'000	$'000	$'000
Movements in reserves during the year:				
Fair value (related to investments)				
Balance at beginning of year	4,064	662	4,064	662
Net change in fair value of equities/managed investments	4,910	3,402	4,913	3,402
Balance at end of year	8,974	4,064	8,977	4,064
Nutrition research and health education				
Balance at beginning of year	2,244	3,097	2,244	3,097
Transfer from/(to) retained earnings, representing:	290	(853)	290	(853)
Surplus/(deficit) from Food Information Program	283	465	283	465
Interest & fair value movement	376	403	376	403
Payments for health & research programs	(369)	(1,721)	(369)	(1,721)
Balance at end of year	2,534	2,244	2,534	2,244
Specific or restricted purposes				
Balance at beginning of year	17,620	24,292	17,370	24,192
Transfer from/(to) retained earnings, representing:	(1,890)	(6,672)	(2,437)	(6,822)
Income received	0	495	0	495
Amounts set aside for specific purposes	(625)	0	(825)	(150)
Interest credited/(debited)	737	284	737	284
Fair value movement	1,246	964	1,246	964
Payments for administration	0	(30)	0	(30)
Payments for research	(1,137)	(2,006)	(1,483)	(2,006)
Payments for health programs	(2,111)	(6,379)	(2,112)	(6,379)
Balance at end of year	15,730	17,620	14,933	17,370
Total Reserves balance at year end	27,238	23,928	26,444	23,678
Reserves at beginning of year	23,928	28,051	23,678	27,951
Retained Earnings at beginning of year	35,886	34,577	29,165	27,597
Total Equity at beginning of year	**59,814**	**62,628**	**52,843**	**55,548**
Operating Surplus or Deficit for the year	782	(6,889)	2,109	(6,590)
Other Comprehensive Income	5,096	4,075	5,137	3,885
Total Comprehensive Income	5,878	(2,814)	7,246	(2,705)
Total Equity at end of year	**65,692**	**59,814**	**60,089**	**52,843**

Nature and purpose of reserves
Fair value
The fair value reserve includes the cumulative net change in the fair value of investments until the investment is derecognised through sale.
Nutrition research and health programs
Revenue from the Food Information Program and expenditure for its operation are recorded in the Statement of Surplus or Deficit and Other Comprehensive Income. The net surplus from that Program is to be spent upon nutrition research and health programs. To maintain the identity of that net surplus, the net Surplus or Deficit is transferred from retained earnings to the nutrition research and health programs reserve at the end of each year.
Specific or restricted purposes
Funds and bequests received for specific or restricted purposes or funds set aside for non recurring expenditure to be incurred in subsequent years are accounted for separately so as to maintain their identity. All revenue and expenses relating to these funds are recorded initially through the Statement of Surplus or Deficit and Other Comprehensive Income, with their net effect then transferred from retained earnings to this reserve.

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2013

15 Reserves and Equity (continued)

Retained earnings

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

Assets held in trust

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

	QLD	NSW	SA	Total
	$'000	$'000	$'000	$'000
Balance brought forward	465	1,042	247	1,754
Interest and donations received	15	52	34	101
Expenditure	(225)	(37)	(6)	(268)
Balance carried forward	255	1,057	275	1,587

	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
16 Operating leases as lessee				
Non-cancellable operating lease rentals are payable as follows:				
Less than one year	1,734	1,621	0	0
Between one and five years	4,646	6,059	0	0
Later than five years	979	910	0	0
	7,359	8,590	0	0
Expenditure in the period was as follows:				
Office equipment	170	29	0	0
Office space	1,842	1,539	0	0
	2,012	1,568	0	0

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2013

17 Provisions

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

	Consolidated				The Foundation			
	Operating lease expense obligations	Office lease incentives deferred	Make good of leased premises	Total	Operating lease expense obligations	Office lease incentives deferred	Make good of leased premises	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2012	508	808	403	1,719	0	0	0	0
Future obligations incurred								
Lease incentives received	38	308	0	346	0	0	0	0
Incentives offset against lease rental expense	0	(222)	0	(222)	0	0	0	0
Expenditure recognised in the Statements of Surplus or Deficit and Other Comprehensive Income	0	0	(20)	(20)	0	0	0	0
Balance at 31 December 2012	546	894	383	1,823	0	0	0	0
Current	0	526	17	543	0	0	0	0
Non-current	546	368	366	1,280	0	0	0	0
	546	894	383	1,823	0	0	0	0

	Consolidated				The Foundation			
	Operating lease expense obligations	Office lease incentives deferred	Make good of leased premises	Total	Operating lease expense obligations	Office lease incentives deferred	Make good of leased premises	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2013	546	894	383	1,823	0	0	0	0
Future obligations incurred	0	0	(17)	(17)	0	0	0	0
Lease incentives received	(47)	20	0	(27)	0	0	0	0
Incentives offset against lease rental expense	0	(217)	0	(217)	0	0	0	0
Expenditure recognised in the Statements of Surplus or Deficit and Other Comprehensive Income	0	0	19	19	0	0	0	0
Balance at 31 December 2013	499	697	385	1,580	0	0	0	0
Current	0	404	0	404	0	0	0	0
Non-current	499	293	385	1,177	0	0	0	0
	499	697	385	1,581	0	0	0	0

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

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2013

	Consolidated		The Foundation	
18 Capital and other commitments	**2013**	**2012**	**2013**	**2012**
Research grants and fellowships	**$'000**	**$'000**	**$'000**	**$'000**
Commitments for approved research grants and fellowships (which are unenforceable) are payable as follows:				
2013	0	10,781	0	10,781
2014	10,836	6,659	10,836	6,659
2015	5,379	2,298	5,379	2,298
2016	3,216	951	3,216	951
2017	2,266	0	2,266	0
	21,697	20,689	21,697	20,689

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.

	Consolidated 2013	Consolidated 2012	The Foundation 2013	The Foundation 2012
Contingent liabilities considered remote				
Performance guarantees Vic Division	365	365	0	0
Performance guarantees ACT Division	22	22	0	0
	387	387	0	0

The Victorian (Vic) and Australian Capital Territory (ACT) Division's have guaranteed, as parties to their operating leases, the payment of rentals in accordance with the signed agreements for the specified lease terms. The terms of the lease agreements required the Vic and ACT Divisions to secure bank guarantees of $365,112 and $21,615 respectively as minimum compensation payments to the lessor in the event of default. The Vic lease term is due to expire by 30 November 2017 and the ACT by 17 January 2018. The directors considered no liability is required to be recognised in respect of these guarantees as the Divisions are in compliance with the lease agreements.

20 Company limited by guarantee

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

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

Mr A D Caudle BSc(Hons), MEngSc
Mr J R Cowen LLM, BCL, Sol BL (Vic) (to 3 April 2013)
Mr D H Gillam BBus, FCPA, FAICD
Dr M K Ilton MBBA, FRACP (from 31 December 2013)
Professor G L Jennings AM, MBBS, MD, FRACP, FRCP (London), FAHA, FCSANZ, FMBRCA (to 24 May 2013)
Dr J A Johns MBBS, FRACP, FCSANZ
Professor L Kritharides MB, BS, PhD, FRACP, FAHA, FCSANZ (from 24 May 2013)
Mr F F Lancione, LLM, BA, GDLP, MAICD
Mr M J Laverty LLM
Professor I T Meredith AM, MBBS(Hons), BSc(Hons), PhD, FRACP, FACC,FAHA,FCSANZ, FSCAI
Dr J P O'Shea MBBS, FRACP, FCSANZ
Mr T M Roberts BArtsAcc, FCA, IPAA, FAICD, SAFIN, FGLF
Associate Professor P T Sexton JP, FAMA, BSc(Hons), MBBS, PhD, FAFPHM, FAICD
Mr C B Taylor FFin, FPNA, MAICD
Dr R K Wilkinson, MBBS, BA, M.Litt, FRACP, FCSANZ

Notes to the consolidated Financial Statements (continued)
for the year ended 31 December 2013

21 Related parties (continued)

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

Professor G L Jennings is associated with the Baker IDI Heart & Diabetes Institute which received research grants awarded at arms length totalling $1,515,969 in the year ended 31 December 2013 (2012; $1,458,302).

Executive Staff - The Foundation
Dr L M Roberts AM, DipAppSci (Chem), BA (Hons), PhD - CEO National Heart Foundation of Australia (to 31 December 2013)
Mr S Allatson BA - Chief Operating Officer (to 7 November 2013)
Mr F Anastasopoulos MSc - Acting Director Research (13 May 2013 to 31 December 2013)
Ms N Dent HND Fashion Design - National Fundraising Director
Ms R Donovan BBus (Marketing) - Director Marketing & Communications
Mr D Gerrard Bbus (Accounting), CPA, MBA, GAICD - Chief Financial Officer - Group
Mr R Greenland, BA - Government Relations Manager
Dr R Grenfell M.B., B.S.,Dip.R.A.C.O.G.,MPH,FAFPHM - Director Access to Prevention
Ms H McQuiggin BBus (HR Mgt) - National Human Resources Manager
Mr D Mudge BApp Sc, MBA - National Operations Manager
Dr A Ono B.Biomed.Sci (Hons), PHD - Director Research (to 12 May 2013)
Professor J Tatoulis MB BS, MS, FRACS, FCSANZ - Chief Medical Advisor

Executive Staff - Group
Dr L M Roberts AM, DipAppSci (Chem), BA (Hons), PhD - CEO National Heart Foundation of Australia (to 31 December 2013)
Ms K Doyle PSM, BA (Hons) Class 1 - CEO National Heart Foundation of Australia (New South Wales Division) (from 29 March 2013)
Ms D Heggie MCSP, MAICD, grad. Dip. Human Services Research - CEO National Heart Foundation of Australia (Victorian Division) (from 5 February 2013)
Mr G Lynch BCom, LLB (Hons), GradDipLS, FCPA, MAICD - CEO National Heart Foundation of Australia (Tasmania Division)
Ms D Morrison BA, DipContEd, MEd - CEO National Heart Foundation of Australia (Northern Territory Division)
Mr C Prout BHMS, BA (RecMgt) - CEO National Heart Foundation of Australia (Queensland Division) (to 12 April 2013)
A/Prof Amanda Rischbieth PhD, GAICD, FGLF - CEO National Heart Foundation of Australia (South Australia Division)
Mr A Stubbs BASc (Health) - CEO National Heart Foundation of Australia (Australian Capital Territory Division)
Mr M Swanson BSc, GradDip Nutrition & Dietetics, GradDip Health Science, MPH - CEO National Heart Foundation of Australia (Western Australia Division)
Mr A T Thirwell OAM, BSc (Hons), MBA - CEO National Heart Foundation of Australia (New South Wales Division) (to 29 March 2013)
Mr S Vines MBA, BBus Mgmt, MAICD - CEO National Heart Foundation of Australia (Queensland Division) (from 5 August 2013)
Mr S Allatson BA - Chief Operating Officer (to 7 November 2013)
Professor J Tatoulis MB BS, MS, FRACS, FCSANZ - Chief Medical Advisor
Ms Nicci Dent HND Fashion Design - National Fundraising Director
Mr D Gerrard Bbus (Accounting), CPA, MBA, GAICD - Chief Financial Officer - Group
Mr D Mudge BApp Sc, MBA - National Operations Manager
Ms Julie Shearman, BA, M.Organisational Development - National Human Resources Director

Notes to the consolidated Financial Statements (continued)
for the year ended 31 December 2013

21 Related parties (continued)

	Consolidated		The Foundation	
	2013	2012	2013	2012
The compensation of key management personnel was as follows:	$'000	$'000	$'000	$'000
Short term employee benefits	2,816	3,015	2,112	1,760
Other long term benefits	34	45	36	40
Total	2,850	3,060	2,148	1,800

Other related parties

Classes of other related parties are all Foundation, state and territory divisions and directors of related parties and their director-related entities.

The Foundation receives grants from the Divisions, primarily to fund research and other health programs conducted on an Australia-wide basis. Such grants are payable under the terms of the Federation Agreement between the Foundation and the Divisions. The grant payable by each Division is equal to its net operating surplus (payable monthly in arrears) representing the excess of income received less capital expenditure and operating expenditure (excluding depreciation). If there is a deficit from application of the above arrangement, a grant is paid by the Foundation to any Division affected. Contributions by the Divisions to the Surplus or Deficit for the period (before grants made to/by the Foundation), net grants made by the Divisions to the Foundation, and total income were as follows:

	Net contribution/(loss)		Net grants paid/(received)		Total income	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Queensland	3,659	4,454	3,983	4,418	9,852	11,854
New South Wales	7,735	7,371	8,871	7,431	17,378	17,200
Victoria	3,998	3,428	4,195	3,678	10,181	10,560
South Australia	1,769	1,573	1,833	1,482	6,630	6,574
Western Australia	2,633	1,003	2,510	1,066	14,106	10,682
Tasmania	1,150	877	1,232	949	3,439	2,591
Australian Capital Territory	(65)	(80)	(86)	(95)	1,601	1,773
Northern Territory	(478)	(548)	(465)	(552)	926	421
The Foundation (excluding grants received from Divisions)	(19,619)	(24,967)	(22,073)	(18,377)	8,820	8,419
	782	(6,889)	0	0	72,933	70,074

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

	Consolidated		The Foundation	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Contributions received from sale of services				
Divisions - rent for occupancy	0	0	397	397
Divisions - grants to fund research and health programs	0	0	22,624	19,024
Divisions - services	0	0	1,137	1,533
	0	0	24,158	20,954
Contributions paid for purchase of services				
Divisions - subsidies	0	0	(551)	(647)
Divisions - services	0	0	(2,661)	(4,552)
	0	0	(3,212)	(5,199)

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

Notes to the consolidated Financial Statements (continued)
for the year ended 31 December 2013

22 Subsequent events
The Foundation 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 Foundation's business.

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

At the reporting date there were no significant concentrations of credit risk apart from a bank guarantee referred to in note 19 relating to the Victorian Division office lease agreement.

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:

		Consolidated		The Foundation	
		2013	2012	2013	2012
	Notes	$'000	$'000	$'000	$'000
Financial assets					
Cash *		11,953	10,906	1,381	1,749
Cash call accounts *		6,432	3,078	5,970	2,604
Term deposits under 90 days *		6,763	9,660	3,000	4,500
Total cash and cash equivalents *	7a	25,148	23,644	10,351	8,853
Trade and other receivables *	8	3,471	3,562	4,805	3,427
Grants income accrued *	8	17	129	6	36
Investments - listed shares #	9	24,930	21,469	24,889	21,443
Investments - unlisted units in managed funds #	9	12,551	11,332	12,551	11,332
Investments - bonds ## (**)	9	9,259	9,780	9,259	9,780
Equity Investment in joint venture #	9	0	75	0	0
Term deposits over 90 days *	9	22	22	0	0
		75,398	70,013	61,861	54,871
(**) Maturity profile of bonds					
Less than one year		0	0	0	0
Between one and five years		5,515	6,114	5,515	6,114
Later than five years		3,744	3,666	3,744	3,666
		9,259	9,780	9,259	9,780

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

Notes to the consolidated Financial Statements (continued)
for the year ended 31 December 2013

23 Financial instruments (continued)

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

	Consolidated		The Foundation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Balance at 1 January of provision for doubtful debts	22	22	0	0
Realisation of impairment (loss)/recovery previously provided	0	0	0	0
Balance at 31 December of provision for doubtful debts	22	22	0	0
Impairment loss/(recovery) recognised in Surplus or Deficit	0	0	0	0

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

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

Trade and other payables, and grants income deferred have contractual cashflows which are 6 months or less. Provisions relating to obligations for office leases have contractual cashflow 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:

		Consolidated		The Foundation	
		2013	2012	2013	2012
	Notes	$'000	$'000	$'000	$'000
Non derivative financial liabilities					
Trade and other payables	12	4,154	5,075	3,649	4,181
Grant income deferred	13	9,360	8,856	1,330	1,075
		13,514	13,931	4,979	5,256

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

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

The Foundation's and/or Divisions 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.

23 Financial instruments (continued)

Fair value sensitivity analysis for fixed rate instruments
The Surplus or Deficit would be affected by changes in the fixed interest rate as shown in the Sensitivity Analysis Disclosure. The analysis assumes all other variables remain constant. The analysis is performed using a change of 1% on page 38. The analysis is performed on the same basis as that used in 2012.

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 2012.

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

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

Fair value sensitivity analysis - listed shares
A change of 10% in market price at the reporting date would have increased/(decreased) equity by the amounts shown below in the Sensitivity Analysis Disclosure as noted below. This analysis assumes all other variables remain constant. The analysis is performed on the same basis as that used in 2012.

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 2012. 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 Foundations investment policy. A significant change in market price may be an indication of impairment for these investments and would impact on surplus/(deficit) as the resultant loss would be recognised directly in surplus/(deficit).

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

23 Financial instruments (continued)

● 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 group standards is supported by a programme of periodic reviews of internal controls undertaken by internal audit. The results of these reviews are discussed with the Foundations management and submitted to the Board of the Foundation.

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

- A parallel shift of +1%/-1% in market interest rates (AUD) from year end rates of 3%
- Proportional other market price risk movement of equity securities listed on the ASX index of +10%/-10%

Notes to the consolidated Financial Statements (continued)
for the year ended 31 December 2013

23 Financial instruments (continued)

	Consolidated										The Foundation									
	2013					2012					2013					2012				
		-1%		+1%			-1%		+1%			-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	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	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets																				
Fixed rate instruments																				
Term deposits-maturing within 90 days	6,763	(68)	(68)	68	68	9,660	(97)	(97)	97	97	3,000	(30)	(30)	30	30	4,500	(45)	(45)	45	45
Term deposits-maturing beyond 90 days *	22	(0)	(0)	0	0	22	(0)	(0)	0	0	0	0	0	0	0	0	0	0	0	0
Investments - bonds *	9,259	(93)	(93)	93	93	9,000	(90)	(90)	90	90	9,259	(93)	(93)	93	93	9,000	(90)	(90)	90	90
Variable rate instruments																				
Cash at bank	11,953	(120)	(120)	120	120	10,906	(109)	(109)	109	109	1,381	(14)	(14)	14	14	1,749	(17)	(17)	17	17
Cash call accounts	6,432	(64)	(64)	64	64	3,078	(31)	(31)	31	31	5,970	(60)	(60)	60	60	2,604	(26)	(26)	26	26
Total increase/(decrease)	34,429	(345)	(345)	345	345	32,666	(327)	(327)	327	327	19,610	(197)	(197)	197	197	17,853	(178)	(178)	178	178

	2013					2012					2013					2012				
		-10%		+10%			-10%		+10%			-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	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	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets																				
Investments - listed shares	24,930	0	(2,493)	0	2,493	21,469	0	(2,147)	0	2,147	24,889	0	(2,489)	0	2,489	21,443	0	(2,144)	0	2,144
Investments - unlisted units in managed funds	12,551	0	(1,255)	0	1,255	11,332	0	(1,133)	0	1,133	12,551	0	(1,255)	0	1,255	11,332	0	(1,133)	0	1,133
Investments - bonds **	9,259	(926)	0	926	0	9,987	(999)	0	999		9,259	(926)	0	926	0	9,987	(999)	0	999	0
Total increase/(decrease)	46,740	(926)	(3,748)	926	3,748	42,788	(999)	(3,280)	999	3,280	46,699	(926)	(3,744)	926	3,744	42,762	(999)	(3,277)	999	3,277

Definitions:-

*Investments - Bonds and term deposits maturing beyond 90 days are shown at face value which for bonds varies from carrying value in 2012 (amortised cost). Carrying value was not considered to be an adequate measure for the purposes of calculating Interest rate risk.

** Investments- Bonds are shown at market price which varies from carrying value in 2012 (amortised cost). Carrying value was not considered to be an adequate measure in 2012 for the purposes of calculating Market risk

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2013

23 Financial instruments (continued)

Fair value hierarchy
The table below analyses financial instruments carried at fair value, by valuation method.
The different levels have been defined as:

- 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 (ie: as prices) or indirectly (ie: derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)
-

		Consolidated				The Foundation			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Notes	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
31 December 2012									
Fair Value	9	21,469	11,332	0	32,801	21,443	11,332	0	32,775
		21,469	11,332	0	32,801	21,443	11,332	0	32,775

		Consolidated				The Foundation			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Notes	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
31 December 2013									
Fair Value	9	24,930	12,551	0	37,481	24,889	12,551	0	37,440
		24,930	12,551	0	37,481	24,889	12,551	0	37,440

24 Reclassification of financial instruments

As at 1 January 2013 the Foundation reclassified its debt instruments (bonds) from being classified and measured at amortised cost to being classified and measured at fair value. This reclassification is applied due to a change in business model as described in note 2(d). The closing value of the instruments as at 31 December 2012 of $9,780,002 was adjusted on 1 January for previously recorded amortisation of $74,883 and a market value movement amount of $269,962. As the standard applicable to the reclassification AASB9 does not allow retrospective restatement of previously recognised gains, losses or interest the adjustments at 1 January 2013 totalling $344,845 which are unrealised are required to be recognised in the Statement of Surplus or Deficit and Other Comprehensive Income.

	Consolidated Effect on financial statements		The Foundation Effect on financial statements	
Reclassification of financial assets - Bonds	**2013**	**2012**	**2013**	**2012**
Statement of Financial Position	**$'000**	**$'000**	**$'000**	**$'000**
Increase/(decrease) in investments	(140)	345	(140)	345
(Increase)/decrease in surplus/deficit	140	(345)	140	(345)
	0	0	0	0

	Effect on consolidated Financial statements
	2013
Consolidated column	**$'000**
Retained earnings reconciliation	
1 January 2013 opening retained earnings	35,886
Adjustment due to reclassification of Bonds from amortised cost to fair value through the surplus/deficit	(345)
1 January 2013 adjusted opening retained earnings	35,541
Investments - bonds reconciliation (note 9)	
1 January 2013 opening investments balance relating solely to Bonds	9,780
Adjustment due to reclassification of Bonds from amortised cost to fair value through the surplus/deficit	345
1 January 2013 adjusted investments balance due to the reclassification of Bonds	10,125

Independent Audit Report

to the members of National Heart Foundation of Australia

Independent auditor's report to the members of National Heart Foundation

Report on the financial report

We have audited the accompanying financial report of National Heart Foundation of Australia (the Foundation), which comprises the statement of financial position as at 31 December 2013, and statements of surplus and deficit and other comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Foundation and the Group comprising the Foundation and each of the State and Territory Member Foundations at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Foundation are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Foundation's and the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of National Heart Foundation of Australia on 10 April 2014, would be in the same terms if given to the directors as at the time of this auditor's report.

Independent Audit Report
to the members of National Heart Foundation of Australia

Basis for qualified auditor's opinion

Charitable fundraising income of $51,750,000 of the Group is a significant source of fundraising revenue for the Foundation and each State and Territory Member Foundations. The Group has determined that it is impracticable to establish control over the collection of charitable fundraising income prior to the 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 income had to be restricted to the amounts recorded in the financial records. We therefore are unable to express an opinion whether the charitable fundraising income of the Group recorded is complete.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial report of the Foundation and the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position as at 31 December 2013, and of its financial performance and its cash flows for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

KPMG

KPMG

Antoni Cinanni
Partner

Dated at Melbourne this 11th day of April 2014

KPMG

Lead Auditors Independence Declaration

under Section 307C of the Corporations Act 2001

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 2013 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Antoni Cinanni
Partner

Dated at Melbourne this 10th day of April 2014

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