

Victorian Traditional Owners Trust

ABN 93 731 388 312

Annual Report for the Year Ended 30 June 2018

Corporate Information

ABN 93 731 388 312

Directors

Elizabeth Eldridge Chair

Mark Sibree

Glen Brennan

Susanne Dahn

Neil Westbury

Company Secretary

Ian Gaudion

Registered Office and Principal Place of Business

12-14 Leveson Street,

North Melbourne

Victoria, 3051 Australia

Postal address:

PO Box 431

North Melbourne

Victoria, 3051 Australia

Phone: + 61 417 720 807

Member of Trustee Company

Secretary of the Department of Justice and Regulation

Solicitors

Hall & Wilcox

Level 11, Rialto South Tower

525 Collins Street

Melbourne, Victoria, 3000

Bankers

National Australia Bank Ltd

500 Bourke Street

Melbourne, Victoria, 3000

Investment Managers

Victorian Funds Management Corporation

Level 35, 101 Collins Street,

Melbourne, Victoria, 3000 Australia

Auditors

Victorian Auditor-General's Office

Level 31, 35 Collins Street,

Melbourne, Victoria, 3000 Australia

DIRECTORS' REPORT

The Victorian Traditional Owners Trust was established on 13 September 2011 by Deed between Robert Clark the Attorney General of Victoria and the Trustee Victorian Traditional Owners Funds Ltd.

The directors of Victorian Traditional Owners Fund Limited as Trustee of the Victorian Traditional Owners Trust present this report on the Trust for the financial year ended 30 June 2018.

Directors

The names of each person who has been a Director of the Trustee Company during the year and to the date of this report are:

Elizabeth Helen Eldridge	re-appointed to 12/09/2020
Mark William Sibree	resigned as a director 30 June 2018.
Glen Gerald Brennan	appointed from 13/09/2017 to 12/09/2020
Susanne Dahn	appointed from 18/06/2018 to 17/06/2021
Neil Donald Westbury	appointed from 18/06/2018 to 17/06/2021

Principal Activities and Objectives

The Trust was established for charitable purposes to benefit the Aboriginal people of Victoria. The Victorian government established a Native Title Settlement Framework to reach agreements with Traditional Owners through execution of Participation Agreements.

The funds have been invested with the Victorian Funds Management Corporation (VFMC) which is a public authority governed by an independent Board of Directors whose members are appointed by the Governor in Council of Victoria. The funds are invested in a mix of asset classes which are consistent with the targeted investment returns and asset allocations of each investment strategy.

The principal activity of the Trust is to invest settlement funds received on behalf of the beneficiaries:

- * Gunaikurnai Land and Waters Aboriginal Corporation (GLaWAC)
- * Dja Dja Wurrung Clans Aboriginal Corporation (DDWCAC)

Report on Operations and Activities

The Trust has developed tailored long term investment strategies for each of the Traditional Owner Groups.

Each investment strategy was established after meeting with the Traditional Owner Groups and understanding their long term and short term financial objectives and their tolerance for risk.

The funds have been invested with the Victorian Funds Management Corporation (VFMC) which is a public authority governed by an independent board of Directors whose members are appointed by the Governor in Council of Victoria, in a mix of funds which are consistent with the targeted investment returns and asset allocations of each of these strategies.

The Trustee Company incurred expenses in establishing a management framework for this activity. These activities were funded by payments from the Department of Justice and Regulation.

Report on Significant Changes and Likely developments

During the year \$250,00 (2017: \$250,000) was distributed to DDWCAC and \$300,000 (2017: \$nil) was distributed to GLaWAC.

DIRECTORS' REPORT

Major Financial and Performance Statistics

The table below sets out a summary of the financial results for the year.

	2018	2017
	\$	\$
Income	1,284,392	901,586
Other Economic Flows	101,034	414,270
Expenses	(164,561)	(143,292)
Operating Result	1,220,865	1,172,565
Total Assets	19,280,280	18,606,440
Total Liabilities	7,500	14,525
Equity of the Trust (at beginning of year)	18,601,905	17,679,351
Distributions to beneficiaries	(550,000)	(250,000)
Equity (at year end)	19,272,770	18,601,905
Settled Sum	10	10

Environmental Issues

The Trust's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Workforce Data

From September 2016 the Trustee on behalf of the Trust employed a Company Secretary on a part-time basis. The Company Secretary was the only employee during 2018 (2017: 1 employee).

Consultancies

There were no consultancies entered into during the year.

Proceedings on Behalf of the Trustee Company

No person has applied for leave of the Court to bring proceedings on behalf of the Trustee of the Trust, or to intervene in any proceedings to which the Trustee Company is a party for the purpose of taking responsibility on behalf of the Trustee Company for all or any part of those proceedings.

The Trust was not a party to any such proceedings during the year.

Meetings of Directors

During the 2018 financial year, eight meetings of Directors were held. Attendances by each Director were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Mark William Sibree	8	8
Elizabeth Helen Eldridge	8	8
Glen Gerald Brennan	6	6
Susanne Dahn	0	0
Neil David Westbury	0	0

DIRECTORS' REPORT

Information on Directors of the Trustee

Elizabeth Helen Eldridge Director
Qualifications BA LLM
Experience Member of Queen's College Council. Member of Queen's College Trust Corporation Pty Ltd. Previously the Chair of Docklands Studios Melbourne Pty Ltd (retired June 2016). Elizabeth was closely involved with the early discussions with the Victorian Traditional Owners regarding an alternative approach to resolving Native Title and, subsequently, with the development of the Victorian Native Title Settlement Framework.

Special Responsibilities Chair

Mark William Sibree Director
Qualifications BSc (Hons Physics), MBA, FAICD
Experience Executive Director, Mutual Strategies Pty Ltd (since 2002)
Broad experience in executive and/or director roles in insurance, funds management, mergers and acquisitions.
Former non-executive Director (2004 – 2009) at GMBHA Limited, and Chair of Strategy Committee. Former Group Managing Director at Australian Unity Limited (1993 – 2002). Former non-executive director Care Super (2014-2017).
Past roles have also included: President of the Victorian Employers' Chamber of Commerce and Industry and Chair Melbourne University Graduate Union.

Special Responsibilities Chair to 21 February 2018.

Glen Gerald Brennan (PSM) Director. Appointed for 3 year term from 13 September 2017.
Qualifications MBA, Melbourne Business School
Experience Current role, State Director Victoria - Government, Education and Community Banking, National Australia Bank.
A Gomeri man from Narrabri in north-west NSW, Glen is Australia's most senior Indigenous banker. Glen has over 20 years' experience in both the finance and government sectors with extensive experience in community finance, banking and risk management. Glen was is Co- Chair of the Aboriginal Employment Strategy and Chairman of 4 Mile Ventures a family owned and operated beef cattle enterprise.

Special Responsibilities None

DIRECTORS' REPORT

Susanne Dahn	Director. Appointed for 3 year term from 18 June 2018.
Qualifications	BCom, MBA, Grad Dip App Finance & Investment, FAICD
Experience	Partner/Executive Director Pitcher Partners since 1998 Former Director Department of Treasury and Finance Trustee Director MTAA Super Council Member Victorian AICD Investment Committee Member Trinity College (University of Melbourne) and Australian Communities Foundation Community Panel Member, Victorian Judicial Commission
Special Responsibilities	None
Neil Donald Westbury (PSM)	Director. Appointed for 3 year term from 18 June 2018.
Qualifications	Certificate in Aboriginal Studies
Experience	Experience: Chair of Machado Joseph Disease Foundation, Director Westbury and Associates Pty Ltd. Previously Board member of the Indigenous Land Corporation, General Manager Reconciliation Australia, Assistant Secretary Native Title Special Projects, Department of Prime Minister and Cabinet, Visiting Fellow in Public Policy ANU. Neil has over 40 years experience working in Indigenous Affairs for governments, the private sector and Indigenous organisations. He has also maintained a strong interest in issues relating to native title including as an expert advisor in the development of the Native Title Alternative Framework and ensuring improved access for Indigenous peoples to financial services.

DIRECTORS' REPORT

Remuneration of the Board of the Trustee Company

The remuneration of the Directors of the Trustee Company has been set in accordance with a resolution of the Trustee Company Member in General Meeting.

The remuneration is in accordance with Victorian Government guidelines for Statutory Bodies.

Victorian Traditional Owners Fund Ltd

	2018	2017
Chair		
Elizabeth Eldridge	\$13,510 plus superannuation guarantee amount of \$1,283	\$10,669 plus superannuation guarantee amount of \$1,014
Directors		
Mark Sibree	\$15,589 plus superannuation guarantee amount of \$1,481	\$17,830 plus superannuation guarantee amount of \$1,694
Glen Brennan	\$8,729 plus superannuation guarantee amount of \$829	\$Nil
Susanne Dahn	\$364 plus superannuation guarantee amount of \$nil	\$Nil
Neil Westbury	\$364 plus superannuation guarantee amount of \$nil	\$Nil

Trustee Company Secretary

In September 2016 Ian Clarke Gaudion was appointed Secretary of the Trustee Company. He is employed on a part-time basis and is the only employee of the Company.

Related Party Transactions

Glen Brennan was appointed a director on 13 September 2017. Glen is a senior executive at the National Australia Bank Ltd. The Trustee Company maintains bank accounts for itself and the Victorian Traditional Owners Trust with the National Australia Bank. All of these accounts are on normal commercial terms and conditions no more favourable than those available to other persons.

Other Disclosures

Insurances

The Trustee Company paid insurance premiums to insure the directors of the Trustee Company for Investment Managers Insurance, Directors and Officers Insurance Professional Indemnity, Cyber Liability Policy, Public and Products Liability Policy insurance. The premium paid for this insurance cover was \$18,759 (2017: \$24,967)

DIRECTORS' REPORT

Constitution

The Trustee Company was incorporated under the Corporations Act 2001 on 13 September 2011 and is a company limited by guarantee. If the Trustee Company is wound up, the constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstanding obligations of the entity. At 30 June 2018, the total amount that members of the Trustee Company are liable to contribute if the Trustee Company is wound up is \$10 (2017: \$10).

Amendment to Trust Deed

The Trust Deed that established the Victorian Traditional Owners Trust was amended by the Attorney General after 30 June 2018. With effect from 1 July 2018 the current single Trust will be replaced by two separate trusts for the Gunaikurnai People and the Dja Dja Wurrung People. The directors have resolved to wind up the Victorian Traditional Owners Trust before the end of the 2019 financial year.

Committees

Due to its size the Board has not established any committees.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 9 of the financial report.

Declaration

This Director's report is signed in accordance with a resolution of the Directors of the Victorian Traditional Owners Fund Limited.



Chair

Elizabeth Eldridge

Dated this twenty third day of October 2018

Auditor-General's Independence Declaration

To the Trustee, Victorian Traditional Owners Trust

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General, an independent officer of parliament, is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised.

Under the *Audit Act 1994*, the Auditor-General is the auditor of each public body and for the purposes of conducting an audit has access to all documents and property, and may report to parliament matters which the Auditor-General considers appropriate.

Independence Declaration

As auditor for the Victorian Traditional Owners Trust for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit
- no contraventions of any applicable code of professional conduct in relation to the audit.

MELBOURNE
29 November 2018



Travis Derricott
as delegate for the Auditor-General of Victoria

This page is blank intentionally

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Victorian Traditional Owners Funds Limited, the directors on behalf of the Trust declare that:

1. The financial statements and notes, as set out on pages 12 to 25:
 - a. fairly present the Trust's financial position as at 30 June 2018 and its performance for the year ended on that date.
 - b. comply with Australian Accounting Standards and accounting policies as described in Note 1 to the financial statements.
2. In the directors' opinion the financial statements satisfy the requirements of the Australian Charities and Not-for-profits Commission Act 2012 and Regulations 2013.
3. There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors of the Trustee Company.



Director

Elizabeth Eldridge

Dated this twenty third day of October 2018

COMPREHENSIVE OPERATING STATEMENT

for the financial year ended 30 June 2018

	Note	2018 \$	2017 \$
Income			
Interest income		258	1,107
Distributions received	2	1,045,736	680,630
Franking credit refund	2	81,592	84,040
Resources received free of charge	3	156,806	135,809
		<u>1,284,392</u>	<u>901,586</u>
Less: Expenses			
Administration expenses		156,806	135,809
Audit fees		7,500	7,100
Bank charges		255	383
Total expenses		<u>164,561</u>	<u>143,292</u>
Net Result from Transactions		<u>1,119,831</u>	<u>758,294</u>
Other Economic Flows			
Increase (decrease) in value of Investments	2	101,034	414,270
Total Economic Flows included in Net Result		<u>101,034</u>	<u>414,270</u>
Profit for the year		1,220,865	1,172,564
Other comprehensive income		-	-
Total comprehensive income for the year		<u>1,220,865</u>	<u>1,172,564</u>

BALANCE SHEET

as at 30 June 2018

		2018	2017
	Note	\$	\$
ASSETS			
Financial Assets			
Cash and cash equivalents	10	2,207	14,471
Advance to Trustee Company		71	-
Investments	2	18,471,435	18,220,997
Distributions receivable		724,265	296,934
Franking credits receivable		81,592	84,038
Goods and services tax		710	-
Total Financial Assets		19,280,280	18,616,440
TOTAL ASSETS		19,280,280	18,616,440
LIABILITIES			
CURRENT LIABILITIES			
Advance from Trustee Company		-	7,425
Audit fees provided for		7,500	7,100
TOTAL		7,500	14,525
TOTAL LIABILITIES		7,500	14,525
NET ASSETS		19,272,780	18,601,915
EQUITY			
Settlement sum		10	10
Retained Earnings		19,272,770	18,601,905
TOTAL EQUITY		19,272,780	18,601,915

STATEMENT OF CHANGES IN EQUITY

for the Year Ended 30 June 2018

	Settled Sum \$	Retained Earnings \$	Total \$
Balance as at 1 July 2016	10	17,679,341	17,679,351
Comprehensive Income			
Profit for the year		1,172,564	1,172,564
Other Comprehensive Income		-	-
Total Comprehensive Income		1,172,564	1,172,564
Payments to beneficiaries		250,000	250,000
Balance as at 30 June 2017	10	18,601,905	18,601,915
Balance as at 1 July 2017	10	18,601,905	18,601,915
Comprehensive Income			
Profit for the year		1,220,865	1,220,865
Other Comprehensive Income		-	-
Total Comprehensive Income		1,220,865	1,220,865
Payments to beneficiaries		550,000	550,000
Balance as at 30 June 2018	10	19,272,770	19,272,780

CASH FLOW STATEMENT

for the Year Ended 30 June 2018

	Note	2018	2017
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Refund/(Payment) of GST		(710)	575
Investment distributions received		618,405	665,979
Interest received		258	1,107
Franking credits received		84,038	171,357
Advance (Repayment) from Trustee Company		(7,425)	7,425
(Advance) Repayment to Trustee Company		(71)	-
Payments to suppliers		(7,355)	(7,133)
Net Cash Generated from/(used in) operating	10	687,140	839,310
CASH FLOW FROM INVESTING ACITVITIES			
Receipts for investments		550,000	731,664
Payments for investments		(699,404)	(1,312,104)
Net Cash Generated from/(used in) Investing		(149,404)	(580,440)
CASH FLOW FROM FINANCING ACITVITY			
Payments to beneficiaries		(550,000)	(250,000)
Net Cash Generated from/(used in) Investing		(550,000)	(250,000)
NET INCREASE/(DECREASE) IN CASH HELD		(12,264)	8,869
Cash at beginning of year		14,472	5,603
Cash at end of the financial year		2,207	14,472

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The directors of the Trustee company (Victorian Traditional Owners Fund Limited) apply Australian Accounting Standards – Reduced Disclosure Requirements as set out in *AASB 1053: Application of Tiers of Australian Accounting Standards* and *AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*.

The financial statements are general purpose financial statements that have been prepared in accordance with *Australian Accounting Standards – Reduced Disclosure Requirements* of the *Australian Accounting Standards Board (AASB)* and the *Australian Charities and Not for profits Commission Act 2012* and *Regulations 2013*. The Trust is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Basis of Preparation

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

These financial statements are presented in Australian dollars, and prepared in accordance with historical cost conventions. Amounts presented in the financial statements have been rounded to the nearest dollar.

Accounting Policies

a. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

b. Revenue recognition

Revenue is measured at the value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. For this purpose, deferred consideration is not discounted to present values when recognising revenue.

Any settlement sum is recognised in the income statement when the entity obtains control of the sum and it is probable that the economic benefits gained from the settlement will flow to the entity and the amount of the settlement can be measured reliably.

If conditions are attached to the settlement which must be satisfied before it is eligible to receive the contribution, the recognition of the settlement as revenue will be deferred until those conditions are satisfied.

When a settlement is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the settlement is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the settlement is recognised as income on receipt.

Interest Revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b. Revenue recognition - continued

The Trustee company pays for expenses on behalf of the Victorian Traditional Owners Trust. These expenses are included as "resources free of charge" in the statement of comprehensive income and is funded by the Department of Justice and Regulation.

All revenue is stated net of the amount of goods and services tax (GST).

c. Expenses from Transactions

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

d. Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the trust commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

(i) Financial assets and liabilities at fair value through profit and loss

Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed by the entity concerned based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies.

Subsequently, any changes in fair value are recognised in the net result as other economic flows. Any dividend or interest on a financial asset is recognised in the net result from transactions.

Financial assets and liabilities at fair value through profit or loss consists of all the Trusts investments.

(ii) Held-to-maturity investment

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after reporting date. (All other investments are classified as current assets.)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

d. **Financial instruments** - (continued)

If during the year the company sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after the end of the reporting year. (All other financial assets will be classified as current assets.)

(iv) Financial liabilities

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

(v) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

e. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisitions of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

f. Fair Value of Assets and Liabilities

The trust measures some of its assets and liabilities at fair value on either a recurring or nonrecurring basis, depending on the requirements of the applicable Accounting Standard.

“Fair value” is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability). In the absence of such a market, market information is extracted from the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

The fair value of liabilities and the entity’s own equity instruments (if any) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and where significant, are detailed in the respective note to the financial statements.

g. Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting year for goods and services received by the Trustee Company during the reporting year which remain unpaid. The balance is recognised as a current liability with the amount being normally paid within 365 days or shorter of recognition of the liability.

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2018

NOTE 2: Net investment Income Disclosed in the Statement of Comprehensive Income

AASB 101 requires material items of a dissimilar nature to be presented separately. As such, the trust is required to present income in the form of distributions of units separately from gains or losses resulting from changes in the value of the units.

The total return from the VFMC investments for the year was:

	2018	2017
	\$	\$
Franking credit refund	81,592	84,038
Distributions received	1,045,736	680,631
Increase (decrease) in value of VFMC Investments	101,034	414,270
Net Income derived from VTOT investments	<u>1,228,362</u>	<u>1,178,939</u>

NOTE 3: Resources received free of charge.

This represents the value of expenses paid for by the Victorian Traditional Owners Funds Limited (the trustee company) on behalf of the Trust, and funded by the Department of Justice and Regulation.

NOTE 4: Commitments for expenditure

The Trust has no contractual obligations to purchase property plant and equipment.

NOTE 5: Contingent assets and contingent liabilities

The directors of the Trustee Company are not aware of any contingent assets or commitments of the Trust which are not otherwise disclosed in these financial statements (2017: Nil).

NOTE 6: Events after the Reporting Year and Going Concern

The Attorney-General has amended the Trust Deed and this has been agreed to by the Trustees and the beneficiaries, with effect from 1 July 2018.

The beneficiaries (GLaWAC and DDWCAC) have signed amended Participation Agreements which will also have effect from 1 July 2018.

These changes do not affect transactions and balances for this financial year.

The Trustees will be required to create separate Trusts for each beneficiary and this will require splitting the assets and liabilities of the Victorian Traditional Owners Trust into separate trusts for each beneficiary with effect from 1 July 2018.

The Victorian Traditional Owners Trust will have no further assets, liabilities, revenue, expenses and cash flows from 1 July 2018

The Directors on 23 October 2018 resolved to wind up VTOT before 30 June 2019.

Based on a review by management it has been concluded that the Victorian Traditional Owners Trust will have sufficient assets at 30 June 2018 to meet all of its obligations.

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2018

NOTE 7: Related Party Transactions

7.1 Related parties

Related parties of the Trustee Company include:

- * all key management personnel and their close family members and their personal business interests (controlled entities, joint ventures and entities that they have significant influence over.

All transactions between related parties have been entered into on an arm's length basis, and are on normal commercial terms and conditions no more favourable than those available to other persons.

7.2 Significant transactions and balances with related parties

Gary Lennon was a director of the Trustee Company until 13 September 2017 when his term ended and Glen Brennan was appointed a director at that date. Both Gary and Glen are senior executives at the National Australia Bank Ltd. The Trustee Company maintains bank accounts with the National Australia Bank. On behalf of the Victorian Traditional Owners Trust the Trustee Company maintains bank accounts with the National Australia Bank Ltd. All of these accounts are on normal commercial terms and conditions no more favourable than those available to other persons.

During the year the Trustee Company received interest of \$311 (2017: \$617) from the National Australia Bank and paid bank fees to the National Australia Bank of \$333 (2017: \$308).

The Secretary of the Department of Justice and Regulation is the sole Member of the Company.

During the year Trustee Company received and was entitled to revenue grants and reimbursements from the Department of Justice and Regulation. The total revenue received and receivable from the Department was \$159,903 (2017: \$135,084).

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2018

Key management personnel of the Trustee Company are:

7.3 Key Management Personnel

Elizabeth Eldridge	Chair
Mark Sibree	Director
Glen Brennan	Director
Susanne Dahn	Director
Neil Westbury	Director

7.4 Compensation of Key Management Personnel

	2018	2017
	\$	\$
Short term employee benefits	38,556	28,499
Post-employment benefits	3,594	2,707
Other long term benefits	-	-
	<u>42,150</u>	<u>31,206</u>

Remuneration comprises employee benefits in all forms of consideration paid, payable by the entity, or on behalf of the entity, in exchange for services rendered and is disclosed in the following categories:

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

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

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

7.4.1 Change of classification

The classification of the staff as Key Management Personnel has changed due to a change in the interpretation of AASB 124.

The Company Secretary is not classified as a Key Management Personnel in 2018 which is change from 2017.

As a consequence, the comparative value for 2017 (previously: \$54,422) has changed to \$31,206.

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2018

NOTE 8: Remuneration of Directors of the Trustee Company

The remuneration of the Directors of the Trustee Company has been set in accordance with a resolution of the Trustee Company Member in General Meeting. The remuneration is in accordance with Victorian Government guidelines for Statutory Bodies.

	2018	2017
Chair		
Elizabeth Eldridge	\$13,510 plus superannuation guarantee amount of \$1,283	\$10,669 plus superannuation guarantee amount of \$1,014
Directors		
Mark Sibree	\$15,589 plus superannuation guarantee amount of \$1,481	\$17,830 plus superannuation guarantee amount of \$1,694
Glen Brennan	\$8,729 plus superannuation guarantee amount of \$829	\$Nil
Susanne Dahn	\$364 plus superannuation guarantee amount of \$nil	\$Nil
Neil Westbury	\$364 plus superannuation guarantee amount of \$nil	\$Nil

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2018

NOTE 9: Financial Risk Management

The trusts financial instruments consist solely of deposits with banks, local money market instruments, and short-term and long term investments.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	2018	2017
	\$	\$
Financial assets		
Cash and cash equivalents	2,207	14,471
Investments	18,471,435	18,220,997
Distributions receivable	724,265	296,934
Dividend franking credits receivable	81,592	84,038
Other receivables	71	-
Total financial assets	<u>19,279,570</u>	<u>18,616,439</u>
Total Financial liabilities	<u>7,500</u>	<u>14,525</u>

Market risk

Markets Risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The trusts exposure to market risk is insignificant and primarily through equity price risk.

Equity Price Risk

The trust is exposed to equity price risk through its management Investment schemes. The trust appointment the Victorian Funds Management Corporation to manage its investment portfolio after meetings with each Traditional Owners Group and understanding their long term and short term financial objectives, and their tolerance for risk. The fund manager closely monitors performance and management the equity price risk through diversification of its investment portfolio.

NOTE 10: Reconciliation of Net Result for the period

Cash flows from Operating Activities

	2018	2017
	\$	\$
Net Result for the period	1,220,865	1,172,564
Non cash movements		
Unrealised (gains)/losses in investments	(101,034)	(414,270)
Movement in Assets and Liabilities		
(Increase) in GST receivable	(710)	576
Decrease/(increase) in distributions receivable	(427,331)	(14,651)
Decrease/(increase) in franking credits receivable	2,446	87,316
Increase/(decrease) in accrued expenses	400	350
Advance to Trustee Company	(71)	-
Advance from Trustee Company	(7,425)	7,425
Net cash from/(used in) operating activities	<u>687,140</u>	<u>839,310</u>

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2018

NOTE 11: Traditional Owner Accounts – Entitlement

Gunaikurnai Lands and Waters Aboriginal Corporation (GLaWAC)		
	2018	2017
	\$	\$
Equity at Beginning	13,419,583	12,571,572
add		
Investment Return	903,397	852,464
Interest Received	186	773
	<u>14,323,166</u>	<u>13,424,809</u>
less		
Audit Fees	(5,411)	(4,958)
Bank Charges	(184)	(267)
	<u>(5,595)</u>	<u>(5,225)</u>
Sub-total	14,317,571	13,419,583
less		
Distributions made	(300,000)	-
Equity at End	<u>14,017,571</u>	<u>13,419,583</u>

Dja Dja Wurrung Clans Aboriginal Corporation (DDWCAC)		
	2018	2017
	\$	\$
Equity at Beginning	5,182,321	5,107,769
add		
Investment Return	324,965	326,476
Interest Received	72	334
	<u>5,507,358</u>	<u>5,434,579</u>
less		
Audit Fees	(2,089)	(2,142)
Bank Charges	(71)	(116)
	<u>(2,160)</u>	<u>(2,258)</u>
Sub-total	5,505,198	5,432,321
less		
Distributions made	(250,000)	(250,000)
Equity at End	<u>5,255,198</u>	<u>5,182,321</u>

Independent Auditor's Report

To the Trustee of the Victorian Traditional Owners Trust

Opinion	<p>I have audited the financial report of the Victorian Traditional Owners Trust (the trust) which comprises the:</p> <ul style="list-style-type: none">• balance sheet as at 30 June 2018• comprehensive operating statement for the year then ended• statement of changes in equity for the year then ended• cash flow statement for the year then ended• notes to the financial statements, including a summary of significant accounting policies• directors' declaration. <p>In my opinion the financial report is in accordance with Division 60 of the <i>Australian Charities and Not-for-profits Commission Act 2012</i>, including:</p> <ul style="list-style-type: none">• giving a true and fair view of the financial position of the trust as at 30 June 2018 and of its financial performance and its cash flows for the year then ended• complying with Australian Accounting Standards and Division 60 of the <i>Australian Charities and Not-for-profits Commission Regulations 2013</i>.
----------------	---

Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the trust in accordance with the auditor independence requirements of the <i>Australian Charities and Not-for-profits Commission Act 2012</i> and the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
--------------------------	---

Material uncertainty related to going concern	<p>I draw attention to Note 6 in the financial report, which indicates that trustees of The Victorian Traditional Owners Trust ('VTOT') resolved to wind up VTOT in the next financial year. The timing of wind up is not known as at the date of signing financial report. These events, along with other matters set forth in Note 6, indicate that a material uncertainty exists that may cast significant doubt on the VTOT's ability to continue as a going concern. Our opinion is not modified in respect of this matter.</p>
--	--

Trustee's responsibilities for the financial report

The Trustee of the trust is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the Australian Charities and Not-for-profits Commission Act 2012 and *Australian Charities and Not-for-profits Commission Regulations 2013*, and for such internal control as the Trustee determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Trustee is responsible for assessing the trust's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 trust's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee
- conclude on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the trust's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the trust to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

**Auditor's
responsibilities
for the audit of
the financial
report
(continued)**

I communicate with the Trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Trustee with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

MELBOURNE
29 November 2018



Travis Derricott
as delegate for the Auditor-General of Victoria