Statutory Financial Report.

St Vincent's Institute
Financial Statements for the
Year Ended 31 December 2017

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Directors' Report

Your Directors present their report on the company for the financial year ended 31 December 2017.

Directors

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

Ms Susan M Alberti (resigned 19 April 2017)	Dr Richard Fox
Mr Paul Holyoake	Prof Shitij Kapur
Ms Karen Inge	Prof Thomas WH Kay
Mr John MacFarlane	Mr Stephen Marks
Ms Angela Nolan (appointed 4 December 2017)	Ms Susan O'Neill (resigned 31 October 2017)
Dr Patricia O'Rourke (resigned 1 November 2017)	Mr Chris Pearce (appointed 6 September 2017)
Mr Tony Reeves (appointed 27 March 2017)	Ms Fiona Rowland (appointed 16 March 2017)
Ms Brenda M Shanahan (resigned 31 December 2017)	
Dr Marcus Tierney	Mr Michael Wachtel

Directors listed above have been in office since the start of the financial year to the date of this report unless otherwise stated.

Information on Directors

Mr Tony Reeves	Chairperson (effective 1 January 2018)
Qualifications	Master of Commerce, Bachelor of Economics, GAICD
Experience	Board member since March 2017, former CFO Treasury Wine Estates. Business development consultant and mentor in Agri-Business
Special Responsibilities	Chair of the Nominations, Remuneration & Culture Committee Member of the Audit & Risk Committee

Ms Brenda M Shanahan	Chairperson (until 31 December 2017)
Qualifications	BEc BCom
Experience	Board member since May 1996, Chair from 2005 until 2017, Director of several public companies

Dr Richard Fox	Director
Qualifications	MB, BS, FRCP
Experience	Board member since September 2014, former Director of Research St Vincent's Hospital Melbourne

Mr Paul Holyoake	Director
Qualifications	BEngMech (Hons), MEngSci
Experience	Board member since May 2006, former Managing Director and CEO, Oakton Limited
Special Responsibilities	Member of the Audit & Risk committee

Prof Shitij Kapur	Director
Qualifications	PhD (Psychiatry) Diplomate of the American Board of Psychiatry and Neurology, similarly Board Certified in Canada and has a specialist medical license in the United Kingdom
Experience	Board member since October 2016, Dean and Assistant Vice-Chancellor (Health) of the Faculty of Medicine, Dentistry & Health Sciences at the University of Melbourne

Ms Karen Inge	Director
Qualifications	BSc, Dip. Diet, APD, FSDA, FSMA
Experience	Board member since July 2014, Accredited Practicing Dietician, Director Institute of Health and Fitness
Special Responsibilities	Chair of St Vincent's Institute Foundation

Prof Thomas WH Kay	Executive Director
Qualifications	BMedSc, MBBS PhD Melb, FRACP, FRCPA
Experience	Board member since April 2003, Executive Director of St Vincent's Institute of Medical Research.

Mr John (JT) MacFarlane	Director
Qualifications	MComm
Experience	Board member since July 2008, former Executive Chairman and Chief Country Officer, Deutsche Bank Group, Australia & New Zealand.

Mr Stephen Marks	Director
Qualifications	FCA
Experience	Board member since November 2013, Board Chair Chisholm Institute
Special Responsibilities	Chair of the Audit & Risk committee Member of the Nominations, Remuneration & Culture Committee

Ms Angela Nolan	Director
Qualifications	BBus (Accounting), Graduate Diploma (HR and Industrial Relations)
Experience	Board member since December 2017, CEO St Vincent's Hospital Melbourne
Special Responsibilities	Member of the Nominations, Remuneration & Culture Committee

The Honourable Chris Pearce	Deputy Chairperson
Qualifications	BBus, MBA, JP, FAMI, FAICD
Experience	Board member since September 2017, former Member of the Ministry in the Federal Government of Australia and held various senior executive roles, current Managing Director of an Australian Executive Search and Recruitment organization
Special Responsibilities	Member of the Nominations, Remuneration & Culture Committee

Ms Fiona Rowland	Director
Qualifications	LLB (Hons), GAICD
Experience	Board member since March 2017, former CEO of Bennelong Wealth Partners and the Bennelong Foundation

Dr Marcus Tierney	Director
Qualifications	PhD(Med) BSc (Hons)
Experience	Board member since August 2015, Taxation Partner at PwC in Melbourne, previously a member of the board of the O'Brien Institute.
Special Responsibilities	Chair of the Commercialisation committee

Mr Michael Wachtel	Director
Qualifications	BComm LLB; LLM (LSE)
Experience	Board member since November 2015, previously Chairman of Ernst & Young (Asia Pacific), current Board Member of the Future Fund as well as the Australian Centre for the Moving Image (ACMI).

Indemnification and Insurance of Officers

The Directors have not included details of the nature of the liabilities covered or the amount of the premiums paid in respect of the Directors’ and Officers’ liability insurance other than to confirm that a policy is in force.

Meetings of directors

During the financial year, 10 meetings of directors (including committees) were held. Attendees were:

	Board		Audit & Risk Committee	
	Number eligible to attend	*Number attended*	*Number eligible to attend*	*Number attended*
Alberti, SM	2	0	n/a	n/a
Fox, R	5	5	n/a	n/a
Holyoake, P	5	4	5	4
Inge, K	5	5	n/a	n/a
Kapur, S	5	3	n/a	n/a
Kay, TWH	5	5	5	5
MacFarlane, JT	5	4	n/a	n/a
Marks, S	5	5	5	5
Nolan, A	1	1	n/a	n/a
O'Neill, S	4	3	n/a	n/a
O'Rourke, P	4	4	n/a	n/a
Pearce, C	1	1	n/a	n/a
Reeves, T	4	3	4	4
Rowland, F	4	4	n/a	n/a
Shanahan, BM	5	5	n/a	n/a
Tierney, M	5	5	n/a	n/a
Wachtel, M	5	3	n/a	n/a

The entity is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the entity is wound up, the constitution states that each member is required to contribute a maximum of $100 each towards meeting any outstanding obligations of the entity. At 31 December 2017 the collective liability of the members was $100 (2016: $300).

Principal Activities

The principal activity of the company during the financial year was medical research.

Operating Results

The company recorded a surplus in the current year of $283,631 (2016: surplus of $21,960). Income tax is not applicable.

Dividends

The company is limited by guarantee, has no share capital and declares no dividends.

Objectives

St Vincent's Institute of Medical Research is the third oldest independent research institute in Melbourne. Since its inception, the Institute has played a leading role in one of Australia's most successful international endeavors – medical research. We carry out biomedical research into common diseases of the community, including: type 1 diabetes, obesity and type 2 diabetes, cardiovascular disease, bone diseases including arthritis and osteoporosis, cancer and Alzheimer's disease.

Our vision is to be a thriving medical research institute that makes discoveries with impact. We have set out the following strategies towards achieving our vision:

- Deliver impact through research excellence and its translation
- Retain, attract and recruit excellent researchers
- Provide cutting-edge research facilities and services
- Grow research capacity and capability through strategic initiatives

These strategies are underpinned by development of partnerships to promote excellence and a financially sustainable organisation with a strong internal culture.

Significant Changes in State of Affairs

During the year, there was no significant change to the company's operations.

After Balance Date Events

No matters or circumstances have arisen since the end of the year that significantly affected or may significantly affect operations of the company, the results of those operations, or the state of affairs of the company in future years.

Future Developments

The company remains committed to attracting the highest caliber of research and administrative personnel. These positions are contingent on the availability of funds, which are attracted through peer reviewed research grants and charitable donations to the company.

Auditor’s Independence Declaration

The lead auditor’s independence declaration for the year ended 31 December 2017 has been received and can be found on page 7 of the financial statements.

Signed in accordance with a resolution of the Board of Directors.

Director	Director
AJ Reeves	TWH Kay

Dated this 26th day of March 2018, Melbourne, Australia

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 60-40 OF THE AUSTRALIAN CHARITIES AND NOT-FOR-PROFITS COMMISSION ACT 2012 TO THE MEMBERS OF ST. VINCENT'S INSTITUTE OF MEDICAL RESEARCH

I declare that, to the best of my knowledge and belief during the year ended 31 December 2017 there have been:

— no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-Profits Commission Act 2012* in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck Audit (VIC) Pty Ltd
ABN 59 116 151 136

A.P. Marks
Director
Dated this 26th day of March, 2018

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Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Note	2017 ($)	2016 ($)
Revenue	*2*	15,686,695	14,462,724
Other income	*2*	6,722,197	7,802,432
Total revenue		**22,408,892**	**22,265,156**
Consumables and general research expenses		(3,817,160)	(4,084,747)
Employee benefits expense		(12,694,951)	(12,403,021)
Depreciation and amortisation		(1,692,191)	(2,192,558)
Administration expenses		(1,838,479)	(1,603,381)
Transfers to collaborators		(2,082,480)	(1,959,489)
Total expenses	*3*	**(22,125,261)**	**(22,243,196)**
Surplus (Deficit) for the year		**283,631**	**21,960**
Other comprehensive income:			
Net gain (loss) on revaluation of financial assets	*11*	570,861	421,415
Total comprehensive income for the year		**854,492**	**443,375**
Total comprehensive income attributable to members of the entity		**854,492**	**443,375**

The accompanying notes form part of these financial statements

Statement of Financial Position

As at 31 December 2017

	Note	2017 ($)	2016 ($)
Cash and cash equivalents	4	13,296,198	13,714,884
Trade and other receivables	5	1,322,150	1,418,298
Other assets	7	117,707	210,743
Total current assets		14,736,055	15,343,925
Trade and other receivables	5	250,000	250,000
Financial assets	6	15,524,322	12,530,516
Property, plant & equipment	8	2,520,396	3,997,220
Total non-current assets		18,294,718	16,777,736
TOTAL ASSETS		**33,030,773**	**32,121,661**
Trade and other payables	9	5,001,571	5,159,533
Short-term provisions	10	1,953,283	1,747,758
Funds held in trust for NSRL accrued leave	14	138,280	138,280
Total current liabilities		7,093,134	7,045,571
Long-term provisions	10	148,957	141,900
Total non-current liabilities		148,957	141,900
TOTAL LIABILITIES		**7,242,091**	**7,187,471**
NET ASSETS		**25,788,682**	**24,934,190**
Retained surplus		24,304,706	24,021,076
Reserves	11	1,483,976	913,114
TOTAL EQUITY		**25,788,682**	**24,934,190**

The accompanying notes form part of these financial statements

Statement of Changes in Equity

For the year ended 31 December 2017

	Retained Surplus ($)	Financial Asset Reserve ($)	Total ($)
Balance at 1 January 2016	**23,999,116**	**491,699**	**24,490,815**
Total comprehensive income for the year:			
Surplus attributed to members	21,960	-	21,960
Other comprehensive income for the year:			
Net gain on revaluation of assets	-	421,415	421,415
Balance at 31 December 2016	**24,021,076**	**913,114**	**24,934,190**
Total comprehensive income for the year:			
Surplus attributed to members	283,631	-	283,631
Other comprehensive income for the year:			
Net gain on revaluation of assets	-	570,861	570,861
Balance at 31 December 2017	**24,304,706**	**1,483,976**	**25,788,682**

The accompanying notes form part of these financial statements

Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 Inflows (Outflows) $	2016 Inflows (Outflows) $
Cash flow from operating activities:			
Grants received		16,559,507	15,073,408
Payments to suppliers and employees		(20,507,406)	(18,600,992)
Donations, legacies and bequests		3,657,149	4,009,562
Other revenue		1,387,285	2,796,657
Interest received		180,108	216,338
Dividends received		979,020	758,576
Net cash generated from operating activities		**2,255,663**	**4,253,550**
Cash flow from investing activities:			
Payments for property, plant and equipment		(215,368)	(815,578)
Proceeds from disposal of property, plant and equipment		7,489	-
Payments for available for sale investments		(2,422,944)	(686,303)
Net cash used from investing activities		**(2,630,823)**	**(1,501,881)**
Net (decrease) increase in cash		(375,160)	2,751,669
Effect of exchange rate differences on cash		(43,527)	8,161
Cash and cash equivalents at the beginning of the year		13,714,884	10,955,053
Cash and cash equivalents at the end of the year	*4*	**13,296,198**	**13,714,884**

The accompanying notes form part of these financial statements

Notes to the Financial Statements for the year ended 31 December 2017

The financial statements are for St Vincent's Institute of Medical Research ("Institute" or "company") as an individual entity, incorporated and domiciled in Australia. The Institute is a company limited by guarantee.

Note 1: Summary of Significant Accounting Policies

New, revised or amending Accounting Standards and Interpretations adopted.

St Vincent's Institute of Medical Research has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The following Accounting Standards will be adopted by the company as of their effective date:

- AASB 1058 *Income of Not-for-Profit Entities* (1 January 2019)
- AASB 2016-7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities* (1 January 2019)
- AASB 2016-18 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* (1 January 2019)
- AASB 9 *Financial Instruments* (1 January 2018)
- AASB 15 *Revenue from Contracts with Customers* (1 January 2019)
- AASB 16 *Leases* (1 January 2019)

The company is evaluating the impact of the adoption of these standards.

Basis of preparation

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 and the Australian Charities and Not-For-Profits Commission Act 2012. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue on the 26th March 2018 by the directors of the company.

Accounting Policies

(a) Revenue

Grant revenue is recognised in the statement of profit or loss and other comprehensive income when the entity obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably. If conditions are attached to the grant, which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

When grant revenue 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 grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

Donations and bequests are recognised as revenue when received.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

(b) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, accumulated depreciation and impairment losses.

(i) Leasehold improvements

Existing Building: In 2002 and 2003 the company extended and refurbished the existing building, which is leased by the company from the Mary Aikenhead Ministries Limited. The building lease arrangement provides the company with both a future economic benefit and control over that future economic benefit. The cost of the leasehold improvement has been capitalised and appears in the statement of financial position.

Bio-resources Centre: In 2005 the company paid $825,574 towards the building of an additional research facility on the St Vincent's Hospital Melbourne campus. The hospital will manage the facility and the company's investment gives long-term entitlement to access the facility. The entitlement provides the company with an economic benefit and control over that future economic benefit. The cost of the leasehold improvement has been capitalised and appears in the statement of financial position.

Micro-isolator facility: In 2013 the company signed a lease to occupy the 3rd floor of the O'Brien Institute, located on the St Vincent's Hospital Melbourne campus. The entitlement provides the company with an economic benefit and control over that future economic benefit. The leasehold improvement, which was completed in December 2013 at a cost of $360,398, has been capitalised and appears in the statement of financial position. The facility commenced operations in 2014.

St. Vincent's Chronic Diseases Bio-bank facility: In 2014 the company commenced construction of the Bio-bank, at a cost of $511,482, which has been capitalised. The Bio-bank is located on the leased premises of the National Serology Reference Laboratory - NSRL (refer Note 1 (l)). The intention of the Facility is to prospectively collect, store and distribute appropriate samples for clinical and diagnostic research and collaboration in the areas of diabetes and its complications, immunology, and autoimmunity. This resource will be a valuable tool for researchers to store their samples from clinics, surgery, and clinical trials to draw on for future research studies. The NSRL and Bio-bank building lease arrangement provides the company with both a future economic benefit and control over that future economic benefit. The cost of the leasehold improvement has been capitalised and appears in the statement of financial position. The facility commenced operations in 2015.

(ii) Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to the revalued asset.

The company does not apply the recoverable amount valuation process. However prudent depreciation rates have been selected to overcome the difficulty in determining the recoverable amount. The company's plant, equipment and fixtures are generally fully depreciated well before the end of the assets useful life and leasehold improvement is depreciated in line with the duration of the lease.

Plant and equipment that have been contributed at no cost, or for nominal cost, are valued and recognised at the fair value of the asset at the date it is acquired.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

(iii) Depreciation

The depreciable amount of all fixed assets including leasehold improvements are depreciated on a straight line basis over the assets useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Depreciation is recognised in profit or loss.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	7%
Plant and equipment	20 – 33%
Motor vehicles	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in profit or loss. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(c) 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 company 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 transactions 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

Finance instruments are subsequently measured at either 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.

Amortised cost is calculated as:

(i) the amount at which the financial asset or financial liability is measured at initial recognition;

(ii) less principal repayments;

(iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and

(iv) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in item in profit or loss.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking, or where they are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *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.

(iii) *Held-to-maturity investments*

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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) *Available-for-sale investments*

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.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit and loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold more than 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) *Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arms length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence that impairment as a result of one or more events (a "loss event") has occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or any other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance accounts.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged or cancelled or have expired. The difference between the carrying amount of the financial liability, which is extinguished or transferred to another party, and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(d) Impairment of assets

At the end each reporting period, the entity assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the assets carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash–generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(e) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of the company is measured using the currency of the primary economic environment in which the company operates. The financial statements are presented in Australian dollars, which is the company's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in profit or loss.

(f) 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.

(g) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(h) Provisions

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(i) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits are measured at the amounts expected to be paid when the liability is settled. If the benefit is not expected to be settled within twelve months it is accounted for as an other long-term liability.

In determining other long-term liabilities, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Contributions are made by the entity to an employee superannuation fund and are charged as expenses when incurred.

(j) 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 (ATO).

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 ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and 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.

(k) Income tax

The company is granted exemption from income tax under Subdivision 50 of the Income Tax Assessment Act 1997 because of the charitable nature of the business.

(l) National Serology Reference Laboratory

The company is the host company for the National Serology Reference Laboratory (NSRL). In this role the company provides contract administration services to the 32 employees. The NSRL financial reporting is separate from the company and reported on a 30 June financial year basis to the Commonwealth Government. The current host agreement expires on 30 June 2018 and SVI is in discussions with the government in regards to renewal of the agreement.

(m) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(n) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

(o) Key judgements

Available-for-sale investments

The company maintains a portfolio of securities with a carrying value of $15,524,322 at the end of the reporting period. During the 2017 year the combined value of financial investment has increased by $2,993,806, which included additional contributions to the securities portfolio as well as dividend and profit on sale reinvestment, and appreciation in market value of the portfolio. There is no impairment of investments to be recognised for 2017. The Audit and Risk Committee, in consultation with the company's external financial managers, carefully monitor the value of the investments during the year. Reports are regularly given to the directors, who review the value at year-end to determine whether such investments will be considered impaired.

(p) Economic dependence

St Vincent's Institute of Medical Research is dependent on State and Federal government funding for approximately 50% of its revenue used to operate the business. At the date of this report the board of directors has no reason to believe the governments will not continue to support St Vincent's Institute of Medical Research.

Note 2: Revenue and Other Income

	2017 ($)	2016 ($)
Income from research activities:		
Government grants for direct research		
Commonwealth Government		
National Health and Medical Research Council	7,548,435	7,050,242
Australian Research Council	365,171	608,703
Government grants for operational support		
Commonwealth Government		
National Health and Medical Research Council (Independent Research Institutes Infrastructure Support Scheme)	1,462,680	1,118,987
Victorian State Government		
Department of Health and Human Services (Operational Infrastructure Support Program)	1,866,017	1,608,868
Other research grants	4,444,392	4,075,924
Total income from research activities	**15,686,695**	**14,462,724**
Other income:		
Legacies, bequests, donations	3,657,149	4,009,562
Dividends/share trading from other corporations	852,427	751,355
Interest from other corporations	178,018	233,728
Contract services	1,144,156	1,538,955
Royalty and licensing income	359,124	197,041
Sale of asset	7,489	-
Other	523,834	1,071,791
Total other income	**6,722,197**	**7,802,432**
Total revenues	**22,408,892**	**22,265,156**

Note 3: Expenses

The following expenditure was incurred in determining the surplus (deficit) for the year:

	2017 ($)	2016 ($)
Expenses:		
Direct research costs	13,692,948	13,664,957
Operational support	4,657,642	4,426,192
	18,350,590	18,091,149
Transfer of funds to external, joint collaborators	2,082,480	1,959,489
Depreciation and amortisation of non-current assets	1,692,191	2,192,558
Total expenses	**22,125,261**	**22,243,196**

Note 4: Cash and Cash Equivalents

	Note	2017 ($)	2016 ($)
Cash at bank and on hand		5,796,198	5,814,884
Term deposits		7,500,000	7,900,000
Total cash and cash equivalents	*16*	**13,296,198**	**13,714,884**

Note 5: Trade and Other Receivables

	Note	2017 ($)	2016 ($)
Current			
Grants and reimbursements		1,322,150	1,418,298
Provision for impairment of receivables		-	-
		1,322,150	1,418,298
Non-current			
St. Vincent's Hospital - imprest advance		250,000	250,000
		250,000	250,000
Financial assets classified as loans and receivables			
Trade and other receivables:			
Total current		1,322,150	1,418,298
Total non-current		250,000	250,000
Total financial assets as trade and other receivables	*16*	**1,572,150**	**1,668,298**

Provision for Impairment of Receivables

Current trade receivables are generally on 30 days term. These receivables are assessed for recoverability and a provision for impairment is recognised when there is objective evidence that the individual trade receivable is impaired. There is no provision for impairment of receivables at 31 December 2017.

Note 6: Financial Assets

	Note	2017 ($)	2016 ($)
Non-current			
Available for sale financial instruments			
Shares in listed securities - at fair value		15,524,322	12,530,516
Total financial assets	*16*	**15,524,322**	**12,530,516**

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are fixed returns and fixed maturity dates attached to some of these investments.

Note 7: Other Assets

	2017 ($)	2016 ($)
Current		
Prepayments	117,707	210,743
Total other assets	**117,707**	**210,743**

Note 8: Property, Plant & Equipment

	2017 ($)	2016 ($)
Plant & equipment:		
Plant, equipment and fixtures at cost	16,266,407	16,051,039
Less accumulated depreciation	(15,294,753)	(14,483,816)
Total plant, equipment and fixtures	971,654	1,567,223
Property:		
Leasehold improvements at cost	11,975,464	11,975,464
Less accumulated amortisation	(10,426,722)	(9,545,467)
Total leasehold improvements	1,548,742	2,429,997
Motor vehicles:		
Motor vehicles at cost	53,929	53,929
Less accumulated depreciation	(53,929)	(53,929)
Total motor vehicles	-	-
Total property, plant & equipment	**2,520,396**	**3,997,220**

Movements in Carrying Amounts:

	2017 ($)	2016 ($)
Plant & equipment:		
Balance at beginning of the year	1,567,223	2,311,078
Additions - purchases	215,368	815,578
Depreciation expense	(810,937)	(1,559,434)
Carrying amount at end of the year	971,654	1,567,223
Property:		
Balance at beginning of the year	2,429,997	3,040,338
Additions - purchases	-	-
Depreciation expense	(881,255)	(610,340)
Carrying amount at end of the year	1,548,742	2,429,997
Motor vehicles:		
Balance at beginning of the year	-	22,785
Additions	-	-
Depreciation expense	-	(22,785)
Carrying amount at end of the year	-	-
Total property, plant & equipment	**2,520,396**	**3,997,220**

Note 9: Trade and Other Payables

	Note	2017 ($)	2016 ($)
Current			
Unsecured liabilities:			
Trade payables		2,945,642	3,292,811
Deferred income		1,224,123	1,091,144
Employee benefits (annual leave entitlements)		831,806	775,578
Total trade and other payables		**5,001,571**	**5,159,533**
Financial liabilities amortised at cost classified as trade and other payables:			
Trade and other payables:			
Total current		5,001,571	5,159,533
Total non-current		-	-
Less deferred income		(1,224,123)	(1,091,144)
Less annual leave entitlements		(831,806)	(775,578)
Total financial liabilites as trade and other payables	*16*	**2,945,642**	**3,292,811**

Note 10: Provisions

	2017 ($)	2016 ($)
Provision for employee entitlements:		
Opening balance at beginning of the year	1,889,658	1,744,155
Additional provisions raised during the year	299,420	387,081
Amounts used	(86,838)	(241,578)
Balance at the end of the year	2,102,240	1,889,658
Analysis of total provisions:		
Current	1,953,283	1,747,758
Non-current	148,957	141,900
Total provision for employee entitlements	**2,102,240**	**1,889,658**

Provision for long–term employee entitlements:

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1(i) to this report.

Note 11: Reserve

Financial assets reserve

The financial assets reserve records revaluation of increments and decrements (that do not represent impairment write-downs) that refer to financial assets that are classified as available-for-sale. The total appreciation in the market value of the shares for 2017 is $570,861, which is reflected in the financial accounts as an increase in the financial asset reserve.

Note 12: Contingent Liabilities and Contingent assets

There are no contingent assets or liabilities to be disclosed in the financial report.

Note 13: Related Party Transactions

Related party transactions during 2017 and 2016 were as follows:

- DMP Asset Management Ltd managed part of the company's investment portfolio. The Chair of the company's board until 31 December 2017, Ms Brenda Shanahan, is a director of DMP Asset Management.
- An employee of the company worked as the personal assistant to the Executive Director, Professor Tom Kay and worked on a contract basis for Professor Tom Kay's wife.
- Professor Tom Kay is also the Executive Director of the Aikenhead Centre for Medical Discovery and the remuneration for performing that role is paid by St Vincent's Hospital Melbourne.

Note 14: Funds Held in Trust

The $138,280 represents funds transferred to the company in December 1998 to cover the value of accumulated annual and long service leave for the National Serology Reference Laboratory (NSRL) staff, who transferred to the company under the company's agreement with the Commonwealth of Australia. If at anytime the contractual agreement with the Commonwealth of Australia ceases, the funds will be allocated to the payment of NSRL staff leave entitlements.

Note 15: Key Management Personnel Compensation

The total remuneration paid to key management personnel of the company during the year are as follows:

	2017 ($)	2016 ($)
Key management personnel compensation	637,434	499,109

Note 16: Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, bills and leases.

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:

	Note	2017 ($)	2016 ($)
Financial assets			
Cash and cash equivalents	*4*	13,296,198	13,714,884
Loans and receivables	*5*	1,572,150	1,668,298
Available for sale financial instruments			
Shares in listed securities - at fair value	*6*	15,524,322	12,530,516
Total financial assets		**30,392,670**	**27,913,698**
Financial liabilities			
Financial liabilities at amortised cost			
Trade and other payables	*9*	2,945,642	3,292,811
Total financial liabilities		**2,945,642**	**3,292,811**

Note 17: Fair Value Measurement

The following table provides the fair value measurement hierarchy of the company's assets.

		Fair value measurement using 31 December 2017		
	Note	Quoted prices in active markets (Level 1) ($)	Significant observable inputs (Level 2) ($)	Significant un-observable inputs (Level 3) ($)
Assets				
Shares in listed securities	*6*	15,524,322	-	-
Loan - SVH Imprest Advance	*5*	-	-	250,000
		15,524,322	**-**	**250,000**

Note 18: Segment Reporting

The company operates in the medical research sector where it undertakes basic and clinical research in Australia.

Note 19: Events after the reporting period

No matter or circumstances have arisen between the end of the financial year and the date of this report which have or may significantly affect the state of the operations or the state of the affairs of the company in subsequent years.

Note 20: Company Details

The registered office and principal place of business of the company is:

St. Vincent's Institute of Medical Research
9 Princes Street
Fitzroy, Vic 3065

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 8 to 25 are in accordance with the Australian Charities and Not-for-Profits Commission Act 2012 and:

   a) comply with Australian Accounting Standards – Reduced Disclosure Requirements; and

   b) give a true and fair view of the financial position as at 31 December 2017 and of the performance for the year ended on that date of the company.

2. In the directors' opinion there are reasonable grounds to believe that the company 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.

Director	Director
AJ Reeves	TWH Kay

Dated this 26th day of March 2018, Melbourne, Australia

William Buck

St Vincent's Institute of Medical Research

Independent auditor's report to members

Report on the Audit of the Financial Statements

Opinion

We have audited the financial report of St Vincent's Institute of Medical Research (the Company), which comprises the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the financial report of St Vincent's Institute of Medical Research has been prepared in accordance with Division 60 of the Australian Charities and Not-for-profits Commission Act 2012, including:

a) giving a true and fair view of the Company's financial position as at 31 December 2017 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards – Reduced Disclosure Regime and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Australian Charities and Not-for-profits Commission Act 2012 (ACNC Act) and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

CHARTERED ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Regime and the ACNC Act and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives 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 our 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 the 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, we exercise professional judgement and maintain professional scepticism throughout the audit. We 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

A.P. Marks
Director

Dated this 26th day of March, 2018