



Annual Financial Statements

**For year ended
30th June 2020**

How this report is structured

SV has presented its audited general purpose financial statements for the financial year ended 30 June 2020 in the following structure to provide users with the information about SV's stewardship of resources entrusted to it:

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Sustainability Victoria

The attached financial statements for Sustainability Victoria (SV) have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer 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 and cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2020 and the financial position of SV as at 30 June 2020.

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

We also certify that Sustainability Victoria has complied with the Ministerial Standing Direction 3.7.1 – Risk Management Framework and processes. Sustainability Victoria's Audit, Risk and Finance Committee verifies this.

We authorise the attached financial statements for issue on 12 November 2020.



Vicky Darling
Interim Chair
Sustainability Victoria

Canberra
12/11/2020



Claire Ferres Miles
Chief Executive Officer
Sustainability Victoria

Melbourne
12/11/2020



Lynne Gray
Chief Financial Officer
Sustainability Victoria

Melbourne
12/11/2020

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Notes to the financial statements

Sustainability Victoria

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Sustainability Victoria

Comprehensive Operating Statement

For the financial year ended 30 June 2020

	Notes	2020 \$	2019 \$
Income from transactions			
Landfill levy	2.1	19,104,919	19,089,526
Government grants	2.1	28,797,207	147,033,888
Other income from government	2.1	181,873	254,444
Interest	2.1	515,573	1,433,242
Other income	2.1	3,277,795	2,957,346
Total income from transactions		51,877,367	170,768,446
Expenses from transactions			
Grant and program expenses	3.1	(28,536,215)	(125,715,482)
Employee benefits (c)	3.1	(18,537,850)	(20,041,646)
Depreciation and amortisation	5.1.1	(1,682,423)	(642,084)
Occupancy costs		(486,082)	(2,090,147)
Telecommunication & IT		(2,803,279)	(3,047,882)
Finance costs	7.1	(33,657)	(4,272)
Other operating expenses	3.1	(6,036,013)	(2,182,452)
Total expenses from transactions		(58,115,519)	(153,723,966)
Net result from transactions (net operating balance)		(6,238,152)	17,044,479
Other economic flows included in net result			
Net gain / (loss) on non-financial assets (a)		35,705	5,370
Net gain / (loss) from other economic flows (b) (c)		(20,717)	(56,370)
Total other economic flows included in net result		14,988	(51,000)
Net result		(6,223,164)	16,993,480
Comprehensive result		(6,223,164)	16,993,480

Note:

(a) Net gain/(loss) on non-financial assets includes disposals of all physical assets

(b) Net gain/(loss) from revaluation of employee benefits - Provision for Long Service Leave

(c) Comparative figure for revaluation of employee benefits - Provision for Long Service Leave has been restated due to an error in the previous year calculation. The result is a decrease in net gain/(loss) from other economic flows and an increase in employee benefits expenses of \$163,777.

The accompanying notes form part of these financial statements.

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Sustainability Victoria

Balance Sheet

As at 30 June 2020

	Notes	2020 \$	2019 \$
Assets			
Financial assets			
Cash & deposits	7.3	42,977,224	64,876,480
Receivables	6.1	6,625,527	16,812,124
Investments and other financial assets	5.3	399,583	399,583
Total financial assets		50,002,334	82,088,187
Non-financial assets			
Property, plant & equipment	5.1	1,811,591	858,231
Prepayments		555,215	736,718
Intangible assets	5.2	244,804	531,534
Total non-financial assets		2,611,610	2,126,483
Total assets		52,613,944	84,214,670
Liabilities			
Payables and contract liabilities	6.2	29,316,394	22,871,767
Borrowings	7.1	1,504,890	131,107
Employee related provisions	3.1	2,699,964	2,773,876
Other Provisions	6.3	6,038	10,172,313
Total liabilities		33,527,286	35,949,063
Net assets		19,086,658	48,265,606
Equity			
Accumulated surplus/(deficit)		(6,962,148)	22,216,800
Contributed capital		26,048,806	26,048,806
Total equity		19,086,658	48,265,606

The accompanying notes form part of these financial statements.

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Notes to the financial statements

Sustainability Victoria

Cash Flow Statement

For the financial year ended 30 June 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts			
Receipts from government grants		42,392,113	137,219,078
Receipts from government - other		181,873	254,444
Receipts from landfill levy		19,101,071	19,148,466
Other receipts		4,002,904	3,219,200
Interest received		519,476	1,459,014
Goods and Services Tax recovered from the ATO (a)		4,460,429	3,153,150
Total Receipts		70,657,866	164,453,353
Payments			
Payments to program recipients		(43,559,609)	(118,996,934)
Payments to suppliers and employees		(47,843,226)	(6,860,672)
Interest and other costs of finance paid		(33,657)	(4,272)
Total Payments		(91,436,492)	(125,861,878)
Net cash flows from / (used in) operating activities	7.3.1	(20,778,626)	38,591,475
Cash flows from investing activities			
Payments for property, plant and equipment		(127,971)	(859,440)
Payments for investments		-	(238,000)
Payments for intangible		-	(81,413)
Proceeds from disposal of property, plant and equipment, other		35,705	25,096
Net cash flows from / (used in) investing activities		(92,266)	(1,153,757)
Cash flows from financing activities			
Payment of capital contribution - Machinery of Government (b)		53,109	
Repayment of leases		(1,081,473)	(44,043)
Net cash flows from / (used in) financing activities		(1,028,364)	(44,043)
Net increase in cash & cash equivalents		(21,899,256)	37,393,675
Cash & cash equivalents at the beginning of the financial year		64,876,480	27,482,805
Cash & cash equivalents at the end of the financial year	7.3	42,977,224	64,876,480
Non-cash transactions	7.3.1		

Notes:

(a) GST recovered from the Australian Taxation Office is presented on a net basis

(b) Transfer of Solar Victoria to DELWP

The accompanying notes form part of these financial statements

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Sustainability Victoria

Statement of changes in equity
For the financial year ended 30 June 2020

	Accumulated Surplus / (Deficit) \$	Contributions by Owner \$	Total \$
Balance at 1 July 2018	5,223,320	26,048,806	31,272,127
Net result for the year	16,993,480	-	16,993,480
Balance at 30 June 2019	22,216,800	26,048,806	48,265,606
Balance at 01 July 2019	22,216,800	26,048,806	48,265,606
Adjustment for AASB 15	(22,902,675)		(22,902,675)
Restated Balance at 01 July 2019	(685,875)	26,048,806	25,362,931
Payment of capital contribution - MOG (a)	(53,109)	-	(53,109)
Net result for the year	(6,223,164)	-	(6,223,164)
Balance at 30 June 2020	(6,962,148)	26,048,806	19,086,658

Notes:

(a) Transfer of Solar Victoria to DELWP

The accompanying notes form part of these financial statements.

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Notes to the financial statements

Note 1 About this Report

Sustainability Victoria ("SV") is a Government Statutory Authority of the State of Victoria established under the *Sustainability Victoria Act 2005 (Vic)*.

Its principal address is:

Level 28
Urban Workshop
50 Lonsdale Street
Melbourne VIC 3000

A description of the nature of SV's operations and its principal activities is included in the Report of operations, which does not form part of these financial statements.

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 the preparation of 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.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The 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 the application of AASs that have significant effects on the financial statements and estimates relate to:

- the fair value of plant and equipment (refer Note 5.1);
- superannuation expense (refer Note 3.1.3);
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of claims, future salary movements and future discount rates (refer Note 3.1.2);
- the timing and satisfaction of performance obligations (refer Note 2.3);
- determining transaction price and amounts allocated to performance obligations (refer Note 2.3);
- for leases, determining whether the arrangement is in substance a short-term arrangement and estimating discount rate when not implicit in the lease (refer Note 7.2); and
- the impacts of COVID-19 on the financial report and going concern (refer below).

New accounting standards – AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of not-for-Profit Entities and AASB 16 Leases were implemented in 2019-20.

AASB 15 was implemented using the modified approach (with cumulative effect). Uncompleted existing contracts were analysed under the new standard and the opening balance of retained earnings on 01 July 2019 was restated by \$22,902,675 to reflect the new recognition of revenue on those contracts, there was no restatement of comparative information. The impact on revenue for 2019-20 due to the application of AASB 15 as compared to the previous application was a reduction in revenue recognised of \$3,763,276 Further disclosures in relation to AASB 15 are at Notes 2.3 and 9.7.2 of this report.

AASB 1058 is used in recognising SVs Landfill Levy income however there was no change to the accounting treatment of these payments for this implementation. Further disclosures on revenue recognition are found in Note 2 and 9.7.2 of this report.

AASB 16 was implemented using the modified retrospective application where the right-of-use asset equals the lease liability upon transition date. On 01 July 2019 SV recognised a right-of-use asset and corresponding lease liability for its office building lease. Further disclosures on Leases are found in Note 7 and 9.7.1 of this report.

The financial statements include all the controlled activities of SV.

Since 31 December 2019, the spread of a highly infectious disease, COVID-19, has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

The Victorian government announced a mandate and imposed restrictions on the community in response to the coronavirus (COVID-19) pandemic since March 2020. This has had an impact on the operating and economic environment for SV such as establishing remote working environments for employees and associated wellbeing initiatives and some programs being paused during the period due to delivery risks.

Management have considered the impacts of COVID-19 on the judgements and assumptions applied to accounting policies, estimates that may result in a decline of the carrying amounts for assets and liabilities. The impacts and assessments have

Annual Financial Statements 2019-2020**Notes to the financial statements**

been considered on assets and liabilities and have been determined as not being material. Additional financial impacts have been considered on revenue and expense items in line with the government's announcements and these have also been determined as not being material. SV has determined that the above impacts are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 30 June 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

SV has determined that it is appropriate to prepare these financial statements 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 the AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied. Accounting policies are selected and applied in a manner which ensures 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.

Note 2 Funding Delivery of our Services

Introduction

SV's overall objectives are to facilitate and promote environmental sustainability in the use of resources. It does this by helping households, businesses and groups within the broader community adopt more sustainable practices to ensure a healthy environment, community and economy, now and for the future.

SV is funded predominantly from the government via the *Environment Protection (Distribution of Landfill Levy) Regulations 2010*.

Significant judgement: Grants revenue

SV has made judgement on the recognition of grant revenue as income of not-for-profit entities where they do not contain sufficiently specific performance obligations. Income from grants that are enforceable and with sufficiently specific performance obligations and accounted for as revenue from contracts with customers is recognised when the SV satisfies the performance obligation determined on analysis of the contract.

Structure

- 2.1. Summary of income that funds the delivery of our services
- 2.2. Government Grants
- 2.3. Income from other transactions

Note 2.1 Summary of income that funds the delivery of our services

	Notes	2020 \$	2019 \$
Landfill Levy		19,104,919	19,089,526
Government grants	2.2	28,797,207	147,033,888
Interest		515,573	1,433,242
Other income	2.3	3,459,668	3,211,791
Total income from transactions		51,877,367	170,768,446

The landfill levy is amounts received by Sustainability Victoria (SV) from the Department of Environment, Land, Water and Planning (DELWP) under the *Environment Protection (Distribution of Landfill Levy) Regulations 2010*. Landfill levies are recognised as income under AASB 1058 as non-contractual income arising from statutory requirements. Landfill levy revenue is recorded in the period which SV becomes party to the contractual provisions of the payments, therefore revenue is accrued in advance during the relevant quarter while cash payment is received in the following quarter.

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

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Note 2.2 Government grants

	2020 \$	2019 \$
Sustainability Fund grants to Sustainability Victoria (a)	27,360,615	42,560,327
Government initiatives funding (a)	1,436,592	3,775,361
Solar Victoria grants	-	100,698,200
Total Government grants	28,797,207	147,033,888

Notes:

(a) 2019 comparative figures have been updated. All government grant income was included in the Sustainability Fund grants line in the 2018-19 statements, this line has been decreased and the Government initiatives funding line increased by \$3,775,361 to reflect the proper allocation of this income. The total government grants amount remains the same.

SV has determined that income from grants that are enforceable and with sufficiently specific performance obligations are accounted for as revenue from contracts with customers in accordance with AASB 15 and income from grants without any sufficiently specific performance obligations as income of not-for-profit entities in accordance with AASB 1058.

The impact of initially applying AASB 1058 and AASB 15 on SV's grant revenue is described in Note 9.7. Due to the modified retrospective transition method chosen in applying AASB 1058 and AASB 15, comparative information has not been restated to reflect the new requirements. The adoption of AASB 1058 did not have an impact on Other comprehensive income and the Statement of Cash flows for the financial year.

Income from grants that are enforceable and with sufficiently specific performance obligations and accounted for as revenue from contracts with customers. These grants relate to the provision of infrastructure funding, market development, and other interventions. Revenue is recognised when SV satisfies the performance obligation by providing the relevant services to the market. This is recognised based on the consideration specified in the funding agreement and to the extent that it is highly probable a significant reversal of the revenue will not occur. The funding payments are normally received in advance or shortly after the relevant obligation is satisfied.

The nature of the performance obligations vary depending on the nature of the grant and include, but not limited to, delivery of milestone metrics, evaluation, research deliverables and community engagement. Performance obligations are considered to be satisfied when suitable evidence is provided and assessed as meeting the milestone. Performance obligations are a mix of "on receipt and "over time".

Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when the department has an unconditional right to receive cash which usually coincides with receipt of cash.

The following practical expedient has been used for uncompleted contracts when applying AASB 15 retrospectively under the modified approach:

- For contracts modified before the date of initial application, SV has reflected the aggregate of all past contracts modifications that occurred before the date of initial application when identifying performance obligations and determining and allocating the transaction price.

The practical expedient has been consistently applied to all contracts within the current reporting period.

Consideration received in advance of recognising the associated revenue from the customer is recorded as a contract liability (Note 6.2). Where the performance obligations are satisfied but not yet billed, a contract asset is recorded (Note 6.1).

Previous accounting policy for 30 June 2019

Sustainability Fund grants, Government initiatives funding, FirstRate5 Certificates and accreditation, program contributions and secondment were recognised as income when SV obtained control over the assets comprising these receipts. Control over granted assets was normally obtained upon their receipt or upon earlier notification that a grant has been secured, and assets were valued at their fair value at the date of transfer.

Solar Victoria grants were received for the delivery of Phase 1 of the Solar Homes Program in 2018-19. The completion of the Phase 1 rebates has remained with Sustainability Victoria from 1 July to 13 December 2019 as a service provider for DELWP. A Memorandum of Understanding has been put in place for this arrangement. Additional detail relating to the Solar Homes Program (Solar Victoria) is included under Note 4.

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Notes to the financial statements

Note 2.3 Income from other transactions

	2020 \$	2019 \$
FirstRate5 Certificates and Accreditation	2,780,291	2,705,852
Other income	497,504	251,494
Other income from government - Secondment fees	181,873	254,444
Total Other income	3,459,668	3,211,791

Other income included in the table above is classified as revenue from contracts with customers in accordance with AASB 15 and AASB 1058 when sufficiently specific performance obligations are not present (such as sponsorships).

Revenue for FirstRate5 Certificates and Accreditation fees is recognised when the customer receives the right to the certificate, which is upon payment.

Other income includes minor program contributions, proceeds on sale of assets, sponsorship and ticket sales which are recognised upon receipt.

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Notes to the financial statements

Note 3: The Cost of Delivering Services

Introduction

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

Structure

- 3.1. Expenses incurred in delivery of services
- 3.2. Grant and program expenses
- 3.3. Other operating expenses

Note 3.1 Expenses incurred in delivery of services

	Notes	2020 \$	2019 \$
Employee benefits expense	3.1.1	18,537,850	20,041,645
Grant and program expenses	3.2	28,536,215	125,715,482
Other operating expenses	3.3	6,036,013	2,182,452
Total expenses incurred in delivery of services		53,110,078	147,939,579

Note 3.1.1 Employee benefits in the comprehensive operating statement

	2020 \$	2019 \$
Salaries and wages, annual leave and long service leave	17,074,605	18,444,589
Defined contribution superannuation expense	1,463,245	1,597,056
Total employee expenses	18,537,850	20,041,645

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

The amount recognised in the comprehensive operating statement in relation to superannuation is the employer contributions for members of defined contribution superannuation plans that are paid or payable during the reporting period. SV 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).

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Notes to the financial statements

Note 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.

	2020 \$	2019 \$
Current provisions		
Annual Leave		
Unconditional and expected to settle within 12 months	655,604	622,886
Unconditional and expected to settle after 12 months	323,976	299,384
Long Service Leave		
Unconditional and expected to settle within 12 months	769,483	646,028
Unconditional and expected to settle after 12 months	256,784	412,596
Provisions for on-costs:		
Unconditional and expected to settle within 12 months	207,281	180,469
Unconditional and expected to settle after 12 months	84,000	102,180
Total current provisions for employee benefits	2,297,128	2,263,543
Non-current provisions		
Employee Benefits – Long Service Leave	351,515	445,317
On-costs	51,321	65,016
Total non-current provisions for employee benefits	402,836	510,333
Total provisions for employee benefits	2,699,964	2,773,876

Comparative figure for revaluation of employee benefits - Provision for Long Service Leave has been restated due to an error in the previous year calculation. Comparative figure for revaluation of employee benefits - Provision for Long Service Leave has been restated due to an error in the previous year calculation. The result is a decrease in net gain/(loss) from other economic flows and an increase in employee benefits expenses of \$163,777, which did not affect the long service leave liability balance.

Reconciliation of Movement in on-cost provision

	2020 \$	2019 \$
Opening Balance	347,666	299,546
Additional provisions recognised	147,097	225,585
Reductions arising from payments/other sacrifices of future economic benefit	(152,161)	(177,465)
Closing Balance	342,602	347,666
Current	291,281	282,649
Non-current	51,321	65,016

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 SV 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 SV 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 SV does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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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 comprehensive operating statement 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 SV 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 SV expects to wholly settle within 12 months; or
- present value – if SV 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.

Note 3.1.3 Superannuation contributions

Employees of SV are entitled to receive superannuation benefits and SV contributes to defined contribution plans.

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 SV.

	<i>Paid contribution for the year</i>		<i>Contribution outstanding at year end</i>	
	2020	2019	2020	2019
	\$	\$	\$	\$
Defined contribution plans:				
VicSuper	455,029	559,930	11,893	8,899
Other	1,001,745	992,659	27,030	7,207
Total	1,456,774	1,552,589	38,923	16,106

Note 3.2 Grant and program expenses

	2020	2019
	\$	\$
Grant and program expenses		
Integrated Waste Management	17,403,653	18,548,858
Resource Efficiency	8,387,259	11,075,830
Engagement (Includes all Litter and Schools Programs)	3,635,064	2,759,900
Solar Victoria rebates	(889,761)	93,330,894
Total grant and program expenses	28,536,215	125,715,482

Expenditure incurred for each of the operating areas of SV includes grants, rebates, advertising campaigns and sponsorships. Grants that form part of program expenditure are recognised based on the percentage of the contract performed as at the reporting date, with the unperformed component of the contract included as part of committed expenditure.

Solar Victoria rebates were taken up as an expense in the reporting period in which they were incurred of which there were significant rebates accrued in 2018-19 which were subsequently cancelled in 2019-20.

SV continued to deliver grants to recipients during the COVID-19 pandemic.

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Notes to the financial statements

Note 3.3 Other operating expenses

	2020	2019
	\$	\$
Supplies and services	508,284	650,872
Agency staff	327,712	357,729
Internal audit	199,616	163,750
Unspent funds returned (a)	4,095,891	-
Other operating expenses	904,510	1,010,101
Total other operating expenses	6,036,013	2,182,452

Note:

(a) Unspent funds returned includes \$4,000,000 funds returned to DELWP from the Solar Homes Rebate program which were unable to be delivered during Phase 1 of the program.

Other operating expenses generally represent the day-to-day running costs incurred in normal operations. An expense is recognised in the reporting period in which they are incurred.

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Notes to the financial statements

Note 4: Disaggregated Financial Information*Introduction*

This section disaggregates income and expenses for Solar Victoria (described in Section 2).

Structure

- 4.1 Solar Victoria Comprehensive Operating Statement
- 4.2 Solar Victoria Balance Sheet

Note 4.1 Solar Victoria Comprehensive Operating Statement

On 19 August 2018 the Victorian Government announced the new Solar Homes program. In 2018-19 up to 34,000, initially 24,000, Victorians were able to install a solar panel system and receive a rebate up to a total value of \$2,225. The program also included a rebate for up to 6,000 households to receive up to \$1,000 to replace their old hot water system with a new solar system. This was identified as Phase 1 of the Solar Homes program.

Sustainability Victoria was allocated funds to deliver Phase 1 of the program and established a dedicated business unit called Solar Victoria in 2018-19. On 1 July 2019 the Solar Homes program, was transferred from Sustainability Victoria, to the Department of Environment, Land, Water and Planning. The completion of the Phase 1 rebates has remained with Sustainability Victoria from 1 July to 13 December 2019 as a service provider for Department of Environment, Land, Water and Planning. A Memorandum of Understanding was put in place for this arrangement. Phase 2 of Solar Homes was delivered by the Department of Environment, Land, Water and Planning from 1 July 2019.

	2020 \$	2019 \$
Income from transactions		
Government grants	-	100,698,200
Interest	67,170	651,364
Total income from transactions	67,170	101,349,564
Expenses from transactions		
Grant and program expenses	889,761	(93,989,409)
Employee benefits (b)	(61,588)	(3,440,505)
Depreciation and amortisation	-	(165,877)
Occupancy costs	9,000	(556,178)
Other operating expenses	(4,000,192)	-
Finance costs	-	(254)
Total expenses from transactions	(3,163,019)	(98,152,223)
Net result from transactions (net operating balance)	(3,095,849)	3,197,341
Other economic flows included in net result		
Net gain / (loss) from other economic flows (a) (b)	-	(4,510)
Total other economic flows included in net result		(4,510)
Net result	(3,095,849)	3,192,831
Comprehensive result	(3,095,849)	3,192,831

Note:

(a) Net gain/(loss) from revaluation of employee benefits - Provision for Long Service Leave

(b) Comparative figure for revaluation of employee benefits - Provision for Long Service Leave has been restated due to an error in the previous year calculation. The result is a decrease in net gain/(loss) from other economic flows and an increase in employee benefits expenses of \$282,432

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Notes to the financial statements

Note 4.2 Solar Victoria Balance Sheet

	2020 \$	2019 \$
Assets		
Financial assets		
Cash & deposits	-	15,572,844
Receivables (a)	43,873	7,987,727
Total financial assets	43,873	23,560,571
Non-financial assets		
Property, plant & equipment	-	347,450
Prepayments	-	55,802
Total non-financial assets	-	403,253
Total assets	43,873	23,963,823
Liabilities		
Payables	-	10,297,075
Borrowings	-	20,701
Employee related provisions	-	286,942
Other Provisions	-	10,166,275
Total liabilities	-	20,770,992
Net assets	43,873	3,192,831
Equity		
Accumulated surplus/(deficit)	43,873	3,192,831
Total equity	43,873	3,192,831

Note:

(a) An invoice for final cash balance was paid to DELWP in June 2020, it was then determined that the amount should be transferred via allocation statement. This amount is classified as a receivable at June 30, 2020 and will be transferred via allocation statement in 2020-21.

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Notes to the financial statements

Note 5: Key assets available to support output delivery*Introduction*

SV controls assets that are utilised in fulfilling its objectives and conducting activities. They represent the resources that have been entrusted to SV to be utilised for delivery for these outputs.

Fair value measurement

Where the assets included in this section are carried at fair value, additional information is disclosed in Note 8.3 in connection with how those fair values were determined.

Structure

- 5.1 Total Plant and equipment
- 5.2 Intangible assets
- 5.3 Investments and other financial assets

Note 5.1 Total Property, plant and equipment

	Gross Carrying amount		Accumulated depreciation		Net Carrying Amount	
	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
Office furniture and equipment	566,572	620,395	(452,559)	(435,255)	114,013	185,140
Computer equipment	1,057,294	1,374,623	(867,749)	(862,975)	189,545	511,648
Motor vehicles (leased right-of-use asset) (a)	148,757	231,835	(68,729)	(100,966)	80,028	130,869
Buildings at fair value (leased right-of-use asset) (a)	2,570,911	-	(1,184,826)	-	1,386,084	-
Leasehold improvements	48,921	32,675	(9,168)	(6,126)	39,753	26,549
Make-good provision	6,038	99,299	(3,871)	(95,274)	2,168	4,025
Net carrying amount	4,398,492	2,358,827	(2,586,900)	(1,500,596)	1,811,591	858,230

Notes:

(a) AASB 16 Leases has been applied for the first time from 1 July 2019.

Initial recognition: Items of plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

Subsequent measurement: Plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regards 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.

Motor vehicles are valued using the depreciated replacement cost method. SV acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition use and disposal in the market is managed by experienced fleet managers who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

Right-of-use asset acquired by lessees (Under AASB 16 Leases from 1 July 2019) – Initial measurement

SV recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentive received; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right-of-use asset – Subsequent measurement

SV depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use assets are also subject to revaluation. In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

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Notes to the financial statements

Note 5.1.1 Depreciation and amortisation ^(a)

Charge for the period	2020 \$	2019 \$
Office furniture and equipment	28,650	33,541
Computer equipment	138,079	189,904
Motor vehicles (leased right-of-use asset) (a)	30,049	43,213
Buildings at fair value (leased right-of-use asset) (a)	1,184,826	-
Leasehold improvements	12,231	6,126
Make-good provision	1,858	95,274
Intangible assets (amortisation)	286,730	274,026
Total depreciation and amortisation	1,682,423	642,084

Notes:

(a) Depreciation of right-of-use assets as per AASB 16 Leases

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:

	(Years)
	Useful Life
Office furniture and equipment	5 to 10 years
Computer equipment	3 years
Buildings at fair value	Over the lease term
Make good asset	Over the lease term
Motor vehicles – Leased	3 years
Intangible asset	5 years

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 plant and equipment, 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.

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Notes to the financial statements

Note 5.1.2 Reconciliation of movements in carrying amount of property, plant and equipment

	Office furniture and equipment		Computer equipment		Motor vehicles leased		Make-Good Provision		Buildings leased		Leasehold Improvement		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Opening balance	185,140	70,301	511,648	137,290	130,869	161,249	4,026	6,039	-	-	26,549	-	858,231	374,878
Recognition of right-of-use assets on initial application of AASB 16 ^(a)	-	-	-	-	-	-	-	-	2,570,911	-	-	-	2,570,911	-
Adjusted balance at 1 July 2019	185,140	70,301	511,648	137,290	130,869	161,249	4,026	6,039	2,570,911	-	26,549	-	3,429,142	374,878
Additions	36,545	148,379	65,990	585,124	49,450	26,009	-	93,261	-	-	25,435	32,675	177,420	885,449
Disposals	-	-	(2,253)	(20,862)	(49,575)	(13,176)	-	-	-	-	-	-	(51,828)	(34,038)
Transfers - MOG	(79,022)	-	(247,761)	-	(20,668)	-	-	-	-	-	-	-	(347,450)	-
Depreciation	(28,650)	(33,541)	(138,079)	(189,904)	(30,049)	(43,213)	(1,858)	(95,274)	(1,184,826)	-	(12,231)	(6,126)	(1,395,692)	(368,058)
Closing balance	114,013	185,140	189,545	511,648	80,028	130,869	2,168	4,026	1,386,084	-	39,753	26,549	1,811,591	858,231

Note:

(a) This balance represents the initial recognition of right-of-use assets recorded on the balance sheet on 1 July 2019 relating to operating leases

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Notes to the financial statements

Note 5.2 Intangible assets

	2020 \$	2019 \$
Gross carrying amount		
Opening balance	1,433,650	1,352,325
Additions from IT development	-	81,325
Work in Progress of IT Development	-	-
Closing balance	1,433,650	1,433,650
Accumulated depreciation and amortisation		
Opening balance	(902,116)	(628,090)
Amortisation expense (a)	(286,730)	(274,026)
Closing balance	(1,188,846)	(902,116)
Net book value at end of financial year	244,804	531,534

Notes:

(a) Amortisation expense is included in the line item 'Depreciation and amortisation' in the comprehensive operating statement.

Initial recognition

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 *Intangible Assets* is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and amortisation begin when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent measurement

Intangible produced assets with finite useful lives, are depreciated as an 'expense from transactions' on a straight line basis over their useful lives. Additions from IT development have a useful life of 5 years.

Impairment of intangible assets

Intangible assets not yet available for use are tested annually for impairment and whenever there is an indication that the asset may be impaired. Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified.

The policy in connection with testing for impairment is outlined in section 5.1.1.

Significant intangible assets

SV has capitalised software development expenditure for the development of its SV Enabled technology software. The carrying amount of the capitalised software development expenditure is \$116,370.25 (2019: \$364,524). Its useful life is five years and will be fully amortised in 2022.

Make-good asset: refer note 6.3

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Notes to the financial statements

Note 5.3 Investments and other financial assets

	2020 \$	2019 \$
Non-current investments and other financial assets		
Investment – social enterprise projects	115,691	20,146
Loans receivable – social enterprise projects	283,892	379,437
Total non-current investments and other financial assets	399,583	399,583
Total investments and other financial assets	399,583	399,583

Ageing analysis of financial assets

	Carrying amount \$	Not past due and not impaired \$
2020		
Managed Fund	399,583	399,583
Total	399,583	399,583

Note 6: Other Assets and Liabilities

Introduction

This section sets out those assets and liabilities that arose from SV's controlled operations.

Structure

- 6.1 Receivables
- 6.2 Payables
- 6.3 Other Provisions

Note 6.1 Receivables

	2020	2019
	\$	\$
Contractual		
Trade debtors	102,303	273,845
Accrued investment income	-	3,903
Contract Assets	1,339,548	-
Other receivables	26,941	51,282
Amounts owing from Victorian Government (a)	-	10,789,224
Statutory		
Landfill Levy receivable (b)	4,776,230	4,772,381
GST Receivable	380,505	921,489
Total receivables	6,625,527	16,812,124
<i>Represented by:</i>		
Current receivables	6,625,527	16,812,124

Notes:

(a) Funds due from the Department of Environment, Land, Water and Planning for government priority programs.

(b) April – June 2020 quarter monies due for Landfill Levy were received in July 2020.

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. Contract assets represents revenue from contracts with customers where the funding is yet to be received.

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. Amounts recognised from the Victorian Government represent funding for all commitments incurred and are drawn from the Sustainability Fund as the commitments fall due.

Details about SV's impairment policies, SV's exposure to credit risk, and the calculation of the loss allowance are set out in note 8.1.2.

Doubtful Debts: Receivables are assessed for bad and doubtful debts on a regular basis. 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.

Bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as other economic flows in the net result.

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Ageing analysis of contractual receivables

	Carrying amount	Not past due and not impaired	Past due but not impaired		
	\$	\$	Less than 1 month	1-3 months	3 months - 1 year
	\$	\$	\$	\$	\$
2020					
Trade Debtors	102,303	102,303	-	-	-
Accrued investment income	-	-	-	-	-
Accrued income	1,339,548	1,339,548	-	-	-
Amounts owing from Victorian Government	-	-	-	-	-
Other receivables	26,941	26,941	-	-	-
Total	1,468,792	1,468,792	-	-	-
2019					
Trade Debtors	273,845	258,863	14,850	-	132
Accrued investment income	3,903	3,903	-	-	-
Amounts owing from Victorian Government	10,789,224	6,022,351	1,985,568	2,700,000	81,305
Other debtors	51,282	51,282	-	-	-
Total	11,118,254	6,336,399	2,000,418	2,700,000	81,437

There are no material financial assets that are individually determined to be impaired. Currently SV 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 to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

Note 6.2 Payables and Contract Liabilities

	2020	2019
	\$	\$
Contractual		
Trade creditors	-	3,353,452
Accrued project grants	2,174,706	1,684,148
Accrued expenses	384,002	381,630
Accrued Solar Victoria rebates	-	17,335,216
Contract Liabilities	26,651,215	-
Statutory		
GST payable	36,795	37,638
Payroll tax payable	49,164	59,367
FBT payable	20,512	20,316
Total payables	29,316,394	22,871,767
<i>Represented by:</i> Current payables	29,316,394	22,871,767

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SV's final payment run for trade creditors was on 25 June 2020 where all payments were cleared. Invoices received in the final days of June were accrued for and entered into the new finance system which was implemented on 01 July 2020, this ensured a smooth transition to the new finance system and avoided entering invoices into both systems.

Contractual payables, such as accounts payable, and accrued expenses. Accounts payable represent liabilities for goods and services provided to SV prior to the end of the financial year that are unpaid, and arise when SV becomes obliged to make future payments in respect of the purchase of those goods and services. Contract liabilities represents funds received which are yet to be recognised as revenue from contracts with customers where sufficiently specific obligations remain (Note 6.2 above).

Contract liabilities	\$
Opening adjustment for Transition as at 1 July 2019	22,902,675
Current year contract liabilities	26,774,331
Unwinding of obligations per performance obligations met	(23,025,791)
Closing Contract Liabilities Balance	26,651,215

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.

Rebates payable by Solar Victoria were recognised as an accrual once the application received was approved for payment.

Payables for supplies and services have an average credit period of 30 days. No interest is charged on the 'other payables' for the outstanding balance.

The terms and conditions of amounts payable to the government and agencies vary according to the agreements and as they are not legislative payables, they are not classified as financial instruments.

Maturity analysis of Contract payables ^(a)

	Carrying amount	Nominal Amount	Maturity dates		
			Less than 1 month \$	1-3 months \$	3 months - 1 year \$
2020					
Trade creditors	-	-	-	-	-
Accrued project grants	2,174,706	2,174,706	2,174,706	-	-
Accrued expenses	384,002	384,002	384,002	-	-
Total	2,558,708	2,558,708	2,558,708	-	-
2019					
Trade creditors	3,353,452	3,353,452	3,291,824	59,624	2,004
Accrued project grants	1,684,148	1,684,148	1,684,148	-	-
Accrued expenses	381,630	381,630	381,630	-	-
Accrued Solar Victoria rebates	17,335,216	17,335,216	9,032,275	7,392,500	910,441
Total	22,754,446	22,754,446	14,389,877	7,452,124	912,445

Notes:

(a) The carrying amounts disclosed exclude statutory amounts (e.g. GST payables) and contract liabilities. Maturity analysis is presented using the contractual undiscounted cash flows.

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Note 6.3 Other provisions

	2020 \$	2019 \$
Non-Current provisions		
Make-good provision	6,038	6,038
Solar Victoria rebate provision	-	10,166,275
Total non-current provisions	6,038	10,172,313
Total other provisions	6,038	10,172,313

Other provisions are recognised when SV has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

Solar Victoria rebate provision was recognised when the application has been received and they were eligible, however they had not yet been approved for payment.

Reconciliation of movements in other provisions

	Rebates \$	Make good \$	Total \$
Opening balance	10,166,275	6,038	10,172,313
Additional provision recognised	(10,166,275)	-	(10,166,275)
Closing balance	-	6,038	6,038

The make-good provision is recognised in accordance with the lease agreement over the premises at Level 28/50 Lonsdale Street Melbourne. SV must remove any leasehold improvements from the leased warehouse and restore the premises to its original condition at the end of the lease term.

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Notes to the financial statements

Note 7: How we financed our operations

Introduction

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

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Note 7.1 and 7.3 provide additional, specific financial instrument disclosures.

Structure

- 7.1 Borrowings
- 7.2 Leases
- 7.3 Cash flow information and balances
- 7.4 Commitments for expenditure

Note 7.1 Borrowings

	2020 \$	2019 \$
Current borrowings		
Lease liabilities MV (a)	60,598	131,107
Lease liabilities Buildings (a)	1,219,878	-
Total current borrowings	1,280,476	131,107
Non-current borrowings		
Lease liabilities MV (a)	19,023	-
Lease liabilities Buildings (a)	205,391	-
Total non-current borrowings	224,414	-
Total borrowings	1,504,890	131,107

Notes:

(a) Secured by the assets leased. Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

'Borrowings' refer to interest bearing liabilities. SVs borrowings listed above are made up of liabilities recognised in applying AASB 16 Leases to the office rental building and motor vehicle leases.

Borrowings are classified as financial instruments. All interest bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

Maturity analysis of borrowings

	Carrying amount	Nominal Amount	Maturity dates			
			Less than 1 month \$	1-3 months \$	3 months - 1 year \$	1-5 years \$
2020						
Lease Liabilities	1,504,890	1,504,890	106,706	213,413	960,357	224,414
Total	1,504,890	1,504,890	106,706	213,413	960,357	224,414
2019						
Lease Liabilities	131,107	131,107	10,925	32,774	87,409	-
Total	131,107	131,107	10,925	32,774	87,409	-

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Notes to the financial statements

Interest expense

	2020 \$	2019 \$
Interest on leases	33,657	4,272
Total interest expense	33,657	4,272

Interest expense includes costs incurred in connection with the interest component of lease repayments. Interest expense is recognised in the period in which it is incurred.

Note 7.2 Leases

SV leases office space located at The Urban Workshop, Level 28, 50 Lonsdale Street, Melbourne, Victoria. The lease terms are 15 years (lease expires 31 August 2021) with an option to extend a further 5 years. This lease was brought onto the balance sheet in 2019-20 as a result of implementation of AASB 16 Leases.

Other leases entered into by SV relate to motor vehicles through VicFleet with lease terms of 3 years. SV has options to purchase the vehicles at the conclusion of the lease agreements. The motor vehicle leases were accounted for in the balance sheet as finance leases prior to 2019-20.

7.2 (a) Right-of-use Assets

Right-of-use assets are presented in note 5.1.

7.2 (b) Amounts recognised in the Comprehensive Operating Statement

The following amounts are recognised in the Statement of Comprehensive Operating Statement relating to leases:

	2020 \$
Interest expense on lease liabilities	33,657
Total amount recognised in the statement of comprehensive statement	33,657

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Notes to the financial statements

7.2 (c) Amounts recognised in the Statement of Cashflows

The following amounts are recognised in the Statement of Cashflows for the year ending 30 June 2020 relating to leases.

	2020
Cash payments for interest	33,657
Cash payments for lease principle	1,081,473
Total cash outflow for leases	1,115,130

Cash payments for the interest portion of lease payments are recognised as operating activities consistent with the presentation of interest payments and cash payments for the principal portion of lease payments are recognised as financing activities.

For any new contracts entered into on or after 1 July 2019, SV considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition SV assesses whether the contract meets three key evaluations:

- Whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to SV and for which the supplier does not have substantive substitution rights;
- Whether SV has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and SV has the right to direct the use of the identified asset throughout the period of use; and
- Whether SV has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

Separation of lease and non-lease components: At inception or on reassessment of a contract that contains a lease component, the lessee is required to separate out and account separately for non-lease components within a lease contract and exclude these amounts when determining the lease liability and right-of-use asset amount.

Recognition and measurement of leases as a lessee (under AASB 16 from 1 July 2019)**Lease Liability – initial measurement**

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or SV's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments) less any lease incentive receivable;
- variable payments based on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments arising from purchase and termination options reasonably certain to be exercised.

Lease Liability – subsequent measurement

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Short-term leases and leases of low-value assets

AASB 16 provides a practical expedient for short-term leases and leases of low value assets. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these can be recognised as an expense in profit or loss on a straight-line basis over the lease term. SV has not identified any short-term leases or leases of low value assets.

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Notes to the financial statements

Note 7.3 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 with and insignificant risk of changes in value.

	2020 \$	2019 \$
Cash at bank	42,976,724	64,876,131
Cash on hand	500	349
Short-term deposits (a)	-	-
Balance as per cash flow statement	42,977,224	64,876,480

Notes:

(a) Comparative for 2019 has been restated. Short term deposits of \$42,406,777 have been reclassified as cash at bank, during 2019 funds were transferred from the Treasury Corporation of Victoria short term deposit account to a Westpac Central Banking System account.

Note 7.3.1 Reconciliation of net result for the period to cash flow from operating activities

	2020 \$	2019 \$
Net result for the financial year	(6,223,164)	16,993,479
Non-cash movements:		
Depreciation	1,682,422	642,084
(Gain) / Loss on disposal of assets	(35,705)	(5,370)
Movements in assets and liabilities:		
Increase / (Decrease) in employee related provisions	203,945	364,100
Increase / (Decrease) in payables	(26,623,481)	30,517,264
(Increase) / Decrease in prepayments	181,503	(182,762)
(Increase) / Decrease in receivables	10,035,854	(9,737,322)
Net cash flows from/ (used in) operating activities	(20,778,626)	38,591,475

Note 7.4 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 the GST payable. 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.

Nominal Amounts	Less than 1 year \$	1 – 5 years \$	5+ years \$	Total \$
2020				
Other commitments- contracts (a)				
- Tied funding	15,967,112	6,766,776	-	22,733,888
- Other funding	2,992,649	3,883,169	-	6,875,818
Total commitments (inclusive GST)	18,959,761	10,649,945	-	29,609,706
Less GST recoverable	1,723,615	968,177	-	2,691,791
Total commitments (exclusive GST)	17,236,146	9,681,768	-	26,917,915

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<i>Nominal Amounts</i>	Less than 1 year \$	1 – 5 years \$	5+ years \$	Total \$
2019				
Operating and lease commitments (a)	1,685,489	2,046,945	-	3,732,435
Other commitments- contracts (b)				
- Tied funding	31,828,129	5,558,975	-	37,387,104
- Other funding	3,861,099	705,904	-	4,567,003
Total commitments (inclusive GST)	37,374,717	8,311,824	-	45,686,542
Less GST recoverable	3,397,702	755,620	-	4,152,322
Total commitments (exclusive GST)	33,977,016	7,556,204	-	41,533,220

Notes:

(a) Other commitments are entered by SV as at the reporting date (contracts at 30 June 2020 but not included in the Balance Sheet and are carried forward into the 2020-21 financial year and beyond).

Note 8: Risk, contingencies and valuation judgements

Introduction

SV 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 higher level of judgement to be applied, which for the SV related mainly to fair value determination

Structure

- 8.1 Financial instruments specific disclosures
- 8.2 Contingent assets and contingent liabilities
- 8.3 Fair value determination

Note 8.1 Financial instruments specific disclosures

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. Due to the nature of SV's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes, fines and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation.

Guarantees issued on behalf of SV are financial instruments because, although authorised under statute, terms and conditions for each financial guarantee may vary and are subject to an agreement.

Categories of financial assets under AASB9

Financial assets at amortised cost

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by SV to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

SV recognises the following assets in this category:

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

Categories of financial assets

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

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

Categories of financial liabilities under AASB9

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. SV recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- borrowings (including lease liabilities).
- SV retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

Where SV has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of SV's continuing involvement in the asset.

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Derecognition of financial liabilities: A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement.

Impairment of financial assets under AASB 9

SV records the allowance for expected credit loss for the relevant financial instruments applying AASB 9's Expected Credit Loss approach. Subject to AASB 9 impairment assessment include the Department's contractual receivables, statutory receivables and its investment in debt instruments.

Equity instruments are not subject to impairment under AASB 9. Other financial assets mandatorily measured or designated at fair value through net result are not subject to impairment assessment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Although not a financial asset, contract assets recognised applying AASB 15 (refer to Note 6.1.1) are also subject to impairment however it is immaterial.

Reclassification of financial instruments: Subsequent to initial recognition reclassification of financial liabilities is not permitted. Financial assets are required to be reclassified between fair value through net result, fair value through other comprehensive income and amortised cost when and only when SV's business model for managing its financial assets has changed such that its previous model would no longer apply.

However, SV is generally unable to change its business model because it is determined by the Performance Management Framework (PMF) and all Victorian government departments are required to apply the PMF under the Standing Directions 2018 under the FMA.

If under rare circumstances an asset is reclassified, the reclassification is applied prospectively from the reclassification date and previously recognised gains, losses or interest should not be restated. If the asset is reclassified to fair value, the fair value should be determined at the reclassification date and any gain or loss arising from a difference between the previous carrying amount and fair value is recognised in net result.

Note 8.1.1 Financial instruments: Categorisation

	Cash and deposits	Financial assets/loans and receivables at amortised cost	Financial liabilities at amortised cost	Total
2020	\$	\$	\$	\$
Contractual financial assets				
Cash and deposits	42,977,224	-	-	42,977,224
Receivables (a)	-	1,468,792	-	1,468,792
Investments	-	399,583	-	399,583
Total Contractual financial assets	42,977,224	1,868,375	-	44,845,599
Contractual financial liabilities				
Payables (a)	-	-	2,558,708	2,558,708
Lease Liabilities	-	-	1,504,890	1,504,890
Total Contractual financial liabilities	-	-	4,063,598	4,063,598

Notes:

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

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	Cash and deposits	Financial assets/loans and receivables at amortised cost	Financial liabilities at amortised cost	Total
2019	\$	\$	\$	\$
Contractual financial assets				
Cash and deposits	64,876,480	-	-	64,876,480
Receivables (a)	-	11,118,253	-	11,118,253
Investments	-	399,583	-	399,583
Total Contractual financial assets	64,876,480	11,517,836	-	76,394,316
Contractual financial liabilities				
Payables (a)		-	22,741,687	22,741,687
Lease Liabilities		-	130,081	130,081
Total Contractual financial liabilities		-	22,871,767	22,871,767

Notes:

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

Note 8.1.2 Financial risk management objectives and policies

Details of the significant accounting policies and methods adopted, including the criteria for the 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 8.3 to the financial statements.

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

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

SV 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 SV Board.

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. SV's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to SV. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with SV's financial assets is minimal, because the main debtors are Victorian Government entities and no credit facilities are provided to non-government clients.

In addition, SV does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash and deposits, which are mainly cash at bank. As with the policy for debtors, SV'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 SV will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts that are more than 60 days overdue, and changes in debtor credit ratings.

Contract financial assets are written off against the carrying amount when there is no reasonable expectation of recovery. Bad debt written off by mutual consent is classified as a transaction expense. Bad debt written off following a unilateral decision is recognised as other economic flows in the net result.

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 SV's maximum exposure to credit risk without taking account of the value of any collateral obtained.

There has been no material change to SV's credit risk profile in 2019-20.

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Notes to the financial statements

Credit quality of contractual financial assets that are neither past due or impaired

	Financial institutions (triple A credit rating)	Government agencies (triple A credit rating)	Other (min triple B credit rating)	Total
2020	\$	\$	\$	\$
Cash and deposits	42,976,724	-	500	42,977,224
Receivables (a)	-	1,441,851	26,941	1,468,792
Investments	399,583	-	-	399,583
Total Contractual financial assets	43,376,307	1,441,851	27,441	44,845,599

	Financial institutions (triple A credit rating)	Government agencies (triple A credit rating)	Other (min triple B credit rating)	Total
2019	\$	\$	\$	\$
Cash and deposits	64,876,131	-	-	64,876,131
Receivables (a)	-	6,022,351	-	6,022,351
Investments	399,583	-	-	399,583
Total Contractual financial assets	65,275,714	6,022,351	-	71,298,065

Notes:

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

Impairment of financial assets under AASB 9 – applicable from 1 July 2018

From 1 July 2018, SV has been recording the allowance for expected credit loss for the relevant financial instruments, replacing AASB 139's incurred loss approach with AASB 9's Expected Credit Loss approach. Subject to AASB 9 impairment assessment include SV's contractual receivables and statutory receivables.

Equity instruments are not subject to impairment under AASB 9. Other financial assets mandatorily measured or designated at fair value through net result are not subject to impairment assessment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Contractual receivables at amortised cost

SV applies AASB 9 simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates. SV's historical credit losses are 0%.

Financial instruments: Liquidity risk

Liquidity risk arises when SV is unable to meet its financial obligations as they fall due. SV 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.

SV exposure to liquidity risk is deemed insignificant, based on prior period's data and current assessment of risk. Cash for unexpected events is generally sourced from liquidation of available cash deposits, at call and /or maturing short-term deposits.

Financial instruments: Market risk

SV's exposure to market risk is primarily through interest rate risk. Objectives, policies and processes used to manage this is disclosed below.

Sensitivity disclosure analysis and assumptions

SV's sensitivity to market risk is determined based on past performance and economic forecasts of the financial markets. SV believes that the following movements are "reasonably possible" over the next 12 months:

- a movement of 50 basis points up and down (2019: 50 basis points up and down) in market interest rates (AUD) from year-end rates of 1.05 per cent (2019: 1.79 percent)

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Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of change in market interest rates. Exposure to fair value interest rate risk is insignificant and might arise primarily through SV's variable cash deposits.

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. SV has minimal exposure to cash flow interest rate risks through cash and deposits and investments that are at a floating rate.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in table below.

Interest rate exposure of financial instruments

2020	Weighted average interest rate %	Carrying Amount \$	Interest rate exposure		
			Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$
Financial assets					
Cash and deposits	1.05%	42,977,224	-	42,976,724	500
Receivables (a)		1,468,792	-	-	1,468,792
Investments		399,583	-	-	399,583
Total financial assets		44,845,599	-	42,976,724	1,868,875
Financial liabilities					
Payables (a)		2,558,708	-	-	2,558,708
Lease liabilities	2.32%	1,504,890	1,504,890	-	-
Total financial liabilities		4,063,598	1,504,890	-	2,558,708

2019	Weighted average interest rate %	Carrying Amount \$	Interest rate exposure		
			Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$
Financial assets					
Cash and deposits	1.79%	64,876,480	42,406,777	22,469,354	349
Receivables (a)		11,118,253	-	-	11,118,253
Investments		399,583	-	-	399,583
Total financial assets		76,394,316	42,406,777	22,469,354	11,518,185
Financial liabilities					
Payables (a)		22,871,767	-	-	22,871,767
Lease liabilities	3.17%	131,107	131,107	-	-
Total financial liabilities		23,002,874	131,107	-	22,871,767

Note:

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

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Interest rate risk sensitivity

	Carrying	Interest rate risk			
	Amount	-50 basis points		+50 basis points	
		Net Result	Equity	Net Result	Equity
2020	\$	\$	\$	\$	\$
Contractual financial assets					
Cash and cash equivalents	42,977,224	(214,886)	(214,886)	214,886	214,886
Investments	399,583	(1,998)	(1,998)	1,998	1,998
Contractual financial liabilities					
Lease Liabilities	1,504,890	(7,524)	(7,524)	7,524	7,524
Total impact	44,881,698	(224,408)	(224,408)	224,408	224,408
2019					
Contractual financial assets					
Cash and cash equivalents	64,876,480	(324,382)	(324,382)	324,382	324,382
Investments	399,583	(1,998)	(1,998)	1,998	1,998
Contractual financial liabilities					
Lease Liabilities	131,107	(656)	(656)	656	656
Total impact	65,407,170	(327,036)	(327,036)	327,036	327,036

Notes:

Cash and deposits include a deposit of \$42,977,224 (2019: \$64,876,480) that is exposed to floating rates movements. Sensitivities to these movements are calculated as follows: 2020 $\$42,977,224 \times 0.005 = \$214,886$ and 2019: $\$64,876,480 \times 0.005 = \$324,382$.

Foreign currency risk

SV is exposed to foreign currency risk mainly through its payables relating to purchases of supplies and consumables from overseas.

Based on past and current assessment of economic outlook, it is deemed unnecessary for SV to enter into any hedging arrangements to manage the risk. SV is not exposed to any material foreign currency risk.

8.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed and if quantifiable, are measured at nominal values. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

SV has no contingent assets or liabilities as at the reporting date (2019: \$Nil).

8.3 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 SV.

This section sets out information on how SV 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
- plant and equipment

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

SV 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, several 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:

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- 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.

SV 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 to Note 8.3.1) and non-financial physical assets (refer to Note 8.3.2).

8.3.1 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.

SV 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 2019-20 reporting period.

These financial instruments include:

<i>Financial assets</i>	<i>Financial liabilities</i>
Cash and deposits	Payables
Receivables:	Borrowings:
• Amounts owing from government • Accrued investment income • Other receivables	• Lease liabilities
Investments	

There is no difference in the fair value of SV's financial instruments to the carrying amounts for 2019 or 2020.

8.3.2 Fair value determination of non-financial physical assets

Fair value measurement hierarchy

2020	Carrying amount as at 30 June 2020	Fair value measurement at end of reporting period using:		
		Level 1 ^(a)	Level 2 ^(a)	Level 3 ^(a)
Office furniture and equipment	114,013	-	-	114,013
Computer equipment	189,545	-	-	189,545
Motor Vehicles	80,028	-	-	80,028
Total of non-financial assets at fair value	383,586	-	-	383,586

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2019	Carrying amount as at 30 June 2019	Fair value measurement at end of reporting period using:		
		Level 1 ^(a)	Level 2 ^(a)	Level 3 ^(a)
Office furniture and equipment	185,140	-	-	185,140
Computer equipment	511,648	-	-	511,648
Motor Vehicles	130,870	-	-	130,870
Total of non-financial assets at fair value	827,658	-	-	827,658

Note:

(a) Classified in accordance with the fair value hierarchy.

Office furniture and equipment and computer equipment is held at fair value. Fair value is determined using the current replacement cost method. There were no changes in valuation techniques used throughout the period to 30 June 2020. For all assets measured at fair value, the current use is considered the highest and best use.

Motor vehicles are valued using the current replacement cost method. SV acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition use and disposal in the market is managed by our Facilities Manager who sets relevant depreciation rates during use to reflect the lease term of the vehicle.

Reconciliation of Level 3 fair value movements

2020	Office, Furniture and Equipment	Computer Equipment	Motor Vehicle	Total
Opening balance	185,140	511,648	130,870	827,657
Purchases	36,545	65,990	49,450	151,985
Disposals	-	(2,253)	(49,575)	(51,823)
Transfers - MOG	(79,022)	(247,761)	(20,668)	(347,456)
Depreciation	(28,650)	(138,079)	(30,049)	(196,777)
Closing balance	114,013	189,545	80,028	383,586

2019	Office, Furniture and Equipment	Computer Equipment	Motor Vehicle	Total
Opening balance	70,301	137,289	161,249	368,839
Purchases	148,379	585,124	26,009	759,513
Disposals	-	(20,862)	(13,176)	(34,038)
Depreciation	(33,541)	(189,904)	(43,213)	(266,658)
Closing balance	185,140	511,648	130,870	827,656

Description of significant unobservable inputs to Level 3 valuations

2020 & 2019	Valuation Technique	Significant unobservable inputs
Office Furniture & Equipment	Depreciated Replacement Cost	Cost per unit
Computer Equipment	Depreciated Replacement Cost	Cost per unit
Motor vehicles	Depreciated Replacement Cost	Cost per unit
Provision for make good	Current Replacement Cost	Cost per unit

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Note 9: Other disclosures*Introduction*

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

Structure

- 9.1 Ex-gratia expenses
- 9.2 Responsible persons
- 9.3 Remuneration of executives
- 9.4 Related parties
- 9.5 Remuneration of auditors
- 9.6 Subsequent events
- 9.7 Change in accounting policies
- 9.8 Australian Accounting Standards issued that are not yet effective
- 9.9 Glossary of technical items
- 9.10 Style conventions

Note 9.1 Ex-gratia expenses

Ex gratia expenses are the voluntary payments of money or other non-monetary benefits (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 of or claim against the entity.

SV had no ex-gratia expenses to report within the 2019-20 financial year. Nil for 2018-19

Note 9.2 Responsible persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

Names

The persons who held the positions of ministers and accountable officers in SV are as follows:

Minister of Energy, Environment, Climate Change & Solar Homes	the Hon. Lily D'Ambrosio	1 July 2019 to 30 June 2020
Interim Chief Executive Officer	Carl Muller	1 July 2019 to 24 November 2019
Chief Executive Officer	Claire Ferres Miles	25 November 2019 to 30 June 2020

Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of SV during the reporting period was in the range: \$340,000 - \$349,999 in 2019-20 (\$410,000 - \$419,999 in 2018-19).

Board members**1 July 2019 to 30 June 2020**

Heather Campbell, Chair

Megan Flynn

Jennifer Lauber Patterson (resigned 29 May 2020)

Neil Pharaoh (started 1 July 2019)

Vicky Darling

Peter Castellias

Sarah Clarke

Judith Harris

Kerry Osborne

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Remuneration

Amounts relating to ministers are reported in the financial statements of the Department of Parliamentary Services.

	<i>Total remuneration 2020</i>	<i>Total remuneration 2019</i>
Income band	No.	No.
0 - \$9,999	-	-
\$10,000 - \$19,999	8	8
\$20,000 - \$29,999	1	1
\$30,000 - \$39,999	-	-
\$290,000 - \$299,999	-	-
\$320,000 - \$329,999	-	-
\$340,000 - \$349,999	1	-
\$410,000 - \$419,999	-	1
Total numbers	10	10
Total amount	\$493,831	\$598,688

Note 9.3 Remuneration of executives

The number of executive officers, other than ministers and accountable officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provide a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits (as defined by AASB 119 *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.

Termination benefits include termination of employment payments, such as severance packages.

<i>Remuneration of executive officers (including Key Management Personnel)</i>	<i>Total remuneration 2020</i>	<i>Total remuneration 2019</i>
Short-term employee benefits	1,153,207	1,177,701
Post-employment benefits	106,297	110,201
Other long-term benefits	8,534	11,974
Termination benefits	-	-
Total remuneration^(a)	1,268,038	1,299,876
Total number of executives	6	6
Total annualised employee equivalents^(b)	6	6

Note:

(a) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosures. The total remuneration includes three SV directors' remuneration for the period of they are acting as CEO.

(b) Annualised employee equivalent is based on the time fraction worked over the reporting period.

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Note 9.4 Related Parties

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

Related parties of SV include:

- all cabinet ministers and their close family members; and
- all departments and public sector entities that are controlled and consolidated into the 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

During the year, SV had the following government-related transactions:

Department of Environment, Land, Water & Planning (DELWP)

The amounts recognised as revenue are:	2019-20	2018-19
Landfill levy	\$19,104,919	\$19,089,526
Sustainability Fund grants	\$27,360,615	\$46,335,688
Government initiatives funding	\$466,896	\$1,549,822
Solar Victoria Grants	-	\$100,698,200

The amount recognised as expense is:

Payments to for project delivery and unspent funds	\$198,354	\$778,430
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Environmental Protection Agency (EPA)

SV received funding from EPA for the Household Chemicals Collection program.

The amount of funds received in advance is:

Government initiatives funding	\$710,904	\$1,717,101
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Treasury Corporation of Victoria (TCV)

The amount recognised as revenue is:

Interest revenue	Nil	\$756,503
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State Revenue Office (SRO)

The SRO is the Victorian Government's tax collection agency.

The amount recognised as expense is:

Payroll tax	\$802,907	\$877,040
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Key management personnel (KMP) of SV includes the Minister, the Hon. Lily D'Ambrosio, and the following:

Key management personnel	Position Title
Heather Campbell	Board Chair
Sarah Clarke	Deputy Chair
Megan Flynn	Board member
Vicky Darling	Board member
Jennifer Lauber Patterson (resigned 29/05/2020)	Board member
Peter Castellas	Board member
Neil Pharaoh (started 01/07/2019)	Board member
Judith Harris	Board member
Kerry Osborne	Board member
Claire Ferres Miles	CEO
Carl Muller	Interim CEO
Matt Genever	Acting CEO (annual leave coverage)

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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 and is reported within the Department of Parliamentary Services' Financial Report.

Sustainability Victoria 2020		
Compensation of KMPs	2020	2019
Short term employee benefits	454,002	565,614
Post-employment benefits	39,828	33,074
Other long-term benefits	3,013	4,628
Termination benefits	-	-
Total	496,844	603,316

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.

In 2019-20, SV paid \$776,310 (in 2018-19: \$918,465 and in 2017-18: \$434,277) to CSIRO for FirstRate5 software licence fees and research on community attitudes to the waste and resource recovery sector in Victoria. Heather Campbell ceased employment by CSIRO as Director Health and Safety in 2018-19.

SV paid \$12,500 in 2019-20 (2018-19: \$12,500) to the Carbon Markets Institute for the Women in Climate sponsorship package as part of Summit Sponsorship Agreement - Women in Climate. Two of SV's board members are involved in Carbon Markets Institute being Megan Flynn (as Non-Executive Director) and Peter Castellas (as Director). Neither were involved in any decision making relating to this payment to Carbon Markets.

SV paid \$20,000 for sponsorships to Energy Efficiency Council and has entered a \$67,500 contract for a management training course of which \$38,819 was paid in 2019-20. SV's Chair, Heather Campbell, is also a member of Project Reference Group at the council and is not involved with training activities of SV employees.

SV paid \$3,750 to The Leaders Mentor (TLM) during 2019-20 for an ad hoc mentoring assignment. Kerry Osborne who is one of SV's board member is a partner at TLM, one of the other partners at TLM delivered the assignment.

Kerry Osborne is also a (Non-Executive) board member at Australian and NZ Recycling Panel (ANZRP), SV entered into a grant contract with ANZRP during 2019-20 for \$135,557 which is part of SV's Resource Recovery Infrastructure Fund program. In 2019-20 \$14,000 was paid and the remainder is due to be paid in the next financial year. The ANZRP grant was part of round 3 of this grant program which was endorsed by the board in September 2018 with Kerry Osborne abstaining from this vote.

SV and Mirvac have entered a grant contract for \$25,000 as part of SV's Better Commercial Buildings grant program, \$20,000 was paid to Mirvac in 2019-20. Sarah Clarke who is a board member for SV works for Mirvac as their Group General Manager – Sustainability & Reputation. The minister delegated authority for approval of the Better Commercial Buildings grant program to the CEO so Sarah Clarke wasn't involved in approving this grant.

Note 9.5 Remuneration of auditors

	2020 \$	2019 \$
Victorian Auditor-General's Office		
Audit of the financial statements	29,900	40,300
Total remuneration of auditors	29,900	40,300

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Note 9.6 Subsequent events

The State of Victoria has introduced more restrictions post balancing date in response to the "second wave" of Coronavirus pandemic. The measures implemented included stricter limitations on the operation of businesses in Victoria. SV has assessed that these restrictions are likely to have a financial impact in the 2020-21 financial year however these impacts are unable to be reliably measured and are not expected to be material.

Note 9.7 Change in accounting policies

Note 9.7.1 Leases

This note explains the impact of the adoption of AASB 16 Leases on the SV's financial statements.

SV has applied AASB 16 with a date of initial application of 1 July 2019. SV has elected to apply AASB 16 using the modified retrospective approach, as per the transitional provisions of AASB 16 for all leases for which it is a lessee. Accordingly, the comparative information presented is not restated and is reported under AASB 117 and related interpretations.

Previously, SV determined at contract inception whether an arrangement is or contains a lease under AASB 117 and Interpretation 4 Determining whether an arrangement contains a Lease. Under AASB 16, SV assesses whether a contract is or contains a lease based on the definition of a lease as explained in note 7.2.

Leases classified as operating leases under AASB 117

As a lessee, SV previously classified leases as operating, or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to SV. Under AASB 16, SV recognises right-of-use assets and lease liabilities for all leases except where exemption is availed in respect of short-term and low-value leases.

On adoption of AASB 16, SV recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using SV's incremental borrowing rate as of 1 July 2019. On transition, right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. The transitional impact for SV at 01 July 2019 was an increase in right-of-use assets of \$2,570,911 and an increase in borrowings - lease liability of \$2,475,963.

For leases that were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and lease liability at 1 July 2019 are determined as the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

	1 July 2019
Total operating lease commitments disclosed at 30 June 2019	3,732,435
GST included at 30 June 2019 operating lease commitments	(339,312)
Commitments related to outgoings on lease – not to be included in lease liability on transition	(880,878)
Total operating lease commitments disclosed at 30 June 2019 to be transferred to lease liability	2,512,245
Discounted using the incremental borrowing rate at 1 July 2019	2,475,963
Finance lease liabilities as at 30 June 2019	131,107
Lease liabilities recognised at 1 July 2019	2,607,070

Note 9.7.2 Revenue from Contracts with Customers

In accordance with FRD 121 requirements, SV has applied the transitional provisions of AASB 15, under modified retrospective method with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, SV applied this standard retrospectively only to contracts that are not 'completed contracts' at the date of initial application. The transitional impact for SV at 01 July 2019 was a decrease in equity of \$22,902,675 within accumulated surplus, equal to an increase in liability under payables and contract liabilities, this amount represented revenue recognised on open contracts during prior years where performance obligations under AASB 15 had not yet been met. Comparative information has not been restated. The impact on revenue for 2019-20 due to the application of AASB 15 as compared to the previous application was a reduction in revenue recognised of \$3,763,276.

Note 2 Funding Delivery of our Services includes details about the transitional application of AASB 15 and how the standard has been applied to revenue transactions.

Note 9.7.3 Income of Not-for-Profit Entities

AASB 1058 is used in recognising SVs Landfill Levy income and grant revenue however there was no change to the accounting treatment of these payments for this implementation.

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Note 9.7.4 Transistional impact on financial statements

Impact on balance sheet due to the adoption of AASB 15 and AASB 16 is illustrated with the following reconciliation between the restated carrying amounts at 30 June 2019 and the balances reported under the new accounting standards at 1 July 2019:

Balance sheet	Notes	Opening	Before new accounting standards 1 July 2019	Impact of new accounting standards – AASB 16 and 15	After new accounting standards Opening 1 July 2019
Total financial assets			82,088,187	(94,949)	81,993,238
Total non-financial assets	9.7		2,126,483	2,570,911	4,697,394
Total assets			84,214,670		86,690,632
Payables and contract liabilities	9.7		22,871,767	22,902,675	45,774,442
Borrowings	9.7		131,107	2,475,963	2,607,070
Other liabilities			12,946,189		12,946,189
Total liabilities			35,949,063		61,327,701
Accumulated surplus/(deficit)	9.7		22,216,800	(22,902,675)	(685,875)
Other items in equity			26,048,806		26,048,806
Total equity			48,265,606		25,362,931

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Note 9.8 Australian Accounting Standards issued that are not yet effective

Certain new and revised accounting standards have been issued but are not effective for the 2019-20 reporting period. These accounting standards have not been applied to the Model Financial Statements. The State is reviewing its existing policies and assessing the potential implications of these accounting standards which includes:

- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- This Standard principally amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. It applies to reporting periods beginning on or after 1 January 2020 with earlier application permitted. SV has not early adopted the Standard.

The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.

This changes to this standard are not anticipated to have a material impact.

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current
- This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted however the AASB has recently issued ED 301 Classification of Liabilities as Current or Non-Current – Deferral of Effective Date with the intention to defer the application by one year to periods beginning on or after 1 January 2023. SV will not early adopt the Standard.

This changes to this standard are not anticipated to have a material impact.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods but are considered to have limited impact on SV's reporting.

- AASB 17 Insurance Contracts.
- AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C).
- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business.
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework.
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform.
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia.
- AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities.

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Notes to the financial statements

9.9 Glossary of technical terms

Amortisation is the expense which results from the consumption, extraction or use over time of a non-produced physical or intangible assets. The expense is classified as another economic flow.

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

Comprehensive result is the net result of all income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.

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'.

Employee benefits expenses include all costs related to employment, including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

Financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual or statutory right:
 - (i) to receive cash or another financial asset from another entity; or
 - (ii) 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:
 - (i) 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
 - (ii) 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 assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

Financial liability is any liability that is:

- (a) a contractual obligation:
 - (i) to deliver cash or another financial asset to another entity; or
 - (ii) 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:
 - (ii) 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 a complete set of financial statements in the Annual Report comprises:

- (a) balance sheet as at the end of the period;
- (b) comprehensive operating statement for the period;
- (c) a statement of changes in equity for the period;
- (d) 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 paragraphs 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.

Grants and other transfers 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.

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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 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.

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other economic flows – other comprehensive income'.

Net result from transactions/net operating balance is a key fiscal aggregate, and is income 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 worth assets less liabilities, which is an economic measure of wealth.

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. It includes:

- gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets;
- fair value changes of financial instruments; and
- depletion of natural assets (non-produced) from their use or removal.

Other economic flows - other comprehensive income comprises (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards.

The components of other economic flows - other comprehensive income include:

- (a) changes in physical asset revaluation surplus;
- (b) share of net movement in revaluation surplus of associates and joint ventures; and
- (c) gains and losses on remeasuring available-for-sale financial assets.

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

Receivables includes 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 SV.

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 in 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.

9.10 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:

-	zero, or rounded to zero
(xxx.x)	negative numbers
200x	year period
200x 0x	year period

The financial statements and notes are presented based on the 2019-20 Model Report for Victorian Government Departments.
The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of SV's annual reports.