annual report + financial statements 2011

NATIONAL HEART FOUNDATION OF AUSTRALIA

(NATIONAL OFFICE AND GROUP) ABN 98 008 419 761

FOR THE YEAR ENDED 31 DECEMBER 2011

Contents

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Directors and Office Bearers

Patron

Her Excellency Ms Quentin Bryce AC
Governor-General of the Commonwealth of Australia

Board of Directors

National President	Associate Professor P T Sexton JP, FAMA, BSc(Hons), MBBS, PhD, FAFPHM, FAICD (from 27 May 2011) Mr B J Carter BEc, MBA, FCA, FAICD (to 27 May 2011)
Deputy National President	Dr J A Johns MBBS, FRACP, FCSANZ (from 27 May 2011) Associate Professor P T Sexton JP, FAMA, BSc(Hons), MBBS, PhD, FAFPHM, FAICD (to 27 May 2011)
National Treasurer	Mr B J Davies OAM, FCA, FCPA
Directors	Professor P E G Aylward MA(Oxon), BM, BCh, PhD, FRCP, FRACP, FACC, FCSANZ Mr J R Cowen LLM, BCL, Sol BL (Vic) TEP, Chair Audit and Governance Committee Professor M M Daube BA(Hons), HonDSci (to 27 May 2011) Ms H J Egan BAgrSc(Hons), MBA, GAICD, Chair Food Information Program Oversight Committee Mr D H Gillam BBus, FCPA, FAICD (from 27 May 2011) Mr M J Laverty LLM Dr G McFeat Lin ARCM(Hons), Arch(Hons), PhD (to 27 May 2011) Dr J P O'Shea MBBS, FRACP, FSCANZ (from 27 May 2011) Dr M A Sargent BE(Hons), PhD (from 27 May 2011)
Representative of the Cardiac Society of Australia and New Zealand	Professor I T Meredith AM, BSc(Hons), MBBS(Hons), PhD, FRACP, FCSANZ, FACC, FAHA (from 27 May 2011) Associate Professor R M Allan MBBS, FRACP, FCSANZ, FACC (to 25 February 2011)
Additional Directors	Professor G L Jennings AM, MBBS, MD, FRACP, FRCP(London), FAHA, FCSANZ, FMBRCA, Chair National Cardiovascular Health Advisory Committee Mr C B Taylor FFin, FPNA, MAICD, Chair National Finance Advisory Committee
Members at Large	Mr R H Allert AO, FCA Mr B J Carter, BEc, MBA, FCA, FAICD Mr L T Cox BEc, FCA Dr E J Halliday, MB BS, FRACP, FRCP Professor P H Harris, AM, BSc(Med)(Hons), DPhil(Oxon), FRACP, FAHA, FCSANZ Mr H R Hope BCom, LLB, FAICD Sir Richard Kingsland, AO, CBE, DFC Mr R V Ryan AO Professor A M Tonkin MBBS, MD, FRACP Mr A H Urquhart, AO, CBE (deceased September 2011)
Chief Executive Officer – National	Dr L M Roberts AM, DipAppSci(Chem), BA(Hons), PhD
Company Secretary	Ms D A Cope
Solicitors	Norton Rose
Auditors	KPMG
Registered Office	Level 12, 500 Collins Street, Melbourne,Victoria 3000
Preferred Postal Address	Level 12, 500 Collins Street, Melbourne,Victoria 3000

Directors' Report

for the year ended 31 December 2011

The directors present their report together with the financial report of National Heart Foundation of Australia ("the Foundation") and the consolidated financial report of the consolidated entity ("consolidated entity"), being the Foundation and the State and Territory Divisions, for the year ended 31 December 2011 and the Auditors' Report thereon.

Directors

The following directors of the Foundation, all of whom are independent, non-executive and held office at any time during or since the end of the financial year:

Name and qualifications	**Experience and special responsibilities**	**Board Meetings attended & held #**	**Appointment and resignation**
Associate Professor R M Allan MBBS, FRACP, FCSANZ, FACC (Cardiac Society of Australia and New Zealand Representative to 25 February 2011)	Interventional Cardiologist; Cardiac Services Clinical Stream Director South Eastern Sydney Illawara Health, Prince of Wales Hospital; Director Eastern Heart Clinic Pty Ltd; Director Prince of Wales Research Institute; Director Mecafern Pty Ltd; Director Cardiac Society of Australia and New Zealand; Member National Heart Foundation of Australia Cardiovascular Health Advisory Committee; Member National Heart Foundation of Australia(New South Wales Division).	0/1	Appointed 26 October 2006 Resigned 25 February 2011
Professor P E G Aylward MA(Oxon), BM, BCh, PhD, FRCP, FRACP, FACC, FCSANZ	Cardiologist; Regional Clinical Director (Medicine), Southern Adelaide Local Health Network; Professor in Medicine, Flinders University; Member National Heart Foundation of Australia Cardiovascular Health Advisory Committee; President of National Heart Foundation South Australian Division	4/6	Appointed 5 June 2007
Mr B J Carter BEc, MBA, FCA, FAICD (National President)	Chartered accountant; Managing Partner Ferrier Hodgson (SA); over 30 years in public practice; Chairman of South Australian Government/BHP Steering Group for the Olympic Dam Expansion; Director Australian Submarine Corporation; Director Skycity Entertainment Group Ltd; Chairman TIO; Director Badge Management Pty Ltd, Director Genesee & Wyoming Australia Pty Ltd; Director Eudunda Farmers Limited; Chair National Heart Foundation of Australia Executive; member National Heart Foundation South Australian Division.	3/3	Appointed 18 May 2001 Resigned 27 May 2011
Mr J R Cowen LLM BCL, Sol.BL(Vic), TEP	Lawyer and Finance Investment professional with in excess of 20 years experience; Member Corporations Law Committee, QLD; Member Law Society Inc and Business Law Committee, Law Council of Australia; Fellow, CEO Institute; Chair National Heart Foundation Audit and Governance Committee, member of the National Heart Foundation Executive from 27 May 2011; President National Heart Foundation Queensland Division.	6/6	Appointed 25 May 2009
Professor M M Daube BA(Hons), HonDSci	Professor of Health Policy Curtin University; extensive experience in public and health administration nationally and internationally; Director Public Health Institute and McCusker Centre for Action on Alcohol and Youth; President Australian Council on Smoking and Health; Chair National Heart Foundation Audit Governance and Ethics Committee, member of the National Heart Foundation Executive and President National Heart Foundation of Australia Western Australian Division to 27 May 2011.	3/3	Appointed 26 April 2005 Resigned 27 May 2011
Mr B J Davies OAM, FCA, FCPA (National Treasurer)	Chartered accountant; 40 years in public practice; Member National Heart Foundation of Australia Finance Advisory Committee; Member National Heart Foundation Executive; Member National Heart Foundation of Australia Audit and Governance Committee, Member National Heart Foundation of Australia Investment Committee.	6/6	Appointed 14 May 1999
Ms H J Egan BAgrSc(Hons), MBA, GAICD	Executive with management and consulting experience across industry and not-for-profit organisations and government agencies; Member Osteopathy Board of Australia; Member Northern Territory Board of the Medical Board of Australia; Chair National Heart Foundation of Australia Food Information Program Oversight Committee; Member National Heart Foundation of Australia Audit Governance and Ethics Committee (to July 2011); President National Heart Foundation of Australia Northern Territory Division.	5/6	Appointed 15 May 2008
Mr D H Gillam BBus, FCPA, FAICD	National Director and Tasmanian President of Australian Institute of Company Directors; Chair of GP Assist (Clinical Solutions Asia Pacific); Former executive in health, housing and financial services sectors including director of national peak industry bodies and Chair of CPA Australia, Ethics Centre of Excellence; Member National Heart Foundation of Australia Audit and Governance Committee, President National Heart Foundation of Australia Tasmanian Division from 27 May 2011.	2/3	Appointed 27 May 2011

Directors' Report (continued)

for the year ended 31 December 2011

Professor G L Jennings AM, MBBS, MD, MRCP (UK), FRACP, FRCP(London), FAHA	Director Baker IDI Heart & Diabetes Institute; Cardiologist The Alfred Hospital; Adjunct Professor of Medicine Monash University; Board Member Association of Australian Research Institutes; Chair Nucleus Network Pty Ltd; President Asia Pacific Society of Hypertension and Trustee Foundation for High Blood Pressure Research; Board Member Research Australia; Member National Heart Foundation Executive; Chair National Heart Foundation Cardiovascular Health Advisory Committee.	5/6	Appointed 16 August 1992
Dr J A Johns MBBS, FRACP, FCSANZ (Deputy National President)	Cardiologist; Medical Director, Speciality Services CSU, Austin Hospital; Co-founder and member of Women in Cardiology Working Group; President Australia Sri Lanka Medical Aid Team (AuSLMAT); Member National Heart Foundation of Australia Executive; Member National Heart Foundation of Australia Cardiovascular Health Advisory Committee, President National Heart Foundation of Australia Victorian Division.	6/6	Appointed 15 May 2009
Mr M J Laverty LLM	CEO, Catholic Health Australia; Board Chairman, The Sunshine Homes; Board Member, NSW Public Service Commission; Member, Canteen Youth Cancer Fund; Member, Australian Catholic University ACT Advisory Chapter; Board Member, Southern Highlands Botanic Gardens; President National Heart Foundation of Australia, New South Wales Division.	5/6	Appointed 28 May 2010
Dr Gillian McFeat Lin	Director Insight Business Solutions Pty Ltd Business Management Consultancy; qualifications in architecture and environmental design; former concert pianist; her body of work is held by the National Film and Sound archives; board member of various academic and charitable organisations and fundraiser, President National Heart Foundation of Australia Australian Capital Territory Division to 27 May 2011.	2/3	Appointed 15 May 2009 Resigned 27 May 2011
Professor I T Meredith MBBS, FRACP, FCSANZ (Cardiac Society of Australia and New Zealand representative from 27 May 2011)	Professor & Director of MonashHeart, Southern Health, Professor of Medicine & Cardiology Monash University, Executive Director of Monash Cardiovascular Research Centre; CSANZ Representative National Heart Foundation; Medical Vice President of the National Heart Foundation of Australia Victoria; Member of CSANZ Federal Board; Associate Director of Transcatheter Therapeutics (TCT) Cardiovascular Research Foundation; Board Member Asian Interventional Cardiovascular Therapeutics; Department of Health & Ageing – Prostheses List Application Committee (formerly Cardiac Prostheses Clinical Advisory Group).	2/3	Appointed 27 May 2011
Dr J P O'Shea MBBS, FRACP, FSCANZ	Cardiologist Fremantle Hospital; Director, WA Cardiology Services; Chairman, Cardiac Society of Australia & New Zealand (WA Branch); President National Heart Foundation of Australia WA Division from 27 May 2011.	2/3	Appointed 27 May 2011
Associate Professor P T Sexton JP, FAMA, BSc(Hons), MBBS, PhD, FAFPHM, FAICD (National President)	Professorial Fellow Baker IDI Heart and Diabetes Institute; Clinical Associate Professor in Health Services, School of Medicine University of Tasmania; General Practitioner Bayside Medical Centre Hobart; State Medical Officer Cricket Australia (Tasmania); Chairman Tasmanian Medical Board; Alderman Hobart; City Council; Member Tasmania Society of Honorary Justices; Past President Tasmanian Branch of the AMA; Chair National Heart Foundation of Australia Executive; Member National Heart Foundation of Australia Audit Governance and Ethics Committee to July 2011; Member National Heart Foundation of Australia Cardiovascular Health Advisory Committee; President (to 27 May 2011) and member of National Heart Foundation of Australia Tasmanian Division.	6/6	Appointed 13 May 2005
Dr M A Sargent BE(Hons), PhD	Director M. A. Sargent and Associates; Senior Executive in the utility sector for 30 years; Chair of a number of Australian Government Committees and Taskforces in the area of research and innovation, including the Australian Research Council and the National Collaborative Research Infrastructure Committee; Director of the Australian Energy Market Operator; Director of the Australian Solar Institute Ltd; Chairman of Lighthouse Innovation Centre Limited; an Adjunct Professor of the University of Technology Sydney and of the University of Queensland; member National Heart Foundation of Australia Audit and Governance Committee; President National Heart Foundation of Australia ACT Division from 27 May 2011.	3/3	Appointed 27 May 2011
Mr C B Taylor FFin, FPNA, MAICD	Retired senior banking and finance executive with 32 years experience; Chair National Heart Foundation of Australia Finance Advisory Committee; member National Heart Foundation of Australia Executive; Member National Heart Foundation Audit and Governance and Investment Committees; Life member National Heart Foundation of Australia South Australian Division.	6/6	Appointed 21 January 2008

meetings attended and meetings held while the director held office.

Directors' Report (continued)

for the year ended 31 December 2011

Meetings of Committees reporting to the Board

A summary of committee meetings held and attended is set out below:

	National Executive Committee #	Cardiovascular Health Advisory Committee #	National Finance Advisory Committee	Audit and Governance Committee #	Food Information Program Oversight Committee #
Professor P E G Aylward		3/5			
Mr B J Carter	1/1				
Mr J E Cowen	1/1			3/3	
Professor M M Daube				1/2	
Mr B J Davies	2/2		7/7	4/4	
Ms H J Egan				2/2	7/7
Mr D H Gillam				1/1	
Professor G L Jennings	2/2	5/5			
Dr J A Johns	1/1	3/5			
Associate Professor P T Sexton	2/2	3/5		1/2	.
Dr M A Sargent				3/4	
Mr C B Taylor	1/2		6/7	3/4	

* During 2011 the name of the National Audit Governance and Ethics Committee was changed to the Audit and Governance Committee.

These committees have other honorary members who are not directors of the National Heart Foundation of Australia.

Corporate Governance Statement

The Foundation is a company limited by guarantee, incorporated under the Corporations Act 2001. Ultimate responsibility for the governance of the company rests with the Board of Directors. This corporate governance statement outlines how the Board meets that responsibility. The Board believes the principles of good corporate governance underpin the values and behaviour of the Foundation.

Role of the Board

The Board's primary role is to ensure that the activities of the Foundation are directed towards achieving its mission to reduce suffering and death from heart, stroke and blood vessel disease in Australia. The Board must ensure that this mission is achieved in the most efficient and effective way. The Foundation operates as part of a co-operative federation with Divisions in each of the other States and Territories of Australia. Such operations are set out in a Memorandum of Understanding ("MOU") between those entities. In terms of the MOU, certain services ("shared services") are conducted by one Division on behalf of the remainder and the cost of carrying out such shared services is reimbursed by the other Divisions. In terms of the MOU, Divisions make grants to the National Heart Foundation of Australia to fund research and other health programs conducted on a National basis.

Oversight by the Board

The Board oversees and monitors the performance of management by:

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

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

Directors' Report (continued)

for the year ended 31 December 2011

Specific responsibilities of the Board

The Board fulfils its primary role by:

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

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

Responsibilities of management

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

Board members

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

- The directors of the Company shall be the National President, the State Member Foundation Representatives, the Cardiac Society Representative and any additional directors appointed in accordance with the Constitution.
- Other than for the position of Secretary, no person who is an employee of the Company, a State Member Foundation, or a local branch of a State Member Foundation, is eligible for nomination or appointment as an office bearer or director.

The Constitution requires all additional directors to retire from office at each Annual General Meeting, but each is eligible for re-election. The maximum number of additional directors to be elected shall not exceed five. The Constitution also requires, at each Annual General Meeting, the election of the National President, the Deputy National President and the National Treasurer. The Cardiac Society of Australia and New Zealand Representative holds office as a director of the National Company until the person ceases to be a member of the Cardiac Society, or the Cardiac Society nominates another person. Each State Member Foundation Representative is appointed by his or her State or Territory and holds office as a director of the National Company for the duration of their appointment by their Division. Usually, the appointee is the President of the Division.

The Board is the final authority on the operations of the Foundation and has complete responsibility for the control and overall management of the affairs, funds and property of the National Company. It oversees corporate strategy, policy and performance, thus helping protect the rights and interests of the Foundation, its employees, donors and stakeholders. The Board ensures it is well equipped with skills and expertise relevant to the Foundation's activities to make it a stable and effective governing body. The current Board's qualifications, skills, experience and responsibilities appear on pages 4-5.

Board members receive written advice of the terms and conditions of their appointment and complete a structured induction program when first appointed. Management presentations to the Board enable directors to maintain knowledge of the business and operations of the Foundation. A formalised *Board Performance Evaluation* process is undertaken.

Risk management

The Board oversees the establishment, implementation and regular review of the risk management system of the Foundation, which is designed to protect its reputation and manage those risks that might preclude it from achieving its mission. Management is responsible for establishing and implementing the risk management system which assesses, monitors and manages operational, financial reporting and compliance risks.

The financial statements of the Foundation are subject to independent, external audit. Guidelines for internal controls have been adopted and compliance is reviewed bi-annually by independent staff from another Division.

Ethical standards and code of conduct

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

Directors' Report (continued)

for the year ended 31 December 2011

Involving stakeholders

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

Principal activities and achievement of objectives

The primary activities of the Foundation are directed towards achieving its mission to reduce suffering and death from heart, stroke and blood vessel disease in Australia through the support of research into the causes and cures of heart disease, the rehabilitation of sufferers from heart disease, professional and community education about heart disease, and the raising of funds to carry out this work. There were no significant changes in the nature of those activities during the year.

Short and long term objectives and strategies for achieving these objectives

Alignment to strategic plan "Championing Hearts"

The Foundation has a five-year strategic plan, Championing Hearts 2008-2012, aligned directly with our vision for Australians to have the best cardiovascular health in the world and our mission to reduce suffering and death from heart, stroke and blood vessel disease in Australia. Through Championing Hearts, we are focusing on six key areas to:

- help all Australians to achieve a healthy weight
- help all Australians to identify and understand the warning signs of heart attack
- engage women at risk
- help all Australians to have improved access to prevention and treatment
- increase our commitment to support research as well as to use quality research in all of our work
- increase funds raised.

Each division has developed operational plans to achieve the objectives set out in the 5-year strategic plan.

Performance Measures and Key Achievements in 2011

The Foundation has a process for measuring its performance and regular reports are provided to the Board on the following key results areas:

- Finance and Operations
- Fundraising and Donor Engagement
- Research
- Community Engagement and Awareness

Some key Achievements against some of these performance measures included significant increases in:

- personal relevance of the Heart Foundation to Australians aged 30 – 65
- the Foundation's effectiveness in raising the community's awareness/knowledge of heart health;
- awareness of heart disease as a leading cause of death for Australian women;
- unprompted awareness of the Tick brand;
- awareness of risk factors by women; and
- awareness of atypical heart attack symptoms.

Review of Results and Operations for Current Year

The total comprehensive income for the year was a deficit of $8.681 million, compared to a deficit of $10.115 million in 2010. The Foundations operating result was a deficit of $2.524 million compared to a deficit of $9.565 million in 2010. The total comprehensive income was influenced by a $6.301 million change in the net fair value of investments. The operating result reflects the Foundation's planned level of spending to support activities aligned to its strategic plan.

Total revenue from operating activities increased by 16% to $66.3 million in 2011. Fundraising revenue increased by 20% to $52 million and included bequest income rising by 28% to $26 million. Non-bequest income increased by 13% to $26 million with other income inceasing by 1.7%. The Foundation is primarily supported by generous donations from the Australian public and the Foundation continued to invest in its face-to-face donor acquisition program to maintain and grow its donor base. This in turn improved the level of non-bequest donations.

Total expenditure increased by 5% to $73.5 million in 2011 with an additional $2.3 million being delivered to Health Programs . The Heart Foundation has a five-year strategic plan, Championing Hearts 2008-2012, aligned directly with our vision for Australians to have the best cardiovascular health in the world. Spending from accumulated reserves was approved by the Board in 2008 to support the strategic plan.

Directors' Report (continued)

for the year ended 31 December 2011

A major public messaging campaign delivered by television, radio and print initialy commenced by the Foundation in 2010 has been continued during 2011. The "Warning signs" campaign was conducted in metropolitan and rural regions across Australia and returned increased awareness of the vital indicators of a potential heart attack and the need to dial 000 without delay in order obtain access to treatment and care. Warning signs was conducted in association with the Ambulance service and local hospitals.

In 2011, the Foundation commenced funding of 120 new awards with the total number of awards/projects increasing by 9%. The 240 awards/projects funded in 2011 equate to an allocation of $13 million towards cardiovascular research to advance our understanding and knowledge of heart health and improve the lives of Australians.

Finance income increased by 23% reflecting an increased investment in income producing assets with dividend and interest income climbing by over $1m. The volatile investment market and the reclassification of equity investments to be recorded through other comprehensive income has produced a decline in that category of the Foundations accounts of $6.15m which is predominatly made up of a net change in the fair value of investments of $6.3m.

Overall, the Foundation performed to expectations in 2011; delivering significant programs while at the same time operating within the scope of its financial capacity.

A comprehensive discussion about the activities of the Foundation and the consolidated entity can be found in the 2011 Annual Review.

Events Subsequent to Reporting Date

On the 4th of January 2012 the Tasmanian Division signed a conditional contract for the sale of its premises in Hobart for $1,276,000. These premises are held in the accounts of the consolidated entity at a written down value of $351,896. The contract became unconditional on the 21st March 2012 and completion of the contract is due on 24th of April 2012. The division has entered into a lease on alternative premises with an initial term of 10 years. Other than this event no matter or circumstances have arisen in the interval between the end of the financial year and the date of this report, which are likely in the opinion of the Directors to significantly affect the operations of the Foundation, the results of those operations or the state of affairs of the Foundation in subsequent financial years.

Likely Developments

In the opinion of the directors there are no likely developments that will change the nature of the operations of the Consolidated Entity.

Insurance Premiums

Since the end of the previous financial year the Foundation has paid insurance premiums of $13,726 (2010; $13,726) in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former officers, including executive officers, of the Foundation and directors and executive officers of the State and Territory Divisions. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The premiums were paid in respect of the directors and officers of the Foundation listed in this report, and do not contain details of premiums paid in respect of individual directors or officers.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 39 and forms part of the directors report for financial year 2011.

Signed in accordance with a resolution of the Directors.

Associate Professor P T Sexton
National President

Dated at Sydney this 13th day of April 2012

Directors' Declaration

for the year ended 31 December 2011

In the opinion of the directors of National Heart Foundation of Australia ("the Foundation"):

(a) the financial statements and notes, set out on pages 11 to 36, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Foundation and consolidated entity's financial position as at 31 December 2011 and of their performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

B J Davies
Director and Treasurer

Dated at Sydney this 13th day of April 2012

Statements of Comprehensive Income

for the year ended 31 December 2011

		Consolidated		The Foundation	
	Notes	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Revenue					
Revenue from operating activities	5	66,289	57,239	27,715	21,553
Total revenue		66,289	57,239	27,715	21,553
Expenditure					
Research		(13,362)	(13,244)	(12,797)	(13,072)
Health programs (including those funded by grants)		(34,738)	(32,398)	(15,672)	(14,554)
Fundraising		(17,184)	(16,864)	0	0
Cost of goods sold		(299)	(81)	0	0
Communications and publicity		(3,024)	(2,856)	(1,575)	(1,577)
Administration		(4,951)	(4,676)	(3,898)	(3,920)
Total expenditure		(73,558)	(70,119)	(33,942)	(33,123)
Finance income		5,115	4,159	4,571	3,693
Finance costs		(370)	(844)	(370)	(843)
Net finance income/(cost)	7	4,745	3,315	4,201	2,850
Surplus/(deficit) for the period		**(2,524)**	**(9,565)**	**(2,026)**	**(8,720)**
Other comprehensive income					
Gains/(Losses) on sale and restatement of equities/managed funds	7,16	(6,157)	(550)	(6,192)	(550)
Other comprehensive income for the period		**(6,157)**	**(550)**	**(6,192)**	**(550)**
Total comprehensive income for the period		**(8,681)**	**(10,115)**	**(8,218)**	**(9,270)**

The notes on pages 15 to 36 are an integral part of these financial statements.

Statements of Financial Position

as at 31 December 2011

	Notes	Consolidated 2011 $'000	Consolidated 2010 $'000	The Foundation 2011 $'000	The Foundation 2010 $'000
Current assets					
Cash and cash equivalents	8a	32,849	27,714	17,663	17,076
Investments	10	1,010	1,800	1,010	0
Trade and other receivables	9	2,221	4,057	3,395	4,338
Inventories		248	274	0	15
Total current assets		36,328	33,845	22,068	21,429
Non-current assets					
Investments	10	35,295	43,302	35,295	43,302
Property, equipment and vehicles	11	8,520	9,175	3,291	3,425
Intangibles	12	647	708	634	687
Total non-current assets		44,462	53,185	39,220	47,414
Total assets		80,790	87,030	61,288	68,843
Current liabilities					
Trade and other payables	13	5,872	4,304	4,346	3,280
Grants income deferred	14	7,912	7,488	841	1,367
Employee benefits	15	2,266	2,227	484	496
Provisions	18	379	138	0	0
Total current liabilities		16,429	14,157	5,671	5,143
Non-current liabilities					
Employee benefits	15	393	290	69	46
Provisions	18	1,340	1,386	0	0
Total non-current liabilities		1,733	1,676	69	46
Total liabilities		18,162	15,833	5,740	5,189
Net assets		**62,628**	**71,197**	**55,548**	**63,654**
Equity					
Reserves		28,051	42,684	27,951	42,584
Retained earnings		34,577	28,513	27,597	21,070
Total equity	**16**	**62,628**	**71,197**	**55,548**	**63,654**

The notes on pages 15 to 36 are an integral part of these financial statements.

Statements of Changes in Equity

for the year ended 31 December 2011

Consolidated	Notes	Consolidated					The Foundation				
		Fair Value Reserve	Nutrition research & health Reserve	Specific/ Restricted Reserve	Retained earnings	Total Equity	Fair Value Reserve	Nutrition research & health Reserve	Specific/ Restricted Reserve	Retained earnings	Total Equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 January 2010		7,329	3,198	40,886	29,899	81,312	7,329	3,198	40,681	21,716	72,924
Comprehensive income for the period						0					
Surplus/(Deficit)		0	0	0	(9,565)	(9,565)	0	0	0	(8,720)	(8,720)
Other comprehensive income											
Net change in fair value of available for sale financial assets		(550)	0	0	0	(550)	(550)	0	0	0	(550)
Transfer (from)/to retained earnings	16	0	(62)	(8,117)	8,179	0	0	(62)	(8,012)	8,074	0
Total other comprehensive income		(550)	(62)	(8,117)	8,179	(550)	(550)	(62)	(8,012)	8,074	(550)
Total comprehensive income for the period		(550)	(62)	(8,117)	(1,386)	(10,115)	(550)	(62)	(8,012)	(646)	(9,270)
Balance as at 31 December 2010		**6,779**	**3,136**	**32,769**	**28,513**	**71,197**	**6,779**	**3,136**	**32,669**	**21,070**	**63,654**
Balance as at 31 December 2010		6,779	3,136	32,769	28,513	71,197	6,779	3,136	32,669	21,070	63,654
Impact of adopting AASB9 at 1 January 2011	(a)	184			(72)	112	184			(72)	112
Restated balance at 1 January 2011		6,963	3,136	32,769	28,441	71,309	6,963	3,136	32,669	20,998	63,766
Balance as at 1 January 2011		6,963	3,136	32,769	28,441	71,309	6,963	3,136	32,669	20,998	63,766
Comprehensive income for the period											
Surplus/(Deficit)		0	0	0	(2,524)	(2,524)	0	0	0	(2,026)	(2,026)
Other comprehensive income											
Gains/(Losses) on sale of equities/managed funds	7	0	0	0	144	144	0	0	0	109	109
Net change in fair value of available for sale financial assets	7	(6,301)	0	0	0	(6,301)	(6,301)	0	0	0	(6,301)
Transfer (from)/to retained earnings	16	0	(39)	(8,477)	8,516	0	0	(39)	(8,477)	8,516	0
Total other comprehensive income		(6,301)	(39)	(8,477)	8,660	(6,157)	(6,301)	(39)	(8,477)	8,625	(6,192)
Total comprehensive income for the period		(6,301)	(39)	(8,477)	6,136	(8,681)	(6,301)	(39)	(8,477)	6,599	(8,218)
Balance as at 31 December 2011		**662**	**3,097**	**24,292**	**34,577**	**62,628**	**662**	**3,097**	**24,192**	**27,597**	**55,548**

(a) Debt investments were classified in 2010 as available for sale and measured at market value under AASB139. The adoption of AASB9 in 2011 and the reclassification of these investments to amortised cost removes the fair value difference between cost and market value, while the consequent retrospective amortisation expense applicable to these investments decreases retained earnings.

The notes on pages 15 to 36 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2011

		Consolidated		The Foundation	
	Notes	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Cash flows from operating activities					
Cash receipts in the course of operations		71,885	56,716	8,418	7,506
Cash payments in the course of operations		(76,122)	(70,376)	(34,598)	(34,252)
Net financial income		4,965	3,691	4,480	3,159
Net cash from operating activities	8b	**728**	**(9,969)**	**(21,700)**	**(23,587)**
Cash flows from investing activities					
Proceeds from sale of property, equipment and vehicles		121	236	0	38
Acquisition of property, equipment, vehicles and computer software		(861)	(1,239)	(348)	(510)
Proceeds from sale of investments		19,911	8,200	18,074	8,200
Acquisition of investments		(14,764)	(9,938)	(14,763)	(9,288)
Net cash from investing activities		**4,407**	**(2,741)**	**2,963**	**(1,560)**
Cash flows from financing activities					
Net grants made to National Heart Foundation of Australia		0	0	19,324	13,718
Net cash from financing activities		**0**	**0**	**19,324**	**13,718**
Net increase in cash and cash equivalents		5,135	(12,710)	587	(11,429)
Cash and cash equivalents at 1 January		27,714	40,424	17,076	28,505
Cash and cash equivalents at 31 December	8a	**32,849**	**27,714**	**17,663**	**17,076**

The notes on pages 15 to 36 are an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2011

1 Reporting entity

The National Heart Foundation of Australia (the "Foundation") (ABN: 98 008 419 761) is a company domiciled in Australia. The address of the Foundation's registered office is Level 12, 500 Collins Street, Melbourne, Victoria 3000. The Foundation is a charity devoted to reducing suffering and death from heart, stroke and blood vessel disease in Australia.

2 Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASB's) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report was authorised for issue by the directors on 13 April 2012.

(b) Basis of measurement

The financial report is prepared on the historical cost basis except for equity instruments which are measured at fair value and bond instruments which are measured at amortised cost.

(c) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Foundation's functional currency. The Foundation is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998, and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(d) Change of Accounting Policy

The Foundation has early adopted AASB 9 Financial Instruments with a date of initial application of 1 January 2011. AASB 9 replaces the classification and measurement requirements relating to financial assets in AASB 139 Financial Instruments: Recognition and measurement. AASB9 requires that an entity classifies its financial assets as subsequently measured at either amortised cost or fair value depending on the entities business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. These changes in accounting policy are applied on a retrospective basis, except as described below, from 1 January 2011 without restatement of prior periods.

Policy applicable from 1 January 2011

The Foundation initially recognises financial assets on the date at which the Foundation becomes a party to the contractual provisions of the Instrument. Financial assets are initially measured at fair value. If the financial asset is not subsequently measured at fair value, the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. The Foundation subsequently measures financial assets at either fair value or amortised cost.

Financial assets measured at amortised cost

A financial asset is subsequently measured at amortised cost using the effective interest method and net of any impairment loss, if: the asset is held within a business model with the objective to hold assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest. The Foundations policy on impairment is the same as that applied in its financial statements as at and for the year ended 31 December 2010 for loans and receivables and held to maturity investments. (See note 4(k)(i))

Financial assets measured at fair value

Financial assets other than those subsequently measured at amortised cost are subsequently measured at fair value with all changes in fair value recognised in profit or loss. However for investments in equity instruments that are not held for trading, the foundation may elect at initial recognition to present gains and losses in other comprehensive income. For instruments measured at fair value through other comprehensive income gains and losses are never reclassified to profit or loss and no impairments are recognised in profit or loss. Dividends earned from such investments are recognised in the profit or loss unless the dividends clearly represent a recovery of part of the cost of the investment.

Policy applicable prior to 1 January 2011

The Foundation initially recognises financial assets on the date at which the Foundation becomes a party to the contractual provisions of the Instrument. The Foundation classifies non derivative financial assets as : financial assets at fair value though profit or loss, held to maturity financial assets, loans and receivables or available for sale financial assets.

Financial assets at fair value through profit or loss

A financial asset was classified at fair value through profit or loss if it was classified as held for trading or was designated as such upon initial recognition. Financial assets were designated at fair value through profit or loss if the Foundation managed such investments and purchase and sale decisions based on the fair value in accordance with the Foundations investment strategy. Attributable transaction costs were recognised in profit or loss as incurred. Financial assets at fair value through profit or loss were measured at fair value, and changes therein were recognised in profit or loss.

Notes to the Financial Statements (continued)

for the year ended 31 December 2011

2 Basis of preparation (continued)

Held to maturity financial assets

If the Foundation had the positive intent and ability to hold debt securities to maturity, then such financial assets were classified as held to maturity. Held to maturity financial assets were recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held to maturity financial assets were measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than an insignificant amount of held to maturity investments not close to their maturity would result in the reclassification of all held to maturity investments as available for sale, and prevent the Foundation from classifying investment securities as held to maturity for the current and the following two financial years.

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets were recognised initially at fair value plus any directly attributable transaction costs with any changes therein recognised in profit or loss as incurred.

Available for sale financial assets

Available for sale financial assets were non derivative financial assets that were designated as available for sale and that were not classified in any of the previous categories. The Foundations investments in equity securities and debt securities were classified as available for sale financial assets. Subsequent to initial recognition, they were measured at fair value and changes therein, other than impairment losses, were recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment was derecognised, the cumulative gain or loss in other comprehensive income was transferred to profit or loss.

Impact of change in accounting policy

In accordance with the transitional provisions of AASB9, the classification of financial assets that the Foundation held at the date of initial application was based on the facts and circumstances of the business model in which the financial assets were held at that date. As a result $184,000 was reclassified from the fair value reserve along with $72,000 of amortisation expense from retained earnings to investments, because of the reclassification of debt securties from available for sale to financial assets measured at amortised cost. These changes are disclosed in the additional restated balances of the statement of changes in equity, and notes 10 and 16.

Classification of financial assets on the date of initial application of AASB9

The following table summaries the transitional classification and measurement adjustments to the Foundations financial assets on 1 January 2011, the Foundations date of initial application of AASB9:

		Original classification under AASB139	New classification under AASB9	Original carrying amount under AASB139 $'000's	New carrying amount under AASB9 $'000's
Equity Securities	a	Available for Sale	Fair value through other comprehensive income	33,328	33,328
Debt Securities	b	Available for Sale	Amortised cost	9,974	10,086
Cash and Cash Equivalents		Loans and receivables	Amortised cost	27,714	27,714
Trade receivables due from other Heart Foundation divisions		Loans and receivables	Amortised cost	–	–
Other trade receivables		Loans and receivables	Amortised cost	4,057	4,057
Term deposits > 90 days		Held to Maturity	Amortised cost	1,800	1,800

(a) These equity holdings represent long term investments and as such the Foundation has elected under the standard to recognise these investments at fair value through other comprehensive income.

(b) These debt securities are held to provide interest income but may be sold if they move outside the Foundations investment policy credit rating or to meet unexpected liquidity shortfalls. The Foundation therefore considers these securities are held within a portfolio whose objective is to hold assets to collect the contractual cash flows, which represent principal and interest. These assets have therefore been measured at amortised cost under the standard.

Reclassifications

There were no reclassifications of financial assets since the date of initial application of AASB 9, being 1 January 2011, other than described above.

Notes to the Financial Statements (continued)

for the year ended 31 December 2011

2 Basis of preparation (continued)

(e) Use of estimates and judgements

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

Significant accounting judgments

The company has entered into leases of premises and office equipment as disclosed in Note 17. Management has determined that all of the risks and rewards of ownership of these premises and equipment remain with the lessor and has therefore classified the leases as operating leases.

Significant accounting estimates and assumptions

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

Make good provisions

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

Provisions for employee benefits

Provisions for employee benefits payable after 12 months from the reporting date are based on future wage and salary levels, experience of employee departures, and periods of service, as discussed in Note 4(m). The amount of these provisions would change should any of these factors change in the next 12 months.

Valuation of investments

Investments in listed securities are classified as fair value through other comprehensive income and movements in fair value are recognised directly in equity. The fair value of listed securities has been determined by reference to published price quotations in an active market. Bonds are classified as being held at amortised cost with any variance between maturity value and cost being recognised in the statements of comprehensive income over the period between the date of purchase and maturity.

3 Basis of consolidation

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

4 Significant accounting policies

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

(a) Revenue recognition

(i) Charitable support

Revenue is received from appeals, donations, fundraising events and bequests and is brought to account on a cash received basis. When assets, such as investments or properties, are received from a bequest or donation, an asset is recognised, at fair value, when the Foundation or a Division gains control of such assets and the value of the asset can be reliably measured.

(ii) Interest and dividend revenue

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

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

Grants received for specific health programs or research are recognised as income only to the extent of work completed on those projects when the terms of the grants stipulate that any unexpended funds are to be returned to the sponsor if the program is not completed. In those circumstances the funds attributable to work still to be completed are carried forward as grants income deferred.

Notes to the Financial Statements (continued)

for the year ended 31 December 2011

4 Significant accounting policies (continued)

(iv) Food Information Program

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

(v) Grants from states and territories

Grants from the Divisions to the Foundation are recognised as revenue on an accrual basis and in accordance with the Memorandum of Understanding between the Foundation and the Divisions.

(vi) Sale of goods

Revenue from the sale of goods is recognised when control of the goods passes to the customer.

(vii)Services of volunteers

A substantial number of volunteers, including directors and members of committees, donate a significant amount of their time to the activities of the Foundation. School children across Australia also supported the Foundation by participating and raising funds through the Jump Rope for Heart program. In total this involved over 381,000 children and 1,968 schools and groups throughout Australia. The Foundation's door knock program successfully recruited over 118,000 volunteers to collect funds in 2011. However, as no objective basis exists for recording and assigning values to these services, they are not reflected in the financial statements as either revenue or expenses.

(b) Cash and cash equivalents (Non-derivative financial asset)

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

(c) Goods and services tax

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

(d) Income Tax

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

(e) Trade and other receivables (Non-derivative financial asset)

Trade and other receivables are stated at cost less impairment losses, this being equivalent to fair value.

(f) Inventories

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

(g) Property, equipment and vehicles

(i) Recognition and measurement

Items of property, equipment and vehicles are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure directly attributable to the acquisition of the asset. Such assets are recognised/derecognised by the Foundation on the date it commits to purchase/sell each item. All of the items of property owned by the consolidated entity are occupied wholly or predominantly by the Divisions. Accordingly, property is accounted for in accordance with the cost model. Gains and losses on disposal of an item of property, equipment and vehicles, are determined by comparing the proceeds from the disposal with the carrying amount of property, equipment and vehicles and are recognised on a net basis in the statement of comprehensive income.

(ii) Depreciation

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

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

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2011

4 Significant accounting policies (continued)

(h) Leased assets including property and equipment

Leases in terms of which the Foundation and/or a Division assumes substantially all the risks and benefits of ownership are classified as finance leases. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by payments made. The interest components of the lease payments are expensed. There have been no finance leases during the periods covered by these financial statements. Other leases are classified as operating leases and payments are expensed on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease. The Foundation and/or a Division recognises lease periods as the initial term specified in the lease and renewal options are treated as separate leases should the Foundation and/or a Division elect to extend the lease period beyond the initial term. The leased assets are not recognised on the Foundation's and/or a Division's statement of financial position, however, in accordance with lease terms, future obligations have been recognised on the Foundation's and/or Division's statement of financial position for the costs of restoring leased premises to conditions as set out in the lease agreement. This future obligation will be adjusted annually to reflect increases in CPI.

(i) Intangible assets

(i) Computer software

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

(ii) Amortisation

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

(j) Financial instruments - investments (non-derivative)

(i) Fair Value through Other Comprehensive Income

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

(ii) Amortised Cost

Investments in debt instruments (bonds) and term deposits maturing beyond 90 days are held directly and are classified and measured at amortised cost. Any differential between face or maturity value and cost is recognised in the statements of comprehensive income over the remaining term to maturity of each instrument unless the difference is not material when it is written off on acquisition. If an amortised costs investment is considered to be impaired such impairment is recognised directly in the statement of compehensive income. Investments classified at amortised cost are recognised/derecognised by the consolidated entity on the date it commits to purchase/sell the investments.

(iii) Other financial instruments

A financial instrument is recognised on the date the Foundation and/or Division becomes party to the contractual provisions of the instrument. Financial assets are derecognised if the Foundation's and/or a Division's contractual rights to the cashflows from the financial assets expire. Purchases and sales of financial assets are accounted for at trade date. Accounting for finance income and finance cost is discussed in note 4(p). Other non-derivative financial instruments are measured at amortised costs using effective interest method, less any impairment losses.

(k) Impairment

(i) Non-derivative financial assets including receivables

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2011

4 Significant accounting policies (continued)

(ii) Non-financial assets

The carrying amounts of non-financial assets, other than inventory, are reviewed at each reporting date to determine whether there is any objective evidence that they are impaired. If any such indication exists, the asset's recoverable amount is estimated (refer to note 4(k)(iii)). An impairment loss for an individual asset measured under the cost model is recognised in the statement of comprehensive income, whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The reversal is recognised in the statement of comprehensive income to the extent that an impairment loss was previously recognised in the statement of comprehensive income.

(iii) Calculation of recoverable amount

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

(l) Trade and other payables (Non-derivative financial liability)

Trade and other payables are stated at cost, this being equivalent to fair value. Research grants and fellowships are payable generally by quarterly instalments over a period of to or three years. Liabilities are recognised for these payments as they become due and payable, with the balance of the approved grants and fellowships recorded as unenforceable commitments.

(m) Employee benefits

(i) Short term benefits

The provisions for employee entitlements to wages, salaries, annual and paid maternity leave represent obligations resulting from employees' services provided up to reporting date, calculated at undiscounted amounts based on wage and salary rates, including related on-costs, which the Foundation or the Divisions expect to pay at each reporting date.

(ii) Long term benefits

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided up to reporting date. The provision is calculated using the following weighted averages:

- assumed rate of future increases in wage and salary rates: 2011 4.0% (2010: 4.5%)
- discount rate based on national government securities which most closely match the terms to maturity of the related liabilities: 2011 3.67% (2010: 5.57%)
- expected settlement dates based on turnover history: 2011 15 years (2010: 15 years)

(iii) Defined contribution plans

A defined contribution superannuation plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Superannuation contributions are made by the Foundation in respect of all employees to provide accumulation style benefits only. Obligations for contributions to defined contribution superannuation plans are recognised as a personnel expense in the statement of comprehensive income in the period during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(n) Provisions

A provision is recognised if, as a result of a past event, the Foundation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cashflows at a pre-tax rate that reflects current market assessment of true value of money and risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(o) Segment reporting

The Foundation and the Divisions operate in only one business segment as a charity. The Foundation operates in one geographical segment (Australia), with each Division operating in individual State and Territories as disclosed in note 22.

(p) Finance income and finance costs

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

(q) Financial risk management

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

Financial instruments

- credit risk
- liquidity risk
- market risk
- operational risk

Notes to the Financial Statements (continued)

for the year ended 31 December 2011

4 Significant accounting policies (continued)

Further details in respect of each of these risks are set out in note 24 Financial Instruments. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Foundation and/or Divisions, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Foundation and/or Divisions activities. The Foundation and/or Divisions, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Capital management

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

Economic dependency

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

(r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements.

(s) Determination of fair values

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

(i) Equity and debt securities

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

(ii) Trade and other receivables

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

5 Revenue from operating activities

	Consolidated		The Foundation	
	2011 $'000	**2010 $'000**	**2011 $'000**	**2010 $'000**
Charitable support – bequests	26,177	20,401	0	0
Charitable support – non-bequests	26,054	22,959	0	0
Sale of goods	134	201	0	0
Total revenue from fundraising activities	52,365	43,561	0	0
Net grants from Divisions (note 22)	0	0	21,936	16,418
Government non-reciprocal grants	57	36	0	0
Grants for specific health programs – Government	6,951	8,068	312	670
Grants for specific health programs and research – other	2,292	2,199	1,318	1,431
Food Information Program	2,903	2,437	2,903	2,437
Other	1,721	938	1,246	597
Total revenue from other operating activities	13,924	13,678	27,715	21,553
Total revenue from operating activities	66,289	57,239	27,715	21,553

Notes to the Financial Statements (continued)

for the year ended 31 December 2011

6 Auditors' remuneration

	Consolidated 2011 $	Consolidated 2010 $	The Foundation 2011 $	The Foundation 2010 $
Auditors' remuneration:				
KPMG Australia:				
Audit services	149,819	154,180	42,882	55,737
Other services	39,450	31,733	10,010	11,605
	189,269	185,913	52,892	67,342
Other auditors:				
Audit services	72,700	74,850	0	0
Other services	18,760	24,400	0	0
	91,460	99,250	0	0

7 Finance income and costs

	Consolidated 2011 $'000	Consolidated 2010 $'000	The Foundation 2011 $'000	The Foundation 2010 $'000
Recognised in Surplus/(Deficit)				
Interest income	1,720	2,075	1,243	1,664
Dividend income and distributions from managed funds	3,307	1,703	3,240	1,648
Realised gain on disposal of shares	0	381	0	381
Realised gain on disposal of bonds	88	0	88	0
Finance income	5,115	4,159	4,571	3,693
Impairment/ realised loss on trade receivables	4	20	4	19
Impairment loss on shares/managed fund units	0	463	0	463
Fees of external investment managers	88	63	88	63
Realised loss on disposal of shares	0	43	0	43
Realised loss on disposal of bonds	262	255	262	255
Amortisation of bond premium/(discount)	16	0	16	0
Finance costs	370	844	370	843
Net finance income and costs recognised in Surplus/(Deficit)	4,745	3,315	4,201	2,850
Recognised in other comprehensive income				
Impairment (loss)/recovery on shares/managed fund units	877	0	877	0
Realised gain on disposal of shares	1,091	0	1,056	0
Realised (loss) on disposal of shares	(1,824)	0	(1,824)	0
Net surplus/(deficit) taken directly to retained earnings	144	0	109	0
Net fair value increments/(decrements) of financial assets	(6,301)	(550)	(6,301)	(550)
Net finance income and costs recognised in Other Comprehensive Income	(6,157)	(550)	(6,192)	(550)

8a Cash and cash equivalents

	Consolidated 2011 $'000	Consolidated 2010 $'000	The Foundation 2011 $'000	The Foundation 2010 $'000
Cash and cash equivalents include bank accounts and short term deposits maturing within 90 days paying interest rates of 0.01% to 5.87% (2010: 0.7% to 5.75%)	32,849	27,714	17,663	17,076
	32,849	27,714	17,663	17,076

The Foundation's exposure to interest rate risk for financial assets and liabilities are disclosed in note 24.

The carrying value of cash and cash equivalents is equal to fair value.

Notes to the Financial Statements (continued)

for the year ended 31 December 2011

8b Reconciliation of cash flows from operating activities

	Consolidated 2011 $'000	Consolidated 2010 $'000	The Foundation 2011 $'000	The Foundation 2010 $'000
Net surplus / (deficit) from ordinary activities	(2,524)	(9,565)	(2,026)	(8,720)
Adjustments for:-				
Depreciation/Amortisation	1,456	1,709	535	590
Impairment loss/(recovery) recognised on trade receivables	0	20	0	0
Make good / restoration	13	11	0	0
Operating lease expense obligations incurred	72	105	0	0
Investments acquired for nil consideration via bequests	(2,588)	(3,267)	0	0
Net revaluation decrements/(increments) realised on investments sold	0	(83)	0	(83)
Impairment loss/(gain) recognised on investments held	0	463	0	463
Realised Net loss/(gain) on disposal of Bonds	190	0	190	0
Net loss/(gain) on disposal of property, equipment and vehicles	2	2	0	0
Net grants due from and payable to Divisions included in profit for the period, but classified as a financing activity to the extent received in cash	0	0	(21,936)	(16,418)
Net cash from operating activities before changes in working capital and provisions	(3,379)	(10,605)	(23,237)	(24,168)
(Increase)/decrease in receivables	1,272	(1,506)	854	(474)
(Increase)/decrease in grants income accrued	(2)	225	(25)	0
(Increase)/decrease in inventories	26	276	15	104
Increase/(decrease) in payables	2,135	1,248	1,208	676
Increase/(decrease) in grants income deferred	424	327	(526)	258
Increase/(decrease) in employee benefits	142	244	11	17
Increase/(decrease) in operating lease incentive deferred	110	(178)	0	0
Net cash from operating activities	728	(9,969)	(21,700)	(23,587)

9 Trade and other receivables

	Consolidated 2011 $'000	Consolidated 2010 $'000	The Foundation 2011 $'000	The Foundation 2010 $'000
Trade receivables owing by other National Heart Foundation divisions	0	0	2,497	2,298
Grants income accrued	51	49	25	0
Other receivables and prepayments	2,170	4,008	873	2,040
	2,221	4,057	3,395	4,338

The carrying value of trade and other receivables is equal to fair value. The Foundation's exposure to credit risk relates to trade and other receivables is disclosed in note 24.

10 Investments

	Consolidated 2011 $'000	Consolidated 2010 $'000	The Foundation 2011 $'000	The Foundation 2010 $'000
Current investments				
Bonds paying interest rates of 5.7% to 6% (2010: 5.85% to 6.00%)	1,010	1,800	1,010	0
Non-current investments				
Listed shares	17,562	21,596	17,562	21,596
Unlisted units in managed funds	10,277	11,732	10,277	11,732
Bonds paying interest rates of 4.46% to 5.92% (2010: 4.46% to 5.92%)	7,456	9,974	7,456	9,974
	35,295	43,302	35,295	43,302
	36,305	45,102	36,305	43,302

The carrying value of investments is equal to fair value apart from Bonds which are measured at amortised cost. The Foundation's and consolidated entity's exposure to interest rate risk and equity price risk are disclosed in note 24.

Investment policy

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

The share and bond investments are managed by external fund managers overseen by an Investment Committee comprising a majority of directors and non-executive volunteers with investment expertise. The cash components are managed by Foundation finance staff, but are also overseen by the Investment Committee.

Notes to the Financial Statements (continued)

for the year ended 31 December 2011

11 Property, equipment and vehicles

	Consolidated						The Foundation			
	Freehold land $'000	Buildings $'000	Office furniture & equipment $'000	Motor vehicles $'000	Leasehold improve-ments $'000	Total $'000	Freehold land $'000	Buildings $'000	Office furniture & equipment $'000	Total $'000
Cost										
Balance at 1 January 2010	2,320	3,259	5,023	664	3,302	14,568	1,050	2,303	1,245	4,598
Acquisitions	0	23	448	390	7	868	0	23	139	162
Disposals			(222)	(367)		(589)	0	0	(40)	(40)
Balance at 31 December 2010	2,320	3,282	5,249	687	3,309	14,847	1,050	2,326	1,344	4,720
Balance at 1 January 2011	2,320	3,282	5,249	687	3,309	14,847	1,050	2,326	1,344	4,720
Acquisitions		10	258	186	140	594		10	70	80
Disposals			(144)	(230)		(374)			0	0
Balance at 31 December 2011	2,320	3,292	5,363	643	3,449	15,067	1,050	2,336	1,414	4,800
Depreciation & Impairment losses										
Balance at 1 January 2010	0	507	2,562	240	1,368	4,677	0	370	698	1,068
Depreciation charge for the year	0	91	569	106	580	1,346	0	67	162	229
Disposals	0	0	(181)	(170)	0	(351)	0	0	(2)	(2)
Balance at 31 December 2010	0	598	2,950	176	1,948	5,672	0	437	858	1,295
Balance at 1 January 2011	0	598	2,950	176	1,948	5,672	0	437	858	1,295
Depreciation charge for the year		92	525	109	400	1,126		68	146	214
Disposals			(143)	(108)		(251)			0	0
Balance at 31 December 2011	0	690	3,332	177	2,348	6,547	0	505	1,004	1,509
Carrying amounts										
At 1 January 2010	2,320	2,752	2,461	424	1,934	9,891	1,050	1,933	547	3,530
At 31 December 2010	2,320	2,684	2,299	511	1,361	9,175	1,050	1,889	486	3,425
At 1 January 2011	2,320	2,684	2,299	511	1,361	9,175	1,050	1,889	486	3,425
At 31 December 2011	2,320	2,602	2,031	466	1,101	8,520	1,050	1,831	410	3,291

Notes to the Financial Statements (continued)

for the year ended 31 December 2011

12 Intangibles

	Consolidated 2011 $'000	Consolidated 2010 $'000	The Foundation 2011 $'000	The Foundation 2010 $'000
Computer software				
Cost				
Balance at 1 January	2,369	1,998	2,346	1,998
Acquisitions	269	371	268	348
Balance at 31 December	2,638	2,369	2,614	2,346
Amortisation				
Balance at 1 January	1,661	1,298	1,659	1,298
Amortisation charge for the year	330	363	321	361
Balance at 31 December	1,991	1,661	1,980	1,659
Carrying amounts				
1 January	708	700	687	700
31 December	647	708	634	687

13 Trade and other payables

	Consolidated 2011 $'000	Consolidated 2010 $'000	The Foundation 2011 $'000	The Foundation 2010 $'000
Trade payables to other National Heart Foundation divisions	0	0	1,134	920
Other payables and accrued expenses	5,872	4,304	3,212	2,360
	5,872	4,304	4,346	3,280

The carrying value of trade and other payables is equal to fair value. The Foundation's and consolidated entity's exposure to liquidity risk relates to trade and other payables is disclosed in note 24.

14 Grants income deferred

	Consolidated 2011 $'000	Consolidated 2010 $'000	The Foundation 2011 $'000	The Foundation 2010 $'000
Balance at 1 January	7,488	7,161	1,367	1,109
Amounts received	8,900	10,692	1,136	2,466
Income taken to revenue	(8,476)	(10,365)	(1,662)	(2,208)
Balance at 31 December	7,912	7,488	841	1,367

The carrying value of grants income deferred is equal to fair value. The Foundation's and consolidated entity's exposure to liquidity risk relating to grants income deferred is disclosed in note 24.

15 Employee benefits

	Consolidated 2011 $'000	Consolidated 2010 $'000	The Foundation 2011 $'000	The Foundation 2010 $'000
Aggregate liability for employee benefits, including oncosts:				
Current – annual leave, paid maternity leave and that part of long service leave due currently	2,266	2,227	484	496
Non-current – long service leave	393	290	69	46
Total employee benefits	2,659	2,517	553	542
Personnel expenses:				
Wages and salaries	23,036	21,914	6,442	6,029
Contributions to superannuation plans	2,081	1,891	572	487
Total personnel expenses	25,117	23,805	7,014	6,516
Number of employees at year end (full time equivalents)	288	294	70	69

Notes to the Financial Statements (continued)

for the year ended 31 December 2011

16 Reserves and Equity

	Consolidated 2011 $'000	Consolidated 2010 $'000	The Foundation 2011 $'000	The Foundation 2010 $'000
Movements in reserves during the year:				
Fair value (related to investments)				
Balance at beginning of year	6,779	7,329	6,779	7,329
Impact of adopting AASB9 at 1 January 2011	184	0	184	0
Restated Balance at beginning of year	6,963	7,329	6,963	7,329
Net change in fair value of equities/managed investments	(6,301)	(550)	(6,301)	(550)
Balance at end of year	662	6,779	662	6,779
Nutrition research and health education				
Balance at beginning of year	3,136	3,198	3,136	3,198
Transfer from/(to) retained earnings, representing:	(39)	(62)	(39)	(62)
Surplus/(deficit) from Food Information Program	301	70	301	70
Interest credited	94	139	94	139
Payments for research	(36)	(52)	(36)	(52)
Payments for health programs	(398)	(219)	(398)	(219)
Balance at end of year	3,097	3,136	3,097	3,136
Specific or restricted purposes				
Balance at beginning of year	32,769	40,886	32,669	40,681
Transfer from/(to) retained earnings, representing:	(8,477)	(8,117)	(8,477)	(8,012)
Income received	0	87	0	87
Amounts set aside for specific purposes	694	823	694	928
Interest credited/(debited)	338	478	338	478
Fair Value Movement	(1,155)	(192)	(1,155)	(192)
Payments for administration	(197)	(394)	(197)	(394)
Payments for fundraising	0	(980)	0	(980)
Payments for research	(1,767)	(1,198)	(1,767)	(1,198)
Payments for health programs	(6,390)	(6,741)	(6,390)	(6,741)
Balance at end of year	24,292	32,769	24,192	32,669
Total Reserves Balance at year end	28,051	42,684	27,951	42,584
Reserves at beginning of year	42,684	51,413	42,584	51,208
Retained Earnings at beginning of year	28,513	29,899	21,070	21,716
Total Equity at beginning of year	71,197	81,312	63,654	72,924
Impact of adopting AASB9 at 1 January 2011	112	0	112	0
Operating Surplus/(deficit)	(2,524)	(9,565)	(2,026)	(8,720)
Other Comprehensive Income	(6,157)	(550)	(6,192)	(550)
Total Comprehensive Income	**(8,681)**	**(10,115)**	**(8,218)**	**(9,270)**
Total Equity at end of year	**62,628**	**71,197**	**55,548**	**63,654**

Nature and purpose of reserves

Fair value

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

Nutrition research and health programs

Revenue from the Food Information Program and expenditure on its operation are recorded in the statement of comprehensive income. The net surplus from that Program is to be spent upon nutrition research and health programs. To maintain the identity of that net surplus, the net Surplus/(Deficit) is transferred from retained earnings to the nutrition research and health programs reserve at the end of each year.

Notes to the Financial Statements (continued)

for the year ended 31 December 2011

16 Reserves and Equity (continued)

Specific or restricted purposes

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

Retained earnings

Each year when budgets for the following year are being formulated, an estimate is made of an optimum level of retained earnings. That optimum level takes into account a solvency buffer, outstanding commitments for research grants and fellowships extending beyond one year, and the necessary funding of the basic infrastructure of the foundation. The solvency buffer is based on continuation of budgeted levels of expenditure to fund the Mission of the Foundation for three years, less possible reduced levels of income from fundraising, investments and other sources. Basic infrastructure includes receivables, inventories, property, equipment and vehicles. The excess of actual retained earnings over the optimum level so calculated is available for non-recurring expenditure in subsequent years to fund the Mission of the Foundation. Such excess retained earnings arise from time to time when actual income exceeds the forecast at the time of preparing the annual budget. The annual budget aims to match income forecasts with recurring expenditure.

Assets held in trust

From time to time the Foundation or the Divisions are appointed as trustees in relation to funds to be applied for research and other programs related to cardiovascular health. As no equity is held in those assets they are excluded from the financial statements. At year end such funds totalled:-

	QLD $'000	NSW $'000	SA $'000	Total $'000
Balance brought forward	418	1,005	280	1,703
Interest and donations received	24	58	15	97
Expenditure	0	(2)	(141)	(143)
Balance carried forward	442	1,061	154	1,657

17 Operating leases as lessee

	Consolidated		The Foundation	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Non-cancellable operating lease rentals are payable as follows:				
Less than one year	1,487	1,694	0	169
Between one and five years	5,891	7,366	0	0
Later than five years	969	1,286	0	0
	8,347	10,346	0	169
Expenditure in the period was as follows:				
Office equipment	193	267	169	228
Office space	2,034	1,550	0	0
	2,227	1,817	169	228

Notes to the Financial Statements (continued)

for the year ended 31 December 2011

18 Provisions

Obligations arising as a result of the Foundation's and/or Divisions' adherence with the prescribed treatment of leases outlined in the accounting standards are shown as follows:

	Consolidated				The Foundation			
	Operating lease expense obligations	Office lease incentives deferred	Make good of leased premises	Total	Operating lease expense obligations	Office lease incentives deferred	Make good of leased premises	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2010	331	876	379	1,586	0	0	0	0
Future obligations incurred	105	0	0	105	0	0	0	0
Incentives offset against lease rental expense	0	(178)	0	(178)	0	0	0	0
Expenditure recognised in the statement of comprehensive income	0	0	11	11	0	0	0	0
Balance at 31 December 2010	436	698	390	1,524	0	0	0	0
Current	0	138	0	138	0	0	0	0
Non-Current	436	560	390	1,386	0	0	0	0
	436	698	390	1,524	0	0	0	0

	Consolidated				The Foundation			
	Operating lease expense obligations	Office lease incentives deferred	Make good of leased premises	Total	Operating lease expense obligations	Office lease incentives deferred	Make good of leased premises	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2011	436	698	390	1,524	0	0	0	0
Future obligations incurred	72	0	0	72	0	0	0	0
Lease incentives received		310		310	0	0	0	0
Incentives offset against lease rental expense	0	(200)	0	(200)	0	0	0	0
Expenditure recognised in the statement of comprehensive income	0	0	13	13	0	0	0	0
Balance at 31 December 2011	508	808	403	1,719	0	0	0	0
Current	10	346	23	379	0	0	0	0
Non-Current	498	462	380	1,340	0	0	0	0
	508	808	403	1,719	0	0	0	0

The carrying value of make good of leased premises is equal to fair value. The Foundation's and consolidated entity's exposure to liquidity risk related to the make good provision is disclosed in note 24.

Notes to the Financial Statements (continued)

for the year ended 31 December 2011

19 Capital and other commitments

Research grants and fellowships

	Consolidated 2011 $'000	Consolidated 2010 $'000	The Foundation 2011 $'000	The Foundation 2010 $'000
Commitments for approved research grants and fellowships (which are unenforceable) are payable as follows:				
2011	0	12,072	0	12,072
2012	10,821	7,359	10,821	7,359
2013	6,700	2,924	6,700	2,924
2014	2,442	1,718	2,442	1,718
2015	1,128	0	1,128	0
	21,091	24,073	21,091	24,073

20 Contingencies

The directors are of the opinion that provisions are not required in respect of these matters as it is not probable that a future sacrifice of economic benefits will be required.

Contingent liabilities considered remote

Performance guarantee

	Consolidated 2011 $'000	Consolidated 2010 $'000	The Foundation 2011 $'000	The Foundation 2010 $'000
The Victorian Division has guaranteed, as a party to their operating lease, the payment of rentals in accordance with the signed agreement for the specified lease term. The terms of the lease agreement required the Victorian Division to secure a bank guarantee of $365,112 as minimum compensation	365	365	0	0
payment to the lessor in the event of default. The lease term is due to expire by 30 November 2017.	365	365	0	0

21 Company limited by guarantee

The National Heart Foundation of Australia is a company incorporated in Australia under the Corporations Act 2001 as a company limited by guarantee. Every member of the company undertakes to contribute to the assets of the company in the event of the same being wound up during the time that they are a member, or within one year afterwards for payment of the debts and liabilities of the company contracted before the time at which they cease to become a member and of the costs, charges and expenses of winding up the same, and for the adjustment of the rights of the contributories amongst themselves such an amount as may be required not exceeding the sum of $20.

Notes to the Financial Statements (continued)

for the year ended 31 December 2011

22 Related parties

Key management personnel and director related parties

The following were key management personnel of the consolidated entity at any time during the reporting period, and, unless otherwise indicated were directors or executive staff of the consolidated entity for the entire period:

Non executive directors

Associate Professor R M Allan MB BS, FRACP, FCSANZ, FACC (Resigned February 2011)
Professor P E G Aylward MA (Oxon), BM, BCh, PhD, FRCP, FRACP, FACC, FCSANZ
Mr B J Carter BEc, MBA, FCA, FAICD (Resigned May 2011)
Mr J R Cowen, LLM BCL Sol.BL (Vic) TEP
Professor M M Daube BA (Hons), HonDSci (Resigned May 2011)
Mr B J Davies OAM, FCA, FCPA
Ms H J Egan BAgrSc(Hons), MBA, GAICD
Mr D H Gillam BBus, FCPA, FAICD (from May 2011)
Professor G L Jennings AM, MBBS, MD, FRACP, FRCP(London), FAHA, FCSANZ, FMBRCA
Dr J A Johns, MB BS, FRACP, FCSANZ
Mr M J Laverty, LLM
Dr Gillian McFeat Lin, ARCM(Hons), BArch(Hons), PhD (Resigned May 2011)
Dr J P O'Shea MBBS, FRACP, FSCANZ (from May 2011)
Dr M A Sargent BE(Hons), PhD (from May 2011)
Professor I T Meredith AM, BSc(Hons), MBBS(Hons), PhD, FRACP, FCSANZ, FACC, FAHA (from May 2011)
Associate Professor P T Sexton JP, FAMA, BSc (Hons), BMedSci, MB BS, PhD, FAFPHM, FAICD
Mr C B Taylor F Fin, FPNA, MAICD

All directors of the Foundation are also directors and/or members of one of the Divisions. Non executive directors did not receive any remuneration from the Foundation during the current financial year. Apart from details disclosed in this note, no director has entered into a material contract with the Foundation or any Division since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year end. Professor G L Jennings is associated with the Baker IDI Heart & Diabetes Institute which received research grants totalling $1,455,313 in the year ended 31 December 2011 (2010; $1,037,984)

Executive Staff – The Foundation

Dr L M Roberts AM, DipAppSci (Chem), BA (Hons), PhD – CEO National Heart Foundation of Australia
Mr S Allatson BA – Chief Operating Officer
Professor J Tatoulis MB BS, MS, FRACS, FCSANZ – Chief Medical Advisor
Mr B Stavreski B.Ec (Hons) MPubPolMgt – National Director Data & Evaluation Unit
Ms S Anderson BAppSci (Nut & Food Service), GradDip (Dietetics), MPH – National Director Healthy Weight
Dr A Ono B.Biomed.Sci (Hons), PHD – Director Research
Mr R Greenland, BA – Government Relations Manager
Mr D Mudge BApp Sc, MBA – National Operations Manager
Ms R Donovan BBus (Marketing) – Director Marketing & Communications
Ms H McQuiggin BBus (HR Mgt) – National Human Resources Manager
Dr A Boyden B Rural Sci (Hons), BMBS (Hons), FRACGP, MPH – Director Access to Prevention (to February 2011)
Dr R Grenfell M.B., B.S.,Dip.R.A.C.O.G.,MPH,FAFPHM – Director Access to Prevention (from May 2011)

Executive Staff – Consolidated

Dr L M Roberts AM, DipAppSci (Chem), BA (Hons), PhD – CEO National Heart Foundation of Australia
Mr A T Thirwell OAM, BSc (Hons), MBA – CEO National Heart Foundation of Australia (New South Wales Division)
Ms K Bell BA (Hons), GradCertHealthEcons, MPH – CEO National Heart Foundation of Australian (Victorian Division)
Mr C Prout BHMS, BA (RecMgt) – CEO National Heart Foundation of Australia (Queensland Division)
Mr M Swanson BSc, GradDip Nutrition & Dietetics, GradDip Health Science, MPH – CEO National Heart Foundation of Australia (Western Australia Division)
Mr G Halsey – CEO National Heart Foundation of Australia (South Australian Division) (to April 2011)
A/Prof Amanda Rischbieth PhD, GAICD, FGLF – CEO National Heart Foundation of Australia (South Australian Division) (from June 2011)
Mr G Lynch BCom, LLB (Hons), GradDipLS, FCPA, MAICD – CEO National Heart Foundation of Australia (Tasmania Division)
Mr A Stubbs BASc (Health) – CEO National Heart Foundation of Australia (ACT Division)
Ms D Morrison BA, DipContEd, MEd – CEO National Heart Foundation of Australia (NT Division)
Mr S Allatson BA – Chief Operating Officer
Professor J Tatoulis MB BS, MS, FRACS, FCSANZ – Chief Medical Advisor
Mr D Gerrard Bbus (Accounting), CPA, MBA, GAICD – Chief Financial Officer – Group
Ms Nicci Dent HND Fashion Design – National Fundraising Director
Ms R Donovan Bbus (Marketing) – Acting Director Marketing & Communications
Ms A Coghlan BSc, GradCert HR Mgmt – National Human Resources Director (to September 2011)
Ms Julie Shearman, BA, M.Organisational Development – National Human Resources Director (from December 2011)
Mr D Mudge BApp Sc, MBA – National Operations Manager
Mr A Arthur AssocDip(ElecEng), MBA – National IT Manager

Notes to the Financial Statements (continued)

for the year ended 31 December 2011

22 Related parties (continued)

The compensation of key management personnel was as follows:

	Consolidated		The Foundation	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Short term employee benefits	2,899	2,867	1,702	1,609
Other long term benefits	86	62	10	28
Total	2,985	2,929	1,712	1,637

Other related parties

Classes of other related parties are all Foundation, state and territory divisions and directors of related parties and their director-related entities.

The Foundation receives grants from the Divisions, primarily to fund research and other health programs conducted on an Australia-wide basis. Such grants are payable under the terms of the MOU between the Foundation and the Divisions. The grant payable by each Division is equal to its net operating surplus (payable monthly in arrears) representing the excess of income received less capital expenditure and operating expenditure (excluding depreciation). If there is a deficit from application of the above arrangement, a grant is paid by the Foundation to any Division affected. Contributions by the Divisions to the Surplus/(Deficit) for the period (before grants made to/by the Foundation), Net Grants made by the Divisions to the Foundation, and Total Income were as follows:

	Net contribution/(loss)		Net grants paid/(received)		Total income	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Queensland	5,878	3,245	5,844	3,314	12,246	9,748
New South Wales	5,840	7,624	6,109	7,763	15,008	16,708
Victoria	6,259	2,467	6,401	2,750	12,877	8,670
South Australia	2,808	2,484	2,812	2,537	7,628	6,365
Western Australia	1,193	(367)	1,256	(184)	9,418	7,380
Tasmania	104	597	121	615	2,379	2,431
Australian Capital Territory	(70)	(82)	(36)	18	1,496	1,491
Northern Territory	(575)	(395)	(571)	(395)	382	211
The Foundation (excluding grants received from Divisions)	(23,961)	(25,138)	(21,936)	(16,418)	9,599	8,394
	(2,524)	(9,565)	0	0	71,033	61,398

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

	Consolidated		The Foundation	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Contributions received from sale of services				
Divisions – rent for occupancy	0	0	381	435
Divisions – grants to fund research and health programs	0	0	22,543	16,997
Divisions – services	0	0	1,533	1,520
	0	0	24,458	18,952
Contributions paid for purchase of services				
Divisions – subsidies	0	0	(607)	(579)
Divisions – services	0	0	(4,552)	(5,239)
	0	0	(5,159)	(5,818)

Amounts receivable and payable to non-director related parties are shown in notes 9 and 13 respectively.

Notes to the Financial Statements (continued)

for the year ended 31 December 2011

23 Subsequent events

On the 4th of January 2012 the Tasmanian Division signed a conditional contract for the sale of its premises in Hobart for $1,276,000. These premises are held in the accounts of the consolidated entity at a written down value of $351,896. The contract became unconditional on the 21st March 2012 and completion of the contract is due on 24th of April 2012. The division has entered into a lease on alternative premises with an initial term of 10 years. Other than this event no matter or circumstances have arisen in the interval between the end of the financial year and the date of this report that could materially affect these financial statements.

24 Financial instruments

Exposure to credit, liquidity, market, interest rate, other market price and operational risks arises in the normal course of the Foundation's business.

Credit risk

Credit risk is the risk of financial loss to the Foundation and/or Divisions if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Foundation's and/or Divisions receivables and investment securities. Exposure to credit risk is monitored by management on an ongoing basis. The Foundation does not require collateral in respect of financial assets. The credit risk relating to the Foundation's financial assets which are recognised in the statement of financial position is the carrying amount of such assets, net of any allowances for impairment in respect of trade receivables and investments. Investments are allowed only in liquid securities and equity securities in Australian shares that are in compliance with the Foundation's investment policy. Management does not expect any counterparty to fail to meet its obligations as the Foundation's financial assets have high credit quality.

At the reporting date there were no significant concentrations of credit risk apart from a bank guarantee referred to in note 20 relating to the Victorian Division office lease agreement.

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

		Consolidated		The Foundation	
	Notes	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Financial assets					
Cash		13,152	6,016	5,320	1,287
Cash call accounts		11,597	11,331	8,144	5,544
Term deposits		8,100	10,367	4,199	10,245
Total cash and cash equivalents	8a	32,849	27,714	17,663	17,076
Trade and other receivables	9	2,170	4,008	3,370	4,338
Grants income accrued	9	51	49	25	0
Investments – listed shares	10	17,562	21,596	17,562	21,596
Investments – unlisted units in managed funds	10	10,277	11,732	10,277	11,732
Investments – bonds *	10	8,466	11,774	8,466	9,974
		71,375	76,873	57,363	64,716
**Maturity profile of bonds*					
Less than one year		1,010	1,800	1,010	0
Between one and five years		2,809	9,974	2,809	9,974
Later than five years		4,647	0	4,647	0
		8,466	11,774	8,466	9,974

Notes to the Financial Statements (continued)

for the year ended 31 December 2011

24 Financial instruments (continued)

Impairment losses from trade receivables

Less than 3% (2010: less than 2%) of the Foundation's trade receivables are past due. The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Consolidated		The Foundation	
	2011 $'000	**2010 $'000**	**2011 $'000**	**2010 $'000**
Balance at 1 January of provision for doubtful debts	22	30	0	0
Realisation of impairment (loss)/recovery previously provided for	0	(8)	0	0
Balance at 31 December of provision for doubtful debts	22	22	0	0
Impairment loss/(recovery) recognised directly in Surplus/(Deficit)	4	20	4	19

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

Liquidity risk

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

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

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

		Consolidated		The Foundation	
	Notes	**2011 $'000**	**2010 $'000**	**2011 $'000**	**2010 $'000**
Non derivative financial liabilities					
Trade and other payables	13	5,872	4,304	4,346	3,280
Grants income deferred	14	7,912	7,488	841	1,367
		13,784	11,792	5,187	4,647

Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Foundation's and/or Divisions income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All such transactions are carried out within the guidelines set by the Board.

Interest rate risk

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

The Foundation's and/or Divisions exposure to this risk is controlled by ensuring that cash securities are limited to short dated bank bills no longer than 90 days. Investments in equity securities and short-term receivables and payables are not exposed to interest rate risk. The exposure to interest rate risk for financial assets and liabilities at the reporting date are shown below in the *Sensitivity Analysis Disclosure* on page 35.

Fair value sensitivity analysis for fixed rate instruments
The surplus/(deficit) would be affected by changes in the fixed interest rate as shown in the Sensitivity Disclosure Analysis. The analysis assumes all other variables remain constant. The analysis is performed using a change of 1% on page 35. The analysis is performed on the same basis as that used in 2010.

Cash flow sensitivity analysis for variable rate instruments
A change of 1% in interest rates at the reporting date would have increased/(decreased) equity and surplus/(deficit) by the amounts shown in the *Sensitivity Analysis Disclosure*. This analysis assumes all other variables remain constant. The analysis is performed on the same basis as that used in 2010 except for Bonds which are now disclosed at Face Value rather than market value due to the reclassification of the instruments by the adoption of AASB 9 and which now impact on surplus/(deficit) rather than equity.

Notes to the Financial Statements (continued)

for the year ended 31 December 2011

24 Financial instruments (continued)

Other market price risk

Equity price risk arises from fair value equity securities held by the Foundation as part of managing the investment of available funds. The Foundation's exposure to this risk is controlled by investing with several investment managers who must meet the stringent investment guidelines of the National Heart Foundation.

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

Fair value sensitivity analysis – listed shares
A change of 10% in market price at the reporting date would have increased/(decreased) equity by the amounts shown below in the *Sensitivity Analysis Disclosure* on page 35. This analysis assumes all other variables remain constant. The analysis is performed on the same basis as that used in 2010. Investments in fair value equities are designated at fair value through equity and their performance is actively monitored and managed on a fair value basis. There would be no impact on surplus/(deficit) due to valuation changes as the resultant gain or loss is recognised directly in other comprehensive income.

Fair value sensitivity analysis – unlisted units in managed funds
A change of 10% in market price at the reporting date would have increased/(decreased) equity by the amounts shown in the *Sensitivity Analysis Disclosure* on page 35. This analysis assumes all other variables remain constant. The analysis is performed on the same basis as that used in 2010.

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

Fair value sensitivity analysis – bonds
A change of -10% in market price at the reporting date would have decreased profit by the amounts shown in the *Sensitivity Analysis Disclosure* on page 35. This analysis assumes all other variables remain constant.

Investments in bonds are designated and carried at amortised cost through surplus/(deficit) in 2011 due to their reclassification under AASB 9 and their performance/market price is actively monitored and managed to ensure they meet the Foundations investment policy. A significant change in market price may be an indication of impairment for these investments and would impact on surplus/(deficit) as the resultant loss when compared to amortised cost is now recognised directly in surplus/(deficit) whereas in 2010 it would have been recognised directly in equity.

Operational risk

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

- requirements for appropriate segregation of duties including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced and adequacy of controls and procedures to address the risks indentified
- development of contingency plans
- ethical and high level business standards
- risk mitigation including insurance

Compliance with group standards is supported by a programme of periodic reviews of internal controls undertaken by internal audit. The results of these reviews are discussed with the Foundations management and submitted to the Board of the Foundation.

Sensitivity Analysis Disclosure

The Foundation's financial instruments subject to changes in market prices include cash and cash equivalents, comprising of cash at bank, cash call accounts and term deposits.

Based on historic movements and volatilities in these market variables, and management's knowledge and experience of the financial markets, Foundation believes the following movements are 'reasonably possible' over a 12 month period:

- A parallel shift of+1%/-1% in market interest rates (AUD) from year end rates of 4.75%
- Proportional other market price risk movement of equity securities listed on the ASX index of +10%/-10%

Notes to the Financial Statements (continued)

for the year ended 31 December 2011

24 Financial instruments (continued)

Interest rate risk

Consolidated

Interest rate risk	2011					2010				
		-1%		+1%			-1%		+1%	
	Carrying Amount/ Face Value	Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity	Carrying Amount/ Market Price	Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets										
Fixed rate instruments										
Term deposits-maturing within 90 days	8,100	(81)	(81)	81	81	10,367	(104)	(104)	104	104
Term deposits-maturing beyond 90 days *		0	0	0	0	1,800	(18)	(18)	18	18
Variable rate instruments										
Cash at bank	13,152	(132)	(132)	132	132	6,016	(60)	(60)	60	60
Cash call accounts	11,597	(116)	(116)	116	116	11,331	(113)	(113)	113	113
Investments - bonds *	7,950	(80)	(80)	80	80	9,974	(100)	(100)	100	100
Total increase/(decrease)		(409)	(409)	409	409		(395)	(395)	395	395

The Foundation

Interest rate risk	2011					2010				
		-1%		+1%			-1%		+1%	
	Carrying Amount/ Face Value	Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity	Carrying Amount/ Market Price	Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets										
Fixed rate instruments										
Term deposits-maturing within 90 days	4,199	(42)	(42)	42	42	10,245	(102)	(102)	102	102
Term deposits-maturing beyond 90 days *		0	0	0	0	0	0	0	0	0
Variable rate instruments										
Cash at bank	5,320	(53)	(53)	53	53	1,287	(13)	(13)	13	13
Cash call accounts	8,144	(81)	(81)	81	81	5,544	(55)	(55)	55	55
Investments - bonds *	7,950	(80)	(80)	80	80	9,974	(100)	(100)	100	100
Total increase/(decrease)		(256)	(256)	256	256		(269)	(269)	269	269

Other market price risk

Consolidated

Other market price risk	2011					2010				
		-10%		+10%			-10%		+10%	
	Carrying Amount/ Market Value	Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity	Carrying Amount	Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets										
Investments – listed shares	17,562	0	(1,756)	0	1,756	21,596	0	(2,160)	0	2,160
Investments – unlisted units in managed funds	10,277	0	(1,028)	0	1,028	11,732	0	(1,173)	0	1,173
Investments – bonds **	8,548	(855)	0	855	0	9,974	0	(997)	0	997
Total increase/(decrease)		(855)	(2,784)	855	2,784		0	(4,330)	0	4,330

The Foundation

Other market price risk	2011					2010				
		-10%		+10%			-10%		+10%	
	Carrying Amount/ Market Value	Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity	Carrying Amount	Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets										
Investments – listed shares	17,562	0	(1,756)	0	1,756	21,596	0	(2,160)	0	2,160
Investments – unlisted units in managed funds	10,277	0	(1,028)	0	1,028	11,732	0	(1,173)	0	1,173
Investments – bonds **	8,548	(855)	0	855	0	9,974	0	(997)	0	997
Total increase/(decrease)		(855)	(2,784)	855	2,784		0	(4,330)	0	4,330

Definitions:-

* Investments – Bonds and term deposits maturing beyond 90 days are shown at face value which in 2011 for Bonds varies from carrying value due to the application of AASB9.

** Investments – Bonds are shown at market price which varies from carrying value in 2011 (amortised cost) due to the application of AASB9. Carrying value is not considered to be an adequate measure for the purposes of calculating Market risk

Notes to the Financial Statements (continued)

for the year ended 31 December 2011

24 Financial instruments (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as:

_ Level 1: Quoted prices unadjusted in active markets for identical assets or liabilities

_ Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie:as prices) or indirectly (ie:derived from prices)

_ Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

		Consolidated				The Foundation			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Notes	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
31 December 2010									
Fair Value	10	21,596	21,706	0	43,302	21,596	21,706	0	43,302

		Consolidated				The Foundation			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Notes	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
31 December 2011									
Fair Value	10	17,562	10,277	0	27,839	17,562	10,277	0	27,839

On January 1 2011 $9.974 million of debt instruments were reclassified from available for sale to amortised cost due to the application of AASB9.

These debt instruments which were previously included in Level 2 of the fair value hierarchy as they were measured at fair value are no longer included as they are now measured at amortised cost. Refer to Note 4(d) Change of Accounting Policy.

KPMG

Independent Audit Report

to the members of National Heart Foundation of Australia

Report on the financial report

We have audited the accompanying financial report of National Heart Foundation of Australia ("the Foundation"), which comprises the statements of financial position as at 31 December 2011, and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Foundation and the "Group" comprising the Foundation and each of the State and Territory Member Foundations at the end of the year or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Foundation are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Foundation's and the Group's financial position and of their performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Independent Audit Report (continued)

to the members of National Heart Foundation of Australia

Basis for qualified opinion

Charitable fundraising income is a significant source of revenue for the Foundation and each State and Territory Member Foundations. The Group has determined that it is not always practicable to establish controls over the collection of charitable fundraising income prior to the entry into its financial records.

Accordingly, as the evidence available to us regarding revenue from this source was limited, our audit procedures with respect to charitable fundraising income had to be restricted to the amounts recorded in the financial records. We therefore are unable to express an opinion whether the charitable fundraising income the Foundation and Group obtained is complete.

Qualified opinion

In our opinion, except for the effects on the financial report of such adjustments, if any, as might have been required had the limitation on our audit procedures referred to in the qualification paragraph not existed, the financial report of the Foundation and Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Foundation's and the Group's financial position as at 31 December 2011 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

KPMG

KPMG

Sean Hill
Partner

Melbourne 13th April 2012

KPMG

Lead Auditor's Independence Declaration

under Section 307C of the Corporations Act 2001

To: The directors of National Heart Foundation of Australia

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Sean Hill
Partner

Melbourne

13th April 2012

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