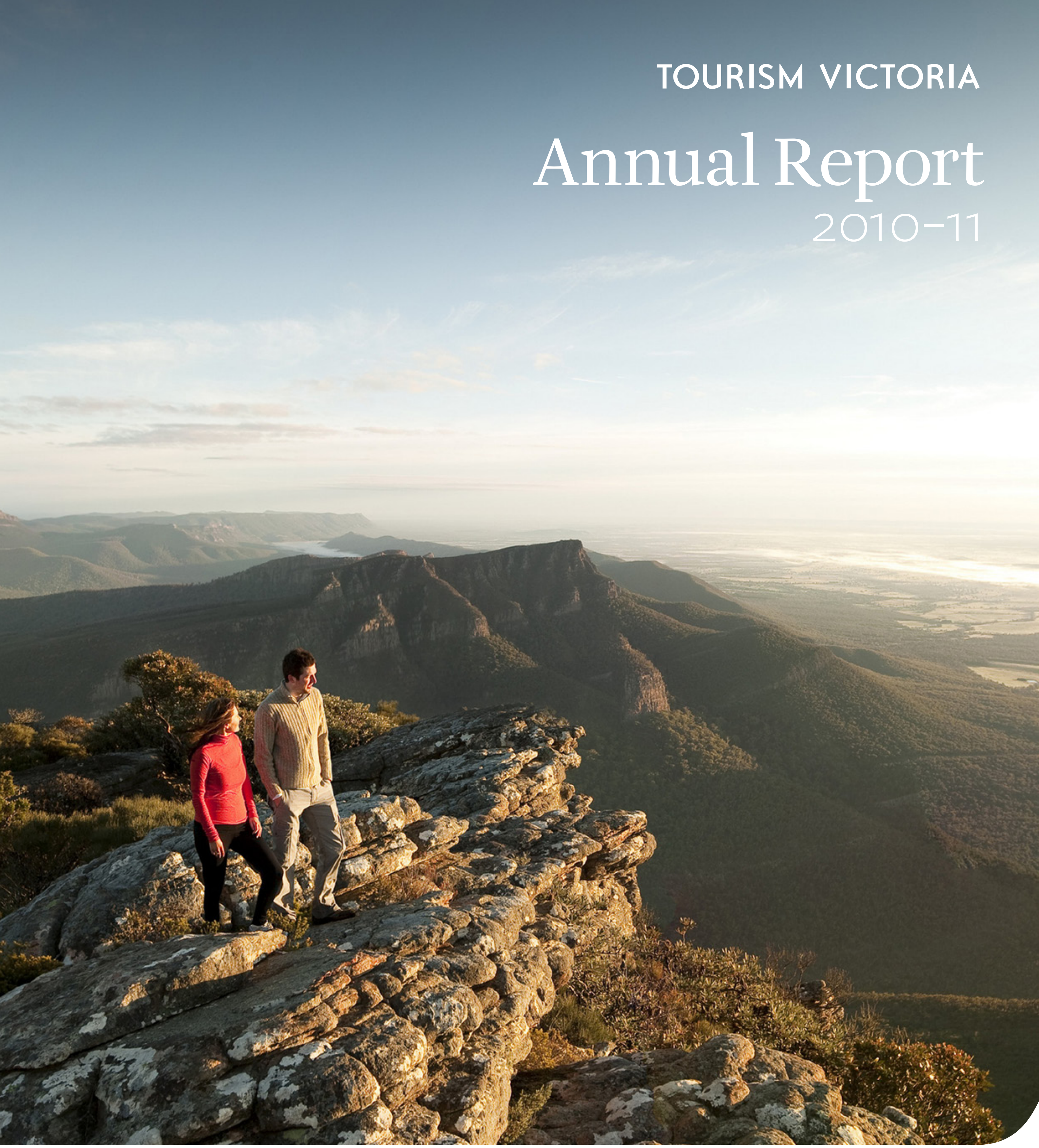
TOURISM VICTORIA

Annual Report
2010–11



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FIVE YEAR COMPARISON

	2006–07 $'000	2007–08 $'000	2008–09 $'000	2009–10 $'000	2010–11 $'000
Total assets	16,265	20,406	31,535	28,436	**30,473**
Total liabilities	5,919	7,163	15,120	13,196	**11,149**
Net worth/Accumulated surplus	10,346	13,243	16,415	15,239	**19,324**
Surplus/(Deficit)	(395)	2,897	3,172	(1,176)	**4,084**
Property, plant and equipment (WDV)	623	499	246	193	**143**
State Government contributions	42,786	59,869	66,066	73,829	**132,342**
Total expenditure	46,309	60,548	68,458	81,822	**133,738**

Significant changes in financial position 2010–11

State Government contributions increased from $73.8 million in 2009–10 by $58.5 million (79.2 per cent) in 2010–11 to $132.3 million. This mainly reflects the decision to transfer the management of the Australian Grand Prix Corporation (AGPC) contract from the Department of Planning and Community Development. Tourism Victoria receives funding which is paid directly to the AGPC as grant expenditure. The AGPC manages the FORMULA 1 Qantas Australian Grand Prix and the IVECO Australian Motorcycle Grand Prix.

Tourism Victoria had an accumulated surplus in 2010–11 of $4.1 million which increased net worth to $19.3 million. The major factors for the surplus are:

- Additional funding received from other state government organisations for dedicated projects which will occur in the 2011–12 financial year.
- A decision to delay the scheduled launch of the Phase 10 Melbourne marketing advertising campaign.

The net worth of Tourism Victoria at 30 June 2011 is $19.3 million. This will fund contractual commitments totalling $21.6 million at year end which are due and payable in the 2011–12 financial year. The majority of these commitments relate to the following:

- Tourism Victoria undertakes the role of contract manager for various major events. This results in funds being held until contractual payments are due.
- The research, development, production and delivery of a new marketing campaign specifically to market Melbourne in China.
- The interstate delivery of the new *Jigsaw* Phase 10 Melbourne marketing campaign.

Operational and budgetary objectives of the entity for the financial year and performance against those objectives including significant activities and achievements during the year.
These are outlined in narrative and graphical form elsewhere in this report.

Summary of major changes or factors which have affected the achievement of the operational objectives for the year.
There were no major factors affecting the achievement of the operational objectives for the year.

Tourism Victoria is a Statutory Authority of the State of Victoria.
Tourism Victoria was established under the *Tourism Victoria Act 1992*.
Its principal address is: Tourism Victoria, 121 Exhibition Street Melbourne VIC 3000.
A description of the nature of Tourism Victoria's operations and its principal activities is included in the annual report.
For queries in relation to our reporting please call (03) 9653 9777.

COMPREHENSIVE OPERATING STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Notes	2011 $	2010 $
Income from transactions			
Grant income	2(a)	**132,342,105**	73,828,600
Other income	2(b)	**5,614,113**	6,963,409
Total income from transactions		**137,956,218**	80,792,009
Expenses from transactions			
Grants and other payments	3(a)	**(82,598,421)**	(30,403,782)
Employee expenses	3(b)	**(10,752,169)**	(10,303,378)
Depreciation	3(c)	**(63,351)**	(71,998)
Capital asset charge		**(47,004)**	(47,000)
Supplies and services	3(d)	**(35,376,911)**	(36,223,211)
Administration charges	3(e)	**(4,879,906)**	(4,728,883)
Finance costs		**(19,816)**	(44,591)
Total expenses from transactions		**(133,737,579)**	(81,822,843)
Net result from transactions (net operating balance)		**4,218,639**	(1,030,834)
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	16	**(3,806)**	–
Net gain/(loss) on financial instruments	16	**(130,610)**	(144,876)
Total other economic flows included in net result		**(134,416)**	(144,876)
Comprehensive result – total change in net worth		**4,084,223**	(1,175,710)

The above comprehensive operating statement should be read in conjunction with the accompanying notes.

BALANCE SHEET
AS AT 30 JUNE 2011

	Notes	2011 $	2010 $
Assets			
Financial assets			
Cash and deposits	15	**27,527,636**	13,790,872
Receivables	4	**1,454,147**	10,693,575
Forward Foreign Currency Exchange Contract	14(d)	**1,313,299**	3,725,724
Investments	5	**1**	1
Total financial assets		**30,295,084**	28,210,172
Non-financial assets			
Non-financial physical asset classified as held for sale, including disposal group assets		**–**	22,704
Prepayments		**34,448**	10,377
Property, plant and equipment	6	**143,218**	192,911
Total non-financial assets		**177,665**	225,992
Total assets		**30,472,749**	28,436,163
Liabilities			
Borrowings	8	**115,292**	189,717
Payables	7	**7,073,517**	6,773,958
Forward Foreign Currency Exchange Contract	14(d)	**1,313,299**	3,725,724
Provisions	9	**2,646,726**	2,507,073
Total liabilities		**11,148,835**	13,196,473
Net assets		**19,323,914**	15,239,690
Equity			
Accumulated surplus/(deficit)		**19,323,914**	15,239,690
Net worth		**19,323,914**	15,239,690
Commitments for expenditure	12		
Contingent liabilities and contingent assets	13		

The above balance sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Accumulated surplus/(deficit) $	Total $
Balance at 1 July 2009	16,415,400	16,415,400
Net result from transactions	(1,030,834)	(1,030,834)
Other economic flows included in net result	(144,876)	(144,876)
Balance at 30 June 2010	**15,239,690**	**15,239,690**
Net result from transactions	4,218,639	4,218,639
Other economic flows included in net result	(134,416)	(134,416)
Balance at 30 June 2011	**19,323,913**	**19,323,913**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Notes	2011 $	2010 $
Cash flows from operating activities			
Receipts from government		**141,484,383**	65,908,732
Receipts from other entities		**5,081,673**	6,059,338
Net goods and services tax recovered from the ATO	(i)	**10,672,889**	5,435,446
Interest received		**1,098,613**	896,115
Total receipts		**158,337,557**	78,299,630
Payments			
Payments to suppliers and employees		**(144,311,475)**	(86,059,771)
Capital assets charge		**(47,004)**	(47,000)
Interest and other cost of finance paid		**(19,816)**	(44,591)
Total payments		**(144,378,295)**	(86,151,361)
Net cash flows from/(used in) operating activities	15(b)	**13,959,262**	(7,851,731)
Cash flows from investing activities			
Purchases of non-financial assets		**(56,123)**	(41,895)
Proceeds from disposal of property, plant & equipment		**–**	–
Sales of non-financial assets		**38,660**	–
Net cash flows from/(used in) investing activities		**(17,463)**	(41,895)
Cash flows from financing activities			
Repayment and disposal of finance leases		**(108,454)**	(2,652)
Proceeds from borrowings		**34,029**	41,961
Net cash flows from/(used in) financing activities		**(74,425)**	39,309
Net increase/(decrease) in cash and cash equivalents		**13,867,374**	(7,854,317)
Cash and cash equivalents at beginning of financial year		**13,790,871**	21,790,256
Effect of exchange rate fluctuations on cash held in foreign currency		**(130,610)**	(145,067)
Cash and cash equivalents at the end of the financial year	15(a)	**27,527,635**	13,790,871

The above cash flow statement should be read in conjunction with the accompanying notes.

(i) Should note that GST paid to ATO is presented on a net basis

Notes

Note 1. Summary of significant accounting policies

The annual financial statements represent the audited general purpose financial statements for Tourism Victoria. The purpose of the report is to provide users with information about Tourism Victoria's stewardship of resources entrusted to it. To gain a better understanding of the terminology used in this report, a glossary of terms and style conventions can be found in Note 21.

(a) Statement of compliance

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

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

The annual financial statements also comply with relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury and Finance, and relevant Standing Directions (SDs) authorised by the Minister for Finance.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

(b) Basis of accounting preparation and measurement

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

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

The estimates and associated 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. Judgements made by management in the application of AAS that have significant effects on the financial statements and estimates, with a risk of material adjustments in the subsequent reporting period, are disclosed throughout the notes to the financial statements.

This report has been prepared in accordance with the historical cost convention. Historical cost is based on the fair values of the consideration given in exchange for assets.

Exceptions to the historical cost convention include:

- non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value;
- the fair value of an asset is generally based on its depreciated replacement value; and
- derivative financial instruments are measured at fair value through profit and loss.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented for the year ended 30 June 2010.

Note 1. Summary of significant accounting policies (continued)

(c) Reporting entity

The financial statements cover Tourism Victoria as an individual reporting entity. It is a statutory authority of the State of Victoria, established pursuant to an order made by the Premier under the *Administrative Arrangements Act 1983*. Its principal address is:

Tourism Victoria
Level 32, 121 Exhibition Street
Melbourne VIC 3000

The financial statements include all the controlled activities of Tourism Victoria.

(d) Objectives and funding

Tourism Victoria's resources are primarily directed to marketing the state, nationally and internationally, as well as contributing to the development of a sustainable tourism industry.

(e) Scope and presentation of financial statements

Comprehensive operating statement

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of financial statements*.

'Transactions' and 'other economic flows' are defined by the *Australian system of government finance statistics: concepts, sources and methods* 2005 Cat. No. 5514.0 published by the Australian Bureau of Statistics.

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

'Other economic flows' are changes arising from market re-measurements. They include gains and losses from disposals of non-financial physical assets; and fair value changes of financial instruments. The net result is equivalent to profit or loss derived in accordance with AAS.

Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets. Current and non-current assets and liabilities (those expected to be recovered or settled beyond 12 months) are disclosed in the notes, where relevant.

Cash flow statement

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of cash flows*.

Statement of changes in equity

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income related to other non-owner changes in equity.

Rounding of amounts

Amounts in the financial statements (including the notes) have been rounded to the nearest dollars, unless otherwise stated. Figures in the financial statements may not equate due to rounding.

(f) Income from transactions

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured. Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes.

Revenue is recognised for each of Tourism Victoria's major activities as follows:

Grant income

Grants are recognised as income when Tourism Victoria gains control over the underlying assets. Where grants are reciprocal, income is recognised as performance occurs under the grant. Non-reciprocal grants are recognised as income when the grant is received or receivable. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

Other income

COOPERATIVE VENTURES INCOME

The amount recognised for cooperative ventures refers to funds directly received and banked by Tourism Victoria for activities such as brochure participation and cooperative marketing. Funds from cooperative venture participants which are reciprocal are recognised as revenue in the year when cooperative venture activities take place. Funds received prior to activities having taken place are recognised as Funds Received in Advance where reciprocal or as revenue if not reciprocal.

INTEREST INCOME

Interest income includes interest received on bank term deposits, interest from investments, and other interest received. Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Note 1. Summary of significant accounting policies (continued)

(g) Expenses from transactions

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

Grants and other payments

Grants and other payments to third parties are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as grants, subsidies and other transfer payments to third parties.

Employee expenses

These expenses include all costs related to employment (other than superannuation which is accounted for separately) including salaries, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

Superannuation

DEFINED BENEFIT PLANS

The amount charged to the comprehensive operating statement in respect of defined benefit plan superannuation represents the contributions made by Tourism Victoria to the superannuation plan in respect to the current services of current Tourism Victoria staff. Superannuation contributions are made to the plan based on the relevant rules of the plan.

Tourism Victoria does not recognise any defined benefit liability in respect of the superannuation plan because Tourism Victoria has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due.

The Department of Treasury and Finance centrally discloses the defined benefit liability or surplus of most Victorian government employees in such funds.

Depreciation

Depreciation is provided on property, plant and equipment. Depreciation is generally calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the term of the lease agreement as the leased building does not revert to the state at the end of the lease term. The depreciated cost is a reasonable approximation of fair value where the assets are depreciated (to reflect its consumption) over the term of the lease agreement.

The expected useful lives are as follows:

Leasehold improvements: 8 years
Plant and equipment: 3-5 years
Leased plant and equipment: 1-3 years

These rates are reviewed on an annual basis.

Capital asset charge

The capital asset charge is calculated on the budgeted carrying amount of applicable non-financial physical assets.

Supplies and services

Supplies and services generally represent the marketing program costs of Tourism Victoria.

Administration charges

These expenses generally represent the day-to-day running costs required to deliver program activities in the normal operations of Tourism Victoria. These items are recognised as an expense in the reporting period in which they are incurred.

Finance costs

Finance costs are recognised as expenses in the period in which they are incurred and include:

- interest on bank overdrafts and short-term and long-term borrowings; and
- finance lease charges.

(h) Other economic flows included in the net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

Net gain/(loss) on non-financial assets

Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses as follows:

REVALUATION GAINS/(LOSSES) OF NON-FINANCIAL PHYSICAL ASSETS

Refer to accounting policy on Property, plant and equipment, provided in Note 1(j) Non-financial assets.

DISPOSAL OF NON-FINANCIAL ASSETS

Any gain or loss on the sale of non-financial assets is recognised at the date that control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying value of the asset at that time.

GAIN/(LOSS) ARISING FROM TRANSACTIONS IN FOREIGN EXCHANGE

Refer to Note 1(q) Foreign currency.

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments that are designated at fair value;
- disposals of financial assets.

REVALUATIONS OF FINANCIAL INSTRUMENTS AT FAIR VALUE

The revaluation gain/(loss) on financial instruments at fair value excludes dividends or interest earned on financial assets, which is reported as part of income from transactions.

Note 1. Summary of significant accounting policies (continued)

Impairment of assets
Tourism Victoria has no intangible assets. All other assets are assessed annually for indications of impairment, except for financial assets that are assessed in accordance with Note 1(i).

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to the operating statement except to the extent that the write down can be debited to an asset revaluation reserve amount applicable to that class of asset.

It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

(i) Financial assets
Cash and deposits
Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts, which are included as borrowings on the balance sheet.

Receivables
Receivables consist of:

- statutory receivables, which include predominantly amounts owing from the Victorian Government and GST input tax credits recoverable; and
- contractual receivables, which include mainly debtors in relation to goods and services, accrued investment income, and finance leases receivables.

Receivables that are contractual are classified as financial instruments. Statutory receivables are not classified as financial instruments.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less an allowance for impairment.

A provision for doubtful receivables is made when there is objective evidence that the debts may not be collected and bad debts are written off when identified.

Forward Foreign Currency Exchange Contract
All derivatives (other than those designated as an accounting hedge) are recognised as a financial asset or financial liability at fair value through profit and loss. In June, Tourism Victoria purchased forward exchange contracts to fix the costs of the budgeted foreign currency activities for 2011–12. Consistent with Treasury recommendation FRD114A, Tourism Victoria has not adopted hedge accounting.

Investments
Investments are classified in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables; and
- interests in listed and unlisted securities other than controlled entities are brought to account at the lower of cost and recoverable amount.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Any dividend or interest earned on the financial asset is recognised in the comprehensive operating statement as a transaction.

Tourism Victoria assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

(j) Non-financial physical assets
Non-financial physical assets classified as held-for-sale, including disposal group assets.
Non-financial physical assets (including disposal group assets) are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when:

- the asset is available for immediate use in the current condition; and
- the sale is highly probable and the asset's sale is expected to be completed within 12 months from the date of classification.

These non-financial physical assets, related liabilities and financial assets are measured at the lower of carrying amount and fair value less costs to sell, and are not subject to depreciation or amortisation.

Note 1. Summary of significant accounting policies (continued)

Prepayments
Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Property, plant and equipment
Plant, equipment and building leasehold improvements are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

Leasehold improvements
The cost of leasehold improvements to or on leasehold properties is capitalised as an asset and depreciated over the remaining term of the lease. Leasehold improvements held at the reporting date are being depreciated over eight years (2010 – 8 years).

Revaluations of non-financial physical assets
Non-financial physical assets are measured at fair value in accordance with the Financial Reporting Directions (FRDs) issued by the Minister for Finance. A full revaluation normally occurs every five years, based upon the asset's government purpose classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are generally used to conduct these scheduled revaluations. Any interim revaluations are determined in accordance with the requirements of the FRDs.

Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Net revaluation increases (where the carrying amount of a class of assets is increased as a result of a revaluation) are recognised in 'Other economic flows – other movements in equity' and accumulated in equity under the asset revaluation surplus. However, the net revaluation increase is recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same class of property, plant and equipment previously recognised as an expense (other economic flows) in the net result.

Net revaluation decreases are recognised immediately as other economic flows in the net result, except that the net revaluation decrease is recognised in 'Other economic flows – ther movements in equity' to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment. The net revaluation decrease recognised in 'Other economic flows – other movements in equity' reduces the amount accumulated in equity under the asset revaluation surplus.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class but are not offset in respect of assets in different classes. Any asset revaluation surplus is not normally transferred to accumulated funds on derecognition of the relevant asset.

(k) Liabilities

Borrowings
Borrowings are initially measured at fair value, being the cost of the borrowings, net of transaction costs (refer to Note 1(l)).

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in net result over the period of the borrowing using the effective interest method.

Payables
Payables consist of:

- contractual payables, such as accounts payable, and unearned income. Accounts payable represent liabilities for goods and services provided to Tourism Victoria prior to the end of the financial year that are unpaid, and arise when Tourism Victoria becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as fringe benefits tax payables.

Tourism Victoria do not need to present statutory 'taxes payables' in the note, as the amount of fringe benefits tax payable is not material.

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

Provisions
Provisions are recognised when Tourism Victoria has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a liability is the best estimate of the consideration required to settle the present obligation at reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using discount rate that reflects the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Note 1. Summary of significant accounting policies (continued)

Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date. These are recognised when incurred, except for contributions in respect of defined benefit plans.

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, annual leave and accumulating sick leave are recognised in the provision for employee benefits, classified as current liabilities. Those liabilities which are expected to be settled within 12 months of the reporting period, are measured at their nominal values.

Those liabilities that are not expected to be settled within 12 months are recognised in the provision for employee benefits as current liabilities, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

(ii) Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

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

The components of this current LSL liability are measured at:

- present value – component that Tourism Victoria does not expect to settle within 12 months; and
- nominal value component that Tourism Victoria expects to settle within 12 months.

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

This non-current LSL liability is measured at present value. Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow (refer to Note 1(h). Other economic flows included in net result).

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Tourism Victoria recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

EMPLOYEE BENEFITS ON-COSTS

Employee benefits on-costs (payroll tax, workers compensation, superannuation, annual leave and LSL accrued while on LSL taken in service) are recognised separately from the provision for employee benefits.

(l) Leases

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

TOURISM VICTORIA AS LESSEE

Assets held under finance leases are recognised as assets of Tourism Victoria at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

FINANCE LEASES

Finance lease assets are amortised on a straight line basis over the estimated useful life of the asset.

OPERATING LEASES

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Note 1. Summary of significant accounting policies (continued)

(m) Commitments
Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources and are disclosed at their nominal value, and inclusive of the goods and services tax (GST) payable.

(n) Contingent assets and contingent liabilities
Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value, inclusive of GST receivables and payables respectively.

(o) Goods and Services Tax (GST)
Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a net basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(p) Events after reporting date
Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between Tourism Victoria and other parties, the transactions are only recognised when the agreement is irrevocable at or before balance date. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting date and before the date the statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the balance date and the date the statements are authorised for issue where the events relate to condition which arose after the reporting date and which may have a material impact on the results of subsequent reporting periods.

(q) Foreign currency
All foreign currency transactions during the financial year are brought to account using the relevant contract rate in effect at the date of the transaction. Foreign monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in the profit or loss in the period in which they arise.

Foreign currency translation differences are recognised in 'Other economic flows' and accumulated in a separate component of equity, in the period in which they arise.

(r) New accounting standards and interpretations
Certain new AAS have been published that are not mandatory for the 30 June 2011 reporting period. DTF assesses the impact of these new standards and advises Tourism Victoria of their applicability and early adoption where applicable.

As at 30 June 2011, the following standards and interpretations (applicable to departments) had been issued but were not mandatory for the financial year ending 30 June 2011. Tourism Victoria has not early adopted these standards.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Tourism Victoria financial statements
AASB 9 Financial instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 124 Related Party Disclosures (Dec 2009)	Government related entities have been granted partial exemption with certain disclosure requirements.	Beginning 1 Jan 2011	Preliminary assessment suggests the impact is insignificant. However, the Department is still assessing the detailed impact and whether to early adopt.
AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]	This Standard gives effect to consequential changes arising from the issuance of AASB 9.	Beginning 1 Jan 2013	Detail of impact is still being assessed.

Note 1. Summary of significant accounting policies (continued)

(r) New accounting standards and interpretations (continued)

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Tourism Victoria financial statements
AASB 2009-12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and Interpretations 2, 4, 16, 1039 and 1052]	This standard amends AASB 8 to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for purposes of certain operating segment disclosures. This standard also makes numerous editorial amendments to other AAS.	Beginning 1 Jan 2011	AASB 8 does not apply to departments therefore no impact expected. Otherwise, only editorial changes arsing from amendments to other standards, no major impact. Impacts of editorial amendments are not expected to be significant.
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]	Amendments to Interpretation 14 arise from the issuance of prepayments of a minimum funding requirement.	Beginning 1 Jan 2011	Expected to have no significant impact.
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]	This Standard makes numerous improvements designed to enhance the clarity of standards.	Beginning 1 Jan 2011	No significant impact on the financial statements.
AASB 2010-5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This amendment contains editorial corrections to a range of Australian Accounting Standards and Interpretations, which includes amendments to reflect changes made to the text of IFRSs by the IASB.	Beginning 1 Jan 2011	No significant impact on the financial statements.
AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	This amendment adds and changes disclosure requirements about the transfer of financial assets. This includes the nature and risk of the financial assets.	Beginning 1 July 2011	This may impact on departments and public sector entities as it creates additional disclosure for transfers of financial assets. Detail of impact is still being assessed.
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	These amendments are in relation to the introduction of AASB 9.	Beginning 1 Jan 2013	This amendment may have an impact on departments and public sector bodies as AASB 9 is a new standard and it changes the requirements of numerous standards. Detail of impact is still being assessed.
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	This amendment provides a practical approach for measuring deferred tax assets and deferred tax liabilities when measuring investment property by using the fair value model in AASB 140 Investment Property.	Beginning 1 Jan 2012	This amendment provides additional clarification through practical guidance.
AASB 2010-9 Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1]	This amendment provides guidance for entities emerging from severe hyperinflation who are going to resume presenting Australian Accounting Standards financial statements or entities that are going to present Australian Accounting Standards financial statements for the first time. It provides relief for first-time adopters from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.	Beginning 1 July 2011	Amendment unlikely to impact on public sector entities.
AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]	This amendment affects multiple Australian Accounting Standards and AASB Interpretations for the objective of increased alignment with IFRSs and achieving harmonisation between both Australian and New Zealand Standards. It achieves this by removing guidance and definitions from some Australian Accounting Standards, without changing their requirements.	Beginning 1 July 2011	This amendment will have no significant impact on public sector bodies.
AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]	This amends AASB 1049 to clarify the definition of the ABS GFS Manual, and to facilitate the adoption of changes to the ABS GFS Manual and related disclosures.	Beginning 1 July 2012	This amendment provides clarification to users on the version of the GFS Manual to be used and what to disclose if the latest GFS Manual is not used. No impact on performance measurements will occur.

Note 2. Income from transactions

	2011 $	2010 $
Income		
(a) Grant income		
State government grants		
Core program	**29,098,825**	27,722,600
Special projects	**103,243,280**	46,106,000
Total grant income	**132,342,105**	73,828,600
(b) Other income		
Cooperative ventures		
Marketing strategy	**359,232**	547,080
Product and destination marketing	**3,313,425**	3,335,794
International marketing	**323,558**	1,607,042
Other	**512,021**	569,422
	4,508,236	6,059,338
Interest income		
Interest on bank deposits	**328,141**	208,856
Interest from Investments	**777,736**	695,215
	1,105,877	904,071
Total other income	**5,614,113**	6,963,409

Note 3. Expenses from transactions

	2011 $	2010 $
Expenses from transactions		
(a) Grants and other payments		
Events	**76,223,311**	16,232,750
Regional tourism cooperative marketing	**3,147,160**	8,791,840
Victoria Trade and Investment Company Pty Ltd	**1,378,496**	1,596,990
Industry development	**477,550**	542,125
Other	**1,371,904**	3,240,077
Total grants and other payments	**82,598,421**	30,403,782
(b) Employee expenses		
Salary and wages	**8,313,041**	7,770,855
Superannuation	**825,337**	738,538
Annual leave	**708,620**	749,963
Long service leave	**155,609**	320,435
Other on-costs (fringe benefits tax, payroll tax and workcover levy)	**749,562**	723,587
Total employee expenses	**10,752,169**	10,303,378
(c) Depreciation expense		
Leasehold improvements	**15,441**	16,691
Plant and equipment	**14,237**	16,861
Leased motor vehicles	**33,673**	38,446
Total depreciation expense	**63,351**	71,998
(d) Supplies and services		
Advertising	**8,683,480**	14,588,802
Printed material	**169,190**	236,105
Consultants, outsourcing and professional services and agency staff	**5,988,623**	4,892,049
Distribution	**196,009**	268,568
Exhibition costs/Venue hire	**619,165**	1,041,409
Familiarisation expenses	**1,364,476**	1,185,570
Hospitality and entertainment	**722,419**	603,074
Marketing, promotional and PR costs	**12,713,822**	9,273,828
Media	**73,731**	22,222
Online services	**1,970,760**	574,557
Overseas contractors	**762,208**	1,094,186
Photographic/Video	**544,066**	935,053
Research	**1,540,650**	1,425,223
Other	**28,312**	82,565
Total supplies and services	**35,376,911**	36,223,211
(e) Administration charges		
Rent, cleaning and power	**1,081,787**	1,117,220
Telephone, facsimile and postage	**345,210**	348,513
Audit fees	**30,500**	28,565
Computer charges	**1,282,080**	1,176,860
Printing, stationery and offices requisites	**215,055**	261,678
Motor vehicle running costs	**134,788**	145,839
Travel charges	**910,308**	937,500
Training and development	**583,307**	488,646
Other	**296,873**	224,062
Total administration charges	**4,879,906**	4,728,883

Note 4. Receivables

	2011 $	2010 $
Current receivables		
Contractual		
Debtors (a)	**507,045**	9,813,601
Other receivables	**107,713**	82,957
	614,758	9,896,557
Statutory		
GST Input tax credit recoverable	**839,389**	797,017
	839,389	797,017
Total current receivables	**1,454,147**	10,693,575

(a) The average credit period on sales of goods and/or services is 30 days. No interest is charged on other receivables.
(b) Ageing analysis of contractual receivables, please refer to note 14(b).
(c) Nature and extent of risk rising from contractual receivables, please refer to note 14(b).

Note 5. Investments

	2011 $	2010 $
Non traded investments		
Shares in other entities (at cost)	**1**	1
	1	1

Impairment of shares

	2011 $	2010 $
Opening balance	**1**	1
Closing balance	**1**	1

Note 5(a)

In June 2001 Tourism Victoria, along with all the other state tourism authorities, and Tourism Australia contributed share capital to the establishment of Australian Tourism Data Warehouse Pty Ltd (ATDW). ATDW is a company limited by share, incorporated in New South Wales.

Paragraph 10 of the Shareholders Agreement states that a shareholder can only dispose of shares to another shareholder. In practical terms this means that the shares cannot be sold as they will not be purchased by an existing shareholder.

Tourism Victoria believes that because of the nature of ATDW and its shareholders and the restrictions in the shareholder agreement, Tourism Victoria is unable to find a shareholder to purchase the shares. Therefore, using the definition in AASB 139 of 'Fair Value', the shares have little value. Consequently the shares have been impaired to $1.

Note 6. Property, plant and equipment

	2011 $	2010 $
Classification by purpose groups - carrying amounts		
Sub classification by nature		
Leasehold improvements		
Gross carrying amount	**133,528**	133,528
less: accumulated depreciation	**(121,285)**	(105,844)
Net carrying amount	**12,243**	27,685
Plant, equipment and motor vehicles		
Gross carrying amount	**308,376**	327,385
less: accumulated depreciation	**(177,402)**	(162,159)
Net carrying amount	**130,974**	165,227
Net carrying amount of property, plant and equipment	**143,218**	192,911

(a) Property, plant and equipment are classified primarily by the 'purpose' for which the assets are used according to one of six 'Purpose Groups' based upon Government Purpose Classifications (GPCs). All assets within a 'Purpose Group' are further sub-categorised to the asset's 'nature' (i.e. buildings, plant and equipment etc), with each sub-category being classified as a separate class of asset for financial reporting purposes. All Tourism Victoria assets are within the Public Safety and Environment purpose group.

Note 6(a). Property, plant and equipment

	Leasehold improvements at fair value		Plant, equipment and motor vehicle at fair value		Total	
	2011	2010	**2011**	2010	**2011**	2010
	$	$	**$**	$	**$**	$
Opening balance	**27,685**	44,376	**165,226**	201,342	**192,911**	245,718
Additions	**–**	–	**56,123**	41,895	**56,123**	41,895
Disposals	**–**	–	**(42,466)**	–	**(42,466)**	–
Assets held for resale	**–**	–	**–**	(22,704)	**–**	(22,704)
Disposals due to 08/09 policy change	**–**	–	**–**	–	**–**	–
Transfers free of charge	**–**	–	**–**	–	**–**	–
Depreciation expense	**(15,441)**	(16,691)	**(47,910)**	(55,307)	**(63,351)**	(71,998)
Closing balance	**12,244**	27,685	**130,973**	165,226	**143,217**	192,911

Note 6(b). Property, plant and equipment

	2011	2010
	$	$
The following useful lives of assets are used in the calculation of depreciation:		
Leasehold improvements	**8 years**	8 years
Plant and equipment	**3–5 years**	3–5 years
Leased plant and equipment	**1–3 years**	1–3 years
Aggregate depreciation allocated, recognised as expense during the year:		
Leasehold improvements	**15,441**	16,691
Plant and equipment	**14,237**	16,861
Leased plant and equipment	**33,673**	38,446
	63,351	71,997

Note 6(c). Property, plant and equipment

	2011	2010
	$	$
Gross sales proceeds	**61,364**	–
Carrying amount of non-financial assets disposed	**(65,169)**	–
Net gain/(loss) on disposal	**(3,806)**	–

Note 7. Payables

	2011 $	2010 $
Current		
Contractual		
Trade creditors and accruals (a, b, c)	**6,590,169**	5,989,931
Other creditors (d)	**483,348**	784,027
Total current payable	**7,073,517**	6,773,958

(a) The average credit period on trade creditors during the year is 30 days.
(b) All payables were paid out. There are no overdue amounts.
(c) Trade creditors and accruals represents accrued expenses only.
(d) Other creditors represents accrued employee expenses and prepaid revenue.
(e) Please refer to note 14(d) for the maturity analysis of contractual payables.

Note 8. Borrowings

	2011 $	2010 $
Current borrowings		
Secured		
Finance lease liabilities (i) (note 11)	**70,132**	99,904
Total current borrowings	**70,132**	99,904
Non-current borrowings		
Secured		
Finance lease liabilities (i) (note 11)	**45,160**	89,814
Total non-current borrowings	**45,160**	89,814
Aggregate carrying amount of borrowings		
Current	**70,132**	99,904
Non-current	**45,160**	89,814
Total	**115,293**	189,718

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

(a) Please refer to note 14(d) for the maturity analysis of borrowings.
(b) During the current and prior year there were no breaches or defaults on any of the borrowings.

Note 9. Provisions

	2011 $	2010 $
Employee benefits and related on-costs		
Current employee benefits		
Employee benefits (Note 9 (a)) - annual leave entitlements (i):		
Unconditional and expected to settle within 12 months (ii)	**631,729**	549,803
Employee benefits (Note 9 (a)) - long service leave entitlements:		
Unconditional and expected to settle within 12 months (iii)	**76,986**	80,726
Unconditional and expected to settle after 12 months (iii)	**1,462,742**	1,297,503
	2,171,457	1,928,031
Provisions related to employee benefit on-costs (Note 9 (a))		
Unconditional and expected to settle within 12 months (ii)	**120,144**	97,009
Unconditional and expected to settle after 12 months (iii)	**224,362**	208,182
	344,506	305,191
Total current provisions	**2,515,963**	2,233,222
Non-current employee benefits		
Conditional long service leave (i)	**105,363**	236,282
Conditional long service leave on-costs (Note 9 (a))	**25,400**	37,569
Total non-current provisions	**130,763**	273,851
Total provisions	**2,646,726**	2,507,073

(i) The amounts disclosed are nominal amounts.
(ii) The amounts disclosed are discounted to present values.

(a) Employee benefits and related on-costs

	2011 $	2010 $
Current employee benefits		
Annual leave entitlements	**740,064**	635,855
Unconditional long service leave entitlements	**1,775,899**	1,597,367
Non-current employee benefits		
Conditional long service leave entitlements	**130,763**	273,851
Total employee benefits	**2,646,726**	2,507,073
On-costs		
Current on-costs	**344,506**	305,191
Non-current on-costs	**25,400**	37,569
Total on-costs	**369,906**	342,760

(i) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs.
(ii) The amounts disclosed are nominal amounts.
(iii) The amounts disclosed are discounted to present values.

Note 10. Superannuation

Employees of Tourism Victoria are entitled to receive superannuation benefits and Tourism Victoria contributes to both defined benefit and defined contribution plans. The defined benefit plan provides benefits based on years of service and final average salary.

Tourism Victoria does not recognise any defined benefit liability in respect of this plan because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance discloses the State's defined benefit liabilities in its disclosure for administered items.

However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Comprehensive Operating Statement of Tourism Victoria.

The name and details of the major employee superannuation funds and contributions made by Tourism Victoria are as follows:

Fund	**Contribution for the year 2011 $**	Contribution for the year 2010 $	**Contribution outstanding at year end 2011 $**	Contribution outstanding at year end 2010 $
Defined benefit plans:				
State Superannuation Fund – revised and new	**189,411**	157,520	**–**	–
Defined contribution plans:				
VicSuper	**463,276**	437,093	**–**	–
Private Funds	**186,817**	145,509	**–**	–
Total	**839,504**	740,121	**–**	–

The bases for contributions are determined by various schemes.

Note 11. Leases

Disclosure for lessees – finance leases

Leasing arrangements

Finance leases relate to motor vehicles with lease terms of one to three years. Tourism Victoria has the options to purchase the vehicles for a nominal amount at the conclusion of the lease agreements.

Finance lease liabilities

	Minimum future lease payments		Present value of minimum future lease payments	
	2011	2010	**2011**	2010
	$	$	**$**	$
Not longer than 1 year	**69,203**	104,914	**70,132**	99,904
Longer than 1 year and not longer than 5 years	**47,861**	84,079	**45,160**	76,637
Minimum future lease payments *	**117,064**	188,993	**115,292**	176,540
less: Future finance charges	**(1,771)**	(12,453)	**–**	–
Present value of minimum lease payments	**115,292**	176,540	**115,292**	176,540
Included in the financial statements as:				
Current borrowings (note 8)			**70,132**	99,904
Non-current borrowings (note 8)			**45,160**	76,637
			115,292	176,541

** Minimum lease payments includes the aggregate of all lease payments and any guaranteed residual.*

Disclosure for lessees – operating leases

Leasing arrangements

Operating leases relate to offices which Tourism Victoria leases overseas and interstate, with lease terms of between two and ten years. All operating lease contracts are between Tourism Victoria and Tourism Australia, and contain market review clauses in the event that Tourism Victoria exercises its option to renew. Tourism Victoria does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancellable operating leases

	2011	2010
	$	$
Not longer than 1 year	**126,177**	160,228
Longer than 1 year and not longer than 5 years	**257,199**	391,970
Longer than 5 years	**–**	3,494
	383,376	555,692

a) Please refer to note 14(d) for ageing analysis of finance lease liabilities.

Note 12. Commitments for expenditure

Grant commitments

Commitments for the payment of grants under contracts in existence at the reporting date but not recognised as liabilities and payable are:

	2011 $	2010 $
Not longer than 1 year	**18,794,749**	18,545,106
Longer than 1 year and not longer than 5 years	**33,613,663**	38,238,048
	52,408,412	56,783,154

Other commitments

Commitments for the payment of other expenditure under contracts in existence at the reporting date but not recognised as liabilities and payable are:

	2011 $	2010 $
Not longer than 1 year	**4,979,461**	6,676,133
Longer than 1 year and not longer than 5 years	**656,121**	412,718
	5,635,582	7,088,851

Lease commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in Note 11 to the financial statements.

Note 13. Contingent liabilities and contingent assets

Contingent assets

There were no contingent assets at 30 June 2011 (2010: nil).

Contingent liabilities

There were no contingent liabilities at 30 June 2011 (2010: nil).

Note 14. Financial instruments

(a) Financial risk management objectives
Tourism Victoria's principal financial instruments comprise of:
- cash assets;
- term deposits;
- forward foreign currency exchange contract;
- receivables (excluding statutory receivables);
- payables (excluding statutory payables);
- borrowings; and
- finance lease payables.

Tourism Victoria's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, and interest rates.

The policies for managing these risks are discussed in more detail below.

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 of the financial statements.

The main purpose in holding financial instruments is to prudently manage Tourism Victoria's financial risks within the Government policy parameters.

Tourism Victoria's main financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market risk. Tourism Victoria manages these financial risks in accordance with its financial risk management policy.

Tourism Victoria uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Financial Risk Management Committee of Tourism Victoria.

The carrying amounts of Tourism Victoria's financial assets and financial liabilities by category are in the following table:

	Notes	**2011** **$**	2010 $
Financial assets			
Cash and deposits	(i)	**27,527,636**	13,790,872
Loans and receivables	(i)	**614,758**	9,896,557
Investments	(ii)	**1**	1
Forward Foreign Currency Exchange Contract	(ii)	**1,313,299**	3,725,724
Total financial assets (a)		**29,455,694**	27,413,154
Financial liabilities			
Payables	(iii)	**7,188,810**	6,963,676
Forward Foreign Currency Exchange Contract	(ii)	**1,313,299**	3,725,724
Total financial liabilities (b)		**8,502,109**	10,689,399

Categorisation of financial instruments
(i) These are loans and receivables
(ii) Contractual financial assets/liabilities designated at fair value through profit and loss
(iii) These are contractual financial liabilities at amortised costs

(a) The total amount of financial assets disclosed here excludes statutory receivables (i.e. Amounts owing from Victorian Government and GST input tax credit recoverable).
(b) The total amount of financial liabilities disclosed here excludes statutory payable (i.e. Taxes payable).

Note 14. Financial instruments (continued)

Net holding gain/(loss) on financial instruments by category

	2011 $	2010 $
Financial assets		
Cash and deposits	**1,105,877**	904,071
Total financial assets	**1,105,877**	904,071
Financial liabilities		
Finance lease	**9,280**	(25,925)
Total financial liabilities	**9,280**	(25,925)

The net holding gains or losses disclosed above are determined as follows:

- For cash and deposits, loans or receivables, the net gain or loss is calculated by taking the interest revenue, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result;
- For financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost;
- For financial asset and liabilities that are held-for-trading or designated at fair value through profit or loss, the net gain or losses calculated by taking the movement in the fair value of the financial asset or liability.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Tourism Victoria. Tourism Victoria has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Tourism Victoria measures credit risk on a fair value basis.

Tourism Victoria does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with credit-ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents Tourism Victoria's maximum exposure to credit risk without taking account for the value of any collateral obtained.

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

Note 14. Financial instruments (continued)

Ageing analysis of contractual receivables

	Carrying amount	Not past due and not impaired	Past due but not impaired		
			Less than 1 month	1–3 months	3 months – 1 year
2011					
Debtors	**507,045**	**270,407**	**144,238**	**92,400**	**–**
Other receivables	**107,713**	**107,713**	**–**	**–**	**–**
	614,758	**378,120**	**144,238**	**92,400**	**–**
2010					
Debtors	9,813,601	8,909,951	892,970	10,680	–
Other receivables	82,957	82,957	–	–	–
	9,896,557	8,992,908	892,970	10,680	–

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

	Finance Institutions	Government Departments	Other Government Entities	Regional Tourism Bodies	Other	Total
2011						
Cash and deposits	**11,778,728**	**–**	**15,500,000**	**–**	**248,909**	**27,527,636**
Receivables	**22,515**	**221,000**	**4,100**	**92,132**	**275,011**	**614,758**
Investments	**–**	**–**	**–**	**–**	**1**	**1**
Total contractual financial assets	**11,801,243**	**221,000**	**15,504,100**	**92,132**	**523,921**	**28,142,395**
2010						
Cash and deposits	9,138,012	–	4,350,000	–	302,860	13,790,872
Receivables	15,251	8,814,860	134,076	780,714	151,658	9,896,557
Investments	–	–	–	–	1	1
Total contractual financial assets	9,153,263	8,814,860	4,484,076	780,714	454,519	23,687,430

There are no material financial assets which are individually determined to be impaired.

Note 14. Financial instruments (continued)

(c) Liquidity risk

Liquidity risk arises when Tourism Victoria is unable to meet its financial obligations as they fall due. Tourism Victoria operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, make payments within 30 days from the date of resolution. It also continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holdings of high quality liquid assets and dealing in highly liquid markets.

Tourism Victoria's exposure to liquidity risk is deemed insignificant based on prior period's data and current assessment of risk.

Maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the Balance Sheet.

(d) Market risk

Tourism Victoria's exposure to market risk is primarily through interest rate risk and foreign currency risk. Objectives, policies and processes used to manage each of these risks are disclosed below:

Foreign currency risk

Tourism Victoria's foreign currency risk is managed using forward exchange contracts, which are over-the-counter contracts that fix the future delivery of foreign currencies at a specified exchange rate.

The forward foreign currency contract amount results in foreign currency account balances being sufficient to fund the budgeted foreign currency activities for 2011–2012. Tourism Victoria's exposure to direct foreign currency risk has no impact on the net result from transactions.

Consistent with Treasury recommendation (FRD 114a), Tourism Victoria has not adopted hedge accounting.

Interest rate risk

Tourism Victoria's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out below.

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. Tourism Victoria does not hold any interest bearing financial instruments that are measured at fair value, therefore has nil exposure to fair value interest rate risk.

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

Tourism Victoria manages this risk by investing in short term fixed rate financial instruments with an investment maturity sufficient to fund weekly expenditure. Cash at bank balances are kept at minimal operational levels. Management reviews its cash flow position on a weekly basis. Management has concluded that cash at bank is a financial asset that can be left at a floating rate without necessarily exposing Tourism Victoria to significant bad risk as it adopts a conservative approach in budgeting for interest revenue. Management monitors movement in interest rates on a weekly basis.

Note 14. Financial instruments (continued)

The following table details Tourism Victoria's exposure to interest rate risk as at 30 June 2011.

				Maturity dates				
		Weighted average effective interest rate	**Variable interest rate**	**Less than 1 year**	**1–5 years**	**More than 5 years**	**Non-Interest Bearing**	**Total**
2011	**Note**	**%**	**$**	**$**	**$**	**$**	**$**	**$**
Financial assets								
Cash and deposits	15	**4.73%**	**12,027,636**	**15,500,000**	**–**	**–**	**–**	**27,527,636**
Trade and other receivables	4		**–**	**–**	**–**	**–**	**614,758**	**614,758**
Forward Foreign Currency Exchange Contract	14		**–**	**–**	**–**	**–**	**1,313,299**	**1,313,299**
Investments	5		**–**	**–**	**–**	**–**	**1**	**1**
			12,027,636	**15,500,000**	**–**	**–**	**1,928,058**	**29,455,694**
Financial liabilities								
Payables	7		**–**	**–**	**–**	**–**	**7,073,517**	**7,073,517**
Finance lease liabilities	8,11	**7.22%**	**–**	**70,132**	**45,160**	**–**	**–**	**115,292**
Forward Foreign Currency Exchange Contract			**–**	**–**	**–**	**–**	**1,313,299**	**1,313,299**
			–	**70,132**	**45,160**	**–**	**8,386,816**	**8,502,109**
Net financial assets (liabilities)			**12,027,636**	**15,429,868**	**(45,160)**	**–**	**(6,458,758)**	**20,953,586**

The following table details Tourism Victoria's exposure to interest rate risk as at 30 June 2010.

				Maturity dates				
		Weighted average effective interest rate	Variable interest rate	Less than 1 year	1–5 years	More than 5 years	Non-Interest Bearing	Total
2010	Note	%	$	$	$	$	$	$
Financial assets								
Cash and deposits	15	3.88%	9,440,872	4,350,000	–	–	–	13,790,872
Trade and other receivables	4		–	–	–	–	9,896,557	9,896,557
Forward Foreign Currency Exchange Contract	14		–	–	–	–	3,725,724	3,725,724
Investments	5		–	–	–	–	1	1
			9,440,872	4,350,000	–	–	13,622,282	27,413,154
Financial liabilities								
Payables	7		–	–	–	–	6,773,958	6,773,958
Finance lease liabilities	8,11	7.41%	–	99,904	89,814	–	–	189,717
Forward Foreign Currency Exchange Contract			–	–	–	–	3,725,724	3,725,724
			–	99,904	89,814	–	10,499,682	10,689,399
Net financial assets (liabilities)			9,440,872	4,250,096	(89,814)	–	3,122,600	16,723,755

Note 14. Financial instruments (continued)

Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Tourism Victoria believes the following movements are 'reasonably possible' over the next 12 months (Base rates are sourced from Reserve Bank of Australia):

- A parallel shift of +0.5% and -0.5% in market interest rate (AUD) from year end rates of 4.82%. (2010: 4.05%);
- Proportional exchange rate movement of -10% (depreciation of AUD) and +10% (appreciation of AUD) against foreign currencies, from the year end rates. At year end there were foreign currency balances (AUD 1,938,884) which would expose Tourism Victoria to exchange rate risk (2010: AUD 2,810,436); and
- A parallel shift of +1% and -1% in inflation rate from year end rates of 3.6% (2010: 3.1%) – Tourism Victoria has no financial instruments exposed to inflation risk (2010: no exposure).

The following table discloses the impact on net operating result and equity for each category of financial instrument held by Tourism Victoria at year end as presented to key management personnel, if the above movements were to occur.

		2011 Foreign exchange risk				**2011 Interest rate risk**			
		-10%		**+10%**		**-0.5% (50 basis points)**		**+0.5% (50 basis points)**	
	Carrying amount	**Profit $**	**Equity $**	**Profit $**	**Equity $**	**Profit $**	**Equity $**	**Profit $**	**Equity $**
Financial assets									
Cash and deposits (1)	**27,527,636**	**193,888**	**193,888**	**(193,888)**	**(193,888)**	**(137,638)**	**(137,638)**	**137,638**	**137,638**
Forward Foreign Currency Exchange Contract (2)	**1,313,299**	**131,330**	**131,330**	**(131,330)**	**(131,330)**	**–**	**–**	**–**	**–**
Receivables (3)	**614,758**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Investments in other entities (4)	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Financial liabilities									
Forward Foreign Currency Exchange Contract (2)	**1,313,299**	**(131,330)**	**(131,330)**	**131,330**	**131,330**	**–**	**–**	**–**	**–**
Payables (3)	**7,073,517**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Finance lease liabilities (5)	**115,292**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total increase/(decrease)		**193,888**	**193,888**	**(193,888)**	**(193,888)**	**(137,638)**	**(137,638)**	**137,638**	**137,638**

		2010 Foreign exchange risk				2010 Interest rate risk			
		-10%		+10%		-0.5% (50 basis points)		+0.5% (50 basis points)	
	Carrying amount	Profit $	Equity $	Profit $	Equity $	Profit $	Equity $	Profit $	Equity $
Financial assets									
Cash and deposits (1)	13,790,872	281,044	281,044	(281,044)	(281,044)	(68,954)	(68,954)	68,954	68,954
Forward Foreign Currency Exchange Contract (2)	3,725,724	372,572	372,572	(372,572)	(372,572)	–	–	–	–
Receivables (3)	9,896,557	–	–	–	–	–	–	–	–
Investments in other entities (4)	1	–	–	–	–	–	–	–	–
Financial liabilities									
Forward Foreign Currency Exchange Contract (2)	3,725,724	(372,572)	(372,572)	372,572	372,572	–	–	–	–
Payables (3)	6,773,958	–	–	–	–	–	–	–	–
Finance lease liabilities (5)	189,717	–	–	–	–	–	–	–	–
Total increase/(decrease)		281,044	281,044	(281,044)	(281,044)	(68,954)	(68,954)	68,954	68,954

Note 14. Financial instruments (continued)

(1) In 2010–11, $25,588,752 cash and deposits are held in Australian Dollars. $10,088,752 is held on deposit at variable interest rates. $15,500,000 is invested in Australian Dollars in interest bearing accounts. The equivalent of AUD 1,938,884 is held in seven overseas currencies. In 2009–10, $10,980,435 cash and deposits are held in Australian Dollars. $6,630,435 is held on deposit at variable interest rates. $4,350,000 is invested in Australian Dollars in interest bearing accounts. The equivalent of AUD 2,810,436 is held in seven overseas currencies.

(2) In 2010–11, the Forward Foreign Currency Contract amount covers the costs of the budgeted foreign currency activities for 2011–12. Contracted on 8 June 2011, maturity is on 18 and 19 July 2011. Sensitivity of the foreign currency is as follows:
– sensitivity impact on net result due to appreciation/(depreciation) of AUD by 10 per cent is $131,330.
In 2009–10, the forward foreign currency contract amount covers the costs of the budgeted foreign currency activities for 2010–11. Contracted on 11 and 25 June 2010, maturity is on 15 July 2010. Sensitivity of the foreign currency is as follows:
– sensitivity impact on net result due to appreciation/(depreciation) of AUD by 10 per cent is $372,572.

(3) The carrying amount is denominated in Australian Dollars and is non-interest bearing. This item is not subject to the identified risk sensitivities.

(4) Investments are denominated in Australian Dollars and are non-interest bearing. This item is not subject to identified risk sensitivities.

(5) Interest bearing liabilities solely relate to finance lease liabilities associated with motor vehicles. Each contract has interest fixed at the inception of the lease. This item is not subject to identified risk sensitivities.

(e) Fair value

Management consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values. The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models on discounted cash flow analysis.

The financial statements include holdings in unlisted shares (note 5). Transaction costs are included in the determination of net fair value.

The following table shows that the fair values of most of the contractual financial assets and liabilities are the same as the carrying amounts.

Comparison between carrying amount and fair value

	Carrying amount	Fair value	Carrying amount	Fair value
	2011	**2011**	2010	2010
Contractual financial assets				
Cash and deposits	**27,527,636**	**27,527,636**	13,790,872	13,790,872
Loans and receivables	**614,758**	**614,758**	9,896,557	9,896,557
Forward Foreign Currency Exchange Contract	**1,313,299**	**1,313,299**	3,725,724	3,725,724
Investments	**1**	**1**	1	1
Total contractual financial assets	**29,455,694**	**29,455,694**	27,413,154	27,413,154
Contractual financial liabilities				
Payables	**7,188,810**	**7,188,810**	6,963,676	6,963,676
Forward Foreign Currency Exchange Contract	**1,313,299**	**1,313,299**	3,725,724	3,725,724
Total contractual financial liabilities	**8,502,109**	**8,502,109**	10,689,399	10,689,399

Note 15. Cash flow information

	2011 $	2010 $
(a) Reconciliation of cash and cash equivalents		
For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:		
Cash at bank and on hand	**11,779,028**	9,159,606
Short term deposits and investments	**15,500,000**	4,350,000
Cash advance – (held at overseas offices)	**248,609**	281,266
Balance as per cash flow statement	**27,527,636**	13,790,872

(b) Reconciliation of net result for the period

	2011 $	2010 $
Net result for the reporting period	**4,084,223**	(1,175,710)
Non-cash movements		
(Gain)/Loss on disposal of non-current assets	**3,806**	–
Impairment loss of financial asset	**–**	–
Depreciation and amortisation of non-current assets	**63,351**	71,998
Allowance for doubtful debts	**–**	–
Other non cash items	**–**	(191)
(Gain)/Loss on foreign exchange currency	**130,610**	145,067
Movements in assets and liabilities		
Changes in net assets and liabilities		
(Increase)/Decrease in assets		
Current receivables	**9,239,428**	(7,662,576)
Other current assets	**(1,367)**	658,424
Increase/(Decrease) in liabilities		
Current payables	**299,559**	(305,112)
Current provisions	**282,741**	384,982
Non-current provisions	**(143,088)**	31,387
Net cash flows from (used in) operating activities	**13,959,263**	(7,851,731)

Note 16. Other economic flows included in net result

	2011 $	2010 $
(a) Net gain/(loss) on non-financial assets		
Net gain/(loss) on disposal of physical assets	**(3,806)**	–
Total net gain/(loss) on non-financial assets	**(3,806)**	–
(b) Net gain/(loss) on financial instruments		
Net gain/(loss) on financial instruments	**(130,610)**	(145,067)
Total net gain/(loss) on financial instruments	**(130,610)**	(145,067)
Total other economic flows included in net result	**(134,416)**	(145,067)

Note 17. Responsible persons

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

Names

The persons who held positions in Tourism Victoria are as follows:

Minister for Tourism and Major Events	The Hon. Tim Holding, MP	1 July 2010 to 2 December 2010
Minister for Tourism and Major Events	The Hon. Louise Asher, MP	2 December 2010 to 30 June 2011
Chief Executive	Greg Hywood	1 July 2010 to 1 October 2010
Acting Chief Executive	Mark Stone	4 October 2010 to 3 June 2011
Acting Chief Executive	John Dalton	6 June 2011 to 30 June 2011
Chairman	Janine Kirk, AM	1 July 2010 to 30 June 2011
Deputy Chairman	Pamela Catty	1 July 2010 to 30 June 2011
Board Member	Greg Sword, AM	1 July 2010 to 14 September 2010
Board Member	Chris Woodruff	1 July 2010 to 30 June 2011
Board Member	Bee Ho Teow	1 July 2010 to 30 June 2011
Board Member	Alla Wolf-Tasker, AM	1 July 2010 to 30 June 2011
Board Member	John Mitchell	1 July 2010 to 30 June 2011
Board Member	Brian Cook	1 July 2010 to 30 June 2011
Board Member	Janelle Boynton	1 July 2010 to 30 June 2011
Board Member	Penny Hutchinson	1 July 2010 to 30 June 2011
Board Member	Christopher Brown	26 October 2010 to 30 June 2011

Remuneration

Remuneration received or receivable by the Accountable Officers, Chief Executive Officer, in connection with the management of Tourism Victoria during the reporting period was in the range:

$270,000–$279,999 (2010:$309,999–$319,999)

Remuneration received or receivable by Tourism Victoria Board Members for the reporting period is provided below:

Total Remuneration	**2011 No.**	2010 No.
$1,000 – $19,999	**8**	9
$20,000 – $29,999	**1**	–
$30,000 – $39,999	**–**	–
$40,000 – $49,999	**1**	1
	10	10
	$186,472	$167,861

Amounts paid to Ministers are reported in the financial statements of the Department of Premier and Cabinet.

Note 17. Responsible persons (continued)

Related parties

In addition to the remuneration outlined overleaf, Tourism Victoria entered into payable and receivable transactions with the following organisations in its domestic dealings and within normal customer relationships on terms and conditions no more favourable than those available in similar arm's length dealings. The Board Members listed below were, during all or part of 2010–11, directors, employees or owners/part owners of the organisations.

		2011	2010
		$	$
Alla Wolf-Tasker	Lake House Restaurant & Boutique Hotel (1)	**18,546**	31,649
Alla Wolf-Tasker	Daylesford & The Macedon Ranges Tourism Inc (2)	**328,454**	344,358
Bee Ho Teow	Australian Tours Management Pty Ltd (3)	**500**	–
John Mitchell	Mornington Peninsula Tourism Inc (4)	**(102,843)**	86,619
John Mitchell	Montalto Vineyard and Olive Grove (5)	**6,160**	4,761
Chris Woodruff	Melbourne Airport (6)	**(38,500)**	–
Chris Woodruff	Melbourne Convention & Visitors Bureau (7)	**4,307,432**	–
Janelle Boynton	Feathertop Wines (8)	**(3,300)**	–
Janine Kirk	Ernst & Young (9)	**311,848**	84,758
Penelope Hutchinson	Arts Victoria (10)	**(357,500)**	(60,500)
		4,470,796	425,645

(1) Familiarisation programs expenses $9,999. Tourism Victoria runs both trade and media familiarisations programs. Trade familiarisations programs are to promote Victoria to the tourism industry; Media familiarisations programs are to generate media publicity in pursuit of the marketing objectives of Tourism Victoria. $8,547 Tourism Victoria accommodation costs while staying in Daylesford.
(2) Marketing expenses $2,025; Grant payments $326,429, Cooperative marketing and miscellaneous revenue $76,850.
(3) Supplies and consumables $500.
(4) Cooperative marketing and miscellaneous revenue $102,843.
(5) Familiarisation expenses $9,598, miscellaneous revenue $3,438.
(6) Cooperative marketing revenue $121,000, Grant payment $82,500.
(7) Grant payments $4,309,150, miscellaneous receipts $1,718.
(8) Miscellaneous receipts $3,300.
(9) Professional services $311,848.
(10) Cooperative marketing and miscellaneous revenue $357,500.

Note 18. Remuneration of executives

The number of executive officers, other than Ministers and the Accountable Officer, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

The number of executives within Tourism Victoria during the year is the same as the previous reporting period, however total remuneration has increased.

Income band	Total remuneration		Base remuneration	
	2011 No.	2010 No.	**2011 No.**	2010 No.
$80,000 – $89,999	**–**	–	**–**	–
$120,000 – $129,999	**–**	–	**–**	–
$130,000 – $139,999	**–**	–	**–**	–
$140,000 – $159,999	**–**	–	**–**	–
$160,000 – $169,999	**–**	–	**1**	1
$170,000 – $179,999	**1**	2	**2**	3
$180,000 – $189,999	**2**	2	**1**	–
$190,000 – $199,999	**1**	–	**1**	1
$200,000 – $209,999	**–**	1	**–**	–
$220,000 – $229,999	**1**	–	**–**	–
$250,000 – $259,999	**–**	–	**–**	–
$280,000 – $289,999	**–**	–	**–**	–
$290,000 – $299,999	**–**	–	**–**	–
$310,000 – $319,999	**–**	–	**–**	–
Total numbers	**5**	5	**5**	5
Total amount	**$972,664**	$931,721	**$902,682**	$885,302

Note 19. Remuneration of auditors

	2011 $	2010 $
Victorian Auditor-General's Office		
Audit of the financial statements	**30,500**	28,565
	30,500	28,565

Note 20. Subsequent events

There were no subsequent events as at balance date which are required to be brought to account or disclosed.

Note 21. Glossary

Administration costs
Administration costs represent the operating costs of Tourism Victoria such as rent, telephone charges, audit fees, computer expenses, motor vehicle running costs, travel expenses and training and development.

Amortisation
Amortisation is the expense which results from the consumption or use over time of a non-produced physical asset. This expense is classified as an other economic flow.

Borrowings
Borrowings refers to finance leases and other interest-bearing arrangements, including non-interest-bearing advances from government that is acquired for policy purposes.

Comprehensive result
The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other non-owner movements in equity.

Capital asset charge
The capital asset charge represents the opportunity cost of capital invested in the non financial physical assets used in the provision of outputs.

Commitments
Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources, and inclusive of the goods and services tax (GST) payable.

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

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

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

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

Finance costs
Includes finance lease interest on Vic Fleet vehicle lease and finance expense and fees.

Financial asset
A financial asset is any asset that is:

(a) cash;

(b) a contractual or statutory right:

- to receive cash or another financial asset from another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

(c) a contract that will or may be settled in the entity's own equity instruments and is:

- a non derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

Financial liability
A financial liability is any liability that is:

(a) A contractual obligation:

(i) To deliver cash or another financial asset to another entity; or

(ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

(b) A contract that will or may be settled in the entity's own equity instruments and is:

(i) A non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or

(ii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements
Depending on the context of the sentence where the term 'financial statements' is used, it may include only the main financial statements (i.e. comprehensive operating statement, balance sheet, cash flow statements, and statement of changes in equity); or it may also be used to replace the old term 'financial report' under the revised AASB 101 (September 2007), which means it may include the main financial statements and the notes.

Note 21. Glossary (continued)

Forward Foreign Currency Exchange Contract
Forward Foreign Currency Exchange Contract is an obligation to buy a certain amount of foreign currency at a pre-determined date.

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

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

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

Interest expense
Costs incurred in connection with interest component of finance leases repayments, and the increase in financial liabilities and non employee provisions due to the unwinding of discounts to reflect the passage of time.

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

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

Net result
Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner changes in equity'.

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

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

Non financial assets
Non financial assets are all assets that are not 'financial assets'. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, investment properties, cultural and heritage assets, intangible and biological assets.

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

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

In simple terms, other economic flows are changes arising from market remeasurements.

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

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

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

TOURISM VICTORIA

You'll love every piece of Victoria

10 August 2011

Officer's Declaration

We certify that the attached financial statements for Tourism Victoria have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statements, balance sheet, statement of changes in equity, cash flow statement and notes forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2011 and financial position of Tourism Victoria as at 30 June 2011.

We are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 10 August 2011.

Janine Kirk AM
Chairman
Tourism Victoria

Melbourne
10 August 2011

John Dalton
Acting as Chief Executive
Tourism Victoria

Melbourne
10 August 2011

Steve Wilson
Chief Finance Officer
Tourism Victoria

Melbourne
10 August 2011

Tourism Victoria
ABN 18 381 772 530

tourism.vic.gov.au

Level 32, 121 Exhibition Street, Melbourne VIC 3000 Australia
GPO Box 2219T, Melbourne VIC 3001 Australia

Tel (03) 9653 9777 **Fax** (03) 9653 9722

State Government Victoria

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Tourism Victoria

The Financial Report

The accompanying financial report for the year ended 30 June 2011 of Tourism Victoria which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the officer's declaration has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of the Tourism Victoria are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members 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

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about 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 audit procedures selected depend on 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, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report 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 the accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Level 24, 35 Collins Street, Melbourne Vic. 3000
Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Independent Auditor's Report (continued)

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Tourism Victoria as at 30 June 2011 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Tourism Victoria for the year ended 30 June 2011 included both in the Tourism Victoria's annual report and on the website. The Board Members of the Tourism Victoria are responsible for the integrity of the Tourism Victoria's website. I have not been engaged to report on the integrity of the Tourism Victoria's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
11 August 2011

for D D R Pearson
Auditor-General

Level 24, 35 Collins Street, Melbourne Vic. 3000
Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

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This index has been prepared to facilitate identification of the Institute's compliance with statutory disclosure requirements.

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Melbourne *(Head Office)*
Tourism Victoria
Level 32, 121 Exhibition St
Melbourne VIC 3000

GPO Box 2219T
Melbourne VIC 3001

Tel +61 3 9653 9777
Fax +61 3 9653 9722

visitvictoria.com
visitmelbourne.com
visionsofvictoria.com
tourism.vic.gov.au
tourvic@tourism.vic.gov.au

Sydney
Tourism Victoria
Suite 7 Level 18
Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000

Tel +61 2 9287 6500
Fax +61 2 9287 6507

People's Republic of China
Victoria Trade and Investment Office
Suite 308, Shanghai Centre
1376 Nanjing West Road
Shanghai 200040 China

Tel 0011 86 21 6279 8681
Fax 0015 86 21 6279 8685
tourvic.shanghai@tourism.vic.gov.au

Tourism Victoria
Suite 6706, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Tel 0011 852 2531 3870
Fax 0011 852 2845 2213

Japan
Tourism Victoria
4-25-7 Asumigaoka, Midori-ku
Chiba-shi, Chiba-ken , Japan 267-0066

Tel +81 0901 796 8174
Fax +81 43 205 2285
tourvic.tokyo@tourism.vic.gov.au

Singapore
Tourism Victoria
101 Thomson Road
#08-01 United Square
Singapore 307591

Tel 0011 65 6255 6888
Fax 0011 65 6255 2922
tourvic.singapore@tourism.vic.gov.au

New Zealand
Tourism Victoria
Level 3, 125 The Strand
Parnell
Auckland, New Zealand
PO Box 1666
Auckland, New Zealand

Tel 0011 649 379 0425
Fax 0015 649 379 4361
tourvic.auckland@tourism.vic.gov.au

North America
Tourism Victoria
Suite 1150, 6100 Center Drive
Los Angeles CA 90045 USA

Tel 0011 1 310 695 3245
Fax 0015 1 310 695 3248
tourvic.losangeles@tourism.vic.gov.au

Europe
Tourism Victoria
Neue Mainzer Str 22
60311 Frankfurt, Germany

Tel 0011 49 2740 0677
Fax 0015 49 2740 0640
tourvic.frankfurt@tourism.vic.gov.au

United Kingdom/Ireland/Nordic Countries
Tourism Victoria
Sixth Floor, Australia Centre,
Melbourne Place
Strand, London WC2B 4LG, United Kingdom

Tel 0011 44 207 438 4645
Fax 0015 44 207 240 6690
tvic.london@tvic.australia.com