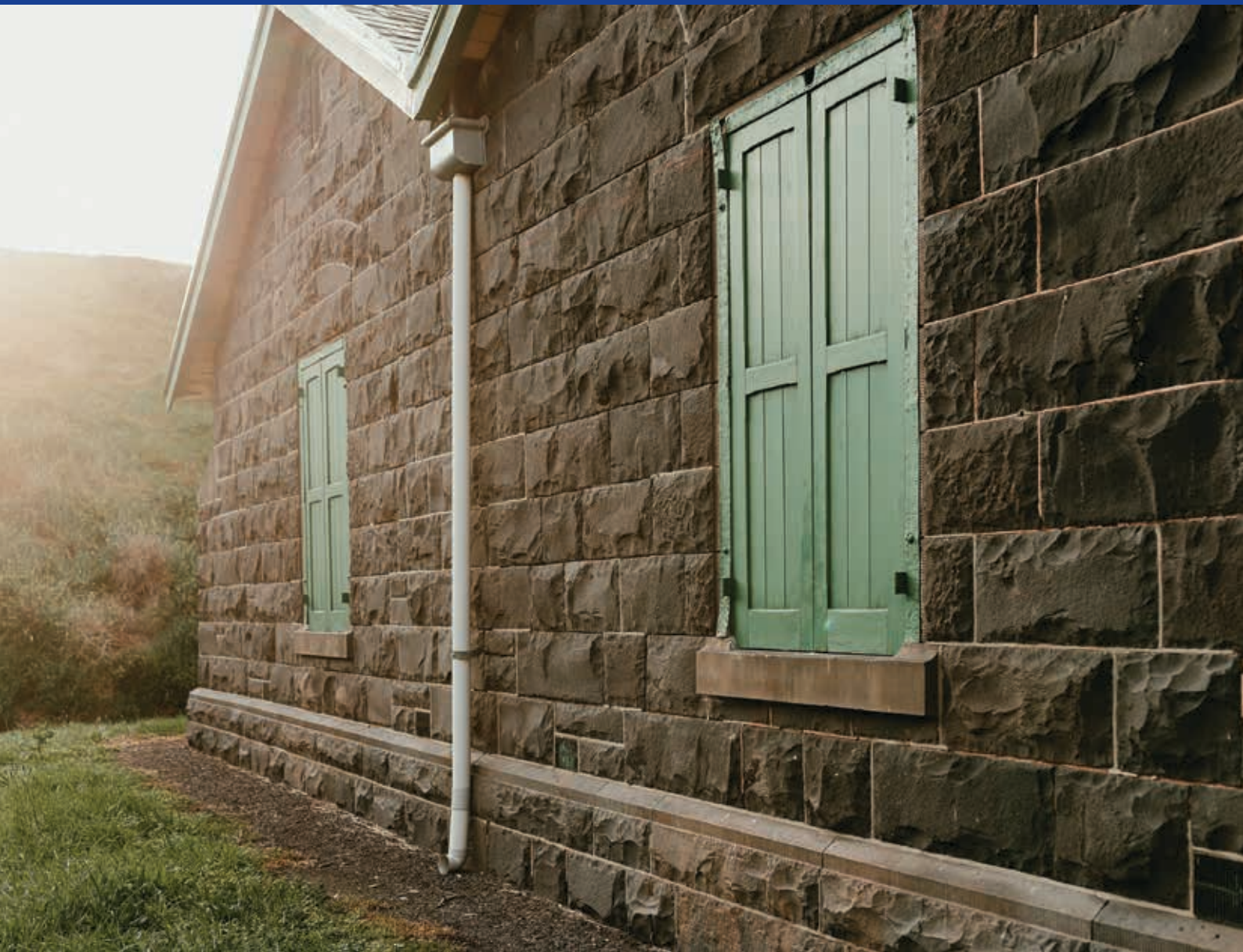


Working
Heritage

ANNUAL REPORT

2016–2017



March 2018

Authorised and published by:

Working Heritage Incorporated
280 William Street
Melbourne, Victoria 3000

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Front cover: **Jack's Magazine, Maribyrnong**, photographer Breeana Dunbar

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that the publication is without flaw of any kind or is wholly appropriate for
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information in this publication.

Working Heritage respectfully acknowledges Victoria's Aboriginal communities and pays respect to their Elders both
past and present. The organisation acknowledges the richness of Aboriginal cultures in Victoria and their connection
to country.

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CHAIRPERSON'S REPORT

I am pleased to report that 2016–17 has been a year of progress for Working Heritage on many fronts.

The Working Heritage Committee of Management (the Committee) updated and essentially confirmed its existing *Strategic Plan* for the period to 2018.

The Committee welcomed the recommendation from the Victorian Environment Assessment Council's *Investigation into Heritage Places* (September 2016) that Working Heritage be re-established as a trust for public land historic places. The State Government's response to that Investigation accepted this recommendation. The Committee looks forward to the future work on the implementation of this recommendation.

Site Management Plans for three of Working Heritage's more important properties were completed and approved by the Committee during reporting period. In November 2016, the Committee was pleased to have our Minister, Hon Liliana D'Ambrosio MP visit Farm Vigano to launch the *Farm Vigano Site Management Plan* and, in April 2017, Danielle Green MP, Member for Yan Yean, launched the *Carome Site Management Plan* in the café housed in Carome homestead. The Site Management Plan for the former Royal Mint site was presented to the Minister in December 2016.

Preparation of the Jack's Magazine Site Management Plan continued during the year. Site management planning will assist the Committee to direct how these properties are managed and how investments by Working Heritage will contribute to achieving the agreed and documented objectives for each property.

Site activation continued at Jack's Magazine with a number of early-activation tenants moving into key buildings at this unique site. Monthly tours of the complex continued to be booked out. In October 2016, the closing event of the Australia ICOMOS Conference was held at Jack's Magazine with delegates being transported to the site by boat along the Yarra and Maribyrnong Rivers. The Committee acknowledges the on-going support of Maribyrnong City Council in the planning for and initial activation of this wonderful site.

Working Heritage continues to be self-funded with a positive financial outcome achieved for the year to enable continued investment in the properties under the Committee's management.

Major works were undertaken at the South Melbourne Temperance Hall and our new tenant, Phillip Adams BalletLab, moved in. Contracts were signed for works at

Carlton Court House and improvement to the car park serving the Plenty Valley Community Health building at Farm Vigano. Detailed investigations, engineering design work and cost planning were undertaken to assist in the identification and documentation of the optimum method to ensure the long-term stability of the brick walls around the former Royal Mint site which date from 1872.

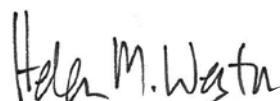
A *Business Continuity Plan* and an *IT Disaster Recovery Plan* were developed and approved during the year. These Plans will ensure that Working Heritage can continue to operate effectively under unexpected conditions. The Committee approved a *Sustainability and Climate Change Policy* which will guide capital works and on-going operations to achieve sustainable outcomes.

The Audit and Risk Sub-Committee continued its work in the formulation of policy and procedures for the Committee and oversight of the internal audit process and risk management for Working Heritage.

I wish to thank all Committee members who have worked harmoniously and creatively to inform and guide the strategic direction for Working Heritage. In particular, I wish to thank retiring Committee member, Des Powell for his insightful contributions to Committee deliberations. As a new Chair and Committee had not been appointed prior to the expiry of the current term on 31 May 2017, the Minister extended the term of the current Chair and Committee until the appointment process is complete.

I also wish to thank Executive Officer, Ross Turnbull, and all staff of Working Heritage for their commitment and energy in giving effect to the Committee's strategic direction and policies. I also wish to thank officers of the Department of Environment, Water, Land and Planning for ongoing advice and support.

In accordance with the *Crown Lands (Reserves) Act 1978*, I am pleased to present Working Heritage's Annual Report for the year ending 30 June 2017.



Helen Weston
Chair, Working Heritage Incorporated Committee of Management

20 Feb 2018



WHAT WE DO

INTRODUCTION

The Working Heritage Incorporated Committee of Management (Working Heritage) conserves and manages heritage properties on public land on behalf of the State of Victoria. Since its inception in 1998, Working Heritage (formerly The Mint Inc) has been appointed to manage fifteen sites across Victoria, undertaking expert conservation and adaptation works so the community can benefit from these revitalised historic buildings.

Working Heritage's *Strategic Plan 2016–18* sets out its vision stating that:

The Working Heritage portfolio will consist of historic places fostering diverse activities, used and valued by a broad range of people, communities and groups.

The unique character of our places will be protected and enhanced by any change and development.

Their history and cultural significance will be conserved and celebrated. They will be financially, environmentally and socially sustainable.

and the organisation's purpose:

Working Heritage undertakes the repurposing of redundant government assets (on Crown Land) to ensure their ongoing cultural significance and provision of community benefit through continuing use into the future. We do this by:

- *Managing our whole portfolio to retain and enhance our self-funding status;*
- *Conserving historic fabric;*
- *Always being open to consideration of a wide range of uses and users;*
- *Always considering the social impact and potential of reuse(s); and*
- *Acting from the understanding that our management practices, even though only a small portion of the historical continuum, can engender the development of new relationships to place and future significances.*

OUR RESPONSIBILITIES

The Working Heritage Committee of Management (Committee) currently has six members appointed under the *Crown Land (Reserves) Act 1978* administered by the Department of Environment, Land, Water and Planning (DEWLP). The Committee reports to the Minister for Environment, Climate Change and Water, the Hon. Liliانا D'Ambrosio MP.

The Committee has responsibility to:

- manage, improve, maintain and control the land for the purposes for which it is reserved;
- report on its finances and other issues as required by the Department;
- maintain records and administer its affairs as a public body; and
- exercise its statutory powers to carry out its duties.

STRATEGIC PLAN 2016–18

In July 2016, the Committee reviewed its *Strategic Plan 2013–16* against the objectives and performance measures it set. In response to changes in its operational context and development of a new business model (2015–16), the Committee adopted a new Strategic Plan for the years 2016–18 that set the following strategic directions and objectives:

Direction	Objectives
1. <i>Manage the portfolio to optimise financial, social and environmental outcomes.</i>	<ul style="list-style-type: none"> • Meet budget targets for revenue and expenditure • Complete annually scheduled property improvement projects • Develop implementation plans for Jack's Magazine, Farm Vigano, Carome and the Mint
2. <i>Define, improve and structure management resources to meet the demands of expansion and achieve measured outcomes</i>	<ul style="list-style-type: none"> • Apply the Working Heritage business model • Develop an Environmental Sustainability and Climate Change Policy • Preparation and anticipation of VEAC recommendation (R3) being accepted by the State Government
3. <i>Establish and build critical relationships and advocacy tools.</i>	<ul style="list-style-type: none"> • Inform and advocate for the Working Heritage portfolio • Inform and advocate for Working Heritage properties • Research

In 2016–17 these objectives were addressed and the following outcomes achieved:

1. Property Portfolio Management

- Revenue and property management expectations were met while capital improvement project commitments were in line with budget.
- Planned property improvement projects were completed at:
 - Jack’s Magazine (electrical and hydraulic services upgrade);
 - Geelong Telegraph Station (stone conservation works);
 - South Melbourne Temperance Hall (essential conservation works and a landlord works package);
 - Skipton Court House (repainting and timber conservation works); and
 - Farm Vigano (BCA upgrade works).
- Works were also commenced at Carlton Court House (access and function improvements) and at Farm Vigano for the Plenty Valley Community Health building (car park safety improvements). The latter two projects were due to be completed in the early part of FY2017–18.
- Site Management Plans for Carome and Farm Vigano were launched in 2016. These plans include a program of public amenity improvement works to be implemented at each property in the coming 2–5 years.

2. Organisation and management

- Application of the Working Heritage Business Model in 2016–17 has resulted in activation of Jack’s Magazine by the offer of short-term tenancies for artists and makers in three of the site’s thirteen buildings; assessment of the potential of three regional properties (in Daylesford, Castlemaine and Bendigo) to join the Working Heritage portfolio; and the development of the partnership with BalletLab as tenant of the South Melbourne Temperance Hall.
- In 2017, the Committee of Management developed and adopted an Environment, Sustainability and Climate Change Policy.
- The Victorian Environment Assessment Council’s Historic Places Investigation was tabled in the Victorian Parliament in August 2016. The Report recommended, among other matters, that Working Heritage be reestablished as a trust for public land historic places. In June 2017, the Government responded to the report accepting the

recommendation. Working Heritage was asked to, and provided specific input to the government response.

3. Relationships and advocacy

- Working Heritage continues to develop its network of relationships across State and Local Government, business, the arts and community sectors.
- Executive Officer Ross Turnbull and Working Heritage staff advocated for the Working Heritage model of adaptive reuse and management of historic places via:
 - Participation in Open House Melbourne 2016;
 - Delivery of a paper on the Working Heritage approach to conservation and adaptive reuse at the 2016 ICOMOS/National Trust Victoria Conference; and
 - Active use of social media to build awareness of Working Heritage.

HOW WE WORK

Working Heritage aims to have a balanced and diverse portfolio of heritage properties. In managing and considering expansion of the portfolio, Working Heritage considers five interrelated outcomes:

- **Heritage** – the property is appropriately conserved and its heritage significance identified, conserved and valued;
- **Financial** – most (if not all) properties are self-supporting and, ideally, contribute to Working Heritage’s income stream in order to fund conservation of further properties;
- **Adaptation** – capital expenditure on adaptation of its properties is directed to a return on investment objective tied to a lease agreement;
- **Community** – the property is used, conserved and maintained for the local community and the people of Victoria; and
- **Sustainability** – conservation of the property is undertaken in accordance with principles of environmental sustainability.

Working Heritage adopts practices in line with the Australia ICOMOS *Charter for Places of Cultural Significance* (the Burra Charter). This Charter sets out a standard of practice for the conservation of places of cultural significance in Australia. The Charter is accepted by both the Victorian Government in administering the *Heritage Act 1995* and the profession in conservation practice.

OUR PORTFOLIO

The following properties made up Working Heritage's portfolio in 2016–17.

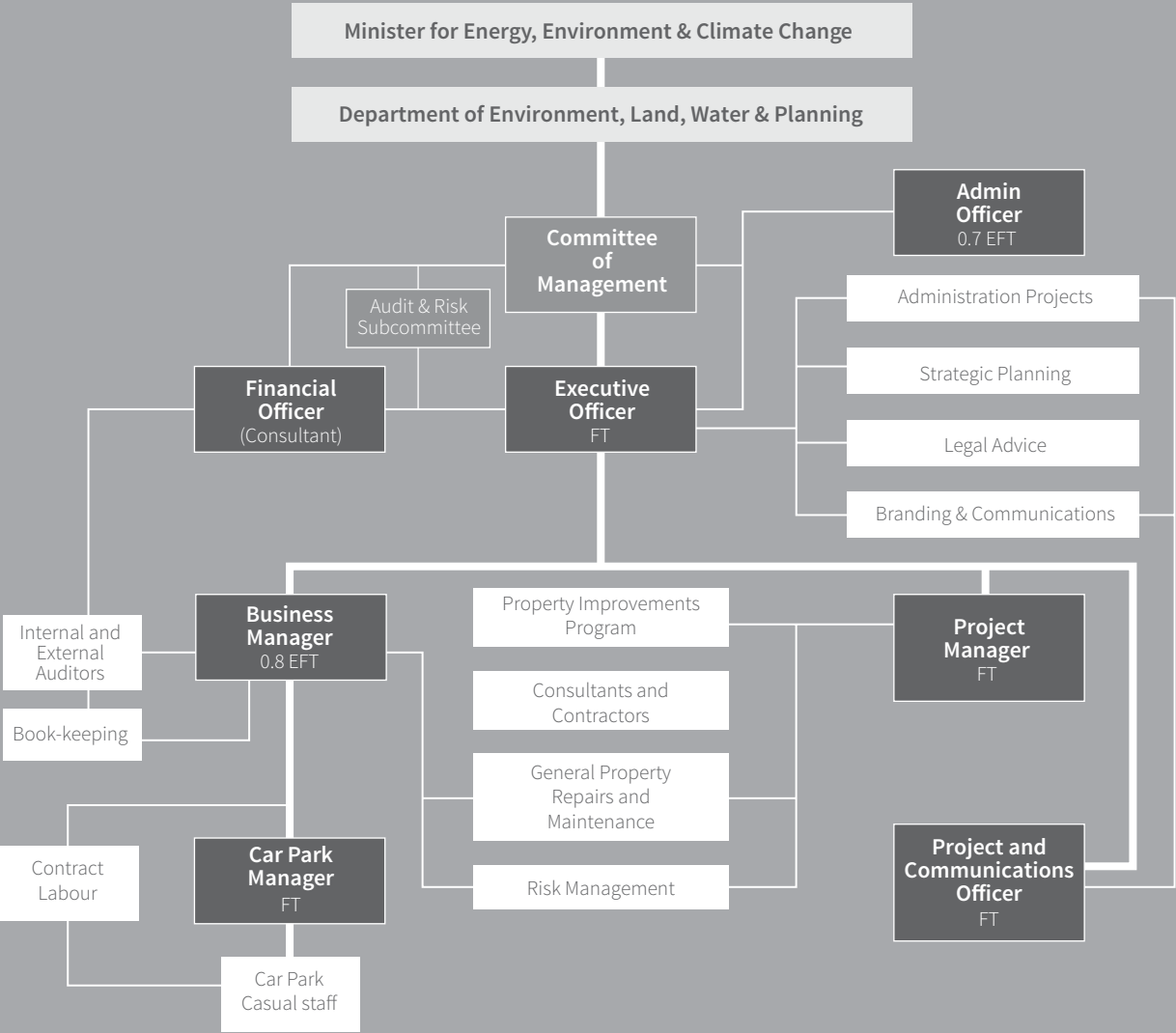
Property	Tenancy	Lease Expiry
The Former Royal Mint Site	The Mint Car Park (Working Heritage)	n/a
The Former Royal Mint Building	Ryssel-One Pty Ltd	2027
The Former Royal Mint Building	Nafsika Stamoulis Hellenic Museum Limited	2027
The North Guard House	The Mint Bar Limited	2021
Horticultural Hall	Victorian Opera	2021
Carlton Court House	La Mama Theatre	2029
Geelong Telegraph Station	Geelong Performing Arts Centre	2024
Avoca Police Residence	Neelabindu Pty Ltd	2024
Skipton Court House	Skipton Historical Society	2016
Skipton Police Residence	Skipton Historical Society	2016
Beaufort Court House	Beaufort Historical Society	2020
Drysdale Free Library and Hall	Drysdale Scouts	2019
Farm Vigano: Fairview	True Italian Pty Ltd	2032
Farm Vigano: Shed	Eric Hormann	Monthly
Farm Vigano: Orchard	Not leased	n/a
Farm Vigano: Community Centre	Plenty Valley Community Health Ltd	2031
Carome	Ruby Mia Pty Ltd	2017
Ballan Court House	Ballan Shire Historical Society	2022
Clunes School of Mines	Clunes Angling Club	2024
Warracknabeal Court House	Not leased	n/a
South Melbourne Temperance Hall	BalletLab Association Inc	2032
Jack's Magazine	Renew Initiatives Australia Ltd	2017 (licence)

OUR RELATIONSHIPS

Working Heritage values its relationships with key stakeholders and works collaboratively to achieve its strategic outcomes. Our key stakeholders are:

- The Victorian Government
- The Minister for Energy, Environment and Climate Change
- Department of Environment, Land, Water and Planning
- Heritage Victoria
- The Victorian Heritage Council
- Parks Victoria
- Registered Aboriginal Parties and other Aboriginal organisations
- Local Government:
 - City of Greater Geelong
 - City of Melbourne
 - City of Port Phillip
 - City of Whittlesea
 - Corangamite Shire
 - Hepburn Shire
 - Maribyrnong City Council
 - Moorabool Shire Council
 - Pyrenees Shire Council
 - Yarriambiack Shire Council
- Local communities
- Our tenants
- Our suppliers
- Australia ICOMOS
- The National Trust of Australia (Victoria)
- Local Historical Societies

ORGANISATIONAL STRUCTURE



ORGANISATIONAL CHART

THE COMMITTEE OF MANAGEMENT

Committee of Management members are appointed for a three-year term by the Minister for Energy, Environment and Climate Change, the Hon Liliana D'Ambrosio MP.

The Committee's three-year term expired on 31 May 2017 however, five of the members were reappointed on an ongoing basis while DELWP sought and assessed applicants for appointment to the Committee for the next three-year term. As at 30 June 2017, the Committee members are:

Helen Weston (Chair)
Phillip Davies
Dr Timothy Hubbard
Lorina Nervegna
Leigh Phillips

Des Powell served a full three-year term on the Committee and its Audit and Risk Management Subcommittee until 31 May 2017.

An overview of members is provided on the following pages.

Table: Committee Attendance 1 July 2016– 30 June 2017

Committee Member	No. of Eligible Meetings	No. of Meetings Attended
Helen Weston	12	12
Phillip Davies	12	12
Timothy Hubbard	12	12
Lorina Nervegna	12	7
Leigh Phillips	12	10
Des Powell	12	12

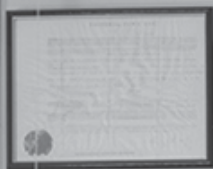
The Committee is supported by an Executive Officer, Ross Turnbull, who leads the organisation.

ORGANISATIONAL EVOLUTION

Working Heritage (formerly The Mint Incorporated) was formed in 1998 to manage the Former Royal Mint site in William Street, Melbourne. Since then, the organisation has evolved to become a sustainable, professional business. With a new Committee appointed in June 2014, an inaugural Charter was developed to clarify the roles and responsibilities of the Committee and enhance its operation and decision making.

In 2016–17 Working Heritage continued to evolve through the application of its business model and further development of its governing policies and procedures including an Environment, Sustainability and Climate Change Policy. In the area of risk management, Working Heritage developed and adopted a Business Continuity and IT Disaster Recovery Plan.

Working Heritage's 2015–16 Annual Financial Statements were audited by the Victorian Auditor General's Office in early 2017 in accordance with the requirements of the *Public Administration Act 2004* (Section 81(1)(k)).



COMMITTEE OF MANAGEMENT AND WORKING HERITAGE EXECUTIVE OFFICER

HELEN WESTON – CHAIR

Helen is an experienced urban planner with considerable experience in statutory planning, environmental and social impact assessment and community consultation. Since 1992, she has been Director, Environmental Affairs Pty Ltd, a specialist urban and environmental planning practice.

Helen has worked on the environmental and/or social impact assessment of transport infrastructure (road, rail and airport) projects throughout Australia and has international experience in India, Vietnam, Indonesia, Kiribati and New Zealand. She also has extensive experience in the design and conduct of community consultation programs.

Helen is a Fellow of the Planning Institute of Australia and Certified Practicing Planner and a Member of the Environment Institute of Australia and New Zealand and a Certified Environmental Practitioner.

DR TIMOTHY HUBBARD

Timothy is a retired architect and planner. He completed his PhD on the Italianate villa in the colonial landscape in 2004. He was awarded the inaugural ISSI Leslie M. Perrott Travelling Fellowship in 2006 to study historic roads in the US, UK and Europe.

Before establishing his own practice in 1988, Timothy worked with the Department of Planning and the Historic Buildings Council. He has been heritage advisor to many municipalities, both metropolitan and rural. Timothy has been a member of the Heritage Council, the Victorian Chapter of the Institute of Architects and the Australia ICOMOS Executive Committee. He continues as a member of the ICOMOS International Committee on Cultural Routes and is a sessional member of Planning Panels Victoria.

PHILLIP DAVIES

Phillip has held and continues to hold a range of senior executive management roles in both the private, legal and public sectors in Australia.

Phillip is currently Chief Executive and General Counsel of the not for profit company –Advanced Paediatric Life Support Services. He has a number of key directorships including Box Hill Institute of TAFE, Box Hill Enterprise Pty Ltd and Box Hill Institute Singapore PTE. He is a member of the Board of Trustees at the Southern Metropolitan Cemeteries Trust. Phillip is also currently Chairperson of Queen Elizabeth Centre the public hospital/community service organisation that is government owned.

He is also a long-standing member of the Board of Examiners for the Legal Profession in Victoria.

LEIGH PHILLIPS

Leigh has over 30 years' experience with the Victorian Planning system. He has held a number of senior planning positions in various State Government departments with a particular focus on regional land use, project facilitation and management of the planning system.

His contribution to planning in Victoria has been recognised by the Victorian Planning and Environmental Law Association (VPELA) when he was presented with the 'Paul Jerome' award in 2008. He is a current member of the Victorian Coastal Council and Alpine Resorts Coordinating Council and a former member of the Central Coastal Board.

Leigh now runs his own planning consultancy business.



LORINA NERVEGNA

Lorina has been a registered architect in Victoria since 1993 and has expertise in design, built environment sustainability and heritage.

She has held national roles in peak industry associations (Australian Institute of Architects and the Cement and Concrete Association) and is a former board member of the Victorian Building Appeals Board. Lorina is former Director Building Policy (Victorian Government DPCD) and has consulted widely for the building and construction industry.

She is currently a sessional member of Planning Panels Victoria, an ordinary sessional member of the Victorian Civil and Administrative Tribunal and principal of her own architecture practice.

ROSS TURNBULL – EXECUTIVE OFFICER

Ross has over thirty years' experience working across the fields of heritage conservation, project management and building construction in both the public and private sectors. Before joining Working Heritage, Ross worked for Root Projects Australia and the Sydney Harbour Federation Trust. He has a particular interest in cities and urbanism with a focus on how cities can conserve and adapt their historic fabric to enable the economic development and social outcomes that are critical to urban life.

Ross has degrees in architecture and heritage conservation as well as being a trade certified carpenter and joiner. He is an experienced designer, project and business manager. He initially joined the Mint Inc as Property Projects Manager in late 2013.

DES POWELL AM

Des has held a range of senior executive management roles in both the private and public sectors in Australia and Asia. Des has operated his own consultancy business, Powell Management Services, since 2000 and has held a number of key appointments.

He currently is a Commissioner of the Victorian Commission for Gambling and Liquor Regulation and a Board Member of MacKillop Family Services.

Des's previous appointments include Commissioner and Deputy Chair of the National Transport Commission, Director and Deputy Chair of Port of Melbourne Corporation, Chair of Alpine Resorts Coordinating Council and Chair of Edmund Rice Education Australia.



GOVERNANCE

OVERVIEW

As a public entity, Working Heritage is committed to good governance and includes supportive actions in its Strategic Plan, namely:

- The Committee actively manages each of the pillars of good governance: strategy and direction setting, effective relationships, risk management and integrity.
- The Committee undertakes regular self-evaluation.

Working Heritage has adopted a continuous improvement approach to governance, reviewing its obligations and addressing gaps to enhance accountability.

In addition, an independent Audit and Risk Management Subcommittee (ARMS) operates to assist the Committee and the organisation to fulfill governance and oversight responsibilities in:

- financial reporting;
- internal and external auditing;
- internal control systems and processes;
- risk management;
- information systems; and
- legislative and regulatory compliance.

The ARMS consists of three independent members, made up of two Committee of Management members (Lorina Nervegna and Des Powell) and one external, non-executive appointment (Mark Anderson).

In 2016–17 the ARMS was chaired by Lorina Nervegna.

Table: Audit and Risk Management Subcommittee Attendance 1 July 2016–30 June 2017

Committee Member	Eligible Meetings	Meetings Attended
Lorina Nervegna	5	5
Des Powell	5	5
Mark Anderson (external member)	5	5
Helen Weston (Committee Chair by invitation)	5	3



▲ Jack's Magazine, Small Arms Ammunition Store

ACHIEVEMENTS IN 2016–17

BUILDING THE PROFILE OF WORKING HERITAGE

Following the change of corporate identity in 2015 from The Mint Incorporated to Working Heritage Incorporated, we have worked to raise awareness of the Committee, our properties, and our approach to the conservation and adaptation of historic places. Both the Chair and Executive Officer have delivered presentations to Councils, community groups and an industry conference.

In 2016 Working Heritage began a regular program of tours at Jack's Magazine as a means to provide access to this interesting and, until now, off-limits property. 2016 also saw Horticultural Hall, Jack's Magazine, Carlton Court House and the Royal Mint participate in the Open House Melbourne weekend in July when some of Melbourne's most significant and interesting architecture is open to the public.

PROPERTY MANAGEMENT

Conservation and adaptation works to our properties is crucial to securing leases and income for Working Heritage. In 2016–17 Working Heritage conducted improvement projects across 60% of its property portfolio with works undertaken at the Farm Vigano in South Morang, Carome Homestead in Mernda, the Geelong Telegraph Station, the former Royal Mint in Melbourne, the Skipton Court House, Jack's Powder Magazine in Maribyrnong, the Carlton Court House and the Warracknabeal Court House. A total of \$822,037 (excluding GST) was spent adapting buildings to meet the strategic goals of the organisation and conserving Victoria's historic places.

JACK'S MAGAZINE

Located on the Maribyrnong River just five kilometres from central Melbourne, Jack's Magazine is a largely intact nineteenth-century gunpowder magazine designed by William Wardell (Chief Architect of the Department of Public Works) who also designed a



▲ South Melbourne Temperance Hall Simon Shiff

number of significant buildings in inner Melbourne including Government House, St Patrick's Cathedral and the 'Gothic' Bank in Collins Street.

Following the completion and endorsement of the Jack's Magazine Site Management Plan by the Committee, 2016–17 saw Working Heritage in partnership with Renew Australia conduct an Expression of Interest process to find artists, makers and creative enterprises take up studio type spaces in three of the site's unused buildings.

In order to facilitate this initial activation of Jack's Magazine, a program of works was undertaken that saw the installation of a temporary amenities building along with an upgrade of electrical and fire services in the occupied three buildings. An initial group of three tenants took up the short-term tenancies in January 2017 and these have since been joined by a further six tenants. The principle underlying this approach being that an active place will appeal to potential long-term lessees in a way that an empty, difficult-to-access one does not.

SOUTH MELBOURNE TEMPERANCE HALL

Working Heritage's newest tenant, Phillip Adams BalletLab began its tenancy in December 2016 after Working Heritage completed an upgrade of the Hall which had always been a place of assembly but was no longer compliant with key aspects of the building code and the *Disability Discrimination Act 1992*.

In keeping with Working Heritage's strategic approach to adaptation of historic buildings, the work undertaken was simply enough to allow the BalletLab tenancy to commence. They now have a permanent base for the company, along with additional studio space that can be sub-let for other artists to develop and rehearse their works. In the coming years, the interior of the Hall will be further improved by BalletLab and Working Heritage to enable public performance and further the growth of the tenant organisation.

FARM VIGANO

During 2016–17 a program of Building Code-related upgrade works to the former Fairview Manor, now a restaurant and function venue, was completed. The works included major modification to two internal stairs, the introduction of a DDA-compliant entrance and a new fire indicator panel.

INVESTIGATIONS AND PLANNING FOR MINT WALLS STRUCTURAL REMEDIATION WORKS

The historic masonry perimeter wall of the Mint site was built in 1870 as part of the Royal Mint complex. Over the course of its 147 years, the wall has moved in response to environmental factors including changing structural loads, periods of drought, and construction on adjacent sites. Working Heritage has had the wall surveyed each year since 1999 to monitor movement and manage any risk to public safety. In 2016, Working Heritage's advising structural engineer reported that:

'the Walls cannot be allowed to continually move outward, as they will inevitably, at an unknown point in time, reach a dangerous state in which collapse outward onto the street footpath and onto adjoining buildings would be extremely likely.

Retention of the walls without intervention works in the long term is not considered possible.'

In responding to the report, the Committee of Management determined that remedial measures be investigated with the intent to reduce or remove risk factors. The outcome of this investigation is the Mint Walls Structural Remediation Project that has been designed and documented to achieve the following outcomes:

- The project will ensure public safety by removing the risk of structural failure of the wall;
- The project will enable Working Heritage to continue to conserve and adapt historic properties on Crown land across the state by securing the continued productivity of its key financial asset;
- The project will protect the economic value of the site to the State of Victoria by enabling future development of the site within a framework of protected and conserved historic built fabric;
- The project will conserve the 140-year-old historic Mint site walls for future generations; and
- The project will improve public amenity and increase tree cover in the central city of Melbourne.

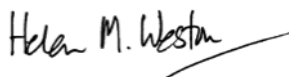
ONGOING PROPERTY MAINTENANCE

Working Heritage carries out programmed property maintenance across all fifteen of its sites in a manner consistent with responsible property management.

RISK MANAGEMENT COMPLIANCE ATTESTATION

ACCOUNTABLE OFFICER'S DECLARATION

I, Helen Weston, on behalf of the Committee of Management, certify that Working Heritage Incorporated has complied with the Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes.

A handwritten signature in black ink that reads "Helen M. Weston". The signature is written in a cursive style with a long, sweeping underline.

Helen Weston

Chairperson

20 February 2018

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DECLARATION

ACCOUNTABLE OFFICER'S AND CHIEF FINANCE AND ACCOUNTING OFFICER'S DECLARATION

The attached financial statements for the Working Heritage Incorporated (Working Heritage) have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

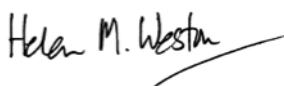
We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2017 and financial position of the Committee at 30 June 2017.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 20 February 2018.



Antony Christianen
Chief Finance Officer
20 February 2018



Helen Weston
Chairperson
20 February 2018



Ross Turnbull
Executive Officer
20 February 2018

REPRESENTATION LETTER TO THE INDEPENDENT AUDITOR



10 January 2018

Mr Bernie Rohan
Director
BPR Audit Pty Ltd
Suite 16, 333 Canterbury Road
CANTERBURY VIC. 3126

Dear Bernie

Representations by the Chairperson and Executive Officer in relation to the financial report of Working Heritage Inc for the year ended 30 June 2017

This representation letter is provided in connection with your audit of the financial report of Working Heritage Inc for the year ended 30 June 2017. The audit is undertaken for the purpose of you being able to obtain sufficient and appropriate audit evidence on which to express an opinion as to whether the financial report presents fairly, in all material respects, in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

We confirm that, to the best of our knowledge and belief, the representations we make below are based on information available to us, having made such enquiries as we considered necessary to appropriately inform ourselves on these matters.

Preparation of the financial report

We have fulfilled our responsibilities, as set out in the terms of the audit engagement, for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the requirements of *Financial Management Act 1994* including the relevant *Standing Directions of the Minister for Finance* and Financial Reporting Directions.

1. We have prepared the financial report as a not-for-profit entity for the purpose of reporting under Australian Accounting Standards.
2. All transactions have been recorded in the accounting records and are reflected in the financial report.
3. Proper accounts and records of the transactions and affairs of the Working Heritage Incorporated Committee of Management and such other records as sufficiently explain the financial operations and financial position of the Working Heritage Incorporated Committee have been kept in accordance with the *Financial Management Act 1994*, where applicable.
4. The effects of uncorrected misstatements are immaterial, both individual and in the aggregate, to the financial report as a whole.

page 1 of 5

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**Access to information**

5. We have provided you with:
- a. access to all information of which we are aware that is relevant to the preparation of the financial report such as records, documentation and other matters
 - b. any additional information that you have requested from us for the purpose of the audit
 - c. unrestricted access to persons within the Working Heritage Incorporated Committee from whom you determined it necessary to obtain audit evidence

Controlled entities

6. We have undertaken a control assessment using the criteria outlined in AASB 10 *Consolidated Financial Statements*. Our assessment has not identified any controlled or jointly controlled entities that require consolidation.

Joint arrangements

7. We have undertaken an assessment of our contractual arrangements to determine whether they are joint arrangements as per the requirements of AASB 11 *Joint Arrangements*. Our assessment has not identified any joint arrangements that require disclosure.

Fraud disclosure

7. We are not aware of any actual or suspected fraud affecting Working Heritage Inc that involves:
- a. management
 - b. employees who have significant roles in internal control or
 - c. others where the fraud could have a material effect on the financial report
- We are not aware of any allegations of fraud, or suspected fraud, affecting Working Heritage's financial report communicated by employees, former employees, analysts, regulators or others

Internal control

9. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and/or error. We have established and maintained an adequate internal control structure to facilitate the preparation of a reliable financial report, and adequate financial records have been maintained. We have disclosed to you details of all deficiencies in internal control of which we are aware.

Formal representations from outsourced/shared services provider/s

10. We acknowledge that responsibility for the financial management and accountability of Working Heritage Inc remains with the accountable officer.

Legal

11. There are no known or suspected instances of non-compliance with laws or regulations whose effects should be considered when preparing the financial report.
12. There is no known actual or possible litigation and claims whose effects should be considered when preparing the financial report.

Working Heritage

13. The Working Heritage Incorporated Committee has satisfactory title to all assets (excluding those assets held in the name of the Crown), and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
14. The Working Heritage Incorporated Committee has complied with all aspects of contractual agreements that would have a material effect on the financial report in the event of non-compliance.
15. Working Heritage Inc has been properly managed in accordance with the requirements of the *Financial Management Act 1994*.
16. We have complied with, in all material respects, the requirements of *Financial Management Act 1994* for the establishment and keeping of relevant accounts, registers and other appropriate records.

Accounting estimates

17. We believe that the significant assumptions and judgements we have used in making accounting estimates for inclusion in the financial report are reasonable, appropriately supported and, where required, disclosed.

Financial report disclosures

18. The financial report discloses all significant accounting policies used in the preparation of the financial report. We considered the substance of the underlying transactions as well as their legal form in selecting the appropriate accounting policies and related disclosures for the financial report.

Asset and liability fair values (including property, plant and equipment)

19. We consider the measurement methods, including related assumptions, used to determine fair values relating to assets and liabilities to be appropriate based on the nature and purpose of the asset/liability. These have been consistently applied and appropriately disclosed in the financial report.

In addition, we have considered the requirements of AASB 13 *Fair Value Measurement* relating to the fair value of property, plant and equipment. These assets have been valued on the basis that the highest and best use of the asset is obtained from its current use, taking into consideration what is physically possible, legally permissible and financially feasible. Our fair value assessment did not identify any internal or external events that would trigger a reassessment of the assets' highest and best use.

Further, we confirm that the assumptions used by us in the categorisation of observable and un-observable inputs within the fair value valuation hierarchy are reasonable and have been fully disclosed in accordance with the accounting standards and other applicable financial reporting requirements.

20. We have considered the requirements of AASB 136 *Impairment of Assets* when assessing the impairment of assets and in ensuring that no assets are stated in excess of their recoverable amount.

Working Heritage

21. Asset useful lives have been reviewed and we are satisfied that they reflect the assets' expected period of use.
22. Allowances for depreciation have been adjusted for all important items of property, plant and equipment that have been abandoned or are otherwise unusable.

Related parties and key management personnel

23. We have determined who are the key management personnel of Working Heritage Inc in accordance with AASB 124 *Related Party Disclosures* and we are satisfied that our assessment is completed and appropriate.
24. We are satisfied that the compensation paid to key management personnel has been properly reported in note 7.3 to the financial report in accordance with AASB 124 *Related Party Disclosures*, and includes all required components of compensation.
25. We have identified and appropriately disclosed all significant transactions with government-related entities in accordance with AASB 124 *Related Party Disclosures*.
26. We have disclosed to you the identity of all non-government related parties (including any controlled entities), related party relationships and transactions of which we are aware. We have assessed these transactions to not be material to the financial report and therefore not required to be disclosed in the financial report under AASB 124 *Related Party Disclosures*.

Responsible persons and executive officer disclosures

27. We have disclosed the number and names of any individual who held a responsible person position for Working Heritage Inc at any time during the year, including all remuneration received/receivable by those individuals as per the requirements of *FRD 21C Disclosures of responsible persons and executive officers*.
28. We have disclosed the names of the relevant responsible Ministers at any time during the year.
29. We have disclosed the remuneration of all executive officers as per the requirements of *FRD 21C Disclosures of responsible persons and executive officers*. This includes all short-term, post-employment, other long-term benefits and any termination benefits.

Future plans

30. There were no material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, such as investments or intangibles, other than those disclosed in the financial report.
31. We have no plans or intentions that may materially affect the carrying values or classification of any assets and liabilities.

Going concern

32. We have assessed the Working Heritage Incorporated Committee's ability to continue as a going concern and believe there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due.

**Subsequent events**

33. No events have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial report.

Publication of the financial report

34. With respect to publication of the financial report in hard copy, we will ensure that:

- a. the financial report accurately reflects the audited financial report and
- b. the independent auditor's report has been reproduced accurately and in full.

35. The electronic presentation of the financial report is our responsibility. Our responsibility includes ensuring that the electronic version of the financial report and the independent auditor's report presented on the website are the same as the final signed version of the financial report and independent auditor's report.

36. The Annual Report may include additional financial and/or non-financial information other than the financial report and the independent auditor's report (referred to as 'other information'). With respect to other information that is included in the Working Heritage Incorporated Committee's Annual Report, we have informed you of all the sections/separate documents that we expect to issue that may comprise other information. The financial report and any other information obtained by you prior to the date of the auditor's report is consistent with one another, and the other information does not contain any material misstatements.

Conclusion

We understand that your examination was made in accordance with the *Audit Act 1994* and Australian Auditing Standards and was, therefore, designed primarily for the purpose of expressing an audit opinion on the financial report of the Working Heritage Incorporated Committee taken as a whole, and that your tests of the financial records and other auditing procedures were limited to those which you considered necessary for that purpose.

This letter is provided for and on behalf of Working Heritage Inc.

A handwritten signature in black ink, appearing to read 'Helen M. Weston'.

Helen Weston
Chairperson

A handwritten signature in black ink, appearing to read 'Ross Turnbull'.

Ross Turnbull
Executive Officer

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORKING HERITAGE INC

Opinion

We have audited the financial report of Working Heritage Inc (the Entity), which comprises the balance sheet as at 30 June 2017, the comprehensive operating statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and managements' assertion statement.

In our opinion, the accompanying financial report gives a true and fair view of the financial position of the Entity as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting requirements of applicable Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Committee of Management and Those Charged with Governance for the Financial Report

The Committee of Management is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the applicable legislation and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Committee of Management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



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 STANDARDS LEGISLATION

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



BPR Audit Pty Ltd
(Authorised Audit Company)
Suite 16, 333 Canterbury Road
CANTERBURY VIC 3126



Bernie Rohan
Director

Dated:

22nd February 2018

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HOW THIS REPORT IS STRUCTURED

Working Heritage Incorporated (Working Heritage) has presented its audited general purpose financial statements for the financial year ended 30 June 2017 in the following structure to provide users with the information about Working Heritage's stewardship of resources entrusted to it.

FINANCIAL STATEMENTS

- **Comprehensive operating statement**
- **Balance sheet**
- **Cash flow statement**
- **Statement of changes in equity**

NOTES TO THE FINANCIAL STATEMENTS

- 1. About this report**
The basis on which the financial statements have been prepared and compliance with reporting regulations
- 2. Funding delivery of our services**
Revenue recognised from taxes, grants, sales of goods and services and other sources
 - 2.1 Income from transactions
 - 2.2 Fair value of assets and services received free of charge or for nominal consideration
- 3. The cost of delivering services**
Operating expenses of Working Heritage
 - 3.1 Expenses incurred in delivery of services
- 4. Key assets available to support service delivery**
Assets, investments accounted for using the equity method, investments and other financial assets
 - 4.1 Total property, plant and equipment
 - 4.2 Investments and other financial assets
- 5. Other assets and liabilities**
Working capital balances, and other key assets and liabilities
 - 5.1 Receivables
 - 5.2 Payables
- 6. How we financed our operations**
Borrowings, cash flow information, leases and assets pledged as security
 - 6.1 Cash flow information and balances
 - 6.2 Commitments for expenditure
- 7. Risks, contingencies and valuation judgements**
Financial risk management, contingent assets and liabilities as well as fair value determination
 - 7.1 Financial instruments specific disclosures
 - 7.2 Contingent assets and contingent liabilities
 - 7.3 Fair value determination
- 8. Other disclosures**
 - 8.1 Ex-gratia expenses
 - 8.2 Other economic flows included in net result
 - 8.3 Responsible persons
 - 8.4 Remuneration of accountable officer
 - 8.5 Related parties
 - 8.6 Remuneration of auditors
 - 8.7 Subsequent events
 - 8.8 Australian Accounting Standards issued that are not yet effective
 - 8.9 Glossary of technical terms
 - 8.10 Style conventions

COMPREHENSIVE OPERATING STATEMENT

For the financial year ended 30 June 2017

	Notes	(\$) 2017	(\$) 2016
Income from transactions			
Income	2.1	2,297,110	2,461,444
Fair value of assets received free of charge	2.2	0	86,390,097
Total income from transactions		2,297,110	88,851,541
Expenses from transactions			
Operational expenses	3.1	1,790,303	1,494,877
Total expenses from transactions		1,790,303	1,494,877
Other economic flows included in net result			
Net gain/(loss) on non financial assets		0	(1,601)
Total other economic flows included in net result			(1,601)
Net Result		506,807	87,355,063
Comprehensive result		506,807	87,355,063

The accompanying notes form part of these financial statements

BALANCE SHEET

As at 30 June 2017

	Notes	(\$) 2017	(\$) 2016
Assets			
Financial Assets			
Cash and deposits		1,720,660	1,816,398
Receivables	5.1	200,380	262,405
Security Deposits		7,329	7,329
Total financial assets		1,928,369	2,086,132
Non-financial assets			
Furniture, equipment and fit-out	4.1	36,108	34,451
Crown Land	4.1	81,495,630	72,142,350
Improvements	4.1	16,593,074	15,705,000
Total non-financial assets		98,124,812	87,881,801
Total assets		100,053,181	89,967,933
Liabilities			
Payables	5.2	67,607	63,880
Other Liabilities		62,010	48,009
Total liabilities		129,617	111,889
Net assets		99,923,564	89,856,044
Equity			
Accumulated surplus		90,362,851	89,856,044
Physical asset revaluation surplus		9,560,713	0
Net worth		99,923,564	89,856,044

The accompanying notes form part of these financial statements

CASH FLOW STATEMENT

For the financial year ended 30 June 2017

	Notes	(\$) 2017	(\$) 2016
Cash flows from operating activities			
Receipts received		2,560,624	2,512,604
Interest received		19,945	31,149
Goods and Services Tax received from the ATO (1)		(44,896)	(42,420)
Payments to suppliers and members		(1,518,387)	(1,675,494)
Net cash flows from/(used in) operating activities	6.1.1	1,017,286	825,839
Cash flows from investing activities			
Purchases of non-financial assets		(1,113,024)	(1,475,186)
Net cash flows from/(used in) investing activities		(1,113,024)	(1,475,186)
Net increase/(decrease) in cash and cash equivalents		(95,738)	(649,347)
Cash and cash equivalents beginning of financial year		1,816,398	2,465,745
Cash and cash equivalents at end of financial year	6.1	1,720,660	1,816,398

The accompanying notes form part of these financial statements

(1) Goods and Services Tax received from the Australian Taxation Office (ATO) is presented on a net basis.

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2017

	\$	
	Accumulated Surplus	Total
Balance as at 1 July 2015	2,500,981	2,500,981
Comprehensive result for the year	87,355,063	87,355,063
Balance as at 30 June 2016	89,856,044	89,856,044
Comprehensive result for the year	506,807	506,807
Balance as at 30 June 2017	90,362,851	90,362,851

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. ABOUT THIS REPORT

Working Heritage Incorporated (Working Heritage) is a Committee of Management, and was constituted by Order in Council of March 1998 and gazetted on 5 March 1998 under the *Crown Land (Reserves) Act 1978*.

A description of the nature of its operations and its principal activities is included in the “**Report of Operations**” which does not form part of these financial statements.

The principal address is: Working Heritage Incorporated
280 William Street
Melbourne VIC 3000

BASIS OF PREPARATION

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The accrual basis of accounting has been applied in preparing these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of Working Heritage.

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in applying AAS that have significant effects on the financial statements and estimates are disclosed in the notes under the heading: ‘Significant judgement or estimates’.

These financial statements cover Working Heritage as an individual reporting entity.

All amounts in the financial statements have been rounded to the nearest \$1 unless otherwise stated.

These financial statements have been prepared on a going concern basis.

COMPLIANCE INFORMATION

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AASs) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049).

Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

2. FUNDING DELIVERY OF OUR SERVICES

Introduction

Working Heritage restores and manages heritage properties on public land on behalf of the State of Victoria.

Whilst respecting the heritage values of the sites, Working Heritage gives properties a new lease of life with community and/or commercial use. Since its inception in 1998, Working Heritage has been appointed to manage fifteen sites across Victoria undertaking expert conservation and building works so the community can benefit from previously locked and empty buildings.

Working Heritage has a responsibility to:

- manage, improve, maintain and control the land for the purposes for which it is reserved;
- report on its finances and other issues as required by the Department;
- maintain records and administer its affairs as a public body; and
- exercise its statutory powers to carry out its duties.

Structure

2.1 Income from transactions

2.2 Fair value of assets and services received free of charge or for nominal consideration

2.1 INCOME FROM TRANSACTIONS

	(\$) 2017	(\$) 2016
Car parking receipts	1,131,174	1,167,746
Rental income from properties	1,136,625	1,046,238
Other income	9,366	216,311
Interest	19,945	31,149
Total	2,297,110	2,461,444

Income is recognised to the extent it is probable the economic benefits will flow to Working Heritage and the income can be reliably measured at fair value. Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes.

Car Parking Receipts – Revenue is received from operating a commercial car park.

Property Income from properties – Revenue is received from leasing properties.

Other income – Revenue is received from sales of assets, hiring of venues and grant funding.

Interest includes interest received on bank term deposits and other investments and the unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method which allocates the interest over the relevant period.

2.2 FAIR VALUE OF ASSETS AND SERVICES RECEIVED FREE OF CHARGE OR FOR NOMINAL CONSIDERATION

	(\$) 2017	(\$) 2016
Assets		
Crown Land at fair value	0	72,142,350
Improvements at fair value	0	14,247,747
Total fair value of assets and services received free of charge or for nominal consideration	0	86,390,097

Contributions of resources provided free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

Under Australian Accounting Standard AASB 10 *Consolidated Financial Statements* which relates to effective control of assets, the Department of Environment, Land Water and Planning provided Crown Land and Improvements free of charge to Level 1 Committees of Management (including Working Heritage Incorporated) in the 2015–2016 financial year. This resulted in Working Heritage recording \$86,390,097 of assets received free of charge through its operating statement for the 2015–2016 financial year.

3. THE COST OF DELIVERING SERVICES

Introduction

This section provides an account of the expenses incurred by Working Heritage in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

Structure

- 3.1 Expenses incurred in delivery of services
 - 3.1.1 Employee benefits in the comprehensive operating statement
 - 3.1.2 Employee benefits in the balance sheet
 - 3.1.3 Superannuation contributions
 - 3.1.4 Other operating expenses

3.1 EXPENSES INCURRED IN DELIVERY OF SERVICES

	(\$) 2017	(\$) 2016
Employee benefit expenses	512,403	449,053
Other operating expenses	1,277,900	1,045,824
Total expenses incurred in delivery of services	1,790,303	1,494,877

3.1.1 EMPLOYEE BENEFITS IN THE COMPREHENSIVE OPERATING STATEMENT

	(\$) 2017	(\$) 2016
Defined benefit superannuation expense	49,056	40,006
Salaries and wages, annual leave and long service leave	463,347	409,047
Total employee expenses	512,403	449,053

Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements and WorkCover premiums.

The amount recognised in the comprehensive operating statement in relation to superannuation is employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period. Working Heritage does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. Instead, the Department of Treasury and Finance (DTF) discloses in its annual financial statements the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the State as the sponsoring employer).

3.1.2 EMPLOYEE BENEFITS IN THE BALANCE SHEET

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

	(\$) 2017	(\$) 2016
Current provisions:		
<i>Annual leave</i>		
Unconditional and expected to settle within 12 months	11,192	12,230
<i>Long service leave</i>		
Unconditional and expected to settle within 12 months	19,721	21,517
<i>Provisions for on costs</i>		
Unconditional and expected to settle within 12 months	3,245	3,092
Total current provisions for employee benefits	34,158	36,839
Non current provisions:		
Employee benefits	2,413	874
On costs	233	84
Total non current provisions for employee benefits	2,646	958
Total provisions for employee benefits	36,804	37,797
Reconciliation of movement in on-cost provision		(\$) 2017
Opening balance		37,797
Additional provisions recognised		(993)
Closing balance		36,804
Current		34,158
Non current		2,646

Wages and salaries, annual leave and sick leave: Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, because Working Heritage does not have an unconditional right to defer settlements of these liabilities.

The liability for salaries and wages are recognised in the balance sheet at remuneration rates which are current at the reporting date. As Working Heritage expects the liabilities to be wholly settled within 12 months of reporting date, they are measured at undiscounted amounts.

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as Working Heritage does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred

Unconditional LSL is disclosed as a current liability; even where the Department does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- undiscounted value – if Working Heritage expects to wholly settle within 12 months; or
- present value – if Working Heritage does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an ‘other economic flow’ in the net result.

3.1.3 SUPERANNUATION CONTRIBUTIONS

Employees and Committee members of Working Heritage are entitled to receive superannuation benefits and Working Heritage contributes to both defined benefit and defined contribution plans. The defined benefit plan(s) provides benefits based on years of service and final average salary.

As noted before, the defined benefit liability is recognised in DTF as an administered liability. However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of Working Heritage.

	(\$) Paid contribution for the year		(\$) Contribution outstanding at year end	
	2017	2016	2017	2016
Defined contribution plans				
VicSuper	13,886	12,486	0	0
Other	35,170	27,520	0	0
Total	49,056	40,006	0	0

3.1.4 OTHER OPERATING EXPENSES

	(\$) 2017	(\$) 2016
Administration expenses	53,513	33,150
Audit fees	18,500	5,000
Bank charges	1,224	1,012
Car Parking expenses	310,423	343,926
Committee expenses	39,277	63,401
Depreciation expenses	430,726	3,017
External Finance/Internal Audit fees	54,500	68,400
Property outgoings	228,489	213,492
Property and Administration Improvements	141,248	314,426
Total other operating expenses	1,277,900	1,045,824

4. KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY

Introduction

Working Heritage controls property, plant and equipment and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to Working Heritage to be utilised for delivery of those outputs.

Significant judgement: Classification of investments as “Key Assets”

Working Heritage has made the judgement that investments are key assets utilised to support Working Heritage’s objectives and outputs.

Fair value measurement

Where the assets included in this section are carried at fair value, additional information is disclosed in Note 7.3 in connection with how those fair values were determined

Structure

- 4.1 Non-Financial assets: Carrying amount
 - 4.1.1 Depreciation and impairment
 - 4.1.2 Reconciliation of movements in carrying values of plant and equipment
- 4.2 Investments and other financial assets
 - 4.2.1 Ageing analysis of investments and other financial assets

4.1 TOTAL NON-FINANCIAL ASSETS

	(\$)					
	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2017	2016	2017	2016	2017	2016
Furniture, equipment and fitout	57,120	49,079	(21,012)	(14,628)	36,108	34,451
Crown Land at fair value	81,495,630	72,142,350	(0)	(0)	81,495,630	72,142,350
Improvements at fair value	17,017,416	15,705,000	(424,342)	(0)	16,593,074	15,705,000
Net carrying amount	98,570,166	87,896,429	(445,354)	(14,628)	98,124,812	87,881,801

Initial recognition: Items of furniture, equipment and fitout, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

The initial cost for non-financial physical assets under a finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Subsequent measurement: Furniture, equipment and fitout are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset’s highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset) and is summarised below by asset category.

Specialised land and specialised buildings: The market approach is also used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued. The CSO adjustment is a reflection of the valuer’s assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants.

Heritage assets and infrastructure are valued using the depreciated replacement cost method. This cost generally represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. However, for some heritage and iconic assets, the cost may be the reproduction cost rather than the replacement cost if those assets’ service potential could only be replaced by reproducing them with the same materials.

4.1.1 DEPRECIATION AND IMPAIRMENT

Charge for the period	(\$)	
	2017	2016
Furniture, equipment and fitout	6,384	14,628
Improvements	424,342	0
Total depreciation	430,726	14 628

All infrastructure assets, buildings, furniture, equipment and fitout and other non-financial physical assets that have finite useful lives, are depreciated.

Depreciation is generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life.

Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

Asset	(years) Useful life
Improvements	30 to 100
Furniture, equipment and fitout	3 to 10

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

In the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced (unless a specific decision to the contrary has been made).

Impairment: Non-financial assets, including items of furniture, equipment and fitout are tested for impairment whenever there is an indication that the asset may be impaired.

The assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as an 'other economic flow', except to the extent that it can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

4.1.2 CARRYING VALUES BY 'PURPOSE' GROUPS (\$)

	Public safety and environment		Total	
	2017	2016	2017	2016
Nature based classification				
Furniture, equipment and fitout at fair value	36,108	34,451	36,108	34,451
Land at fair value	81,495,630	72,142,350	81,495,630	72,142,350
Improvements at fair value	16,593,074	15,705,000	16,593,074	15,705,000
Net carrying amount	98,124,812	87,881,801	98,124,812	87,881,801

4.1.3 RECONCILIATION OF MOVEMENTS IN CARRYING AMOUNT OF NON-FINANCIAL ASSETS

(\$)								
	Land at fair value		Improvements at fair value		Furniture, equipment and fit-out at fair value		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Opening balance	72,142,350	0	15,705,000	0	34,451	49,079	87,881,801	49,079
Fair value of assets received free of charge or for nominal considerations	0		72,142,350	14,247,747	0	0	0	86,390,097
Revaluations	9,353,280		207,433		0		9,560,713	
Improvements/acquisitions	0	0	1,104,983	1,457,253	8,040	0	1,113,023	1,457,253
Depreciation	–	–	(424,342)	(0)	(6,383)	(14,628)	(430,725)	(14,628)
Closing balance	81,495,630	72,142,350	16,593,074	15,705,000	36,108	34,451	98,124,812	87,881,801

Note: Fair value assessments have been performed for all classes of assets in this purpose group and the decision was made that movements were not material (less than or equal to 10 per cent) for a full revaluation. The next scheduled full revaluation for this purpose group will be conducted in 2018.

4.2 INVESTMENTS AND OTHER FINANCIAL ASSETS

	(\$) 2017	(\$) 2016
Current investments and other financial assets		
Bank deposits	1,470,183	1,565,921
Term deposits: (i)	250,478	250,478
Total current investments and other financial assets	1,720,661	1,816,398

Notes: (i) Term deposits under 'investments and other financial assets' class include only term deposits with maturity greater than 90 days.

4.2.1 AGEING ANALYSIS OF INVESTMENTS AND OTHER FINANCIAL ASSETS

	(\$)		Past due but not impaired			
	Carrying amount	Not past due and not impaired	Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years
2017						
Bank deposits	1,470,183	1,470,183				
Term deposits	250,478	250,478	–	–	–	–
Total	1,720,661	1,720,661	–	–	–	–
2016						
Bank deposits	1,565,921	1,565,921				
Term deposits	250,478	250,478	–	–	–	–
Total	1,816,398	1,816,398	–	–	–	–

5. OTHER ASSETS AND LIABILITIES

Introduction

This section sets out those assets and liabilities that arose from Working Heritage's operations.

Structure

- 5.1 Receivables
 - 5.1.1 Ageing analysis of contractual receivables
- 5.2 Payables
 - 5.2.1 Maturity analysis of contractual payables

5.1 RECEIVABLES

	\$ 2017	\$ 2016
Contractual		
Sale of goods and services	136,160	189,701
Statutory		
GST input tax credit recoverable	64,220	72,704
Total receivables	200,380	269,734
<i>Represented by:</i>		
Current receivables	200,380	269,734

Contractual receivables are classified as financial instruments and categorised as 'loans and receivables'. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment.

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

Doubtful debts: Receivables are assessed for bad and doubtful debts on a regular basis. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*. A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. The increase in the provision for the year is recognised in the net result.

5.1.1 AGEING ANALYSIS OF CONTRACTUAL RECEIVABLES

	(\$)		Past due but not impaired			
	Carrying amount	Not past due and not impaired	Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years
2017						
Sale of goods and services	136,160	–	–	136,160	–	–
Total	136,160	–	–	136,160	–	–
2016						
Sale of goods and services	189,701	–	–	189,701	–	–
Total	189,701	–	–	189,701	–	–

No interest is charged for the first 30 days from the invoice date. The average credit period for sales of goods/services and for other receivables is 30 days. There are no material financial assets that are individually determined to be impaired.

Currently Working Heritage does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

5.2 PAYABLES

	\$ 2017	\$ 2016
Contractual		
Supplies and services	8,250	5,500
Statutory		
GST payable	59,357	58,380
Total payables	67,607	63,880
<i>Represented by:</i>		
Current payables	8,250	5,500

Payables consist of:

- **contractual payables**, classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for supplies and services provided to Working Heritage prior to the end of the financial year that are unpaid; and
- **statutory payables**, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

Payables for supplies and services have an average credit period is 30 days. The terms and conditions of amounts payable to the government and agencies vary according to the particular agreements and as they are not legislative payables, they are not classified as financial instruments.

In the determination of fair value, consideration is given to factors including the overall capital management/prudential supervision framework in operation, the protection provided by the State Government by way of funding should the probability of default increase, probability of default by the guaranteed party and the likely loss to Working Heritage in the event of default.

5.2.1 MATURITY ANALYSIS OF CONTRACTUAL PAYABLES (I)

	(\$) Carrying amount	Nominal amount	Maturity dates				
			Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	5+ years
2017							
Supplies and services	8,250	8,250	0	8,250	0	0	0
Total	8,250	8,250	0	8,250	0	0	0
2016							
Supplies and services	5,500	5,500	–	5,500	0	0	0
Total	5,500	5,500	–	5,500	0	0	0

(i) Maturity analysis is presented using the contractual undiscounted cash flows.

6. HOW WE FINANCED OUR OPERATIONS

Introduction

This section provides information on the sources of finance utilised by Working Heritage during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of Working Heritage.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Notes 7.2 and 7.3 provide additional, specific financial instrument disclosures.

Structure

- 6.1 Cash flow information
 - 6.1.1 Reconciliation of net result to cash flow from operating activities
- 6.2 Commitments for expenditure
 - 6.2.1 Total commitments payable

6.1 CASH FLOW INFORMATION AND BALANCES

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. For cash flow statement presentation purposes, cash and cash equivalents are indicated below.

	\$ 2017	\$ 2016
Total cash and deposits disclosed in the balance sheet	1,720,661	1,816,398
Balance as per cash flow statement	1,720,661	1,816,398

6.1.1 RECONCILIATION OF NET RESULT FOR THE PERIOD TO CASH FLOW FROM OPERATING ACTIVITIES

	\$ 2017	\$ 2016
Net result for the period	506,807	87,355,063
Non cash movements:		
Increase/(decrease) on sale or disposal of non-current assets	0	1,601
Depreciation of plant and equipment	430,726	3,017
Resources received free of charge	0	(86,390,097)
Movements in assets and liabilities:		
Increase/decrease in receivables	62,025	(143,852)
Increase/decrease in payables	3,728	2,128
Increase/decrease in other liabilities	0	4,017
Increase/decrease in provisions	14,001	(6,038)
Net cash flows from/(used in) operating activities	1,017,287	825,839

6.2 COMMITMENTS FOR EXPENDITURE

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

6.2.1 TOTAL COMMITMENTS PAYABLE

Nominal Amounts: 2017

	(\$)			
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Other commitments payable	645,458	0	0	645,458
Total commitments (inclusive of GST)	645,458	0	0	645,458
Less GST recoverable from the Australian Tax Office				(58,678)
Total commitments (exclusive of GST)				586,780

Nominal Amounts: 2016

	(\$)			
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Other commitments payable	211,308	0	0	211,308
Total commitments (inclusive of GST)	211,308	0	0	211,308
Less GST recoverable from the Australian Tax Office				(21 131)
Total commitments (exclusive of GST)				232,439

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Introduction

Working Heritage is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a high level of judgement to be applied, which for Working Heritage related mainly to fair value determination

Structure

- 7.1 Financial instruments specific disclosures
 - 7.1.1 Financial instruments: Categorisation
 - 7.1.2 Financial risk management: objectives and policies
- 7.2 Contingent assets and contingent liabilities
 - 7.3 Fair value determination
 - 7.3.1 Fair value determination: financial assets and liabilities
 - 7.3.2 Fair value determination: Non-financial physical assets

7.1 FINANCIAL INSTRUMENTS SPECIFIC DISCLOSURES

Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). Working Heritage recognises the following assets in this category:

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

Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed based on their fair values and have their performance evaluated in accordance with documented risk management and investment strategies. Financial instruments at fair value through net result are initially measured at fair value; attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows. Working Heritage does not have debt securities in this category.

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method. Working Heritage recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- borrowings (including finance lease liabilities).

Impairment of financial assets: At the end of each reporting period, Working Heritage assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

Financial instrument assets that meet the definition of loans and receivables may be reclassified out of the fair value through profit and loss category into the loans and receivables category, where they would have met the definition of loans and receivables had they not been required to be classified as fair value through profit and loss. In these cases, the financial instrument assets may be reclassified out of the fair value through profit and loss category, if there is the intention and ability to hold them for the foreseeable future or until maturity.

7.1.1 FINANCIAL INSTRUMENTS: CATEGORISATION

	(\$)		
	Contractual financial assets – loans and receivables and cash	Contractual financial liabilities at amortised cost	Total
2017			
Contractual financial assets			
Cash and deposits	1,720,661	–	1,720,661
Receivables⁽ⁱ⁾			
Sale of goods and services	136,160	–	136,160
Total contractual financial assets	1,856,821	–	1,856,821
Contractual financial liabilities			
Payables⁽ⁱ⁾			
Supplies and services	–	8,250	8,250
Total contractual financial liabilities	–	8,250	8,250

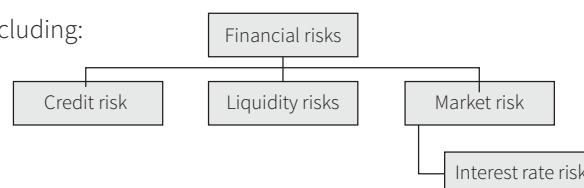
(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable and taxes payable).

	(\$)		
	Contractual financial assets – loans and receivables and cash	Contractual financial liabilities at amortised cost	Total
2016			
Contractual financial assets			
Cash and deposits	1,816,398	–	1,816,398
Receivables ⁽ⁱ⁾			
Sale of goods and services	189,701	–	189,701
Total contractual financial assets	2,006,099	–	2,006,099
Contractual financial liabilities			
Payables ⁽ⁱ⁾			
Supplies and services	–	5,500	5,500
Total contractual financial liabilities	–	5,500	5,000

(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable and taxes payable).

7.1.2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Working Heritage is exposed to a number of financial risks, including:



As a whole, Working Heritage's financial risk management framework seeks to manage these risks and the associated volatility of its financial performance.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 7.3.

The main purpose in holding financial instruments is to prudentially manage Working Heritage's financial risks within the government policy parameters.

Working Heritage's main financial risks include credit risk, liquidity risk, and interest rate risk. Working Heritage manages these financial risks in accordance with its financial governance policy.

Working Heritage uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Audit and Risk Management Sub-Committee of Working Heritage.

7.1.2.1 FINANCIAL INSTRUMENTS: CREDIT RISK

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. Working Heritage's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to Working Heritage. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with Working Heritage's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the Government, it is Working Heritage's policy to only deal with entities with high credit ratings of a minimum triple B rating and to obtain sufficient collateral or credit enhancements, where appropriate.

In relation to cash and deposits Working Heritage's policy is to only deal with banks with high credit ratings.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that Working Heritage will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings.

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

There has been no material change to Working Heritage's credit risk profile in 2016–17.

Credit quality of contractual financial assets that are neither past due nor impaired ⁽ⁱ⁾

	(\$)			
	Financial institutions	Government agencies	Other	Total
2017				
Cash and deposits	1,720,661	0	0	1,720,661
Receivables	0	5,100	131,060	136,160
Total contractual financial assets	1,720,661	5,100	131,060	1,856,821
2016				
Cash and deposits	1,816,398	0	0	1,816,398
Receivables	0	28,057	161,644	189,701
Total contractual financial assets	1,816,398	28,057	161,644	2,006,099

Notes:

(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable).

7.1.2.2 FINANCIAL INSTRUMENTS: LIQUIDITY RISK

Liquidity risk arises from being unable to meet financial obligations as they fall due. Working Heritage operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

Working Heritage is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees. Working Heritage manages its liquidity risk by:

- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations;
- holding investments and other contractual financial assets that are readily tradeable in the financial markets; and
- careful maturity planning of its financial obligations based on forecasts of future cash flows.

Working Heritage's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from liquidation of available for sale financial investments.

The carrying amount detailed in the following table of contractual financial liabilities recorded in the financial statements represents Working Heritage's maximum exposure to liquidity risk

7.1.2.3 FINANCIAL INSTRUMENTS: MARKET RISK

Working Heritage's exposures to market risk are primarily through interest rate risk. Objectives, policies and processes used to manage each of these risks are disclosed below.

Sensitivity disclosure analysis and assumptions

Working Heritage's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five-year period, with all variables other than the primary risk variable held constant. Working Heritage's fund managers cannot be expected to predict movements in market rates and prices. Sensitivity analyses shown are for illustrative purposes only.

The following movements are ‘reasonably possible’ over the next 12 months a movement of 100 basis points up and down (100 basis points up and down) in market interest rates (AUD) and the tables that follow show the impact on Working Heritage’s net result and equity for each category of financial instrument held by Working Heritage at the end of the reporting period, if the above movements were to occur.

Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. Working Heritage does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Working Heritage has minimal exposure to cash flow interest rate risks through cash and deposits, term deposits and bank overdrafts that are at floating rate.

Working Heritage manages this risk by mainly undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate. Working Heritage has concluded for cash at bank and bank overdraft, as financial assets that can be left at variable rate without necessarily exposing Working Heritage to significant bad risk, management monitors movement in interest rates on a daily basis.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and Working Heritage’s sensitivity to interest rate risk are set out in the table that follows.

7.1.2.3 FINANCIAL INSTRUMENTS: MARKET RISK (CONTINUED)

Interest rate exposure of financial instruments						(\$)
	Weighted average interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non interest bearing	
2017						
Financial assets						
Cash and deposits	1.93%	1,720,661	250,477	1,470,184	0	
Receivables (i)						
Sale of goods and services		136,160	0	0	136,160	
Total financial assets		1,856,821	250,477	1,470,184	136,160	
Financial liabilities						
Payables (i)						
Supplies and services		8,250	0	0	8,250	
Total financial liabilities		8,250	0	0	8,250	

Notes:

(i) The carrying amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable).

(\$)					
	Weighted average interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non interest bearing
2016					
Financial assets					
Cash and deposits	2.01%	1,816,398	250,477	1,565,921	0
Receivables (i)					
Sale of goods and services		189,701	0	0	189,701
Total financial assets		2,006,099	250,477	1,565,921	197,030
Financial liabilities					
Payables (i)					
Supplies and services		5,500	0	0	5,500
Total financial liabilities		5,500	0	0	5,500

Notes:

(i) The carrying amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable).

7.1.2.3 FINANCIAL INSTRUMENTS: MARKET RISK (CONTINUED)**Interest rate risk sensitivity**

	(\$)	100 basis points		+100 basis points	
	Carrying amount	Net result	Available for sale revaluation surplus	Net result	Available for sale revaluation surplus
2017					
Contractual financial assets					
Cash and deposits(i)	1,720,661	(17,207)	–	0	–
Total impact	1,720,661	(17,207)	–	0	–
2016					
Contractual financial assets					
Cash and deposits (i)	1,816,398	(18,164)	–	18,164	–
Total impact	1,816,398	(18,164)	–	18,164	–

Notes:

(1) Cash and deposits includes a deposit of \$1,720,661 (2016: \$1,816,398) that is exposed to floating rates movements. Sensitivities to these movements are calculated as follows: 2017: \$1,720,661 x 0.01 = \$17,207; and 2016: \$1,816,398 x 0.01 = \$18,164

7.2 CONTINGENT ASSETS AND CONTINGENT LIABILITIES**Contingent assets**

Working Heritage has no contingent assets (2016: \$Nil)

Contingent liabilities

Working Heritage has no contingent liabilities (\$2016 \$Nil)

7.3 FAIR VALUE DETERMINATION***Significant judgement: Fair value measurements of assets and liabilities***

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of Working Heritage.

This section sets out information on how Working Heritage determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

- Financial assets and liabilities at fair value through operating result; and
- Land, buildings, infrastructure, plant and equipment.

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

Working Heritage determines the policies and procedures for determining fair values for both financial and non-financial assets and liabilities as required.

Fair value hierarchy

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

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

Working Heritage determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

How this section is structured?

For those assets and liabilities for which fair values are determined, the following disclosures are provided:

- carrying amount and the fair value (which would be the same for those assets measured at fair value);
- which level of the fair value hierarchy was used to determine the fair value; and
- in respect of those assets and liabilities subject to fair value determination using Level 3 inputs:
- a reconciliation of the movements in fair values from the beginning of the year to the end; and
- details of significant unobservable inputs used in the fair value determination.

This section is divided between disclosures in connection with fair value determination for financial instruments (refer Note 7.3.1) and non-financial physical assets (refer 7.3.2)

7.3.1 FAIR VALUE DETERMINATION OF FINANCIAL ASSETS AND LIABILITIES

The fair values and net fair values of financial assets and liabilities are determined as follows:

- Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

Working Heritage currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2016–17 reporting period.

These financial instruments include:

<i>Financial assets</i>	<i>Financial liabilities</i>
Cash and deposits	Payables:
Receivables:	• For supplies and services
• Sale of goods and services	• Other payables
• Other receivables	
Investments and other contractual financial assets	
• Term deposits	

7.3.2 FAIR VALUE DETERMINATION: NON-FINANCIAL ASSETS

Fair value measurement hierarchy

2017	Carrying amount as at 30 June 2017	(\$) Fair value measurement at end of reporting period using:		
		Level 1	Level 2 ⁽ⁱ⁾	Level 3
Furniture, equipment and fit-out	36,108	0	36,108	0
Crown Land	81,495,630	0	81,495,630	0
Improvements	16,593,074	0	16,593,074	0
Total of non-financial assets at fair value	98,124,812	0	98,124,812	0

Notes:

(i) Classified in accordance with the fair value hierarchy see note 7.3.1

2016	Carrying amount as at 30 June 2016	(\$) Fair value measurement at end of reporting period using:		
		Level	Level 2 ⁽ⁱ⁾	Level 3
Furniture, equipment and fit-out	34,451	N/a	34,451	N/a
Crown Land	72,142,350	N/a	72,142,350	N/a
Improvements	15,705,000	N/a	15,705,000	N/a
Total of non-financial assets at fair value	87,881,801	N/a	87,881,801	N/a

Notes:

(i) Classified in accordance with the fair value hierarchy see note 7.3.1

There were no changes in valuation techniques throughout the period to 30 June 2017.

For all assets measured at fair value, the current use is considered the highest and best use.

8. OTHER DISCLOSURES

INTRODUCTION

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

STRUCTURE

- 8.1. Ex-gratia expenses
- 8.2. Reserves
- 8.3. Responsible persons
- 8.4. Remuneration of accountable officer

- 8.5. Related parties
- 8.6. Remuneration of auditors
- 8.7. Subsequent events
- 8.8. Australian Accounting Standards issued that are not yet effective
- 8.9. Glossary of technical terms
- 8.10. Style conventions

8.1 EX-GRATIA EXPENSES

Working Heritage has no ex-gratia expenses (2016: \$Nil)

8.2 RESERVES

	(\$) 2017	(\$) 2016
Physical asset revaluation surplus^(a)		
Balance at beginning of financial year	0	0
Revaluation increments/(decrements)	9,560,713	0
Balance at end of financial year	9,560,713	0
Net changes in reserves	9,560,713	0

Notes:

(a) The physical assets revaluation surplus arises on the revaluation of infrastructure, land and buildings.

8.3 RESPONSIBLE PERSONS

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994* (FMA), the following disclosures are made regarding responsible persons for the reporting period.

Names

The persons who held the positions of Ministers and Responsible Officers in Working Heritage are as follows:

Minister for Energy, Environment and Climate Change

The Hon Liliana D'Ambrosio MP (1 July 2016 to 30 June 2017)

The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report.

The persons who held the positions of Responsible Officers in Working Heritage are as follows:

Name	Position	Period
Ms Helen Weston	Committee Chairperson	(1 July 2016 to 30 June 2017)
Dr Timothy Hubbard	Committee member	(1 July 2016 to 30 June 2017)
Mr Leigh Phillips	Committee member	(1 July 2016 to 30 June 2017)
Mr Phillip Davies	Committee member	(1 July 2016 to 30 June 2017)
Ms Lorina Nerveña	Committee member	(1 July 2016 to 30 June 2017)
Mr Desmond Powell	Committee member	(1 July 2016 to 31 May 2017)

	Total number	
Band Range	2017	2016
\$0–\$9,999	6	7
Total	6	7
Total remuneration	26,352	33,045

8.4 REMUNERATION OF EXECUTIVE OFFICER

The executive officer is the accountable officer and the remuneration of the accountable officer including superannuation shows the total annualised employee equivalents provides a measure of full time equivalent accountable officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

	Total remuneration \$	
Remuneration	2017	2016 ⁽ⁱ⁾
Short-term employee benefits	129,385	n/a
Post-employment benefits	16,900	n/a
Total remuneration	146,285	n/a
Total number of accountable officers	1	n/a
Total annualised employee equivalents⁽ⁱⁱ⁾	1	n/a

(i) Note that for the first year of implementation (2016–17), no comparatives will be required.

(ii) Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over the 52 weeks for a reporting period.

8.5 RELATED PARTIES

Working Heritage is a wholly owned and controlled entity of the State of Victoria.

Related parties of Working Heritage include:

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

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

Significant transactions with government-related entities

	(\$) 2017	(\$) 2016
WH received funding from:		
Attorney-General	30,727	28,364
Court Services Victoria	10,509	191
Department of Justice and Regulation	8,509	11,345
Department of Land, Water and Planning	0	211,105
Land Victoria	147,491	147,491
Parks Victoria	0	5,673
Plenty Valley Community Health	43,380	41,314
	240,616	686,099

WH made the following government-related entity payments:	(\$) 2017	(\$) 2016
Department of Land, Water and Planning	2,250	0
Department of Treasury and Finance	0	921
State Revenue Office	213,980	232,685
Victorian Auditor-General's Office	11,000	0
Victorian Government Solicitors Office	10,083	3,891
	923,412	237,497

Key management personnel of Working Heritage include the Portfolio Minister, Committee members and the Executive Officer. The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* is reported within the Department of Parliamentary Services' Financial Report

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories. Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services. Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased. Other long-term benefits include long service leave, other long service benefits or deferred compensation.

Compensation of KMPs	(\$) WH 2017
Short-term benefits	155,737
Post-employment benefits	17,881
Total^(a)	173,618

Notes:

(a) Note that KMPs are also reported in the disclosure of remuneration of accountable officer (Note 8.3).

Transactions with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with Working Heritage, there were no related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

8.6 REMUNERATION OF AUDITORS

	(\$) 2017	(\$) 2016
Audit or review of the financial statements	18,500	5,000
Total remuneration of auditors	18,500	5,000

8.7 SUBSEQUENT EVENTS

Working Heritage is not aware of any subsequent events that have occurred after the reporting period and before authorisation of the financial statements.

8.8 AUSTRALIAN ACCOUNTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2017 reporting period. DTF assesses the impact of all these new standards and advises Working Heritage of their applicability and early adoption where applicable.

The following AASs become effective for reporting periods commencing after the operative dates stated:

Standard/ Interpretation ¹	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 <i>Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. While there will be no significant impact arising from AASB 9, Working Heritage is of the opinion there will be a change to the way financial instruments are disclosed.
AASB 2014-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 Jan 2018	The assessment has indicated that there will be no significant impact for Working Heritage.
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when: <ul style="list-style-type: none"> the entity's right to receive payment of the dividend is established; it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount can be measured reliably. 	1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 Jan 2018	This amending standard will defer the application period of AASB 15 for for-profit entities to the 2018–19 reporting period in accordance with the transition requirements.

Standard/ Interpretation ¹	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2016-7 <i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i>	This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 Jan 2019	This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period.
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 Jan 2019	<p>The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase.</p> <p>Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.</p> <p>No change for lessors.</p>
AASB 1058 <i>Income of Not-for-Profit Entities</i>	This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.	1 Jan 2019	The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2016-17 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2016-6 *Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*

Notes:

1. For the current year, given the number of consequential amendments to AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers, the standards/interpretations have been grouped together to provide a more relevant view of the upcoming changes.

8.9 GLOSSARY OF TECHNICAL TERMS

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

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

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

Current grants are amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

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

Effective interest method is the method used to calculate the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

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

Financial asset is any asset that is:

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

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

Financial liability is any liability that is:

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

Financial statements in the Model Report comprises:

- (a) a balance sheet as at the end of the period;
- (b) a comprehensive operating statement for the period;

- (c) a statement of changes in equity for the period;
- (d) a cash flow statement for the period;
- (e) notes, comprising a summary of significant accounting policies and other explanatory information;
- (f) comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 Presentation of Financial Statements; and
- (g) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 41 of AASB 101.

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

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

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

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

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

Leases are rights to use an asset for an agreed period of time in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of infrastructure, property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

Net acquisition of non-financial assets (from transactions) are purchases (and other acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. Includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write-offs, impairment write-downs and revaluations.

Net financial liabilities is calculated as liabilities less financial assets, other than equity in public non-financial corporations (PNFC) and public financial corporations (PFC). This measure is broader than net debt as it includes significant liabilities, other than borrowings (e.g. accrued employee liabilities such as superannuation and long service leave entitlements). For the PNFC and PFC sectors, it is equal to negative net financial worth.

Net financial worth is equal to financial assets minus liabilities. It is a broader measure than net debt as it incorporates provisions made (such as superannuation, but excluding depreciation and bad debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities, only some of which are included in net debt.

Net lending/borrowing is the financing requirement of government, calculated as the net operating balance less the net acquisition of non-financial assets. It also equals transactions in financial assets less transactions in liabilities. A positive result reflects a net lending position and a negative result reflects a net borrowing position.

Net operating balance or net result from transactions is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

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

Net worth is calculated as assets less liabilities, which is an economic measure of wealth.

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

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

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. In simple terms, other economic flows are changes arising from market remeasurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal.

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

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

Supplies and services generally represent cost of goods sold and the day to day running costs, including maintenance costs, incurred in the normal operations of the Department.

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

8.10 STYLE CONVENTIONS

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

0	zero, or rounded to zero
(xxx)	negative numbers
201x	year period
201x 201x	year period

The financial statements and notes are presented based on the illustration for a government department in the 2016–17 Model Report for Victorian Government Departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of Working Heritage’s annual reports.

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