

# ANNUAL REPORT **2015**

+ FINANCIAL STATEMENTS



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## Directors and Office Bearers

### Patron

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

### Board of Directors

#### National President

Dr J A Johns AM MBBS, FRACP, FCSANZ

#### National Treasurer

Mr T M Roberts BArtsAcc, FCA, FAICD, FGLF, RITP

#### Directors

Mr A Caudle BSc(Hons), MEngSc (to 9 January 2015)  
Mr K Bradley AM BA, LLB (from 9 January 2015 to 18 May 2015)  
Ms R Davies BSc, LLB (hons), FAICD  
Mr B S Delaney BCom, FCA, MAICD (from 8 May 2015)  
Mr J Etherington, BEc, FCA, FAICD  
Mr M K Harvey, BComm, FCPA, FAICD (to 1 June 2015)  
Mrs S C Jaensch BEcon, Dip Ed, GAICD (from 2 June 2015)  
Dr M K Ilton, MBBA, FRACP  
Mr F F Lancione LLM, BA, GDLP, MAICD  
Dr J P O'Shea MBBS, FRACP, FCSANZ (to 15 March 2015)  
Mr G Robson MEd, BCom (Hon), SFFINSIA FCAANZ (from 29 May 2015)  
Dr R Wilkinson MBBS, BA, M.Litt, FRACP FCSANZ (to 8 May 2015)  
Mr B A Yvanovich BSc, MPA, FFIA (from 18 May 2015)

#### 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 L Kritharides MB, BS, PhD, FRACP, FAHA, FCSANZ  
Mr C B Taylor FFin, FPNA, MAICD  
Mr D H Gillam BBus, FCPA, FAICD  
Mr S R Larkin B.Ec M.Com(Hons) AAIBF DFP GAICD (from 10 August 2015)

#### 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 AO, MBBS, MD, MRCP(UK), FRACP, FRCP (London),  
FAHA, FCSANZ, FHBRCA, FAAHMS  
Mr L T Cox BEc, FCA  
Professor P H Harris AM, BSc(Med)(Hons), MBBS(Hons), DPhil(Oxon),  
FRACP, FACC, FAHA, FCSANZ  
Mr H R Hope BCom, LLB, FAICD  
Mr R V Ryan AO  
Professor A M Tonkin OAM MBBS, MD, FRACP

#### Chief Executive Officer- National

Ms M K Barry (to 6<sup>th</sup> January 2016)  
Professor G L Jennings AO (from 7<sup>th</sup> January 2016)

#### 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

National Heart Foundation of Australia (National Office and Group)

**Directors' Report**

for the year ended 31 December 2015

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 2015 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:

<b>Name and qualifications</b>	<b>Experience and special responsibilities</b>	<b>Board Meetings Attended &amp; held #</b>	<b>Appointment and resignation</b>
<b>Mr A D Caudle</b> BSc(Hons), MEngSc	Director of Canberra based national IT company providing a wide range of solutions to corporations and government; Chair of the National Heart Foundation Information and Communications Steering Group, member of the National Heart Foundation 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.	0/0	Appointed 14 May 2012 Resigned 9 January 2015
<b>Mr K Bradley AM</b> BA, LLB	Legal Director Bradley Allen Love managing Wills and Estates and advising on Estate planning. Regular lecturer on estate planning, including charitable trusts, special disability trusts, succession planning, superannuation and family provision claims. Member of the ACT Law Society, Member of NSW Law Society, Financial Planning Association Australia, Society of Trust and Estate Practitioners and Board Member of Heart Foundation (ACT Division).	2/2	Appointed Alternate Director from 9 January 2015 to 18 May 2015
<b>Mr J Etherington</b> BEc, FCA, FAICD	Chartered Accountant; 28 years in public practice, including 16 years as a partner of Deloitte. Currently a Non executive director on a range of public, private and not for profit organisations. Member of the National Heart Foundation Audit and Governance Committee. President Heart Foundation of Australia (Victorian Division).	6/6	Appointed 15 May 2014
<b>Ms R Davies</b> Bec, LLB (hons), FAICD	Non executive Director, Chris O'Brien Lifeline, member Commonwealth Health Minister's Committees on Medical Research Innovation and Australian Health Ethics, member Sydney Archdiocesan Finance Council. Non executive Director, Palestrina Foundation Limited. Facilitator, Company Directors Course, AICD. Board member, Juvenile Diabetes Research Foundation Australia and International. Owner, Red coaching pty limited. Board Member, LCM Healthcare. Consultant, Herbert Smith Freehills. President Heart Foundation of Australia (New South Wales Division).	5/6	Appointed 8 May 2014
<b>Mr B S Delaney</b> BCom, FCA, MAICD	Chartered Accountant. Worked for PriceWaterhouseCoopers (PwC) for over 30 years. He recently retired from Public Practice but is still active with a few consultancies and Board Positions. Graduated from the University of Queensland with a Bachelor of Commerce in 1982. He became a Chartered Accountant in 1985 and worked in the UK for Coopers & Lybrand (now PwC) for 3 years before returning to Brisbane. He worked as a partner for PwC in both their Gold Coast and Brisbane firms until his retirement in 2012. President of the Heart Foundation of Australia (Queensland Division).	4/4	Appointed 8 May 2015
<b>Mr D H Gillam</b> BBus, FCPA, FAICD	Councillor and Member of the National - Director Professional Development Committee of the Australian Institute of Company Directors. Former National Director of AICD. Member, National Heart Foundation of Australia, National Revenue and Brand Advisory Committee. Chair of the Audit and Governance Committee and Member-Executive Committee until 23 May 2014. Elected as an Additional Director of the National Board on 23 May 2014.	5/6	Appointed 27 May 2011 Resigned 15 May 2014 Appointed 23 May 2014
<b>Mr M K Harvey</b> BComm, FCPA, FAICD	CPA with over 20 years' experience in accounting and financial services. Extensive experience in complex public transactions and broad commercial and corporate governance experience, including board-level corporate secretarial duties. Member National Heart Foundation Investment Committee (resigned July 2014) and member of the National Heart Foundation National Finance Advisory Committee and Audit and Governance Committee. Heart Foundation of Australia (Tasmanian Division) representative from 17 September 2014.	3/3	Appointed 17 September 2014 Resigned 1 June 2015
<b>Dr M K Ilton</b> MBBA, FRACP	Director of Cardiology, Royal Darwin Hospital and has been working as a Cardiologist in Darwin since 1997. Helped to establish the Echocardiographic service in Darwin, the outreach Cardiology and Echocardiographic Services throughout the NT (including at Alice Springs Hospital) and the Coronary Angiography service in Darwin in 2001. Has a long association with the Heart Foundation of Australia (Northern Territory Division), joining as Medical Advisor in 1998 and continuing on to become the Vice President in 2009 and elected President in 2013.	4/6	Appointed 31 December 2013

National Heart Foundation of Australia (National Office and Group)

**Directors' Report** (continued)  
for the year ended 31 December 2015

<b>Mrs S C Jaensch</b> BEcon, Dip Ed, GAICD	Principal, Stephanie Jaensch Consulting with over 20 years' experience in the tourism industry and offering consulting services in tourism development and marketing, project management, strategic planning, and stakeholder engagement. President/Chair, National Heart Foundation (Tasmania Division) and Chair, National Heart Foundation (Tasmania Division) Governance Committee.	3/3	Appointed 2 June 2015
<b>Dr J A Johns AM</b> MBBS, FRACP, FCSANZ (National President)	Cardiologist Austin and Epworth Healthcare; Vice President Australia S Aid Team (AuSLMAT). Member National Heart Foundation of Australia Health Advisory Committee.	5/6	Appointed 15 May 2009
<b>Professor L Kritharides</b> MB, BS, PhD, FRACP, FAHA, FCSANZ (Chair, CVHAC)	Len is Head of the Department 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 Group of the ANZAC Research Institute. He has published widely on biochemical, cellular and clinical aspects of heart disease. He is past Chair of the Scientific Committee of the Cardiac Society of Australia and New Zealand (CSANZ), currently chairs the Specialist Training Committee in Cardiology of the Royal Australian College of Physicians and is a Board Member of the CSANZ and of the Heart Research Institute in Sydney.	6/6	Appointed 24 May 2013
<b>Mr F F Lancione</b> LLM, BA, GDLP, MAICD (Chair of Audit & Governance Committee)	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 <i>Corporations Act</i> compliance; a member of the Law Council of Australia; the Law Society of South Australia; the Australian Institute of Company Directors; the Australian Restructuring Insolvency and Turnaround Association; President of the National Heart Foundation Inc (South Australian Division) and board member since 2004; Chair of the National Heart Foundation 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.	6/6	Appointed 7 May 2012
<b>Mr S R Larkin</b> B.Ec M.Com(Hons) AAIBF DFP GAICD (Chair NRBC)	Stirling Larkin is the Principal of Larkin Group, Chairman of the Larkin Group Advisory Board and Secretary of the not-for-profit Larkin Foundation Inc. He has maintained a Private Wealth Management focus for over 15 years through Trading (Market Making), Family Office Asset and Private Ancillary Fund Management, Wholesale Wealth Advisory and Expert Network positions in Australia, China and abroad. He has complemented this with senior university lecturing tenures internationally for over a decade and writes a weekly column in the <i>Weekend Australian</i> newspaper. He is an active member of Philanthropy Australia's <i>New (Gen)eration of Giving</i> programme; a group all under the age of 40, seeking to further Australia's philanthropic footprint. Stirling is also a Graduate of the Australian Institute of Company Directors (GAICD) and has also been fortunate to be able to incorporate his personal hobby of photography throughout the Group's philanthropic initiatives - <a href="http://www.stirlingphotographic.com">www.stirlingphotographic.com</a> whilst contributing directly to this creative Australian community as a proud Board Member of the <i>Centre for Contemporary Photography</i> - He is currently the Chair of the National Revenue & Brand Advisory Committee + Director of The National Heart Foundation in Australia and Board Member of the Art Gallery of Ballarat.	2/2	Appointed 10 August 2015
<b>Professor I T Meredith AM</b> 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; Board Member Asian Interventional Cardiovascular Therapeutics.	5/6	Appointed 27 May 2011
<b>Dr J P O'Shea</b> MBBS, FRACP, FCSANZ	Cardiologist Fremantle Hospital; Director, WA Cardiology Services; President National Heart Foundation of Australia (Western Australian Division).	1/1	Appointed 27 May 2011 (deceased) 15 March 2015

National Heart Foundation of Australia (National Office and Group)

**Directors' Report (continued)**  
for the year ended 31 December 2015

<b>Mr T M Roberts</b> BArtsAcc, FCA, FAICD, FGLF, RITP (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.	5/6	Appointed 25 May 2012
<b>Mr G N Robson</b> MEc, BCom (Hon), SFFINSIA FCAANZ (Chair Investment Committee)	Chartered Accountant in public practice specialising in accounting and tax for large superannuation funds. Formerly a lecturer in finance and accounting in universities in Melbourne and Perth and corporate lending manager with a major Australian bank. Honorary Treasurer for the WA Division from 2005 until 2014. Chair of the Heart Foundation Investment Committee.	4/4	Appointed 29 May 2015
<b>Mr C B Taylor</b> FFin, FPNA, MAICD (Chair of National Finance Advisory Committee)	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).	6/6	Appointed 21 January 2008
<b>Dr R K Wilkinson</b> MBBS, BA, M.Litt., FRACP, 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 National Heart Foundation Cardiovascular Health Advisory Committee and President Heart Foundation of Australia (Queensland Division).	2/2	Appointed 3 April 2013 Resigned 8 May 2015
<b>Mr B A Yvanovich</b> BSc, MPA, FFIA	Now retired senior fundraiser and manager in higher education (ANU, ACU), government (Federal and ACT), Greening Australia and industry. Tutor for the Fundraising Institute - Australia Certificate courses and Fellow of the Fundraising Institute. President Heart Foundation, ACT Division and member, National Brand and Revenue Advisory Committee. Degrees in science (Flinders) and management (Canberra).	4/4	Appointed 18 May 2015

**Meetings of Committees Reporting to the Board**

A summary of meetings held and attendances of National Board Members at advisory committees in 2015 is set out below:

	National Executive Committee #	Cardiovascular Health Advisory Committee #	National Finance Advisory Committee	Audit and Governance Committee #	National Revenue and Brand Advisory Committee #*
Mr B S Delaney			4/4		
Mr J Etherington			2/2	3/4	
Mr D H Gillam					3/4
Mr M K Harvey				1/1	
Prof L Kritharides	1/1	4/4			
Dr J A Johns	1/1	1/4			
Mr F F Lancione	1/1			4/4	
Mr S J Larkin					2/4
Mr T M Roberts	1/1		3/5	2/4	2/4
Mr G N Robson			3/3		
Mr C B Taylor	1/1		5/5	3/4	
Mr B Yvanovich					4/4
Dr R K Wilkinson		4/4		3/4	

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

\*The National Revenue and Brand Advisory Committee was established in 2015.

**Corporate Governance Statement**

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

**Directors' Report** (continued)  
for the year ended 31 December 2015

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**Role of the Board**

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

**Oversight by the Board**

The Board oversees and monitors the performance of management by:

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

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

**Specific responsibilities of the Board**

The Board fulfils its primary role by:

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

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

**Responsibilities of management**

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

**Board members**

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

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

The Board is the final authority on the operations of the Foundation and has complete responsibility for the control and the overall management of the affairs, funds and property of the Foundation. It oversees corporate strategy, policy and performance, thus helping protect the rights and interests of the Foundation, its employees, donors and stakeholders. The Board ensures it is well equipped with skills and expertise relevant to the Foundation's activities to make it a stable and effective governing body. The current Board's qualifications, skills, experience and responsibilities appear on pages 4-6. Management presentations to the Board enable directors to maintain knowledge of the business and operations of the Foundation. New Board members receive written advice of the terms and conditions of their appointment and are provided with an induction when first appointed. A formalised *Board Performance Evaluation* process is undertaken.

**Risk management**

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

**Ethical standards and code of conduct**

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

**Involving stakeholders**

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

**Directors' Report (continued)**  
for the year ended 31 December 2015

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**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.

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

**Alignment to strategic plan "For All Hearts"**

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

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

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

**Review of Results and Operations for Current Year**

The consolidated comprehensive income for the year is a surplus of \$9.45 million, a 71% increase on the \$5.53 million surplus in 2014. The Foundation's comprehensive income was a surplus of \$10.03 million compared to a surplus of \$6.18 million in 2014, a 62% increase. The consolidated results from operating activities improved significantly in 2015, reporting a surplus of \$6.66 million compared to \$1.30 million in 2014. The operating results reflect the Foundation's level of spending to support the activities aligned to its For All Hearts strategic plan.

Total revenue from operating activities was favourable to the 2014 result returning \$70.4 million in 2015. Bequest income which can fluctuate year on year was \$30.59 million compared to the \$23.62 million received in 2014. This is significantly above the Foundation's average long term income levels. This increase was counter balanced by a \$2.19 million decrease of non-bequest fundraising income and \$3.29 million of other income to \$39.77 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 is aimed at stabilising and consolidating the level of non-bequest income.

Total expenditure decreased by \$3.87 million to \$63.71 million compared to \$67.58 million in 2014. This reflects a continuous review of operations and a focus on efficiencies to achieve the outcomes of the For All Hearts strategic plan. Enhancement of the Foundation's ICT platform was undertaken in 2015 to provide future efficiencies and cost savings. Expenditure in 2015 includes related staff redundancies and the purchase of ICT equipment.

In 2015, the Foundation commenced funding of 81 new research awards. The 205 Fellowships, Scholarships and Project Grant's funded in 2015 equate to expenditure of \$12.49 million towards cardiovascular research to advance our understanding and knowledge of heart health and improve the lives of all Australians. Financial support for awarded grants requiring payment in future periods totals \$26.23 million, an increase of \$9.64 million over the commitment reported in 2014.

Net Finance returns from investments in shares and managed funds were \$0.64 million greater than 2014 reflecting increased interest and dividends. However the equities markets continued to experience wide fluctuations of uncertainty and required the recognition of a decrease in value of \$2 million to the value of the Foundation's equities and bond holdings.

Overall, the Foundation performed above expectations in 2015 delivering significant programs while at the same time operating within the scope of its financial capacity and increasing its overall equity by over \$9 million.

A comprehensive discussion about the activities of the Foundation and the Group can be found in the 2015 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**

After 26 years as an industry leader, driving healthier food choices and reformulation in Australia, the National Heart Foundation Board after a strategic review of the program has decided to retire the Tick. It is expected the program will be fully wound down over the next 12 to 24 months. At this point in time the retirement of the program is not expected to have a significant effect on the National Heart Foundation. In the opinion of the Directors there are were no other 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.

**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.



**Directors' Report** (continued)  
for the year ended 31 December 2015

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**Insurance Premiums**

Since the end of the previous financial year the Foundation has paid insurance premiums of \$14,685 (2014: \$15,175) 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.

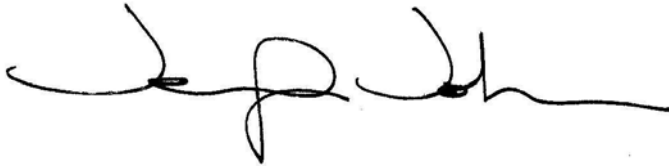
**Indemnification**

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 41 and forms part of the directors' report for financial year 2015.

Signed in accordance with a resolution of the Directors.



Dr Jennifer Johns AM  
National President  
Dated at Melbourne this 18th day of April 2016

**Directors' Declaration**  
for the year ended 31 December 2015

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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 38, are in accordance with the Australian Charities and Not-For-Profits Commission Act 2012, including:
  - (i) giving a true and fair view of the Foundation and Group's financial position as at 31 December 2015 and of their performance for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Australian Charities and Not-For-Profits Regulations 2013; and
- (b) there are reasonable grounds to believe that the Foundation and Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



T M Roberts  
Director and Treasurer

Dated at Melbourne this 18<sup>th</sup> day of April 2016

**Statements of Surplus or Deficit and Other Comprehensive Income**  
 for the year ended 31 December 2015

	Notes	Consolidated		The Foundation	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Revenue</b>					
Revenue from operating activities	4	70,367	68,883	32,178	28,013
<b>Total revenue</b>		<b>70,367</b>	<b>68,883</b>	<b>32,178</b>	<b>28,013</b>
Net gain/(loss) on sale of property, plant and equipment		11	1	-	-
Research expenditure		(12,488)	(13,675)	(11,325)	(12,195)
Health programs (including those funded by grants)		(28,173)	(30,721)	(8,661)	(9,143)
Fundraising expenditure		(16,036)	(16,751)	(56)	(73)
Cost of goods sold		(3)	(15)	-	-
Communications and publicity		(3,484)	(3,766)	(2,019)	(2,302)
Administration		(3,534)	(2,655)	(2,602)	(1,973)
<b>Results from operating activities</b>		<b>6,660</b>	<b>1,301</b>	<b>7,515</b>	<b>2,327</b>
Finance income		4,901	4,228	4,626	3,861
Finance costs		(604)	(173)	(602)	(178)
<b>Net finance income/(cost)</b>	6	<b>4,297</b>	<b>4,055</b>	<b>4,024</b>	<b>3,683</b>
<b>Surplus/(deficit) for the year before tax</b>		<b>10,957</b>	<b>5,356</b>	<b>11,539</b>	<b>6,010</b>
Income tax expense	3d	-	-	-	-
<b>Surplus/(deficit) for the year after tax</b>		<b>10,957</b>	<b>5,356</b>	<b>11,539</b>	<b>6,010</b>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to surplus or deficit</b>					
Gains/(Losses) on sale and revaluation of equities/managed funds	6,15	(1,506)	173	(1,506)	167
<b>Items that may be reclassified subsequently to surplus or deficit</b>					
		-	-	-	-
<b>Total other comprehensive income</b>		<b>(1,506)</b>	<b>173</b>	<b>(1,506)</b>	<b>167</b>
<b>Total comprehensive income for the year</b>		<b>9,451</b>	<b>5,529</b>	<b>10,033</b>	<b>6,177</b>

**Statements of Financial Position**  
 as at 31 December 2015

	Notes	Consolidated		The Foundation	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Current assets</b>					
Cash and cash equivalents	7a	29,890	24,978	16,210	9,228
Investments	9	-	514	-	514
Trade and other receivables	8	3,118	2,523	3,618	4,593
Inventories		165	161	162	156
<b>Total current assets</b>		<b>33,173</b>	<b>28,176</b>	<b>19,990</b>	<b>14,491</b>
<b>Non-current assets</b>					
Investments	9	58,451	53,175	58,429	53,076
Property, equipment and vehicles	10	6,449	6,790	3,285	3,263
Intangibles	11	359	416	323	417
<b>Total non-current assets</b>		<b>65,259</b>	<b>60,381</b>	<b>62,037</b>	<b>56,756</b>
<b>Total assets</b>		<b>98,432</b>	<b>88,557</b>	<b>82,027</b>	<b>71,247</b>
<b>Current liabilities</b>					
Trade and other payables	12	3,067	3,265	2,428	2,406
Grant income deferred	13	10,464	9,856	2,156	1,505
Employee benefits	14	2,883	2,598	1,042	910
Provisions	17	227	283	-	-
<b>Total current liabilities</b>		<b>16,641</b>	<b>16,002</b>	<b>5,626</b>	<b>4,821</b>
<b>Non-current liabilities</b>					
Employee benefits	14	313	325	102	160
Provisions	17	806	1,009	-	-
<b>Total non-current liabilities</b>		<b>1,119</b>	<b>1,334</b>	<b>102</b>	<b>160</b>
<b>Total liabilities</b>		<b>17,760</b>	<b>17,336</b>	<b>5,728</b>	<b>4,981</b>
<b>Net assets</b>		<b>80,672</b>	<b>71,221</b>	<b>76,299</b>	<b>66,266</b>
<b>Equity</b>					
Reserves		27,352	25,949	26,165	25,175
Retained earnings		53,320	45,272	50,134	41,091
<b>Total equity</b>	15	<b>80,672</b>	<b>71,221</b>	<b>76,299</b>	<b>66,266</b>

National Heart Foundation of Australia (National Office and Group)

**Statements of Changes in Equity**  
for the year ended 31 December 2015

	Notes	Consolidated					The Foundation				
		Fair Value Reserve	Nutrition research & health Reserve	Specific/ Restricted Reserve	Retained earnings	Total Equity	Fair Value Reserve	Nutrition research & health Reserve	Specific/ Restricted Reserve	Retained earnings	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2014		8,974	2,534	15,730	38,454	65,692	8,977	2,534	14,933	33,645	60,089
<b>Comprehensive income for the period</b>						-					
Surplus/(Deficit) for the period		-	-	-	5,356	5,356	-	-	-	6,010	6,010
<b>Other comprehensive income</b>						-					
Gains/(Losses) on sale of equities/managed funds	6	-	-	-	996	996	-	-	-	993	993
Net change in fair value of financial assets	6	(823)	-	-	-	(823)	(826)	-	-	-	(826)
Transfer (from)/to retained earnings	15	-	(1,534)	1,068	466	-	-	(1,534)	1,091	443	-
<b>Total other comprehensive income</b>		(823)	(1,534)	1,068	1,462	173	(826)	(1,534)	1,091	1,436	167
<b>Total comprehensive income for the period</b>		(823)	(1,534)	1,068	6,818	5,529	(826)	(1,534)	1,091	7,446	6,177
<b>Balance as at 31 December 2014</b>		8,151	1,000	16,798	45,272	71,221	8,151	1,000	16,024	41,091	66,266
Balance as at 1 January 2015		8,151	1,000	16,798	45,272	71,221	8,151	1,000	16,024	41,091	66,266
<b>Comprehensive income for the period</b>											
Surplus/(Deficit) for the period		-	-	-	10,957	10,957	-	-	-	11,539	11,539
<b>Other comprehensive income</b>											
Gains/(Losses) on sale of equities/managed funds	6	-	-	-	712	712	-	-	-	712	712
Net change in fair value of financial assets	6	(2,218)	-	-	-	(2,218)	(2,218)	-	-	-	(2,218)
Transfer (from)/to retained earnings	15	-	-	3,621	(3,621)	-	-	-	3,208	(3,208)	-
<b>Total other comprehensive income</b>		(2,218)	-	3,621	(2,909)	(1,506)	(2,218)	-	3,208	(2,496)	(1,506)
<b>Total comprehensive income for the period</b>		(2,218)	-	3,621	8,048	9,451	(2,218)	-	3,208	9,043	10,033
<b>Balance as at 31 December 2015</b>		5,933	1,000	20,419	53,320	80,672	5,933	1,000	19,232	50,134	76,299

**Statements of Cash Flows**

for the year ended 31 December 2015

	Notes	Consolidated		The Foundation	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>					
Cash receipts in the course of operations		69,381	69,135	11,137	9,289
Cash payments in the course of operations		(66,860)	(71,492)	(37,242)	(40,267)
Net grants made to National Heart Foundation of Australia		-	-	30,937	27,969
Net financial income		4,809	3,861	4,493	3,503
<b>Net cash(used in)/from operating activities</b>	7b	<b>7,330</b>	<b>1,504</b>	<b>9,325</b>	<b>494</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of property, equipment and vehicles		60	101	-	-
Acquisition of property, equipment, vehicles and computer software		(560)	(342)	(429)	(183)
Proceeds from sale of investments		21,270	11,355	21,270	11,355
Acquisition of investments		(23,188)	(12,788)	(23,184)	(12,789)
<b>Net cash (used in)/from investing activities</b>		<b>(2,418)</b>	<b>(1,674)</b>	<b>(2,343)</b>	<b>(1,617)</b>
<b>Cash flows from financing activities</b>					
<b>Net cash from financing activities</b>		-	-	-	-
<b>Net increase in cash and cash equivalents</b>		4,912	(170)	6,982	(1,123)
Cash and cash equivalents at 1 January		24,978	25,148	9,228	10,351
<b>Cash and cash equivalents at 31 December</b>	7a	<b>29,890</b>	<b>24,978</b>	<b>16,210</b>	<b>9,228</b>

**Notes to the consolidated Financial Statements (continued)**

for the year ended 31 December 2015

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**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, registered under the Australian Charities and Not-For-Profits Commission (ACNC), devoted to reducing suffering and death from heart, stroke and blood vessel disease in Australia. The consolidated financial statements of the Foundation as at and for the year ended 31 December 2015 comprise the Foundation and the State and Territory Divisions (together referred to as the "Group" and individually as the "Divisions").

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**2 Basis of preparation**

**(a) Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Australian Charities and Not-For-Profits Commission Act 2012. The financial report was authorised for issue by the directors on 18th April 2016.

**(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) Use of estimates and judgements**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and any future periods affected.

**Significant accounting judgments**

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

**Significant accounting estimates and assumptions**

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

**(i) Make good provisions**

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

**(ii) Provisions for employee benefits**

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

**(iii) Valuation of investments**

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

**Notes to the Financial Statements (continued)**

for the year ended 31 December 2015

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**2 Basis of preparation (continued)**

**(e) Changes in accounting policies**

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

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**3 Significant accounting policies**

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

**(a) Basis of consolidation**

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

**(b) Revenue recognition**

**(i) Charitable support**

Revenue is received from appeals, donations, fundraising events and 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 and corresponding revenue is recognised, at fair value, when the Foundation or a Division gains control of such assets and the value of the asset can be reliably measured.

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

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

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

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

**(iv) Food Information Program**

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

**(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 280,843 children and 1,177 schools and groups throughout Australia. The Foundation's door knock program successfully recruited 95,275 volunteers to collect funds in 2015. However, as no objective basis exists for recording and assigning values to these services, they are not reflected in the financial statements as either revenue or expenses.



**Notes to the consolidated Financial Statements (continued)**

for the year ended 31 December 2015

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

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

**(d) Income tax**

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

The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**(e) Inventories**

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

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

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

**(ii) Depreciation**

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

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

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

**(g) Leased assets including property and equipment**

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

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

Determining whether an arrangement contains a lease

At the inception of an arrangement, the Foundation determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that

**Notes to the Financial Statements (continued)**

for the year ended 31 December 2015

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

specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Foundation the right to control the underlying asset. At inception or upon reassessment of the arrangement, the Foundation separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

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

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

**(ii) Amortisation**

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

**(i) Non-derivative financial assets**

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

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

**(i) Fair Value through Other Comprehensive Income**

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

**(ii) Amortised cost**

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

**(iii) Fair Value through Surplus or Deficit**

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

**(iv) Other financial instruments**

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

**Notes to the consolidated Financial Statements (continued)**

for the year ended 31 December 2015

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

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

**Cash and cash equivalents**

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

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

**Trade and other receivables**

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

**(j) Non-derivative financial liabilities**

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

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

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

**(ii) Non-financial assets**

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

**Notes to the Financial Statements (continued)**

for the year ended 31 December 2015

**3 Significant accounting policies (continued)****(k) Impairment (continued)**

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

(iii) Calculation of recoverable amount

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

**(l) Employee benefits**

(i) Short term benefits

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

(ii) Other long term benefits

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

> assumed rate of future increases in wage and salary rates: 2015: 3.0% (2014: 2.0%)

> discount rate based on national government securities which most closely match the terms to maturity of the related liabilities: 2015: 2.88% (2014: 2.81%)

> expected settlement dates: 2015: 2 years (2014: 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: 2015: 3.0% (2014: 2.0%)

> discount rate based on national government securities which most closely match the terms to maturity of the related liabilities: 2015: 2.88% (2014: 2.81%)

> expected settlement dates based on turnover history: 2015: 15 years (2014: 15 years)

**(m) Provisions**

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

**(n) Segment reporting**

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

**(o) Finance income and finance costs**

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

**(p) Financial risk management**

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

> credit risk

> liquidity risk

> market risk

> operational risk

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

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

**Notes to the consolidated Financial Statements (continued)**

for the year ended 31 December 2015

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**3 Significant accounting policies (continued)**

**(p) Financial risk management (continued)**

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

**Capital management**

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

**Economic dependency**

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

**(q) New standards and interpretations**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. Except for **AASB 9 Financial Instruments (2010)** which the Foundation early adopted with a date of initial application of 1 January 2011, the Foundation has not elected to early adopt any other new Australian Accounting Standards. Those which may be relevant to the Foundation are set out below.

**AASB 15 Revenue from contracts** with customers, becomes mandatory for the 2018 financial statements and could change the classification and recognition method of revenue. It establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The Foundation is assessing the potential impact on its financial statements resulting from the application of AASB 15.

**AASB 16 Leases** requires companies to bring most operating leases on-balance sheet from 2019. Companies with operating leases will appear to be more asset-rich, but also more heavily indebted. AASB 16 is effective for the Foundation's 2019 financial statements. The Foundation does not plan to adopt this standard early and the extent of the impact has not been determined.

The following new standards are not expected to have a significant impact on the Foundations financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)

**(r) Determination of fair values**

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

**(i) Equity and debt securities**

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

**(ii) Trade and other receivables**

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

**(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.

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**Notes to the Financial Statements (continued)**  
 for the year ended 31 December 2015

	Consolidated		The Foundation	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<b>4 Revenue from operating activities</b>				
Charitable support - bequests	30,590	23,619	3,000	-
Charitable support - non-bequests	23,114	25,306	1	1
Sale of goods	77	107	39	73
<i>Total revenue from fundraising activities</i>	53,781	49,032	3,040	74
Net grants from Divisions (note 21)	-	-	23,861	21,582
Government non-reciprocal grants	62	62	-	-
Grants for specific health programs - Government	9,853	13,113	65	625
Grants for specific health programs and research - other	3,147	1,975	1,387	847
Food Information Program	2,524	2,771	2,524	2,771
Other	1,000	1,930	1,301	2,114
<i>Total revenue from other operating activities</i>	16,586	19,851	29,138	27,939
<b>Total revenue from operating activities</b>	70,367	68,883	32,178	28,013
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	\$	\$	\$	\$
<b>5 Auditors' remuneration</b>				
KPMG Australia: Audit services	204,980	206,065	52,286	51,265
KPMG Australia: Other services	25,092	36,400	-	-
<b>Total Auditors remuneration</b>	230,072	242,465	52,286	51,265
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	\$'000	\$'000	\$'000	\$'000
<b>6 Finance income and costs</b>				
<b>Recognised in Surplus/(Deficit)</b>				
Interest income	965	952	751	628
Dividend income and distributions from managed funds	3,702	2,868	3,641	2,825
Fair Value Market movement/amortisation of bonds	-	309	-	309
Realised gain on disposal of bonds	234	99	234	99
<b>Finance income</b>	4,901	4,228	4,626	3,861
Impairment/ realised loss on trade receivables	(1)	5	-	-
Fair Value Market movement/amortisation of bonds	(307)	-	(307)	-
Fees of external investment managers	(163)	(145)	(162)	(145)
Realised loss on disposal of bonds	(133)	(33)	(133)	(33)
<b>Finance costs</b>	(604)	(173)	(602)	(178)
<b>Net finance income and costs recognised in Surplus/(Deficit)</b>	4,297	4,055	4,024	3,683
<b>Recognised in other comprehensive income</b>				
Impairment (loss)/recovery on shares/managed fund units	129	184	129	184
Realised gain on disposal of shares	1,916	1,040	1,916	1,040
Realised (loss) on disposal of shares	(1,333)	(228)	(1,333)	(231)
Net surplus/(deficit) taken directly to retained earnings	712	996	712	993
Net fair value increments/(decrements) of financial assets	(2,218)	(823)	(2,218)	(826)
<b>Net finance income and costs recognised in Other Comprehensive Income</b>	(1,506)	173	(1,506)	167

**Notes to the consolidated Financial Statements (continued)**

for the year ended 31 December 2015

	Consolidated		The Foundation	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<b>7a Cash and cash equivalents</b>				
Cash and cash equivalents include bank accounts and short term deposits maturing within 90 days paying interest rates of 0% to 3.5% (2014: 0.01% to 3.5%).	29,890	24,978	16,210	9,228
	29,890	24,978	16,210	9,228
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.				
<b>7b Reconciliation of cash flows from operating activities</b>				
<b>Net surplus / (deficit) from ordinary activities</b>	10,957	5,356	11,539	6,010
Adjustments for:				
Depreciation/Amortisation	1,079	1,157	499	555
Make good / Restoration	11	2	-	-
Operating lease expense obligations incurred	1	3	-	-
Investments acquired for nil consideration via bequests	(4,739)	(5,059)	(4,637)	(4,922)
Realised net loss/(gain) on disposal of bonds & other assets	207	(375)	207	(375)
Net loss/(gain) on disposal of property, equipment and vehicles	(11)	(1)	1	-
<b>Net cash from operating activities before changes in working capital and provisions</b>	7,505	1,083	7,609	1,268
(Increase)/decrease in receivables	(512)	996	997	219
(Increase)/decrease in grants income accrued	(83)	(24)	(22)	6
(Increase)/decrease in inventories	(4)	37	(6)	30
Increase/(decrease) in payables	(198)	(889)	22	(1,243)
Increase/(decrease) in grants income deferred	608	496	651	175
Increase/(decrease) in employee benefits	273	94	74	39
Increase/(decrease) in provisions	(259)	(289)	-	-
<b>Net cash from operating activities</b>	7,330	1,504	9,325	494
<b>8 Trade and other receivables</b>				
Trade receivables owing by other National Heart Foundation divisions	-	-	1,643	2,782
Grants income accrued	124	41	22	-
Other receivables and prepayments	2,994	2,482	1,953	1,811
	3,118	2,523	3,618	4,593

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 Financial Statements (continued)**  
for the year ended 31 December 2015

	Consolidated		The Foundation	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>9 Investments</b>				
<b>Current investments</b>				
Bonds paying interest rates of 2.5% to 6.25% (2014: 3.25% to 8.0%).	-	514	-	514
<b>Non-current investments</b>				
Listed shares	37,810	31,560	37,810	31,483
Unlisted units in managed funds	11,482	12,643	11,482	12,643
Bonds paying interest rates of 2.5% to 6.25% (2014: 3.25% to 8.0%).	9,137	8,950	9,137	8,950
Term deposits maturing over 90 days	22	22	-	-
	<b>58,451</b>	<b>53,175</b>	<b>58,429</b>	<b>53,076</b>
	<b>58,451</b>	<b>53,689</b>	<b>58,429</b>	<b>53,590</b>

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

**Investment policy**

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

The share and bond investments are managed by external fund managers overseen by an Investment Committee comprising 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 2015

**10 Property, equipment and vehicles**

	Consolidated					The Foundation				
	Freehold land	Buildings	Leasehold improvements	Office furniture & equipment	Motor vehicles	Total	Freehold land	Buildings	Office furniture & equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2014	2,160	3,184	3,523	5,316	564	14,747	1,050	2,494	1,575	5,119
Acquisitions	100	-	-	173	52	325	-	-	66	66
Disposals	-	-	-	(16)	(190)	(206)	-	-	-	-
Balance at 31 December 2014	2,260	3,184	3,523	5,473	426	14,866	1,050	2,494	1,641	5,185
Balance at 1 January 2015	2,260	3,184	3,523	5,473	426	14,866	1,050	2,494	1,641	5,185
Acquisitions	-	267	24	327	53	671	-	-	308	308
Disposals	(100)	-	-	(615)	(94)	(809)	-	-	(279)	(279)
Balance at 31 December 2015	2,160	3,451	3,547	5,185	385	14,728	1,050	2,494	1,670	5,214

**Depreciation & Impairment losses**

Balance at 1 January 2014	-	788	2,620	3,676	225	7,309	-	641	1,009	1,650
Depreciation charge for the year	-	89	200	506	75	870	-	72	200	272
Disposals	-	-	-	(14)	(89)	(103)	-	-	-	-
Balance at 31 December 2014	-	877	2,820	4,168	211	8,076	-	713	1,209	1,922
Balance at 1 January 2015	-	877	2,820	4,168	211	8,076	-	713	1,209	1,922
Depreciation charge for the year	-	89	224	486	66	865	-	72	213	285
Disposals	-	-	-	(610)	(52)	(662)	-	-	(278)	(278)
Balance at 31 December 2015	-	966	3,044	4,044	225	8,279	-	785	1,144	1,929

**Carrying amounts**

At 1 January 2014	2,160	2,395	903	1,640	339	7,438	1,050	1,853	566	3,469
At 31 December 2014	2,260	2,307	703	1,305	215	6,790	1,050	1,781	432	3,263
At 1 January 2015	2,260	2,307	703	1,305	215	6,790	1,050	1,781	432	3,263
At 31 December 2015	2,160	2,485	503	1,141	160	6,449	1,050	1,709	526	3,285

**Notes to the Financial Statements (continued)**  
 for the year ended 31 December 2015

	Consolidated		The Foundation	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<b>11 Intangibles</b>				
<b>Computer software</b>				
<b>Cost</b>				
Balance at 1 January	3,010	2,893	2,986	2,869
Acquisitions	157	117	121	117
Disposals	(626)	-	(627)	-
Balance at 31 December	2,541	3,010	2,480	2,986
<b>Amortisation</b>				
Balance at 1 January	2,594	2,311	2,569	2,286
Amortisation charge for the year	214	283	214	283
Disposals	(626)	-	(626)	-
Balance at 31 December	2,182	2,594	2,157	2,569
<b>Carrying amounts</b>				
1 January	416	582	417	583
31 December	359	416	323	417
<b>12 Trade and other payables</b>				
Trade payables to other National Heart Foundation divisions	-	-	853	687
Other payables and accrued expenses	3,067	3,265	1,575	1,719
	3,067	3,265	2,428	2,406
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.				
<b>13 Grant income deferred</b>				
Balance at 1 January	9,856	9,360	1,505	1,330
Amounts received	10,808	15,037	2,091	1,900
Income recognised as revenue	(10,200)	(14,541)	(1,440)	(1,725)
Balance at 31 December	10,464	9,856	2,156	1,505
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.				
<b>14 Employee benefits</b>				
Aggregate liability for employee benefits including on-costs:				
Current - long service leave and annual leave	2,883	2,598	1,042	910
Non-current - long service leave	313	325	102	160
Total employee benefits	3,196	2,923	1,144	1,070
<i>Personnel expenses:</i>				
Wages and salaries	23,608	24,057	10,428	11,086
Contributions to superannuation plans	1,942	1,949	753	833
Total personnel expenses	25,550	26,006	11,181	11,919
<b>Number of employees at year end (full time equivalents)</b>	248	251*	84	94
* Reclassified to conform with current years presentation				

**Notes to the Financial Statements (continued)**  
for the year ended 31 December 2015

	Consolidated		The Foundation	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<b>15 Reserves and Equity</b>				
<b>Movements in reserves during the year:</b>				
<b>Fair value (related to investments)</b>				
Balance at beginning of year	8,151	8,974	8,151	8,977
Net change in fair value of equities/managed investments	(2,218)	(823)	(2,218)	(826)
Balance at end of year	5,933	8,151	5,933	8,151
<b>Nutrition research and health education</b>				
Balance at beginning of year	1,000	2,534	1,000	2,534
Transfer from/(to) retained earnings, representing:	-	(1,534)	-	(1,534)
Surplus/(deficit) from Food Information Program	1,492	1,109	1,492	1,109
Interest & fair value movement/Reserve Adjustments	(1,492)	(2,435)	(1,492)	(2,435)
Payments for health & research programs	-	(208)	-	(208)
Balance at end of year	1,000	1,000	1,000	1,000
<b>Specific or restricted purposes</b>				
Balance at beginning of year	16,798	15,730	16,024	14,933
Transfer from/(to) retained earnings, representing:	3,621	1,068	3,208	1,091
Income received	867	-	65	-
Amounts set aside for specific purposes	3,510	(1,365)	3,496	(1,688)
Interest credited/(debited)	996	891	996	891
Fair value movement	(106)	2,975	(106)	2,975
Payments for administration	-	-	-	-
Payments for research	(1,243)	(1,385)	(1,243)	(1,039)
Payments for health programs	(403)	(48)	-	(48)
Balance at end of year	20,419	16,798	19,232	16,024
<b>Total Reserves balance at year end</b>	<b>27,352</b>	<b>25,949</b>	<b>26,165</b>	<b>25,175</b>
Reserves at beginning of year	25,949	27,238	25,175	26,444
Retained Earnings at beginning of year	45,272	38,454	41,091	33,645
<b>Total Equity at beginning of year</b>	<b>71,221</b>	<b>65,692</b>	<b>66,266</b>	<b>60,089</b>
Operating Surplus/(Deficit) for the year	10,957	5,356	11,539	6,010
Other Comprehensive Income	(1,506)	173	(1,506)	167
Total Comprehensive Income	9,451	5,529	10,033	6,177
<b>Total Equity at end of year</b>	<b>80,672</b>	<b>71,221</b>	<b>76,299</b>	<b>66,266</b>

**Nature and purpose of reserves**

**Fair value**

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

**Nutrition research and health programs**

Revenue and expenditure from the Food Information Program is 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. Prior to 2015 the net Surplus or Deficit was transferred from retained earnings to the nutrition research and health programs reserve at the end of each year. From January 1 2015 the board decided that only that portion of the net surplus which is greater than the expenditure on these programs will be transferred to the reserve and set its closing balance as at 31 December 2014 to be \$1million.

**Specific or restricted purposes**

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

**Notes to the Financial Statements (continued)**

for the year ended 31 December 2015

**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	264	1,048	260	1,572
Interest and donations received	8	38	114	160
Expenditure	-	(36)	(55)	(91)
Balance carried forward	272	1,050	319	1,641

	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<b>16 Operating leases as lessee</b>				
Non-cancellable operating lease rentals are payable as follows:				
Less than one year	1,547	1,899	-	-
Between one and five years	1,498	3,004	-	-
Later than five years	96	403	-	-
	3,141	5,306	-	-
Expenditure in the period was as follows:				
Office equipment	16	31	-	-
Office space	1,673	1,587	-	-
	1,689	1,618	-	-

**Notes to the consolidated Financial Statements (continued)**

for the year ended 31 December 2015

**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 2014	499	697	385	1,581	-	-	-	-
Future obligations incurred	-	-	3	3	-	-	-	-
Lease incentives received	-	-	-	-	-	-	-	-
Incentives offset against lease rental expense	(73)	(219)	-	(292)	-	-	-	-
Expenditure recognised in the Statements of Surplus or Deficit and Other Comprehensive Income	-	-	-	-	-	-	-	-
Balance at 31 December 2014	426	478	388	1,292	-	-	-	-
Current	-	283	-	283	-	-	-	-
Non-current	426	195	388	1,009	-	-	-	-
	426	478	388	1,292	-	-	-	-
	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 2015	426	478	388	1,292	-	-	-	-
Future obligations incurred	-	-	1	1	-	-	-	-
Lease incentives received	-	-	-	-	-	-	-	-
Incentives offset against lease rental expense	(112)	(157)	-	(269)	-	-	-	-
Expenditure recognised in the Statements of Surplus or Deficit and Other Comprehensive Income	-	-	8	8	-	-	-	-
Balance at 31 December 2015	314	321	397	1,032	-	-	-	-
Current	-	227	-	227	-	-	-	-
Non-current	314	95	397	806	-	-	-	-
	314	322	397	1,033	-	-	-	-

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 2015

	Consolidated		The Foundation	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<b>18 Capital and other commitments</b>				
<b>Research grants and fellowships</b>				
Commitments for approved research grants and fellowships (which are unenforceable) are payable as follows:				
2015	-	7,248	-	7,248
2016	11,252	5,407	11,252	5,407
2017	7,427	3,244	7,427	3,244
2018	4,916	684	4,916	684
2019	2,631		2,631	
	26,226	16,583	26,226	16,583
<b>19 Contingencies</b>				
The directors are of the opinion that provisions are not required in respect of these matters as it is not probable that a future sacrifice of economic benefits will be required.				
Contingent liabilities considered remote				
<i>Performance guarantees Vic Division</i>	365	365	-	-
<i>Performance guarantees ACT Division</i>	22	22	-	-
	387	387	-	-

The Victorian (Vic) and Australian Capital Territory (ACT) Divisions have guaranteed as parties to their operating leases, the payment of rentals in accordance with the signed agreements for the specified lease terms. The terms of the lease agreements required the 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**

Dr J A Johns AM MBBS, FRACP, FCSANZ

Mr T M Roberts BArtsAcc, FCA, FAICD, FGLF, RITP

Mr A Caudle BSc(Hons), MEngSc (to 9 January 2015)

Mr K Bradley AM BA, LLB (from 9 January 2015 to 18 May 2015)

Ms R Davies BEc, LLB (hons), FAICD

Mr B S Delaney BCom, FCA, MAICD (from 8 May 2015)

Mr J Etherington BEc, FCA, FAICD

Mr M K Harvey BComm, FCPA, FAICD (to 1 June 2015)

Mrs S C Jaensch BEcon, Dip Ed, GAICD (from 2 June 2015)

Dr M K Ilton MBBA, FRACP

Mr F F Lancione LLM, BA, GDLP, MAICD

Dr J P O'Shea MBBS, FRACP, FCSANZ (to 15 March 2015)

Mr G Robson MEd, BCom (Hon), SFFINSIA FCAANZ (from 29 May 2015)

Dr R Wilkinson MBBS, BA, M.Litt, FRACP FCSANZ (to 8 May 2015)

Mr B A Yvanovich BSc, MPA, FFIA (from 18 May 2015)

Professor I T Meredith AM MBBS(Hons), BSc(Hons), PhD, FRACP, FACC, FAHA, FCSANZ, FSCAI

**Notes to the consolidated Financial Statements (continued)**

for the year ended 31 December 2015

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**21 Related parties (continued)**

**Non-executive directors (continued)**

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

Mr C B Taylor FFin, FPNA, MAICD,

Mr D H Gillam BBus, FCPA, FAICD

Mr S R Larkin BEc MCom(Hons) AAIBF DFP GAICD (from 10 August 2015)

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.

**Executive Staff - The Foundation**

Ms Mary Barry Post Grad Dip Health Sciences & Public Policy, FAICD- CEO National Heart Foundation of Australia (to 6 January 2016)

Mr Mark Dupe BEc, Grad Dip Applied Information Systems, CPA, MBA, GAICD- General Manager Corporate Services

Mr Laurence Jackson BCom, MBA, Cert ADMA, General Manager Revenue & Brand (from 25 May 2015)

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

Mr R Greenland, BA - General Manager Advocacy

Ms Leonie Scott BASc (Physio), GradDip Health Administration, MPH- General Manager Health Outcomes (from 7 April 2015)

Dr A Ono B.Biomed.Sci (Hons), PHD - Director Research (to 30 June 2015)

**Executive Staff – Group**

Ms Mary Barry Post Grad Dip Health Sciences & Public Policy, FAICD- CEO National Heart Foundation of Australia (to 6 January 2016)

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

Ms D Heggie MCSP ,MAICD, Grad Dip Human Services Research - CEO National Heart Foundation of Australian (Victorian Division)

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

Ms D Morrison BA, Dip Cont Ed, MEd - CEO National Heart Foundation of Australia (NT Division) (to 23 January 2015)

Mr Simon Dixon - CEO National Heart Foundation of Australia (NT Division) (from 26 January 2015)

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

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

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

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

Mr Mark Dupe BEc, Grad Dip Applied Information Systems, CPA, MBA, GAICD- General Manager Corporate Services

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

**Notes to the consolidated Financial Statements (continued)**

for the year ended 31 December 2015

**21 Related parties (continued)**

	Consolidated		The Foundation	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
The compensation of key management personnel was as follows:				
Short term employee benefits	2,519	2,601	1,303	1,921
Other long term benefits	34	59	20	13
Total	2,553	2,660	1,323	1,934

**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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Queensland	2,602	4,332	2,490	4,380	7,914	9,965
New South Wales	8,152	6,091	8,539	5,941	16,921	15,131
Victoria	6,826	7,013	6,876	7,154	13,949	13,303
South Australia	4,165	2,691	4,290	2,651	8,604	7,518
Western Australia	2,021	1,251	2,125	1,380	11,793	13,225
Tasmania	120	131	143	220	1,988	2,393
Australian Capital Territory	(19)	(87)	(21)	(15)	1,603	1,465
Northern Territory	(585)	(146)	(581)	(129)	1,114	1,625
The Foundation (excluding grants received from Divisions)	(12,325)	(15,920)	(23,861)	(21,582)	10,779	8,313
	10,957	5,356	-	-	74,665	72,938

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

	Consolidated		The Foundation	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<i>Contributions received from sale of services</i>				
Divisions - rent for occupancy	-	-	400	400
Divisions - grants to fund research and health programs	-	-	24,463	21,726
Divisions - services	-	-	283	410
	-	-	25,146	22,536
<i>Contributions paid for purchase of services</i>				
Divisions - subsidies	-	-	(602)	(144)
Divisions - services	-	-	426	1,818
	-	-	(176)	1,674

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 2015

**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. The Foundation does not require collateral in respect of financial assets. 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 the performance guarantees referred to in note 19 relating to the Victorian and ACT Division's office lease agreements.

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

	Notes	Consolidated		The Foundation	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Financial assets</b>					
Cash *		24,251	13,195	16,210	2,036
Cash call accounts *		2,981	6,822	-	6,381
Term deposits under 90 days *		2,658	4,961	-	811
Total cash and cash equivalents *	7a	29,890	24,978	16,210	9,228
Trade and other receivables *	8	2,994	2,482	3,596	4,593
Grants income accrued *	8	124	41	22	-
Investments - listed shares #	9	37,810	31,560	37,810	31,483
Investments - unlisted units in managed funds #	9	11,482	12,643	11,482	12,643
Investments - bonds ## (**)	9	9,137	9,464	9,137	9,464
Term deposits over 90 days *	9	22	22	-	-
		91,459	81,190	78,257	67,411
<b>(**) Maturity profile of bonds</b>					
Less than one year		-	514	-	514
Between one and five years		4,209	6,806	4,209	6,806
Later than five years		4,928	2,144	4,928	2,144
		9,137	9,464	9,137	9,464

\* 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 2015

**23 Financial instruments (continued)**

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

	Consolidated		The Foundation	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January of provision for doubtful debts	15	22	-	-
Realisation of impairment (loss)/recovery previously provided	-	(7)	-	-
Balance at 31 December of provision for doubtful debts	15	15	-	-
Impairment loss/(recovery) recognised in Surplus or Deficit	-	(5)	-	-

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

**Liquidity risk**

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

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

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

	Notes	Consolidated		The Foundation	
		2015	2014	2015	2014
		\$'000	\$'000	\$'000	\$'000
<b>Non derivative financial liabilities</b>					
Trade and other payables	12	3,067	3,265	2,428	2,406
Grant income deferred	13	10,464	9,856	2,156	1,505
		13,531	13,121	4,584	3,911

**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 Division's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All such transactions are carried out within the guidelines set by the Board.

**Interest rate risk**

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

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

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

## Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2015

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### 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 37. The analysis is performed on the same basis as that used in 2014.

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 2014.

### 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 2014.

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 2014. Investments in unlisted units in managed funds are designated at fair value through equity and their performance is actively monitored and managed on a fair value basis. There would be no impact on surplus/(deficit) due to valuation changes as the resultant gain or loss is recognised directly in other comprehensive income.

Fair value sensitivity analysis - bonds

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

### Operational risk

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

- requirements for appropriate segregation of duties including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements

**Notes to the consolidated Financial Statements (continued)**

for the year ended 31 December 2015

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**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 Foundation's 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%

National Heart Foundation of Australia (National Office and Group)

Notes to the consolidated Financial Statements (continued)

for the year ended 31 December 2015

23 Financial instruments (continued)

	Consolidated										The Foundation									
	2015					2014					2015					2014				
	Carrying Amount/ Face Value	-1%		+1%		Carrying Amount/ Market Price	-1%		+1%		Carrying Amount/ Face Value	-1%		+1%		Carrying Amount/ Market Price	-1%		+1%	
		Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity		Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity		Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity		Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Interest rate risk</b>																				
<b>Financial assets</b>																				
<b>Fixed rate instruments</b>																				
Term deposits-maturing within 90 days	2,658	(27)	(27)	27	27	4,961	(50)	(50)	50	50	-	-	-	0	0	811	(8)	(8)	8	8
Term deposits-maturing beyond 90 days	22	-	-	-	-	22	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments - bonds	9,137	(91)	(91)	91	91	9,464	(95)	(95)	95	95	9,137	(91)	(91)	91	91	9,464	(95)	(95)	95	95
<b>Variable rate instruments</b>																				
Cash at bank	24,251	(243)	(243)	243	243	13,195	(132)	(132)	132	132	16,210	(162)	(162)	162	162	2,036	(20)	(20)	20	20
Cash call accounts	2,981	(30)	(30)	30	30	6,822	(68)	(68)	68	68	-	-	-	-	-	6,381	(64)	(64)	64	64
<b>Total increase/(decrease)</b>	<b>39,049</b>	<b>(391)</b>	<b>(391)</b>	<b>391</b>	<b>391</b>	<b>34,464</b>	<b>(345)</b>	<b>(345)</b>	<b>345</b>	<b>345</b>	<b>25,347</b>	<b>(253)</b>	<b>(253)</b>	<b>253</b>	<b>253</b>	<b>18,692</b>	<b>(187)</b>	<b>(187)</b>	<b>187</b>	<b>187</b>

	2015					2014					2015					2014				
	Carrying Amount/ Market Value	-10%		+10%		Carrying Amount	-10%		+10%		Carrying Amount	-10%		+10%		Carrying Amount	-10%		+10%	
		Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity		Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity		Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity		Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Other market price risk</b>																				
<b>Financial assets</b>																				
Investments - listed shares	37,810	-	(3,781)	-	3,781	31,560	-	(3,156)	-	3,156	37,810	-	(3,781)	-	3,781	31,483	-	(3,148)	-	3,148
Investments - unlisted units in managed funds	11,482	-	(1,148)	-	1,148	12,643	-	(1,264)	-	1,264	11,482	-	(1,148)	-	1,148	12,643	-	(1,264)	-	1,264
Investments - bonds	9,137	(914)	-	914	-	9,464	(946)	-	946	-	9,137	(914)	-	914	-	9,464	(946)	-	946	-
<b>Total increase/(decrease)</b>	<b>58,429</b>	<b>(914)</b>	<b>(4,929)</b>	<b>914</b>	<b>4,929</b>	<b>53,667</b>	<b>(946)</b>	<b>(4,420)</b>	<b>946</b>	<b>4,420</b>	<b>58,429</b>	<b>(914)</b>	<b>(4,929)</b>	<b>914</b>	<b>4,929</b>	<b>53,590</b>	<b>(946)</b>	<b>(4,412)</b>	<b>946</b>	<b>4,412</b>

**Notes to the consolidated Financial Statements (continued)**

for the year ended 31 December 2015

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

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

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

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

		Consolidated				The Foundation			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>Notes</b>								
<b>31 December 2014</b>									
Fair Value	9	31,560	22,107	-	53,667	31,483	22,107	-	53,590
		31,560	22,107	-	53,667	31,483	22,107	-	53,590
		Consolidated				The Foundation			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>Notes</b>								
<b>31 December 2015</b>									
Fair Value	9	37,810	20,619	-	58,429	37,810	20,619	-	58,429
		37,810	20,619	-	58,429	37,810	20,619	-	58,429



## Independent Auditor's Report to the members of National Heart Foundation of Australia

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We have audited the accompanying financial report of National Heart Foundation of Australia (the Foundation), which comprises the statements of financial position as at 31 December 2015, and statements of surplus or 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 23 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.

This audit report has also been prepared for the members of the Foundation in pursuant to *Australian Charities and Not-for-profits Commission Act 2012* and the *Australian Charities and Not-for-profits Commission Regulation 2013* (ACNC).

### *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 ACNC 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 ACNC 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 their 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 *Australian Charities and Not-for-profits Commission Act 2012*. We confirm that the independence declaration required by the *Australian Charities and Not-for-profits Commission Act 2012*, which has been given to the directors of National Heart Foundation of Australia on 18 April 2016, would be in the same terms if given to the directors as at the time of this auditors report.

### *Basis for qualified auditor's opinion*

Within the charitable fundraising income of \$23,114,000 is a significant source of fundraising revenue from cash donations for the National Heart Foundation of Australia. The National Heart Foundation of Australia has determined that it is impracticable to establish controls over the collection of charitable fundraising income prior to entry into its financial records. Accordingly, as the evidence available to us regarding fundraising revenue from this source was limited, our audit procedures with respect to charitable fundraising 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 National Heart Foundation of Australia reported in the accompanying financial report is complete.

In respect of the qualification however, based on our understanding of the internal controls, nothing has come to our attention which would cause us to believe that the internal controls over revenue from fundraising appeal activities by the National Heart Foundation of Australia, are not appropriate given the size and nature of the Foundation.



**Independent Auditor's Report to the members of National Heart Foundation of Australia (continued)**

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*Auditor's opinion*

In our opinion except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial report of National Heart Foundation of Australia is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* including:

(a) giving a true and fair view of the Foundation's and the Group's financial position as at 31 December 2015 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

KPMG

KPMG

Amanda Bond  
*Partner*

Melbourne

22 April 2016





National Heart Foundation of Australia (National Office and Group)

**Auditors Independence Declaration under subdivision 60-C section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012**

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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 2015 there have been:

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

KPMG

KPMG

Amanda Bond  
*Partner*

Melbourne

18 April 2016

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