# Annual Financial Statements

For the year ended 30 June 2021

## How this report is structured

SV has presented its audited general purpose Financial Statements for the financial year ended 30 June 2021 in the following structure to provide users with the information about SV’s stewardship of resources entrusted to it:

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Cash flow statement

Statement of changes in equity

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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 2021 and the financial position of SV as at 30 June 2021.

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 SV has complied with the Ministerial Standing Direction 3.7.1 – Risk Management Framework and processes. SV’s Audit, Risk and Finance Committee verifies this.

We authorise the attached Financial Statements for issue on 28 Oct 2021.

**Johan Scheffer**

Chairperson, Sustainability Victoria

Melbourne

28 Oct 2021

**Claire Ferres Miles**

Chief Executive Officer, Sustainability Victoria

Melbourne

28 Oct 2021

**Nigel Haskins**

Chief Financial Officer, Sustainability Victoria

Melbourne

28 Oct 2021

## Independent Auditor’s Report

Page 1 of the signed independent auditor's report from VAGO to the Board of Sustainability Victoria

Page 1 of the signed independent auditor's report from VAGO to the Board of Sustainability Victoria

## Comprehensive operating statement (a)

For the financial year ended 30 June 2021.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Notes | 2021 $'000 | 2020 $'000 |
| **Income from transactions:** Landfill levy | 2.1 | 19,152 | 19,105 |
| **Income from transactions:** Government grants | 2.1 | 28,796 | 28,797 |
| **Income from transactions:** Other income from government | 2.1 | 171 | 182 |
| **Income from transactions:** Interest | 2.1 | 127 | 516 |
| **Income from transactions:** Other income | 2.1 | 3,617 | 3,278 |
| **Total income from transactions** |  | **51,863** | **51,877** |
| **Expenses from transactions (b):** Grant expenses | 3.1 | 8,345 | 11,685 |
| **Expenses from transactions (b):** Contractors and consultants | 3.1 | 9,967 | 15,360 |
| **Expenses from transactions (b):** Employee benefits | 3.1 | 20,209 | 18,538 |
| **Expenses from transactions (b):** Depreciation and amortisation | 4.1.1 | 1,495 | 1,682 |
| **Expenses from transactions (b):** IT and telecommunications | 3.1 | 2,822 | 2,006 |
| Interest expense | 6.1 | 6 | 34 |
| Other operating expenses | 3.1 | 4,273 | 8,811 |
| **Total expenses from transactions** |  | **47,117** | **58,116** |
| **Net result from transactions (net operating balance)** |  | **4,746** | **(6,238)** |
| Other economic flows included in net result |  |  |  |
| Net gain / (loss) on non-financial assets (c) |  | (122) | 36 |
| Net gain / (loss) from other economic flows (d) |  | 22 | (21) |
| Total other economic flows included in net result |  | (100) | 15 |
| **Net result** |  | **4,646** | **(6,223)** |
| **Comprehensive result** |  | **4,646** | **(6,223)** |

The accompanying notes form part of these Financial Statements.

Notes:

1. This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting.
2. Expenses from transactions have been reclassified based on expense nature. More information and reconciliation can be found at Note 3.1.
3. Net gain/(loss) on non-financial assets includes disposals of all physical assets.
4. Net gain/(loss) from revaluation of employee benefits – Provision for Long Service Leave.

## Balance Sheet (a)

As at 30 June 2021

|  |  |  |  |
| --- | --- | --- | --- |
|  | Notes | 2021  $’000 | 2020  $’000 |
| Financial assets: Cash and deposits | 6.3 | 70,633 | 42,977 |
| Financial assets: Receivables | 5.1 | 21,351 | 6,626 |
| Financial assets: Investments and other financial assets | 4.3 | 400 | 400 |
| **Total financial assets** |  | **92,384** | **50,002** |
| Non-financial assets: Property, plant and equipment | 4.1 | 448 | 1,812 |
| Non-financial assets: Prepayments |  | 1,055 | 555 |
| Non-financial assets: Intangibles | 4.2 | 10 | 245 |
| **Total non-financial assets** |  | **1,513** | **2,612** |
| **Total assets** |  | **93,897** | **52,614** |
| Liabilities: Payables and contract liabilities | 5.2 | (66,795) | (29,316) |
| Liabilities: Borrowings | 6.1 | (250) | (1,505) |
| Liabilities: Employee related provisions | 3.1.2 | (3,113) | (2,700) |
| Liabilities: Other provisions | 5.3 | (6) | (6) |
| **Total liabilities** |  | **(70,164)** | **(33,527)** |
| **Net assets** |  | **23,733** | **19,087** |
| Equity: Accumulated surplus / (deficit) |  | (2,263) | (6,909) |
| Equity: Contributed capital |  | 25,996 | 25,996 |
| **Total equity** |  | **23,733** | **19,087** |

The accompanying notes form part of these Financial Statements.

Note:

1. This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting

## Cash flow statement (a)

For the financial year ended 30 June 2021

|  |  |  |  |
| --- | --- | --- | --- |
| ****Cash flows from operating activities**** | Notes | 2021 $’000 | 2020 $’000 |
| Receipts: Receipts from government grants |  | 51,446 | 42,392 |
| Receipts: Receipts from government - other |  | 228 | 182 |
| Receipts: Receipts from landfill levy |  | 19,140 | 19,101 |
| Receipts: Other receipts |  | 3,485 | 4,003 |
| Receipts: Interest received |  | 128 | 519 |
| Receipts: Goods and Services Tax recovered from the ATO (b) |  | 1,907 | 4,460 |
| **Total receipts** |  | **76,334** | **70,658** |
| Payments: Payments to grant recipients |  | (6,811) | (42,096) |
| Payments: Payments to suppliers and employees |  | (40,588) | (49,307) |
| Payments: Interest and other costs of finance paid |  | (6) | (34) |
| **Total payments** |  | **(47,405)** | **(91,436)** |
| **Net cash flows from / (used in) operating activities** | **6.3.1** | **28,929** | **(20,779)** |

|  |  |  |  |
| --- | --- | --- | --- |
| **Cash flows from investing activities** | Notes | 2021 $’000 | 2020 $’000 |
| Payments for property, plant and equipment (PPE) |  | (18) | (128) |
| Proceeds from disposal of PPE, other |  | - | 36 |
| **Net cash flows from / (used in) investing activities** |  | **(18)** | **(92)** |

|  |  |  |  |
| --- | --- | --- | --- |
| Cash flows from financing activities | Notes | 2021 $’000 | 2020 $’000 |
| Payment of capital contribution – machinery of government (c) |  | - | 53 |
| Repayment of leases |  | (1,255) | (1,081) |
| **Net cash flows from / (used in) financing activities** |  | **(1,255)** | **(1,028)** |

|  |  |  |  |
| --- | --- | --- | --- |
|  | Notes | 2021 $’000 | 2020 $’000 |
| **Net increase in cash and cash equivalents** |  | **27,656** | **(21,899)** |
| **Cash and cash equivalents at the beginning of the financial year** |  | **42,977** | **64,876** |
| **Cash and cash equivalents at the end of the financial year** | **6.3** | **70,633** | **42,977** |

The accompanying notes form part of these Financial Statements

Notes:

1. This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting.
2. GST recovered from the Australian Taxation Office is presented on a net basis.
3. Transfer of Solar Victoria to DELWP.

## Statement of changes in equity (a)

For the financial year ended 30 June 2021

|  |  |  |  |
| --- | --- | --- | --- |
|  | Accumulated Surplus/  (Deficit)  $’000 | Contributions by Owner  $’000 | Total  $’000 |
| **Balance at 01 July 2019** | **22,217** | **26,049** | **48,266** |
| Adjustment for AASB 15 | (22,903) | - | (22,903) |
| **Restated Balance at 01 July 2019** | **(686)** | **26,049** | **25,363** |
| Payment of capital contribution – MOG | - | (53) | (53) |
| Net result for the year | (6,223) | - | (6,223) |
| **Restated Balance at 30 June 2020** | **(6,909)** | **25,996** | **19,087** |
| **Balance at 01 July 2020** | **(6,909)** | **25,996** | **19,087** |
| Net Surplus/ (Deficit) for the year | 4,646 | - | 4,646 |
| **Balance at 30 June 2021** | **(2,263)** | **25,996** | **23,733** |

The accompanying notes form part of these Financial Statements.

Notes:

1. This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting.
2. Transfer of Solar Victoria to DELWP. This balance has been reclassified as a Contribution by Owners amount for 2020 as required by FRD119A.

## 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).

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.

Its principal address is:

Levels 12 and 13

321 Exhibition Street

Melbourne VIC 3000

### Basis of preparation

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

The accrual basis of accounting has been applied in 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 to Note 4.1)
* superannuation expense (refer to 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 to Note 3.1.2)
* the timing and satisfaction of performance obligations (refer to Note 2.2)
* determining transaction price and amounts allocated to performance obligations (refer to Note 2.2)
* for leases, determining whether the arrangement is in substance a short-term arrangement and estimating discount rate when not implicit in the lease (refer to Note 6.2)
* the impacts of COVID-19 on the financial report and going concern (refer below).

No new accounting standards were adopted in 2021.

Revisions have been made to estimates of the timing and satisfaction of performance obligations originally made on adoption of AASB 15 in the year ended 30 June 2021. As required under this policy, these changes are reflected in these accounts and will be applied in future years. Further information on the treatment of revenue under AASB 15 and AASB 1058 can be found in Note 2.2.

The Financial Statements include all the controlled activities of SV.

The presentation of the Operating Statement has been changed this year to classify expenditure by nature of the spend, which management considers aids in the understanding of the company's performance by comparison with earlier periods and is less subject to variation in the nature of the portfolio of projects that SV has underway from time to time. Amounts have been reclassified to align with the new treatment.

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 nonessential services have triggered significant disruptions to businesses worldwide. Governments and central banks continue to respond with monetary and fiscal interventions to stabilise economic conditions.

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

### 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.

### Structure

2.1 Summary of income that funds the delivery of our services

2.2 Government Grants

2.3 Income from other transactions

### Significant judgement: Grants revenue

SV has made judgements 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. For more detail refer to notes 2.1 and 2.2

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | Notes | 2021  $’000 | 2020  $’000 |
| Landfill levy |  | 19,152 | 19,105 |
| Government grants | 2.2 | 28,796 | 28,797 |
| Interest |  | 127 | 516 |
| Other income | 2.3 | 3,788 | 3,460 |
| **Total income from transactions** |  | **51,863** | **51,877** |

The landfill levy is amounts received by SV from the Department of Environment, Land, Water and Planning (DELWP) under the Environment Protection (Distribution of Landfill Levy) Regulations 2021. 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.

### Note 2.2: Government grants

|  |  |  |
| --- | --- | --- |
|  | 2021  $’000 | 2020  $’000 |
| Sustainability Fund grants to Sustainability Victoria | 27,552 | 27,361 |
| Government initiatives funding | 1,244 | 1,437 |
| **Total revenue from transactions** | **28,796** | **28,797** |
| Recognised at a point in time | 8,345 | 11,685 |
| Recognised over time | 20,451 | 17,112 |
| **Total revenue from transactions** | **28,796** | **28,797** |

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

Income from grants received under enforceable contracts containing sufficiently specific performance obligations is accounted for in accordance with AASB 15 Revenue from Contracts with Customers.

Grant income is overwhelmingly supplied in instalments in advance of planned expenditure and is carried as a contract liability until revenue is recognised.

SV provides a range of project and professional services to its customers, primarily other Government agencies and departments. These services include, among others:

* stakeholder engagement and consultation
* project design, management and delivery
* grant programme design and delivery
* social research design, execution and evaluation
* education, professional development, and campaigns for behaviour change.

Projects for which SV is funded are complex with multiple, co-dependent outcomes that are not readily separable or individually valued and are consequently treated as a single performance obligation.

Underlying contracts are in all material respects of the same form and impose consistent obligations to account for and report progress, revenue and expenditure and the treatment adopted applies to the portfolio of contracts as a whole.

SV has determined that contracts are ‘fixed price’ and that program progress is best determined using the ‘input’ method, measured by reference to the expenditure in the period. Revenue is recognised at a point in time in accordance with measured progress at reporting milestone dates.

Grants payable are recognised at the time of disbursement to the grantee.

Program management costs are partially funded by programs, comprise a small proportion of the total expenditure under any contract, and are not disaggregated for the purposes of revenue recognition.

### Note 2.3: Income from other transactions

|  |  |  |
| --- | --- | --- |
|  | 2021  $’000 | 2020  $’000 |
| Sales of Services including FirstRate5 Certificates and Accreditation | 3,391 | 2,780 |
| Other income | 226 | 498 |
| Other income from government – secondment fees | 171 | 182 |
| **Total income from other transactions** | **3,788** | **3,460** |

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.

## 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 expenses  
3.3 Other operating expenses

### Note 3.1: Expenses incurred in delivery of services

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Notes | 2021  $’000 | 2020  $’000 | 2020 Before reclassification  $’000 | Variance  $’000 |
| Grant and program expenses |  | - | - | 28,536 | (28,536) |
| Employee benefits expense | 3.1.1 | 20,209 | 18,538 | 18,538 | - |
| Grant expenses (a) | 3.2 | 8,345 | 11,685 | - | 11,685 |
| Contractors and consultants (a), (b) |  | 9,967 | 15,360 | - | 15,360 |
| IT and telecommunications |  | 2,822 | 2,005 | 2,803 | (797) |
| Other operating expenses (a) | 3.3 | 4,273 | 8,811 | 6,036 | 2,775 |
| Occupancy |  | - | - | 486 | (486) |
| **Total expenses incurred in delivery of services** |  | **45,616** | **56,399** | **56,399** | **-** |

Notes:

1. 2020 comparative figures have been reclassified to reflect updated expense classifications in 2020–21 financial year, since the previous categorisation does not adequately reflect the ongoing nature of SV’s portfolio.
2. In line with FRD 22H, Consultants provide advice while Contractors are engaged to support program delivery.

#### Note 3.1.1: Employee benefits in the comprehensive operating statement

|  |  |  |
| --- | --- | --- |
|  | 2021  $’000 | 2020  $’000 |
| Salaries and wages, annual leave and long service leave | 18,603 | 17,075 |
| Defined contribution superannuation expense | 1,605 | 1,463 |
| **Total employee expenses** | **20,209** | **18,538** |

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).

#### 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.

**Current provisions for employee benefits**

|  |  |  |
| --- | --- | --- |
|  | 2021  $’000 | 2020  $’000 |
| **Annual leave:** Unconditional and expected to settle within 12 months | 824 | 656 |
| **Annual leave:** Unconditional and expected to settle after 12 months | 434 | 324 |
| **Long service leave:** Unconditional and expected to settle within 12 months | 740 | 769 |
| **Long service leave:** Unconditional and expected to settle after 12 months | 208 | 257 |
| **Long service leave – provisions for on-costs:** Unconditional and expected to settle within 12 months | 228 | 207 |
| **Long service leave – provisions for on-costs:** Unconditional and expected to settle after 12 months | 94 | 84 |
| **Total current provisions for employee benefits** | **2,528** | **2,297** |

**Non-current provisions for employee benefits**

|  |  |  |
| --- | --- | --- |
|  | 2021  $’000 | 2020  $’000 |
| Employee benefits – long service leave | 510 | 352 |
| On-costs | 75 | 51 |
| **Total non-current provisions for employee benefits** | **585** | **403** |
| **Total provisions for employee benefits** | **3,113** | **2,700** |

**Reconciliation of movement in on-cost provision**

|  |  |  |
| --- | --- | --- |
|  | 2021  $’000 | 2020  $’000 |
| **Opening balance** | **343** | **348** |
| Additional provisions recognised | 222 | 147 |
| Reductions arising from payments/other sacrifices of future economic benefit | (167) | (152) |
| **Closing balance** | **398** | **343** |
| Current | 323 | 291 |
| Non-current | 75 | 51 |

**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 is 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.

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.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Contributions paid in the year 2021  $’000 | Contributions paid in the year 2020  $’000 | Contributions unpaid at 30 June 2021  $’000 | Contributions unpaid at 30 June 2020  $’000 |
| Defined contribution plans: VicSuper | 485 | 455 | 8 | 12 |
| Defined contribution plans: Other | 1,120 | 1,002 | 23 | 27 |
| **Total superannuation contributions** | **1,605** | **1,457** | **31** | **39** |

### Note 3.2: Grant expenses

|  |  |  |
| --- | --- | --- |
|  | 2021  $’000 | 2020  $’000 |
| Behaviour change and education | 83 | 125 |
| Community action | 3 | 135 |
| Delivery partners | 16 | 2,284 |
| Investment and Innovation | 8,243 | 11,817 |
| Solar Victoria | - | (2,675) |
| **Total grant expenses** | **8,345** | **11,685** |

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.

### Note 3.3: Other operating expenses

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 it is incurred.

|  |  |  |
| --- | --- | --- |
|  | 2021  $’000 | 2020  $’000 |
| Other operating expenses | 2,370 | 2,683 |
| Royalty payments | 981 | 790 |
| Advertising expenses | 821 | 1,042 |
| Internal audit | 101 | 200 |
| Unspent funds returned | - | 4,096 |
| **Total other operating expenses** | **4,273** | **8,811** |

Other operating expenses include minor incidentals such as low-cost assets, repairs and maintenance, office consumables and minor staff expenses.

Royalty payments for use of intellectual property are recognised as an expense in the reporting period in which they are incurred.

Unspent funds returned in 2020 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.

## Note 4: 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.

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

### Structure

4.1 Total Property, plant and equipment

4.2 Intangible assets

4.3 Investments and other financial assets.

### Note 4.1: Total property, plant and equipment

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Gross carrying amount 2021**  **$’000** | **Gross carrying amount 2020**  **$’000** | **Accumulated**  **depreciation 2021**  **$’000** | **Accumulated**  **depreciation 2020**  **$’000** | **Net carrying amount 2021**  **$’000** | **Net carrying amount 2020**  **$’000** |
| Office furniture and equipment | 567 | 567 | (485) | (453) | 82 | 114 |
| Computer equipment | 1,076 | 1,057 | (979) | (868) | 97 | 190 |
| Motor vehicles (leased right-of-use asset) | 149 | 149 | (102) | (69) | 46 | 80 |
| Buildings at fair value (leased right-of-use asset) | 2,570 | 2,571 | (2,370) | (1,185) | 201 | 1,386 |
| Leasehold improvements | 49 | 49 | (27) | (9) | 22 | 40 |
| Make-good provision | 6 | 6 | (6) | (4) | - | 2 |
| **Total property plant and equipment** | **4,417** | **4,398** | **(3,969)** | **(2,587)** | **448** | **1,812** |

**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 – 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.

#### Note 4.1.1: Depreciation and amortisation

Charge for the period

|  |  |  |
| --- | --- | --- |
|  | **2021**  **$’000** | **2020**  **$’000** |
| Office furniture and equipment | 32 | 29 |
| Computer equipment | 111 | 138 |
| Motor vehicles (right-of-use asset) | 34 | 30 |
| Buildings at fair value (right-of-use asset) | 1,185 | 1,185 |
| Leasehold Buildings | 18 | 12 |
| Make-good provision (amortisation) | 2 | 2 |
| Intangible assets (amortisation) | 113 | 287 |
| **Total depreciation and amortisation** | **1,495** | **1,682** |

**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:

|  |  |
| --- | --- |
| Assets | Useful life (years) |
| Office furniture and equipment | 5 to 10 years |
| Computer equipment | 3 to 4 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.

#### Note 4.1.2: Reconciliation of movements in carrying amount of property, plant and equipment

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Opening balance $'000** | **Additions $'000** | **Disposals $'000** | **Transfers $'000** | **Depreciation $'000** | **Closing balance $'000** |
| Office furniture and equipment in 2021 | 114 | - | - | - | (32) | 82 |
| Computer equipment in 2021 | 190 | 18 | - | - | (111) | 97 |
| Motor vehicles (leased) in 2021 | 80 | - | - | - | (34) | 46 |
| Buildings (leased) in 2021 | 1,386 | - | - | - | (1,185) | 201 |
| Leasehold improvements in 2021 | 40 | - | - | - | (18) | 22 |
| Make good provision in 2021 | 2 | - | - | - | (2) | - |
| **Total in 2021** | **1,812** | **18** | **-** | **-** | **(1,382)** | **448** |
| Office furniture and equipment in 2020 | 185 | 37 | - | (29) | (79) | 114 |
| Computer equipment in 2020 | 512 | 66 | (2) | (138) | (248) | 190 |
| Motor vehicles (leased) in 2020 | 131 | 49 | (50) | (30) | (21) | 80 |
| Buildings (leased) in 2020 | 2,571 | - | - | (1,185) | - | 1,386 |
| Leasehold improvements in 2020 | 27 | 25 | - | (12) | - | 40 |
| Make good provision in 2020 | 4 | - | - | (2) | - | 2 |
| **Total in 2020** | **3,429** | **177** | **(52)** | **(1,396)** | **(347)** | **1,812** |

### Note 4.2: Intangible assets

|  |  |  |
| --- | --- | --- |
|  | 2021  $’000 | 2020  $’000 |
| Gross carrying amount: Opening balance | 1,434 | 1,434 |
| Gross carrying amount: Disposals | (193) | - |
| **Gross carrying amount: Closing balance** | **1,241** | **1,434** |
| Accumulated depreciation and amortisation: Opening balance | (1,189) | (902) |
| Accumulated depreciation and amortisation: Amortisation expense | (113) | (287) |
| Accumulated depreciation and amortisation: Disposals | 71 | - |
| **Accumulated depreciation and amortisation: Closing balance** | **(1,231)** | **(1,189)** |
| **Net book value at end of financial year** | **10** | **245** |

Amortisation expense is included in the line item ‘Depreciation and amortisation’ in the comprehensive operating statement.

Disposals are included in the line item ‘net gain/(loss) on non-financial assets’ in the comprehensive operating statement.

**Initial recognition**

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 Intangible Assets are 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 4.1.1.

**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 $10,021 (2020 $244,804). Its useful life is five years and will be fully amortised in 2022.

**Make-good asset:** Refer to Note 5.3.

### Note 4.3: Investments and other financial assets

|  |  |  |  |
| --- | --- | --- | --- |
|  | Notes | 2021  $’000 | 2020  $’000 |
| Non-current investments and other financial assets |  |  |  |
| Investment – social enterprise projects |  | - | 20 |
| Loans receivable – social enterprise projects |  | 400 | 379 |
| **Total non-current investments and other financial assets** |  | **400** | **400** |
| **Total investments and other financial assets** |  | **400** | **400** |

**Ageing analysis of financial assets**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Notes | 2021  $’000 | 2020  $’000 |
| Managed fund | Not past due and not impaired | 400 | 400 |

## Note 5: Other assets and liabilities

### Introduction

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

### Structure

5.1 Receivables and contract assets

5.2 Payables and contract liabilities

5.3 Other Provisions

### Note 5.1: Receivables and contract assets

|  |  |  |
| --- | --- | --- |
|  | 2021  $’000 | 2020  $’000 |
| Contractual: Trade debtors | 15,802 | 102 |
| Contractual: Contract Assets | 88 | 1,340 |
| Contractual: Other receivables | 7 | 27 |
| **Total contractual** | **15,897** | **1,469** |
| Statutory: Landfill Levy receivable | 4,788 | 4,776 |
| Statutory: GST receivable | 666 | 381 |
| **Total statutory** | **5,454** | **5,157** |
| **Total receivables** | **21,351** | **6,626** |
| **Represented by:** Current receivables | 21,351 | 6,626 |

Trade debtors includes the Department of Environment, Land, Water and Planning for government priority programs, and were due to SV as per the signed contract.

**Landfill Levy receivable** includes the April – June 2021 quarter monies due for Landfill Levy, received in July 2021.

**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 7.1.2.

**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 9 Financial Instruments.

**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.

#### Note 5.1.1: Ageing analysis of contractual receivables

|  |  |  |
| --- | --- | --- |
|  | 2021  $’000 | 2020  $’000 |
| Carrying amount | 15,897 | 1,469 |
| Ageing: Not past due and not impaired | 15,897 | 1,469 |

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 5.2: Payables and contract liabilities

|  |  |  |
| --- | --- | --- |
|  | 2021  $’000 | 2020  $’000 |
| Contractual: Trade creditors | 2,391 | - |
| Contractual: Accrued project grants | - | 2,175 |
| Contractual: Accrued expenses | 938 | 384 |
| Contractual: Contract liabilities | 63,305 | 26,651 |
| **Total contractual** | **66,634** | **29,210** |
| Statutory: GST payable | 46 | 37 |
| Statutory: Payroll tax payable | 105 | 49 |
| Statutory: FBT payable | 10 | 21 |
| **Total statutory** | **161** | **106** |
| **Total payables** | **66,795** | **29,316** |
| Represented by: Current payables | 66,795 | 29,316 |

In 2020, SV’s final payment run for trade creditors was prior to the end of year and all outstanding invoices were paid. Invoices received in the final days of June were accrued and are disclosed as accrued project grants or accrued expenses.

**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 exist.

#### Reconciliation of contract liabilities

|  |  |  |
| --- | --- | --- |
|  | 2021  $’000 | 2020  $’000 |
| Contract liability at beginning of financial year | 26,651 | 22,903 |
| Add: Consideration received in the year | 65,450 | 26,774 |
| Less: Revenue recognised for the completion of performance obligations | (28,796) | (23,026) |
| **Contract liability at 30 June** | **63,305** | **26,651** |

**Statutory payables** are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

Payables for supplies and services have an average credit period 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 contractual payables

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Carrying amount $'000 | Nominal amount $'000 | Past due but not impaired < 1 month $'000 | Past due but not impaired 1 - < 3 months  $'000 | Past due but not impaired 3 - < 12 months $'000 |
| Trade creditors in 2021 | 2,391 | 2,391 | 2,391 | - | - |
| Accrued project grants in 2021 | - | - | - | - | - |
| Accrued expenses in 2021 | 938 | 938 | 87 | 850 | - |
| **Total in 2021** | **3,329** | **3,329** | **2,478** | **850** | **-** |
| Trade creditors in 2020 | - | - | - | - | - |
| Accrued project grants in 2020 | 2,175 | 2,175 | 2,175 | - | - |
| Accrued expenses in 2020 | 384 | 384 | 384 | - | - |
| **Total in 2020** | **2,559** | **2,559** | **2,559** | **-** | **-** |

Maturity analysis is presented using the contractual undiscounted cash flows.

### Note 5.3: Other provisions

|  |  |  |
| --- | --- | --- |
|  | 2021  $’000 | 2020  $’000 |
| Non-current provisions: Make-good provision | 6 | 6 |
| **Total non-current provisions** | **6** | **6** |
| **Total other provisions** | **6** | **6** |

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 the reporting date, taking into account the risks and uncertainties surrounding the obligation.

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 office and restore the premises to its original condition at the end of the lease term.

## Note 6. Financing our operations

### Introduction

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

### Structure

6.1 Borrowings

6.2 Leases

6.3 Cash flow information and balances

6.4 Commitments for expenditure

### Note 6.1: Borrowings

|  |  |  |
| --- | --- | --- |
|  | 2021  $’000 | 2020  $’000 |
| **Current borrowings:** Lease liabilities motor vehicles | 30 | 61 |
| **Current borrowings:** Lease liabilities buildings | 205 | 1,220 |
| **Total current borrowings** | **236** | **1,280** |
| **Non-current borrowings:** Lease liabilities motor vehicles | 14 | 19 |
| **Non-current borrowings:** Lease liabilities buildings | - | 205 |
| **Total non-current** | **14** | **224** |
| **Total borrowings** | **250** | **1,505** |

Current borrowings are all related to leases and are 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 Leasesto 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  $’000 | Nominal Amount  $’000 | < 1 month  $’000 | Past due but not impaired 1–3 months  $’000 | Past due but not impaired 3 months–1 year  $’000 | Past due but not impaired 1–5 years  $’000 |
| Lease liabilities in 2021 | 250 | 250 | 105 | 110 | 20 | 15 |
| **Total** | **250** | **250** | **105** | **110** | **20** | **15** |
| Lease liabilities in 2020 | 1,505 | 1,505 | 107 | 213 | 960 | 224 |
| **Total** | **1,505** | **1,505** | **107** | **213** | **960** | **224** |

#### Interest expense

|  |  |  |
| --- | --- | --- |
|  | 2021  $'000 | 2020  $'000 |
| Interest on leases | 6 | 34 |
| **Total interest expense** | **6** | **34** |

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 6.2: 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). 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 three 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.

#### Note 6.2.1: Right-of-use assets

Right-of-use assets are presented in Note 4.1.

#### Note 6.2.2: Amounts recognised in the comprehensive operating statement

The following amounts are recognised in the comprehensive operating statement relating to leases:

|  |  |  |
| --- | --- | --- |
|  | 2021  $’000 | 2020  $’000 |
| Interest on lease liabilities | 6 | 34 |
| **Total amount recognised in the comprehensive operating statement** | **6** | **34** |

#### Note 6.2.3: Amounts recognised in the cashflow statement

|  |  |  |
| --- | --- | --- |
|  | 2021  $’000 | 2020  $’000 |
| Cash payments for interest | 6 | 34 |
| Cash payments for lease principal | 1,255 | 1,081 |
| **Total cash outflow for leases** | **1,261** | **1,115** |

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.

**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 SVs incremental borrowing rate.

**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 to 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.

**Leases not yet commenced**

SV has entered into a lease commencing 1 October 2021 for new premises at 321 Exhibition Street, Melbourne, VIC, 3000. See Note 8.6 for further details.

### Note 6.3: 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 insignificant risk of changes in value.

|  |  |  |
| --- | --- | --- |
|  | 2021  $’000 | 2020  $’000 |
| Cash at bank | 70,633 | 42,977 |
| Cash on hand | - | 1 |
| **Balance as per cash flow statement** | **70,633** | **42,977** |

### Note 6.3.1: Reconciliation of net result for the period to cash flow from operating activities

|  |  |  |
| --- | --- | --- |
|  | 2021  $’000 | 2020  $’000 |
| Net result for the financial year | 4,646 | (6,223) |
| Non-cash movements: |  |  |
| Depreciation | 1,495 | 1,682 |
| (Gain) / Loss on disposal of assets | 122 | (36) |
| Movements in assets and liabilities: Increase / (Decrease) in employee related provisions | 413 | 204 |
| Movements in assets and liabilities: Increase / (Decrease) in payables | 37,469 | (26,623) |
| Movements in assets and liabilities: (Increase) / Decrease in prepayments | (500) | 182 |
| Movements in assets and liabilities: (Increase) / Decrease in receivables | (14,716) | 10,036 |
| **Net cash flows from/ (used in) operating activities** | **28,929** | **(20,779)** |

### Note 6.4: Commitments for expenditure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | < 1 year  $'000 | 1 – < 5 years  $'000 | > 5 years  $'000 | Total  $'000 |
| Operating and lease commitments in 2021 | 2,730 | 11,909 | 6,598 | 21,237 |
| Other commitments – contracts – tied funding in 2021 | 22,894 | 2,883 | - | 25,778 |
| Other commitments – contracts – other funding in 2021 | 9,682 | 5,380 | 277 | 15,338 |
| **Total commitments (inclusive of GST) in 2021** | **35,306** | **20,172** | **6,875** | **62,353** |
| Less GST recoverable in 2021 | (3,210) | (1,834) | (625) | (5,668) |
| **Total commitments (exclusive of GST) in 2021** | **32,097** | **18,338** | **6,250** | **56,685** |
| Other Commitments – contracts – Tied funding in 2020 | 15,967 | 6,767 | - | 22,734 |
| Other Commitments – contracts – Other funding in 2020 | 2,993 | 3,883 | - | 6,876 |
| **Total commitments (inclusive of GST) in 2020** | **18,960** | **10,650** | **-** | **29,610** |
| Less GST recoverable in 2020 | (1,724) | (968) | - | (2,692) |
| **Total commitments (exclusive of GST) in 2020** | **17,236** | **9,682** | **-** | **26,918** |

Operating and lease commitments entered by SV as at the reporting date (leases at 30 June 2021) but not included in the Balance Sheet pertain to 2021–22 building lease commencing 1 October 2021. See Note 8.6.

Other commitments entered by SV as at the reporting date (contracts at 30 June 2021) but not included in the Balance Sheet and are carried forward into the 2021–22 financial year and beyond).

## Note 7: Other assets and liabilities

### 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 SV related mainly to fair value determination.

### Structure

7.1 Financial instruments specific disclosures

7.2 Contingent assets and contingent liabilities

7.3 Fair value determination

### Note 7.1: 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 9 Financial Instruments.

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

##### Financial assets at amortised cost

Financial assets are measured at amortised cost 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
* the assets’ contractual terms give rise to cash flows that are solely payments of principal and interest.

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)
* 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).

#### Categories of financial liabilities

**Financial liabilities at amortised cost** are initially recognised on the date they are originated, 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)
* 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.

##### 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

SV records the allowance for expected credit loss for the relevant financial instruments applying AASB 9’s Expected Credit Loss approach. Financial assets subject to AASB 9 impairment assessment include SV'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 5.1.1) are also subject to impairment; management considers that any impairment is not material.

##### 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. 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 7.1.1: Financial instruments – categorisation

|  | Cash and deposits  $'000 | Financial assets at amortised cost  $'000 | Financial liabilities at amortised cost  $'000 | Total  $'000 |
| --- | --- | --- | --- | --- |
| Contractual financial assets 2021: Cash and deposits | 70,633 | - | - | 70,633 |
| Contractual financial assets 2021: Receivables | - | 15,897 | - | 15,897 |
| Contractual financial assets 2021: Investments | - | 400 | - | 400 |
| **Total contractual financial assets 2021** | **70,633** | **16,297** | **-** | **86,930** |
| Contractual financial liabilities 2021: Payables (a) | - | - | 3,329 | 3,329 |
| Contractual financial liabilities 2021: Lease liabilities | - | - | 249 | 249 |
| **Total contractual financial liabilities 2021** | **-** | **-** | **3,578** | **3,578** |
| Contractual financial assets 2020: Cash and deposits | 42,977 | - | - | 42,977 |
| Contractual financial assets 2020: Receivables (a) | - | 1,469 | - | 1,469 |
| Contractual financial assets 2020: Investments | - | 400 | - | 400 |
| **Total contractual financial assets 2020** | **42,977** | **1,868** | **-** | **44,846** |
| Contractual financial **liabilities 2020**: Payables (a) | - | - | 2,559 | 2,559 |
| Contractual financial **liabilities 2020**: Lease liabilities | - | - | 1,505 | 1,505 |
| **Total contractual financial liabilities 2020** | **-** | **-** | **4,064** | **4,064** |

Notes:

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

#### Note 7.1.2: 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 7.3 to the Financial Statements.

The main purpose in holding financial instruments is to prudentially manage SV’s financial risks within 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 2020–21.

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Financial institutions (AAA rating)  $'000 | Government agencies (AAA rating)  $'000 | Other (min. BBB rating)  $'000 | Total  $'000 |
| Cash and deposits 2021 | 70,633 | - | - | 70,633 |
| Receivables 2021 | - | 15,680 | 217 | 15,897 |
| Investments 2021 | 400 | - | - | 400 |
| **Total contractual financial assets in 2021** | **71,033** | **15,680** | **217** | **86,930** |
| Cash and deposits 2020 | 42,977 | - | 1 | 42,977 |
| Receivables 2020 | - | 1,442 | 27 | 1,469 |
| Investments 2020 | 400 | - | - | 400 |
| **Total contractual financial assets in 2020** | **43,376** | **1,442** | **27** | **44,846** |

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

**Impairment of financial assets**

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 estimated to be 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 (2020: 50 basis points up and down) in market interest rates (AUD) from year-end rates of 0.25% (2020: 0.5%)

**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.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Weighted average interest rate % | Carrying amount  $'000 | Interest rate exposure – fixed rate  $'000 | Interest rate exposure – variable rate  $'000 | Interest rate exposure – not interest-bearing  $'000 |
| Cash and deposits 2021 | 0.30% | 70,633 | - | 70,633 | - |
| Receivables 2021 |  | 15,897 | - | - | 15,897 |
| Investments 2021 |  | 400 | - | - | 400 |
| **Total financial assets 2021** |  | **86,930** | **-** | **70,633** | **16,297** |
| Payables 2021 |  | 3,329 | - | - | 3,329 |
| Lease liabilities 2021 | 2.19% | 250 | 250 | - | - |
| **Total financial liabilities 2021** |  | **3,579** | **250** | **-** | **3,329** |
| Cash and deposits 2020 | 1.05% | 42,977 | - | 42,977 | 1 |
| Receivables 2020 |  | 1,469 | - | - | 1,469 |
| Investments 2020 |  | 400 | - | - | 400 |
| **Total financial assets 2020** |  | **44,846** | **-** | **42,977** | **1,869** |
| Payables 2020 |  | 2,559 | - | - | 2,559 |
| Lease liabilities 2020 | 2.32% | 1,505 | 1,505 | - | - |
| **Total financial liabilities 2020** |  | **4,064** | **1,505** | **-** | **2,559** |

The total payables disclosed here exclude statutory amounts (e.g. amounts owing to Victorian Government and GST sales tax payable).

##### Interest rate risk sensitivity

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Carrying amount  $’000 | Interest rate risk: –50 basis points  $'000 | Interest rate risk: equity  $'000 | Interest rate risk: +50 basis points  $'000 | Interest rate risk: equity  $'000 |
| Contractual financial assets 2021: Cash and deposits | 70,633 | (353) | (353) | 353 | 353 |
| Contractual financial assets 2021: Investments | 400 | (2) | (2) | 2 | 2 |
| **Contractual financial assets 2021: Total impact** | **71,033** | **(355)** | **(355)** | **355** | **355** |
| Contractual financial liabilities 2021: Lease liabilities | 250 | (1) | (1) | 1 | 1 |
| **Contractual financial liabilities 2021: Total impact** | **250** | **(1)** | **(1)** | **1** | **1** |
| Contractual financial assets 2020: Cash and deposits | 42,977 | (215) | (215) | 215 | 215 |
| Contractual financial assets 2020: Investments | 400 | (2) | (2) | 2 | 2 |
| **Contractual financial assets 2020: Total impact** | **43,377** | **(217)** | **(217)** | **217** | **217** |
| Contractual financial liabilities 2020: Lease liabilities | 1,505 | (8) | (8) | 8 | 8 |
| **Contractual financial liabilities 2020: Total impact** | **1,505** | **(8)** | **(8)** | **8** | **8** |

Cash and deposits include a deposit of $71,282,213 (2020: $44,881,697) that is exposed to floating rate movements. Sensitivities to these movements are calculated as follows: 2021 $71,282,213 x 0.005 = $356,411 and 2020: $44,881,697 × 0.005 = $244,408.

**Foreign currency risk**

SV is exposed to foreign currency risk mainly through its payables relating to purchases of supplies and consumables from overseas. SV is not exposed to any material foreign currency risk. Based on past and current assessment of economic outlook, management does not consider that it is necessary for SV to enter into any hedging arrangements to manage the risk.

### Note 7.2: 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 (2020: $Nil).

### Note 7.3: Fair value determination

#### Significant judgement: Fair value measurements of assets and liabilities

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

The following assets and liabilities are carried at fair value:

* financial assets and liabilities at fair value through operating result
* 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:

**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.

**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
* 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
  + 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 7.3.1) and non-financial physical assets (refer to Note 7.3.2).

#### Note 7.3.1: Fair value determination of financial assets and liabilities

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

**Level 1: T**he fair value of financial instruments with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices.

**Level 2: T**he fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly.

**Level 3: T**he 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 2021–22 reporting period.

These financial instruments include:

|  |  |
| --- | --- |
| Financial assets | Financial liabilities |
| Cash and deposits | Payables |
| Receivables:   * Amounts owing from Government * Accrued investment income * Other receivables * Investments | Borrowings:   * Lease liabilities |

There is no difference in the fair value of SV’s financial instruments to the carrying amounts for 2021 or 2020.

#### Note 7.3.2: Fair value determination of non-financial physical assets

##### Fair value measurement hierarchy

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Carrying amount at 30 June**  **$'000** | **Fair value measurement at 30 June using Level 1**  **$'000** | **Fair value measurement at 30 June using Level 2**  **$'000** | **Fair value measurement at 30 June using Level 3**  **$'000** |
| Office furniture and equipment 2021 | 82 | - | - | 82 |
| Computer equipment 2021 | 97 | - | - | 97 |
| Motor vehicles 2021 | 46 | - | - | 46 |
| **Total of non-financial assets at fair value in 2021** | **225** | **-** | **-** | **225** |
| Office furniture and equipment 2020 | 114 | - | - | 114 |
| Computer equipment 2020 | 190 | - | - | 190 |
| Motor vehicles 2020 | 80 | - | - | 80 |
| **Total of non-financial assets at fair value in 2020** | **384** | **-** | **-** | **384** |

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 2021. 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 experienced fleet managers who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

##### Reconciliation of Level 3 fair value movements

|  | Office furniture and equipment  $'000 | Computer equipment  $'000 | Motor vehicles  $'000 | Total  $'000 |
| --- | --- | --- | --- | --- |
| Opening balance 2021 | 114 | 190 | 80 | 384 |
| Purchases 2021 | - | 18 | - | 18 |
| Disposals 2021 | - | - | - | - |
| Depreciation 2021 | (32) | (111) | (34) | (177) |
| **Closing balance 2021** | **82** | **97** | **46** | **225** |
| Opening balance 2020 | 185 | 512 | 131 | 828 |
| Purchases in 2020 | 37 | 66 | 49 | 152 |
| Disposals in 2020 | - | (2) | (50) | (52) |
| Depreciation in 2020 | (29) | (138) | (30) | (197) |
| Transfers in 2020 | (79) | (248) | (21) | (347) |
| **Closing balance 2020** | **114** | **190** | **80** | **384** |

##### Description of significant unobservable inputs to Level 3 valuations

|  |  |  |
| --- | --- | --- |
| 2021 and 2020 | Valuation Technique | Significant unobservable inputs |
| Office furniture and equipment | Depreciated replacement cost | Cost per unit |
| Computer equipment | Depreciated replacement cost | Cost per unit |
| Motor vehicles | Current replacement cost | Cost per unit |
| Provision for make good | Current replacement cost | Cost per unit |

## Note 8: Other disclosures

### 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 Ex gratia expenses

8.2 Responsible persons

8.3 Remuneration of executives

8.4 Related parties

8.5 Remuneration of auditors

8.6 Subsequent events

8.7 Change in accounting estimates

8.8 Australian Accounting Standards issued that are not yet effective

8.9 Glossary of technical items

8.10 Style conventions

### Note 8.1: 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 2020–21 financial year (2019–20: Nil)

### Note 8.2: 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 and Solar Homes, The Hon. Lily D’Ambrosio, 1 July 2020 to 30 June 2021
* Chief Executive Officer, Claire Ferres Miles, 1 July 2020 to 30 June 2021

#### Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of SV during the reporting period was in the range: $350,000–$359,999 in 2020–21 ($340,000–$349,999 in 2019–20).

### Note 8.3: 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.

#### Remuneration of executive officers

|  |  |  |
| --- | --- | --- |
|  | Total remuneration 2021  $’000 | Total remuneration 2020  $’000 |
| Short-term employee benefits | 1,609 | 1,153 |
| Post-employment benefits | 150 | 106 |
| Other long-term benefits | 3 | 9 |
| Termination benefits | - | - |
| **Total remuneration** | **1,762** | **1,268** |
| **Total number of executives** | **8** | **6** |
| **Total annualised employee equivalents (a)** | **8** | **6** |

Note:

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

### Note 8.4: 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
* 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:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Amounts recognised as revenue in 2021  $'000 | Amounts recognised as revenue in 2020  $'000 | Amounts recognised as expense in 2021  $'000 | Amounts recognised as expense in 2020  $'000 |
| Department of Environment, Land, Water and Planning: Landfill levy | 19,152 | 19,105 | - | - |
| Department of Environment, Land, Water and Planning: Sustainability Fund grants | 24,864 | 27,361 | - | - |
| Department of Environment, Land, Water and Planning: Government initiatives funding | 1,230 | 467 | - | - |
| Department of Environment, Land, Water and Planning: Payments for project delivery and unspent funds | - | - | - | 198 |
| Environmental Protection Agency: Government initiatives funding | 12 | 711 | - | - |
| Department of Jobs, Precincts and Regions (Agriculture Victoria): Agriculture Victoria Data Mining | 18 | - | - | - |
| Department of Jobs, Precincts and Regions: Qenos | 1,400 | - | - | - |
| State Revenue Office | - | - | 914 | 803 |

Key management personnel (KMP) of SV includes the Minister, the Hon. Lily D’Ambrosio, and the following:

| Name | Position Title | Started | Resigned |
| --- | --- | --- | --- |
| Vicky Darling | Board Chair | 1/07/2020 | 9/06/2021 |
| Sarah Clarke | Deputy Chair | 1/07/2020 | 30/05/2021 |
| Megan Flynn | Board member | 1/07/2020 | 31/10/2020 |
| Neil Pharaoh | Board member | 1/07/2020 |  |
| Peter Castellas | Board member | 1/07/2020 |  |
| Kerry Osborne | Board member | 1/07/2020 |  |
| Judith Harris | Board member | 1/07/2020 |  |
| Johan Scheffer | Board Chair | 1/06/2021 |  |
| Judith Landsberg | Deputy Chair | 15/06/2021 |  |
| Meredith Banks | Board member | 15/06/2021 |  |
| Sarah McDowell | Board member | 15/06/2021 |  |
| Mark Wakeham | Board member | 15/06/2021 |  |
| Claire Ferres Miles | Chief Executive Officer | 1/07/2020 |  |

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.

#### Compensation of key management personnel

|  |  |  |
| --- | --- | --- |
|  | Total remuneration in 2021  $’000 | Total remuneration in 2020  $’000 |
| Short-term employee benefits | 421 | 454 |
| Post-employment benefits | 35 | 40 |
| Other long-term benefits | - | 3 |
| Termination benefits | - | - |
| **Total remuneration** | **456** | **497** |

**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.

SV paid $191,491 in 2020–21 (2019–20: $nil) to PriceWaterhouseCoopers (PwC) Consulting Australia as part of Recycling Victoria Expect Advisory Services and Structural Funding Bid Business Case Support. SV’s independent member ARFC is involved in PwC being Liza Maimone, who was not involved in any decision making relating to these payments to PwC.

### Note 8.5: Remuneration of auditors

|  |  |  |
| --- | --- | --- |
|  | 2021  $’000 | 2020  $’000 |
| Victorian Auditor-General’s Office: Audit of the Financial Statements | 60 | 30 |
| **Total remuneration** | **60** | **30** |

### Note 8.6: Subsequent events

#### New lease

SV has executed a lease on new premises at 321 Exhibition Street in Melbourne’s CBD, following the expiry of the lease on its existing office accommodation. Management believes that this lease fulfils all the definitions of a lease as defined in AASB 16 Leases*.* The new lease is for a lease term of 7 years with a single option to extend for a further four years. The commencement date is 1 October 2021. Due to delays caused by the ongoing pandemic, occupation is expected at a later date on completion of a fit out.

The estimated value of the related right of use assets is between $19 Million and $25 million. These estimates do not include allowance for a lease incentive part of which will be taken as rent abatement, and part to fund an office re-fit.

#### New Waste Authority

The State Government has announced the creation of a new Waste Authority with responsibilities that overlap with current SV programmes and deliverables. At this stage the details of the Waste Authority initiative are not sufficiently clear that SV can adequately assess their impact on the organisation.

### Note 8.7: Change in accounting estimates

Comparative information for 2019–20 in this report reflects the first-time adoption under transitional provisions of two recent accounting standards, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases. Year-end comparative information reflects the normal application of those standards following their adoption.

#### Note 8.7.1: Revenue from contracts with customers

Note 2: Funding delivery of our services includes details about the application of AASB 15 and how the standard has been applied to revenue transactions.

Following a review of the practical operation of AASB 15 throughout the first year of operation, SV has modified and simplified its approach to revenue recognition in order to provide greater consistency in recognising revenue and to enhance the understanding of its Financial Statements by users.

The principal change in treatment is to apply the input method in recognition of the complexity and co-dependency of the expected underlying contractual outcomes, which cannot readily separated and independently valued. This change of method from output to input is permitted under AASB 15.

This change in measurement approach has been applied to all contracts that were active at 1 July 2020. Had this measurement approach been applied at first-time adoption of AASB 15, the impact would have been to reduce contract liabilities and increase net assets, equity and revenue by an additional $2,613,281 (5% of total revenue). It is likely that in FY21, the impact of the change in approach would be of a similar or smaller order, based on the stage of completion of the contracts underway. As the change in approach relates to fixed income projects of a certain life, the revised treatment changes the timing but not the quantum of revenue that can be declared over the full project cycle. All projects in the current portfolio are expected to be completed by the end of the Financial Year 2025. All new projects will adopt the revised approach from inception. Because the project portfolio is both extensive and changes in number and value over time, projecting the impacts of the change on current and future years is impractical. However, with certainty it can be determined that the total lifetime income available from existing and future projects will not be affected.

#### Note 8.7.2: Income of not-for-profit entities

Where revenue is not accounted for under the provisions of AASB 15 Revenue from contracts with customers, SV applies the provisions of AASB 1058 Income of Not-for-Profit Entities. AASB 1058 applies principally to revenue from the Municipal Industrial Landfill Levy, which is allocated annually and is not derived from a contract with a customer. SV accounts for the annual allocation in the financial year for which the allocation is determined. The adoption of AASB 15 has not led to any change in accounting treatment or the amounts stated in this or prior years’ Financial Statements.

### Note 8.8: Australian Accounting Standards issued that are not yet effective

Certain new and revised accounting standards have been issued but are not effective for the 2020–21 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 17 Insurance Contracts. This new Australian standard seeks to eliminate inconsistencies and weaknesses in existing practices by providing a single principle based framework to account for all types of insurance contracts, including reissuance contract that an insurer holds. It also provides requirements for presentation and disclosure to enhance comparability between entities. It applies to reporting periods beginning on or after 1 January 2023. SV has not early adopted the standard. 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. AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current defers the effective date to reporting periods beginning on or after 1 January 2023. SV has not early adopted the standard.
* AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021. This Standard amends AASB 16 to extend by one year the application period of the practical expedient added to AASB 16 by AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions. The practical expedient permits lessees not to assess whether rent concessions that occur as a direct consequence of the covid19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. This standard extends the practical expedient to rent concessions that reduce only lease payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

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 1060 – General Purpose Financial Statements– Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C)
* AASB 2020-2 – Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities.
* AASB 2020-3 – Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments
* AASB 2020-7 – Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions: Tier 2 Disclosures
* AASB 2020-8 – Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2
* AASB 2020-9 – Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments
* AASB 2021-1 – Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities
* AASB 2021-2 – Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

### Note 8.9: Glossary of technical items

**Amortisation** is the expense which results from the consumption, extraction or use over time of a non-produced physical or intangible asset. 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 transactions'.

**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

**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 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 are** a complete set of Financial Statements in the Annual Report comprising:

(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

(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 good, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to 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. assets less liabilities, which is an economic measure of wealth.

**Net worth is** 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:

(a) gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets,

(b) fair value changes of financial instruments; and

(c) 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

(c) gains and losses on remeasuring available-for-sale financial assets.

**Payables** 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.

### Note 8.10: Style conventions

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

The notation used in the tables is as follows:

|  |  |
| --- | --- |
| - | zero, or rounded to zero |
| (xxx.x) | negative numbers |
| 202x | year period |
| 20xx–2x | year period |

The Financial Statements and notes are presented based on the 2020–21 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.