



Annual Financial Statements

For year ended
30th June 2019

How this report is structured

SV has presented its audited general purpose financial statements for the financial year ended 30 June 2019 in the following structure to provide users with the information about SV's stewardship of resources entrusted to it:

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Annual Financial Statements 2018-19

Notes to the financial statements

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 2019 and the financial position of SV as at 30 June 2019.

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

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

We authorise the attached financial statements for issue on 19 September 2019.


Heather Campbell

Chair
Sustainability Victoria

Melbourne
19/09/2019


Carl Muller

Interim Chief Executive Officer
Sustainability Victoria

Melbourne
19/09/2019


Tom Whitechurch

Acting Chief Financial
Officer
Sustainability Victoria

Melbourne
19/09/2019

Annual Financial Statements 2018-19
Notes to the financial statements

Sustainability Victoria

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Sustainability Victoria

Comprehensive Operating Statement
For the financial year ended 30 June 2019

	Notes	2019 \$	2018 \$
Income from transactions			
Landfill levy	2.1	19,089,526	19,325,289
Government grants	2.1	147,033,888	21,265,258
Other income from government	2.1	254,444	153,880
Interest	2.1	1,433,242	414,500
Other income	2.1	2,957,346	2,739,110
Total income from transactions		170,768,446	43,898,037
Expenses from transactions			
Grant and program expenses	3.1	(125,715,482)	(19,706,085)
Employee benefits	3.1	(19,877,868)	(14,603,528)
Depreciation and amortisation	4.1.1	(642,084)	(429,744)
Occupancy costs		(2,090,147)	(1,511,828)
Telecommunication & IT		(3,047,882)	(2,536,678)
Finance costs	6.1	(4,272)	(4,715)
Other operating expenses	3.1	(2,182,452)	(1,857,399)
Total expenses from transactions		(153,560,188)	(40,649,977)
Net result from transactions (net operating balance)		17,208,258	3,248,060
Other economic flows included in net result			
Net gain / (loss) on non-financial assets	(a)	5,370	9,705
Net gain / (loss) from other economic flows	(b)	(220,147)	(87,715)
Total other economic flows included in net result		(214,777)	(78,010)
Net result		16,993,480	3,170,050
Comprehensive result		16,993,480	3,170,050

Note: (a) Net gain/(loss) on non-financial assets includes disposals of all physical assets
Note: (b) Net gain/(loss) from revaluation of employee benefits - Provision for Long Service Leave

The accompanying notes form part of these financial statements.

Sustainability Victoria

Balance Sheet

As at 30 June 2019

	Notes	2019 \$	2018 \$
Assets			
Financial assets			
Cash & deposits	6.3	64,876,480	27,482,805
Receivables	5.1	16,812,124	7,074,802
Investments and other financial assets	4.3	399,583	161,583
Total financial assets		82,088,187	34,719,190
Non-financial assets			
Property, plant & equipment	4.1	858,231	374,878
Prepayments		736,718	553,955
Intangible assets	4.2	531,534	724,235
Total non-financial assets		2,126,483	1,653,068
Total assets		84,214,670	36,372,258
Liabilities			
Payables	5.2	22,871,767	2,522,044
Borrowings	6.1	131,107	162,273
Employee related provisions	3.1.2	2,773,876	2,409,776
Other Provisions	5.3	10,172,313	6,037
Total liabilities		35,949,063	5,100,131
Net assets		48,265,606	31,272,126
Equity			
Accumulated surplus/(deficit)		22,216,800	5,223,320
Contributed capital		26,048,806	26,048,806
Total equity		48,265,606	31,272,126

The accompanying notes form part of these financial statements.

Sustainability Victoria

Cash Flow Statement

For the financial year ended 30 June 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Receipts			
Receipts from government grants		137,219,078	22,195,501
Receipts from government - other		254,444	153,880
Receipts from landfill levy		19,148,466	19,249,689
Other receipts		3,219,200	1,929,718
Interest received		1,459,014	423,365
Goods and Services Tax recovered from the ATO (a)		3,153,150	1,849,090
Total Receipts		164,453,353	45,801,243
Payments			
Payments to program recipients		(118,996,934)	(21,743,275)
Payments to suppliers and employees		(6,860,672)	(19,954,510)
Interest and other costs of finance paid		(4,272)	(4,715)
Total Payments		(125,861,878)	(41,702,500)
Net cash flows from / (used in) operating activities	6.3.1	38,591,475	4,098,743
Cash flows from investing activities			
Payments for property, plant and equipment		(859,440)	(94,535)
Payments for investments		(238,000)	(161,583)
Payments for intangible WIP		-	(56,250)
Payments for intangible		(81,413)	-
Proceeds from disposal of property, plant and equipment		25,096	33,954
Net cash flows from / (used in) investing activities		(1,153,757)	(278,414)
Cash flows from financing activities			
Repayment of finance leases		(44,043)	(58,411)
Net cash flows from / (used in) financing activities		(44,043)	(58,411)
Net increase in cash & cash equivalents		37,393,675	3,761,918
Cash & cash equivalents at the beginning of the financial year		27,482,805	23,720,887
Cash & cash equivalents at the end of the financial year	6.3	64,876,480	27,482,805
Non-cash transactions	6.3.1		

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

The accompanying notes form part of these financial statements

Sustainability Victoria

Statement of changes in equity

For the financial year ended 30 June 2019

	Accumulated Surplus / (Deficit)	Contributions by Owner	Total
	\$	\$	\$
Balance at 1 July 2017	2,053,270	26,048,806	28,102,076
Net result for the year	3,170,050	-	3,170,051
Balance at 30 June 2018	5,223,320	26,048,806	31,272,127
Net result for the year	16,993,480	-	16,993,480
Balance at 30 June 2019	22,216,800	26,048,806	48,265,606

The accompanying notes form part of these financial statements.

Note 1: About this Report

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

Its principal address is:

Level 28
Urban Workshop
50 Lonsdale Street
Melbourne VIC 3000

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

Basis of preparation

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

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

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates relate to:

- the fair value of plant and equipment (refer Note 4.1);
- superannuation expense (refer Note 3.1.3); and
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of claims, future salary movements and future discount rates (refer Note 3.1.2).

Application of new accounting standards - AASB 9 Financial Instruments, which replaces AASB 39 Financial Instruments: Recognition and Measurement, introduces new requirements for recognition, classification and measurement, a new impairment model for financial assets based on expected credit losses, and simplified hedge accounting. SV has adopted AASB 9 as at 1 July 2018 and has applied the new rules on a modified retrospective basis. As a result, comparatives for 2017/18 in our 30 June 2019 accounts will not be restated. Further disclosures in relation to AASB 9 are at note 7.1 of this report.

The financial statements include all the controlled activities of SV.

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

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

The Solar Homes program to enable Victorian's to install a solar panel system and receive a rebate up to a total value of \$2,225 or a hot water service rebate of \$1,000 has been delivered by SV in 2018-19 and is included in the 2019 figures. Refer to **Note 9** for the disaggregation of the Solar Victoria income statement and balance sheet.

Structure

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

	Notes	2019 \$	2018 \$
Landfill Levy		19,089,526	19,325,289
Government grants	2.2	147,033,888	21,265,258
Interest		1,433,242	414,500
Other income	2.3	3,211,791	2,892,990
Total income from transactions		170,768,446	43,898,037

Income is recognised to the extent that it is probable the economic benefits will flow to the SV and the income can be reliably measured.

The landfill levy is amounts received by Sustainability Victoria (SV) from the Department of Environment, Land, Water and Planning (DELWP) under the *Environment Protection (Distribution of Landfill Levy) Regulations 2010*. Landfill levies are recorded in the period SV obtains control.

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

	2019 \$	2018 \$
Sustainability Fund grants to Sustainability Victoria	46,335,688	21,151,314
Government initiatives funding	-	113,944
Solar Victoria grants	100,698,200	-
Total Government grants	147,033,888	21,265,258

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

Solar Victoria grants received are for the delivery of Phase 1 of the Solar Homes Program, with Phase 2 of the program delivered by The Department of Environment, Land, Water and Planning (DELWP) from 1 July 2019. Additional detail relating to the Solar Homes Program (Solar Victoria) is included under Note 9.

Note 2.3 Income from other transactions

	2019 \$	2018 \$
FirstRate5 Certificates and Accreditation	2,705,852	2,417,538
Program contributions	251,494	321,572
Other income from government - Secondment fees	254,444	153,880
Total Other income	3,211,791	2,892,990

FirstRate5 Certificates and accreditation, program contributions and secondment fees are recognised as income when SV obtains control over the assets comprising these receipts. Control is normally obtained upon their receipt or upon earlier notification that the receipt has been secured, and assets are valued at their fair value at the date of transfer.

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

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Note 3.1 Expenses incurred in delivery of services

	Notes	2019 \$	2018 \$
Employee benefits expense	3.1.1	19,877,868	14,603,528
Grant and program expenses	3.2	125,715,482	19,706,085
Other operating expenses	3.3	2,182,452	1,857,399
Total expenses incurred in delivery of services		147,775,802	36,167,012

Note 3.1.1 Employee benefits in the comprehensive operating statement

	2019 \$	2018 \$
Salaries and wages, annual leave and long service leave	18,280,812	13,469,352
Defined contribution superannuation expense	1,597,056	1,134,176
Total employee expenses	19,877,868	14,603,528

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.

	2019	2018
	\$	\$
Current provisions		
Annual Leave		
Unconditional and expected to settle within 12 months	662,886	482,166
Unconditional and expected to settle after 12 months	299,384	245,733
Long Service Leave		
Unconditional and expected to settle within 12 months	646,028	568,557
Unconditional and expected to settle after 12 months	412,596	461,121
Provisions for on-costs:		
Unconditional and expected to settle within 12 months	180,469	150,417
Unconditional and expected to settle after 12 months	102,181	97,737
Total current provisions for employee benefits	2,263,543	2,005,731
Non-current provisions		
Employee Benefits – Long Service Leave	445,317	352,570
On-costs	65,016	51,475
Total non-current provisions for employee benefits	510,333	404,045
Total provisions for employee benefits	2,773,876	2,409,776

Reconciliation of Movement in on-cost provision

	2019	2018
	\$	\$
Opening Balance	299,546	277,048
Additional provisions recognised	225,585	167,946
Reductions arising from payments/other sacrifices of future economic benefit	(177,465)	(145,448)
Closing Balance	347,666	299,546
Current	282,649	248,154
Non-current	65,016	51,475

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

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

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

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.

Notes to the financial statements

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 the Department expects to wholly settle within 12 months; or
- present value – if the Department does not expect to wholly settle within 12 months.

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

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

Note 3.1.3 Superannuation contributions

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

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

	<i>Paid contribution for the year</i>		<i>Contribution outstanding at year end</i>	
	2019	2018	2019	2018
	\$	\$	\$	\$
Defined contribution plans:				
VicSuper	559,930	501,426	8,899	9,050
Other	992,659	653,006	7,207	13,627
Total	1,552,589	1,154,432	16,106	22,677

Note 3.2 Grant and program expenses

	2019	2018
	\$	\$
Grant and program expenses		
Integrated Waste Management	18,548,858	11,190,186
Resource Efficiency	11,075,830	6,186,738
Engagement (Includes all Litter and Schools Programs)	2,759,900	2,329,161
Solar Victoria rebates	93,330,894	-
Total grant and program expenses	125,715,482	19,706,085

Expenditure incurred for each of the operating areas of SV includes grants, rebates, advertising campaigns and sponsorships. Grants that form part of program expenditure are recognised on the basis of 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 are taken up as an expense in the reporting period in which they are incurred, rebates are paid for Solar Hot Water and Solar Photovoltaic Panel systems installed in an individual residences provided they have met eligibility criteria.

Note 3.3 Other operating expenses

	2019 \$	2018 \$
Supplies and services	650,872	528,819
Agency staff	357,729	240,625
Internal audit	163,750	110,313
Other operating expenses	1,010,101	977,642
Total other operating expenses	2,182,452	1,857,399

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

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.

Fair value measurement

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

Structure

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Note 4.1: Total Plant and equipment

	Gross Carrying amount		Accumulated depreciation		Net Carrying Amount	
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$
Office furniture and equipment	620,395	472,015	(435,255)	(401,714)	185,140	70,301
Computer equipment	1,374,623	828,733	(862,975)	(691,443)	511,648	137,290
Motor vehicles	231,836	233,067	(100,966)	(71,818)	130,870	161,249
Leasehold improvements	32,675	-	(6,126)	-	26,549	-
Make-good provision	99,299	6,038	(95,274)	-	4,025	6,038
Net carrying amount	2,358,827	1,539,853	(1,500,596)	(1,164,975)	858,231	374,878

Initial recognition: Items of plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. The initial cost for non-financial physical assets under a finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Subsequent measurement: 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 in the SV who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

Note 4.1.1: Depreciation and amortisation

Charge for the period	2019 \$	2018 \$
Office furniture and equipment	33,541	18,197
Computer equipment	189,904	119,527
Motor vehicles	43,213	43,867
Leasehold improvements	6,126	-
Make-good provision	95,274	-
Intangible assets (amortisation)	274,026	248,153
Total depreciation and amortisation	642,084	429,744

Notes to the financial statements

Depreciation is generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

	(Years)
	Useful Life
Office furniture and equipment	5 to 10 years
Computer equipment	3 years
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

	Office furniture and equipment		Computer equipment		Motor vehicles		Make-Good Provision		Leasehold Improvement		Total	
	2019	2018	2019	2018	2018	2018	2019	2018	2019	2018	2019	2018
Opening balance	70,301	43,847	137,290	212,971	161,249	170,684	6,038	-	-	-	374,878	427,502
Additions	148,379	44,651	585,124	43,846	26,009	50,000	93,261	6,038	32,675	-	885,449	144,535
Disposals	-	-	(20,862)	-	(13,176)	(15,568)	-	-	-	-	(34,038)	(15,568)
Depreciation	(33,541)	(18,197)	(189,904)	(119,527)	(43,213)	(43,867)	(95,274)	-	(6,126)	-	(368,058)	(181,591)
Closing balance	185,140	70,301	511,648	137,290	130,869	161,249	4,025	6,038	26,549	-	858,231	374,878

Note 4.2: Intangible assets

	2019	2018
	\$	\$
Gross carrying amount		
Opening balance	1,351,326	1,240,768
Additions from IT development	81,325	-
Work in Progress of IT Development	-	111,558
Closing balance	1,433,650	1,352,326
Accumulated depreciation and amortisation		
Opening balance	(628,090)	(379,937)
Amortisation expense (i)	(274,026)	(248,153)
Closing balance	(902,116)	(628,090)
Net book value at end of financial year	531,534	724,235

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

Initial recognition

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 *Intangible Assets* is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and amortisation begins 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 lives 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 \$364,524 (2018: \$612,677). Its useful life is five years and will be fully amortised in 2022. During the financial year SV capitalised \$192,883 for its project management software PRoMPT which formed part of 2018 work in progress. Its useful life is five years and will be fully amortised in 2024.

Make-good asset: refer note 5.3

Note 4.3: Investments and other financial assets

	2019	2018
	\$	\$
Non-current investments and other financial assets		
Investment – social enterprise projects	20,146	20,868
Loans receivable – social enterprise projects	379,437	140,715
Total non-current investments and other financial assets	399,583	161,583
Total investments and other financial assets	399,583	161,583

Ageing analysis of financial assets

	Carrying amount \$	Not past due and not impaired \$
2019		
Managed Fund	399,583	399,583
Total	399,583	399,583

Note 5: Other Assets and Liabilities

Introduction

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

Structure

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Note 5.1: Receivables

	2019	2018
	\$	\$
Contractual		
Trade debtors	273,845	716,870
Accrued Investment income	3,093	29,675
Other receivables	51,282	34,120
Amounts owing from Victorian Government (i)	10,789,224	679,837
Statutory		
Landfill Levy receivable (ii)	4,772,381	4,831,322
GST Receivable	921,489	782,978
Total receivables	16,812,124	7,074,802
<i>Represented by:</i>		
Current receivables	16,812,124	7,074,802

Notes:

- (i) Funds due from the Department of Environment, Land, Water and Planning for government priority programs.
(ii) All monies due for Landfill Levy in 2019 were paid in July 2019.

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

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments. SV applies AASB 9 for initial measurement of the statutory receivables and as a result statutory receivables are initially recognised at fair value plus any directly attributable transaction costs

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.

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.

Ageing analysis of contractual receivables

	Carrying amount \$	Not past due and not impaired \$	Less than 1 month \$	Past due but not impaired	
				1-3 months \$	3 months - 1 year \$
2019					
Trade Debtors	273,845	258,863	14,850	-	132
Accrued investment income	3,093	3,093	-	-	-
Amounts owing from Victorian Government	10,789,224	6,022,351	1,985,568	2,700,000	81,305
Other debtors	51,282	51,582	-	-	-
Total	11,118,253	6,336,398	2,003,418	2,700,000	81,437
2018					
Trade Debtors	716,870	710,142	-	-	6,728
Accrued investment income	29,675	29,675	-	-	-
Amounts owing from Victorian Government	679,837	679,837	-	-	-
Other debtors	34,120	34,120	-	-	-
Total	1,460,502	1,453,774	-	-	6,728

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 so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

Note 5.2: Payables

	2019 \$	2018 \$
Contractual		
Trade creditors	3,353,452	576,587
Accrued project grants	1,684,148	1,184,575
Accrued expenses	381,630	643,904
Accrued Solar Victoria rebates	17,335,216	-
Statutory		
GST payable	37,638	63,137
Payroll tax payable	59,367	45,319
FBT payable	20,316	8,522
Total payables	22,871,767	2,522,044
<i>Represented by:</i> Current payables	22,871,767	2,522,044

Notes to the financial statements

Payables consist of:

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

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

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

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

Maturity analysis of contractual payables ⁽ⁱ⁾

	Carrying amount	Nominal Amount	Maturity dates		
			Less than 1 month \$	1-3 months \$	3 months - 1 year \$
2019					
Trade creditors	3,353,452	3,353,452	3,291,824	59,624	2,003
Accrued project grants	1,684,148	1,684,148	1,684,148	-	-
Accrued expenses	381,360	381,360	381,360	-	-
Accrued Solar Victoria rebates	17,335,216	17,335,216	9,032,275	7,392,500	910,441
Total	22,754,447	22,754,447	14,389,878	7,452,124	912,444
2018					
Trade creditors	576,587	576,587	506,508	61,172	8,907
Accrued project grants	1,184,575	1,184,575	1,184,575	-	-
Accrued expenses	643,904	643,904	643,904	-	-
Total	2,405,066	2,405,067	2,334,987	61,172	8,907

Notes: (i) The carrying amounts disclosed exclude statutory amounts (e.g. GST payables). Maturity analysis is presented using the contractual undiscounted cash flows.

Note 5.3: Other provisions

	2019 \$	2018 \$
Current provisions		
Make-good provision	6,038	6,038
Solar Victoria rebate provision	10,166,275	-
Total non-current provisions	10,172,313	6,038
Total other provisions	10,172,313	6,038

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

Solar Victoria rebate provision is recognised when the application has been received and they are eligible, however they have not yet been approved for payment.

Reconciliation of movements in other provisions

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

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

Note 6: How we financed our operations

Introduction

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

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

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Note 6.1: Borrowings

	2019	2018
	\$	\$
Current borrowings		
Finance lease liabilities ⁽ⁱ⁾	131,107	90,051
Total current borrowings	131,107	90,051
Non-current borrowings		
Finance lease liabilities ⁽ⁱ⁾	-	72,223
Total non-current borrowings	-	72,223
Total borrowings	131,107	162,274

Notes: (i) Secured by the assets leased. Finance leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

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

Maturity analysis of borrowings

	Carrying amount	Nominal Amount	Maturity dates			
			Less than 1 month	1-3 months	3 months - 1 year	1-5 years
			\$	\$	\$	\$
2019						
Finance Lease Liabilities	131,107	131,107	10,925	32,777	87,405	-
Total	131,107	131,107	10,925	32,777	87,405	-
2018						
Finance Lease Liabilities	162,274	162,274	7,504	22,513	60,034	72,223
Total	162,274	162,274	7,504	22,513	60,034	72,223

Interest expense

	2019 \$	2018 \$
Interest on finance leases	4,272	3,452
Total interest expense	4,272	3,452

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

Note 6.2: Leases**Note 6.2.1: Finance lease liabilities**

	Minimum future lease payments (i)		Present value of minimum future lease payments	
	2019 \$	2018 \$	2019 \$	2018 \$
Not longer than one year	131,107	93,993		90,051
Longer than one year but not longer than five years	-	72,995		72,223
Minimum future lease payment	131,107	166,988		162,274
Less future finance charges	(1,026)	(4,715)		162,273
Present value of minimum lease payments	130,081	162,273		162,273
Included in the financial statements as:				
Current borrowings (Note 6.1)	131,107		131,107	90,051
Non-current borrowings (Note 6.1)			-	72,223
Total	131,107		131,107	162,273

Notes: (i) Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

The finance leases entered into by SV relate to motor vehicles through VicFleet with lease terms of 3 years. SV has options to purchase the vehicles at the conclusion of the lease agreements.

At the commencement of the lease term, finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The leased asset is accounted for as a non-financial physical asset and depreciated over the shorter of the estimated useful life of the asset or the term of the lease. Minimum finance lease payments are apportioned between the reduction of the outstanding lease liability and the periodic finance expense, which is calculated using the interest rate implicit in the lease and charged directly to the comprehensive operating statement.

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 and insignificant risk of changes in value.

	2019 \$	2018 \$
Cash at bank	22,469,354	1,181,805
Cash on hand	349	1,000
Short-term deposits	42,406,777	26,300,000
Balance as per cash flow statement	64,876,480	27,482,805

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

	2019 \$	2018 \$
Net result for the financial year	16,993,480	3,170,050
Non-cash movements:		
Depreciation	642,084	429,744
(Gain) / Loss on disposal of assets	(5,370)	(9,705)
Movements in assets and liabilities:		
Increase/(Decrease) in employee related provisions	364,100	241,183
Increase in payables	30,517,264	237,937
(Increase) / Decrease in prepayments	(182,762)	274,235
Decrease in receivables	(9,737,322)	244,702
Net cash flows from/(used in) operating activities	38,591,475	4,098,743

Note 6.4: Commitments for expenditure

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

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

Nominal Amounts	Less than 1 year \$	1 – 5 years \$	5+ years \$	Total \$
2018				
Operating and lease commitments ⁽ⁱ⁾	1,614,834	3,719,010	-	5,333,844
Other commitments- contracts ⁽ⁱⁱ⁾				
- Tied funding	20,409,409	6,098,827	-	26,508,236
- Other funding	1,525,593	913,021	-	2,438,614
Total commitments (inclusive of GST)	23,549,836	10,730,858	-	34,280,693
Less GST recoverable	2,140,894	975,533	-	3,116,427
Total commitments (exclusive of GST)	21,408,942	9,755,324	-	31,164,266

Notes:

(i) Operating lease commitments relate to the CBD office accommodation tenanted by SV located at The Urban Workshop, Level 28, 50 Lonsdale Street, Melbourne, Victoria. The lease terms are 15 years (lease expires 31 August 2021) with an option to extend a further 5 years.

(ii) Other commitments are entered into through 391 contracts by SV as at the reporting date (262 contracts at 30 June 2018) but not included in the Balance Sheet and are carried forward into the 2019-20 financial year and beyond

Note 7: Risk, contingencies and valuation judgements

Introduction

SV is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instruments 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

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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. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

From 1 July 2018, SV applies AASB9 and classifies all of its financial assets based on the business model for managing assets and the asset's contractual terms.

Categories of financial assets under AASB9

Financial assets at amortised cost

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

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

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

SV recognises the following assets in this category:

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

Categories of financial assets previously under AASB139

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

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

Categories of financial liabilities under AASB9 and previously under AASB139

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

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

De-recognition of financial assets: A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- 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
- SV has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset; or

Notes to the financial statements

– has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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.

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

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

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

Note 7.1.1: Financial instruments: Categorisation

	Cash and deposits	Financial assets/loans and receivables at amortised cost	Financial liabilities at amortised cost	Total
2019	\$	\$	\$	\$
Contractual financial assets				
Cash and deposits	64,876,480	-	-	64,876,480
Receivables (i)	-	11,118,253	-	11,118,253
Investments	-	399,583	-	399,583
Total Contractual financial assets	64,876,480	11,517,837	-	76,394,317
Contractual financial liabilities				
Payables (i)		-	22,741,687	22,741,687
Finance Lease Liabilities		-	130,081	130,081
Total Contractual financial liabilities		-	22,871,767	22,871,767

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

	Cash and deposits	Financial assets/loans and receivables at amortised cost	Financial liabilities at amortised cost	Total
2018	\$	\$	\$	\$
Contractual financial assets				
Cash and deposits	27,482,805		-	27,482,805
Receivables (i)		1,460,502	-	1,460,502
Investments		161,583	-	161,583
Total Contractual financial assets	27,482,805	1,622,085	-	29,104,890
Contractual financial liabilities				
Payables (i)		-	2,359,771	2,359,771
Finance Lease Liabilities		-	162,273	162,273

Total Contractual financial liabilities	-	2,522,044	2,522,044
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Notes: (i) 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 in the government policy parameters.

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

SV uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the SV Board.

Financial Instruments: Credit risk

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

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

In addition, SV does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash and deposits, which are mainly cash at bank. As with the policy for debtors, SV's policy is to only deal with banks with high credit ratings.

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

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

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

There has been no material change to SV's credit risk profile in 2018-19.

Credit quality of contractual financial assets that are neither past due or impaired¹

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

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

2018	Financial institutions (triple A credit rating) \$	Government agencies (triple A credit rating) \$	Other (min triple B credit rating) \$	Total \$
Cash and deposits	1,181,805	26,300,000	-	27,481,805
Receivables (i)	-	1,453,773	-	1,453,773
Investments	161,583	-	-	161,583
Total Contractual financial assets	1,343,388	27,753,773	-	29,097,161

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

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

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

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

Contractual receivables at amortised cost

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

Financial instruments: Liquidity risk

Liquidity risk arises when SV is unable to meet its financial obligations as they fall due. SV operates under the government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

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

Financial instruments: Market risk

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

Sensitivity disclosure analysis and assumptions

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

- a movement of 50 basis points up and down (2018: 50 basis points up and down) in market interest rates (AUD) from year-end rates of 1.79 per cent (2018: 1.77 percent)

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. SV's exposure is insignificant due to its policy to minimise risk by mainly undertaking fixed rate investments with relatively even maturity profiles which are managed by Treasury Corporation of Victoria.

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

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

Interest rate exposure of financial instruments

2019	Weighted average interest rate %	Carrying Amount \$	Interest rate exposure		
			Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$
Financial assets					
Cash and deposits	1.79%	64,876,480	42,406,777	22,469,354	500
Receivables		11,118,253	-	-	11,118,253
Investments		399,583	-	-	399,583
Total financial assets		76,694,317	42,406,777	22,469,354	11,518,337
Financial liabilities					
Payables		22,871,767	-	-	22,871,767
Finance lease liabilities	3.17%	131,107	131,107	-	-
Total financial liabilities		23,002,874	131,107	-	22,871,767
2018					
Financial assets					
Cash and deposits	1.77%	27,482,805	26,300,000	1,181,805	1,000
Receivables		1,460,502	-	-	1,460,502
Investments		161,583	-	-	161,583
Total financial assets		29,104,890	26,300,000	1,181,805	1,623,085
Financial liabilities					
Payables		2,359,771	-	-	2,359,771
Finance lease liabilities	3.18%	162,273	162,273	-	-
Total financial liabilities		2,522,044	162,273	-	2,359,771

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

Interest rate risk sensitivity

2019	Carrying Amount \$	Interest rate risk			
		-50 basis points Net Result \$	Equity \$	+50 basis points Net Result \$	Equity \$
Contractual financial assets					
Cash and cash equivalents	64,876,480	(324,382)	(324,382)	324,382	324,382
Investments	399,583	(1,998)	(1,998)	1,998	1,998
Contractual financial liabilities					
Borrowings	131,107	(656)	(656)	656	656
Total impact		(327,036)	(327,036)	327,036	327,036
2018					
Contractual financial assets					
Cash and cash equivalents	27,482,805	(137,414)	(137,414)	137,414	137,414
Investments	161,583	(808)	(808)	(808)	808
Contractual financial liabilities					
Borrowings	162,273	(811)	(811)	811	811
Total impact		(139,033)	(139,033)	139,033	139,033

Notes: Cash and deposits includes a deposit of \$64,876,480 (2018: \$27,482,805) that is exposed to floating rates movements. Sensitivities to these movements are calculated as follows: 2019: \$64,876,480 × 0.005 = \$324,382 and 2018: \$27,482,805 × 0.005 = \$137,414.

Foreign currency risk

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

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

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 (2018: \$Nil).

7.3 Fair value determination

Significant judgement: Fair value measurements of assets and liabilities

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

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

The following assets and liabilities are carried at fair value:

- financial assets and liabilities at fair value through operating result; and
- plant and equipment

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

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

Fair Value hierarchy

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

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

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

How this section is structured

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

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

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

7.3.1 Fair value determination of financial assets and liabilities

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

- Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and

Notes to the financial statements

- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

SV currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2018-19 reporting period.

These financial instruments include:

<i>Financial assets</i>	<i>Financial liabilities</i>
Cash and deposits	Payables
Receivables:	Borrowings:
<ul style="list-style-type: none"> Amounts owing from government Accrued investment income Other receivables 	- Finance lease liabilities
Investments	

There is no difference in the fair value of SV's financial instruments to the carrying amounts for 2018 or 2019.

7.3.2 Fair value determination of non-financial physical assets

Fair value measurement hierarchy

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

2018	Carrying amount as at 30 June 2018	Fair value measurement at end of reporting period using:		
		Level 1 ^(a)	Level 2 ^(a)	Level 3 ^(a)
Office furniture and equipment	70,301	-	-	70,301
Computer equipment	137,290	-	-	137,920
Motor Vehicles	161,249	-	-	161,249
Total of non-financial assets at fair value	368,839	-	-	368,840

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

Office furniture and equipment and computer equipment is held at fair value. Fair value is determined using the current replacement cost method. There were no changes in valuation techniques used throughout the period to 30 June 2019. For all assets measured at fair value, the current use is considered the highest and best use.

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

Reconciliation of Level 3 fair value movements

2019	Office, Furniture and Equipment	Computer Equipment	Motor Vehicle	Total
Opening balance	70,301	137,289	161,249	368,839
Purchases	148,379	585,124	26,009	759,513
Disposals	-	(20,862)	(13,176)	(34,038)
Depreciation	(33,541)	(189,904)	(43,213)	(266,658)
Closing balance	185,140	511,648	130,869	827,656

2018	Office, Furniture and Equipment	Computer Equipment	Motor Vehicle	Total
Opening balance	43,847	212,971	170,684	427,502
Purchases	44,651	43,846	50,000	138,497
Disposals	-	-	(15,568)	(15,568)
Depreciation	(18,197)	(119,526)	(43,867)	(181,591)
Closing balance	70,301	137,290	161,249	368,840

Description of significant unobservable inputs to Level 3 valuations

2019 & 2018	Valuation Technique	Significant unobservable inputs
Office Furniture & Equipment	Depreciated Replacement Cost	Cost per unit
Computer Equipment	Depreciated Replacement Cost	Cost per unit
Motor vehicles	Depreciated Replacement Cost	Cost per unit
Provision for make good	Current Replacement Cost	Cost per unit

Note 8: Other disclosures

Introduction

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

Structure

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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 2018-19 financial year. Nil for 2017-18

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 & Solar Homes	The Hon. Lily D'Ambrosio	1 July 2018 to 30 June 2019
Chief Executive Officer	Stan Krpan	1 July 2018 to 21 May 2019
Interim Chief Executive Officer	Carl Muller	27 May 2019 to 30 June 2019

Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of SV during the reporting period was in the range: \$410,000 - \$419,999 (\$340,999 - \$349,000 in 2017-18).

Board members

1 July 2018 to 30 June 2019

Heather Campbell, Chair

Megan Flynn

Kane Thornton

Vicky Darling

Jennifer Lauber Patterson

Peter Castellias

Sarah Clarke

Judith Harris

Kerry Osborne

Remuneration

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

	<i>Total remuneration 2019</i>	<i>Total remuneration 2018</i>
Income band	No.	No.
0 - \$9,999	-	-
\$10,000 - \$19,999	8	8
\$20,000 - \$29,999	1	-
\$30,000 - \$39,999	-	1
\$290,000 - \$299,999	-	-
\$320,000 - \$329,999	-	-
\$340,000 - \$349,999	-	1
\$410,000 - \$419,999	1	-
Total numbers	10	10
Total amount	\$598,688	\$538,009

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 provides a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits (as defined by AASB 119 *Employee Benefits*) in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

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

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

Other long-term benefits include long service leave, other long service benefits or deferred compensation.

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

<i>Remuneration of executive officers (including Key Management Personnel)</i>	<i>Total remuneration 2019</i>	<i>Total remuneration 2018</i>
Short-term employee benefits	1,177,701	839,896
Post-employment benefits	110,201	85,546
Other long-term benefits	11,974	9,100
Termination benefits	-	-
Total remuneration^(a)	1,299,876	934,542
Total number of executives	6	5
Total annualised employee equivalents^(b)	6	5

Notes:

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

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

Note 8.4: Related Parties

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

Related parties of SV include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);
- all cabinet ministers and their close family members; and

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- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

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

Significant transactions with government-related entities

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

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

SV receives funding for on-going and program delivery activities from DELWP and makes payments for unspent program funding.

The amounts recognised as revenue are:	2018-19	2017-18
Landfill levy	\$19,089,526	\$19,325,289
Sustainability Fund grants	\$46,335,688	\$19,139,802
Government initiatives funding	\$100,698,200	\$841,000

The amount recognised as expense is:		
Payments to for project delivery and unspent funds	\$778,430	\$124,958

Environment Protection Agency Victoria (EPA)

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

The amount recognised as revenue is:

Government initiatives funding	\$1,717,101	\$1,165,512
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Treasury Corporation of Victoria (TCV)

The amount recognised as revenue is:

Interest revenue	\$756,503	\$404,654
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State Revenue Office (SRO)

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

The amount recognised as expense is:

Payroll tax	\$877,040	\$625,130
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Key management personnel (KMP) of SV includes the Minister, the Hon. Lily D'Ambrosio, and the following:

Key management personnel	Position Title
Heather Campbell	Board Chair
Kane Thornton	Deputy Chair
Megan Flynn	Board member
Vicky Darling	Board member
Jennifer Lauber Patterson	Board member
Peter Castellas	Board member
Sarah Clarke	Board member
Judith Harris	Board member
Kerry Osborne	Board member
Stan Krpan	CEO
Carl Muller	Interim CEO

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The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the Parliamentary Salaries and Superannuation Act 1968 and is reported within the Department of Parliamentary Services' Financial Report.

Sustainability Victoria 2018		
Compensation of KMPs	2019	2018
Short term employee benefits	565,614	500,243
Post-employment benefits	33,074	37,766
Other long-term benefits	4,628	4,936
Termination benefits	-	-
Total	603,316	542,945

Transactions with key management personnel and other related parties

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

In 2018-19, SV paid \$918,465 (in 2018 only: \$434,277 and in 2017-18: \$843,325) to CSIRO for FirstRate5 software licence fees and research on community attitudes to the waste and resource recovery sector in Victoria. Heather Campbell, SV's Chairperson was Director of Health Safety and Environment with CSIRO in 2018. Ms Campbell was not involved in any decision relating to CSIRO's services to SV.

Additionally, in 2018-19 SV paid \$12,500 (2017-18: \$12,500) to the Carbon Markets Institute for the Women in Climate sponsorship package as part of Summit Sponsorship Agreement - Women in Climate. Two of SV's board members are involved in Carbon Markets Institute being Megan Flynn (as Non-Executive Director) and Peter Castellias (as Director). Neither were involved in any decision making relating to this payment to Carbon Markets.

SV paid \$1,000 to Outlook (Vic) Inc, a not for profit organisation that operates an environmental management social enterprise. This is part of general funding contract. One of SV's board member, Kerry Osbourne, is an Advisor at Outlook (Vic) Inc and is not key management personnel involved with decisions making.

SV paid \$760 for conference and seminar events at Energy Efficiency Council. SV's Chair, Heather Campbell, is also a member of Project Reference Group at the council and is not involved with training activities of SV employees.

Note 8.5: Subsequent events

in 1 July 2020 the Solar Homes program, called Solar Victoria, was transferred from Sustainability Victoria, to the Department of Environment, Land, Water and Planning. The completion of the Phase 1 rebates has remained with Sustainability Victoria from 1 July to 31 October 2019 as a service provider for DELWP. A Memorandum of Understanding has been put in place for this arrangement.

Note 8.6: Remuneration of auditors

	2019	2018
	\$	\$
Victorian Auditor-General's Office		
Audit of the financial statements	40,300	28,300
Total remuneration of auditors	40,300	28,300

Note 8.7: Australian Accounting Standards issued that are not yet effective

The following AASs become effective for reporting periods commencing after 1 July 2019:

- AASB 1059 *Service Concession Arrangements: Grantor*;
- AASB 16 *Leases*;
- AASB 15 *Revenue from Contract with Customers*; and

- AASB 1058 *Income of Not-for-Profit Entities*.

Leases

AASB 16 *Leases* replaces AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases-Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases on the balance sheet by recording a Right-Of-Use (RoU) asset and a lease liability except for leases that are shorter than 12 months and leases where the underlying asset is of low value (deemed to be below \$10,000).

AASB 16 also requires the lessees to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset, and remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The amount of the remeasurement of the lease liability will generally be recognised as an adjustment to the RoU asset.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

The effective date is for annual reporting periods beginning on or after 1 January 2019. SV intends to adopt AASB 16 in 2019-20 financial year when it becomes effective. SV will apply the standard using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information.

Various practical expedients are available on adoption to account for leases previously classified by a lessee as operating leases under AASB 117. SV will elect to use the exemptions for all short-term leases (lease term less than 12 months) and low value leases (deemed to be below \$10,000).

In addition, AASB 2018-8 – Amendments to Australian Accounting Standards – Right-of-Use Assets (RoU) of Not-for-Profit Entities allows a temporary option for not-for-profit entities to not measure RoU assets at initial recognition at fair value in respect of leases that have significantly below-market terms, since further guidance is expected to be developed to assist not-for-profit entities in measuring RoU assets at fair value. The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such RoU assets at cost rather than fair value) to include additional disclosures. The Department intends to choose the temporary relief to value the RoU asset at the present value of the payments required (at cost).

SV has performed a detailed impact assessment of AASB 16 and the potential impact in the initial year of application has been estimated as follows:

- increase in RoU (\$3,089,464),
- increase in related depreciation (\$1,423,806),
- increase in lease liability (\$1,718,416),
- increase in related interest (\$55,689) calculated using effective interest method, and
- decrease in rental expense (\$1,479,495).

Revenue and Income

AASB 15 supersedes AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers.

AASB 15 establishes a five-step model to account for revenue arising from an enforceable contract that imposes a sufficiently specific performance obligation on an entity to transfer goods or services. AASB 15 requires entities to only recognise revenue upon the fulfilment of the performance obligation. Therefore, entities need to allocate the transaction price to each performance obligation in a contract and recognise the revenue only when the related obligation is satisfied.

To address specific concerns from the 'not-for-profit' sector in Australia, the AASB also released the following standards and guidance:

- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian implementation guidance for NFP entities* (AASB 2016-8), to provide guidance on application of revenue recognition principles under AASB 15 in the not-for-profit sector.
- AASB 2018-4 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public-Sector Licensors* (2018-4), to provide guidance on how to distinguish payments receive in connection with the access to an asset (or other resource) or to enable other parties to perform activities as tax and non-IP licence. It also provides guidance on timing of revenue recognition for non-IP licence payments.
- AASB 1058 *Income of Not-for-Profit Entities*, to supplement AASB 15 and provide criteria to be applied by not-for-profit entities in establishing the timing of recognising income for government grants and other types of contributions previously contained within AASB 1004 Contributions.

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AASB 15, AASB 1058 and the related guidance will come into effect for not-for-profit entities for annual reporting periods beginning on or after 1 January 2019. The Department intends to adopt these standards in 2019-20 financial year when it becomes effective.

SV will apply the standard using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information.

SV has performed a detailed impact assessment of AASB 15 and AASB 1058 and the potential impact for each major class of revenue and income in the initial year of application has been estimated as follows:

- One major income category is impacted from the assessment undertaken being Government Grants, with the other major income categories reviewed but have been assessed as not being impacted by the new standards; and
- SV has calculated the increase in deferred revenue taken onto balance sheet to be \$23.6 million.

Certain new Australian Accounting Standards (AAS) have been published which are not mandatory for the 30 June 2019 reporting period. DTF assesses the impact of all these new standards and advises SV of their applicability and early adoption where applicable. As at 30 June 2019, the following standards and interpretations (applicable to SV) had been issued but were not mandatory for the financial year ended 30 June 2019. SV has not early adopted these standards.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on SV's financial statements
AASB 1059 <i>Service Concession Arrangements: Grantor</i>	For arrangements within the scope of AASB 1059, the public sector grantor will be required to record the asset(s) used in the service concession arrangement at current replacement cost in accordance with cost approach to Fair Value under AASB 13: <i>Fair Value Measurement</i> (AASB 13), with a related liability, which could be a financial liability, an accrued revenue liability (referred to as the "Grant Of A Right To The Operator" or GORTO liability) or a combination of both.	1 July 2019	The assessment has indicated that there will be no significant impact for SV.
AASB 17 <i>Insurance Contracts</i>	The new Australian standard eliminates 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. This standard does not currently apply to not-for-profit public sector entities. The AASB is undertaking further outreach to determine the applicability of this standard to the not-for-profit public sector.	1 Jan 2021	The assessment has indicated that there will be no significant impact for SV.
AASB 2018-6 <i>Amendments to Australian Accounting Standards – Definition of a Business</i>	This standard amends AASB 3 <i>Business Combinations</i> to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments: <ul style="list-style-type: none"> • clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; • remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; • add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; • narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and 	1 Jan 2021	The assessment has indicated that there will be no significant impact for SV.

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	<ul style="list-style-type: none"> add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. 		
AASB 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material</i>	This standard amends AASB 101 <i>Presentation of Financial Statements</i> and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> . The amendments refine the definition of material in AASB 10 <i>Events after the Reporting Period</i> , include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material. The amendments also clarify the definition of material and its application by improving the wording and aligning the definition across AASB standards and other publications.	1 Jan 2021	The assessment has indicated that there will be no significant impact for SV.

Note 9: Disaggregated Financial Information

Introduction

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

Structure

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Note 9.1 Solar Victoria Comprehensive Operating Statement

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

Sustainability Victoria has been allocated funds to deliver Phase 1 of the program and has established a dedicated business unit called Solar Victoria. It is expected that all Phase 1 rebates will be paid out by 31 October 2019.

Phase 2 of Solar Homes will be delivered by the Department of Environment, Land, Water and Planning from 1 July 2019

	2019
	\$
Income from transactions	
Government grants	100,698,200
Interest	651,364
Total income from transactions	101,349,564
Expenses from transactions	
Grant and program expenses	(93,989,409)
Employee benefits	(3,158,073)
Depreciation and amortisation	(165,877)
Occupancy costs	(556,178)
Finance costs	(254)
Total expenses from transactions	(97,869,791)
Net result from transactions (net operating balance)	3,479,773
Other economic flows included in net result	
Net gain / (loss) on non-financial assets (a)	-
Net gain / (loss) from other economic flows (b)	(286,942)
Total other economic flows included in net result	(286,942)
Net result	3,192,831
Comprehensive result	3,192,831

Note 9.2 Solar Victoria Balance Sheet

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

Note 10: Glossary of technical terms and style conventions

10.1 Glossary of technical terms

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

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

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

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

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

Financial asset is any asset that is:

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

Financial statements a complete set of financial statements in the Annual Report comprises:

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

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

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

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

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

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

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

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

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

Non-financial assets are all assets that are not 'financial assets'. It includes plant and equipment and intangible assets.

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. It includes:

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

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

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

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

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

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

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

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

10.2 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:

Annual Financial Statements 2018-19

Notes to the financial statements

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(xxx.x)

200x

200x 0x

The financial statements and notes are presented based on the 2017-18 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.