ST VINCENT'S INSTITUTE MEDICAL RESEARCH

Statutory Financial Report

St Vincent's Institute
Financial Statements for the
Year Ended 31 December 2018

CONTENTS

Directors' Report

Your Directors present their report on the company for the financial year ended 31 December 2018.

Directors

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

Dr Richard Fox	Mr Paul Holyoake (resigned 28 May 2018)
Prof Shitij Kapur	Ms Karen Inge
Prof Thomas WH Kay	Mr John Macfarlane (resigned 31 December 2018)
Mr Stephen Marks	Ms Angela Nolan
Mr Chris Pearce	Mr Tony Reeves
Ms Fiona Rowland	Dr Marcus Tierney
Mr Michael Wachtel	Ms Katharine Williams (appointed 13 September 2018)

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
Qualifications	Master of Commerce, Bachelor of Economics, GAICD
Experience	Board member since March 2017 and Board Chair since January 2018, 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

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

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 Stephen Marks	Director
Qualifications	FCA
Experience	Board member since November 2013, Board Chair Chisholm Institute
Special Responsibilities	Chair of the Audit & Risk Committee Chair of the NSRL 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
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 Member of the NSRL 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. Current Non Executive Director of Melbourne Water Corporation, Macquarie Life Limited and Panel Member of the Australian Financial Services and Credit Panel.
Special Responsibilities	Member of the Audit & Risk Committee Member of the NSRL Committee

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 (Oceania & Asia Pacific), current Board Member of the Future Fund, SEEK, and the Australian Centre for the Moving Image (ACMI).

The Honourable Katharine Williams	Director
Qualifications	LLB (Hons) LLM
Experience	Board member since September 2018, previously Justice of the Supreme Court of Victoria, President of the Victorian Forensic Leave Panel, and Judge of the County Court of Victoria

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, 16 meetings of directors (including committees) were held. Attendees were:

	Board		Audit & Risk Committee		Commercialisation Committee		NSRL Committee	
	Number eligible to attend	*Number attended*	*Number eligible to attend*	*Number attended*	*Number eligible to attend*	*Number attended*	*Number eligible to attend*	*Number attended*
Fox, R	5	4	–	–	–	–	–	–
Holyoake, P	2	2	4	4	–	–	–	–
Inge, K	5	4	–	–	–	–	–	–
Kapur, S	5	4	–	–	–	–	–	–
Kay, TWH	5	5	4	4	3	3	3	3
Macfarlane, JT	5	3	–	–	–	–	–	–
Marks, S	5	5	4	4	–	–	3	3
Nolan, A	5	4	–	–	–	–	–	–
Pearce, C	5	4	–	–	–	–	3	3
Reeves, T	5	5	4	4	–	–	–	–
Rowland, F	5	5	4	4	–	–	3	3
Tierney, M	5	4	–	–	3	3	–	–
Wachtel, M	5	4	–	–	–	–	–	–
Williams, K	2	1	–	–	–	–	–	–

The Nominations, Remuneration & Culture Committee met once during the financial year which was attended by all committee members.

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 2018 the liability of the sole member, St Vincent's Health Australia, was $100 (2017: $100).

Principal Activities

The company operates in the medical research sector in Australia principally to further knowledge in the nature, origins and causes of diseases and human afflictions and improve methods for the diagnosis, treatment and prevention of human diseases.

Operating Results

The company recorded a surplus in the current year of $580,095 (2017: surplus of $283,631). 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, Alzheimer's disease, and infectious diseases.

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 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 scientists 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 2018 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 1st day of April 2019, 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 2018 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

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

CSiddle

C.L. Siddles
Director

Dated this 1st day of April, 2019

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Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	2018 ($)	2017 ($)
Revenue	2	13,866,845	15,686,695
Other income	2	12,665,021	6,722,197
Total revenue		**26,531,866**	**22,408,892**
Consumables and general research expenses		(6,557,567)	(3,817,160)
Employee benefits expense		(14,688,545)	(12,694,951)
Depreciation and amortisation		(1,448,812)	(1,692,191)
Administration expenses		(2,748,917)	(1,838,479)
Transfers to collaborators		(507,930)	(2,082,480)
Total expenses	3	**(25,951,771)**	**(22,125,261)**
Surplus (Deficit) for the year		**580,095**	**283,631**
Other comprehensive income:			
Transfer of retained surplus from the National Serology Reference Lab	15	1,823,889	-
Net (loss) gain on revaluation of financial assets	11	(928,937)	570,861
Total comprehensive income for the year		**1,475,047**	**854,492**
Total comprehensive income attributable to members of the entity		**1,475,047**	**854,492**

The accompanying notes form part of these financial statements

Statement of Financial Position

As at 31 December 2018

	Note	2018 ($)	2017 ($)
Cash and cash equivalents	*4*	14,552,635	13,296,198
Trade and other receivables	*5*	2,409,479	1,322,150
Other assets	*7*	1,401,243	117,707
Total current assets		18,363,357	14,736,055
Trade and other receivables	*5*	250,000	250,000
Financial assets	*6*	15,268,955	15,524,322
Property, plant & equipment	*8*	2,817,837	2,520,396
Total non-current assets		18,336,792	18,294,718
TOTAL ASSETS		**36,700,149**	**33,030,773**
Trade and other payables	*9*	6,552,907	5,001,571
Short-term provisions	*10*	2,695,617	1,953,283
Funds held in trust for NSRL accrued leave	*15*	-	138,280
Total current liabilities		9,248,524	7,093,134
Long-term provisions	*10*	187,896	148,957
Total non-current liabilities		187,896	148,957
TOTAL LIABILITIES		**9,436,420**	**7,242,091**
NET ASSETS		**27,263,729**	**25,788,682**
Retained surplus		26,708,690	24,304,707
Reserves	*11*	555,039	1,483,975
TOTAL EQUITY		**27,263,729**	**25,788,682**

The accompanying notes form part of these financial statements

Statement of Changes in Equity

For the year ended 31 December 2018

	Retained Surplus ($)	Financial Asset Reserve ($)	Total ($)
Balance at 1 January 2017	**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	**24,304,707**	**1,483,975**	**25,788,682**
Total comprehensive income for the year:			
Surplus attributed to members	580,095	-	580,095
Other comprehensive income for the year:			
Transfer of retained surplus from the National Serology Reference Lab	1,823,889	-	1,823,889
Net loss on revaluation of assets	-	(928,937)	(928,937)
Balance at 31 December 2018	**26,708,690**	**555,039**	**27,263,729**

The accompanying notes form part of these financial statements

Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 Inflows (Outflows) $	2017 Inflows (Outflows) $
Cash flow from operating activities:			
Grants received		14,058,094	16,559,507
Payments to suppliers and employees		(24,143,603)	(20,507,406)
Donations, legacies and bequests		4,234,483	3,657,149
Other revenue		6,024,441	1,387,285
Interest received		177,541	180,108
Dividends received		944,212	979,020
Net cash generated from operating activities		**1,295,168**	**2,255,663**
Cash flow from investing activities:			
Cash acquired from transfer of NSRL		1,613,359	-
Payments for property, plant and equipment		(1,206,288)	(215,368)
Proceeds from disposal of property, plant and equipment		16,000	7,489
Payments for investment in financial assets		(595,874)	(2,422,944)
Net cash used by investing activities		**(172,803)**	**(2,630,823)**
Net increase (decrease) in cash		1,122,365	(375,160)
Effect of exchange rate differences on cash		134,072	(43,527)
Cash and cash equivalents at the beginning of the year		13,296,198	13,714,884
Cash and cash equivalents at the end of the year	*4*	**14,552,635**	**13,296,198**

The accompanying notes form part of these financial statements

Notes to the Financial Statements for the year ended 31 December 2018

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.

AASB 9 Financial instruments ("AASB 9")

The company has adopted AASB 9 with the date of initial application being 1 January 2018. In accordance with transitional provisions of AASB 9, comparative figures have not been restated. AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* ("AASB 139") bringing together all three aspects of the accounting for financial instruments, classification and measurement, impairment and hedge accounting. The company's accounting policies have been updated to reflect the application of AASB 9 from 1 January 2018.

Measurement and classification:

At the date of initial application, existing financial assets and liabilities of the company were assessed in terms of the requirements of AASB 9. In this regard the company has determined that the adoption of AASB 9 has impacted on the classification of financial instruments as follows:

Class of Financial Instrument	Measurement under AASB 139 (prior to 1 January 2018)	New measurement category under AASB 9 (from 1 January 2018)
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost
Trade and other receivables	Loans and receivables	Financial assets at amortised cost
Financial Assets	Available for Sale Financial Assets	Financial assets at fair value through OCI
Trade and other payables	Financial liability at amortised cost	Financial liability at amortised cost
Borrowings	Financial liability at amortised cost	Financial liability at amortised cost

The change in classification has not resulted in any re-measurement adjustments at 1 January 2018.

The company has elected to classify their available-for-sale instruments as Financial Assets at Fair Value through OCI whereby all subsequent changes in fair value from 1 January 2018 are recognised in other comprehensive income (OCI) while dividends are recognised in profit or loss. On disposal of such investments, the cumulative change in fair value remains in OCI and is not recycled to profit or loss.

New, revised or amending Accounting Standards and Interpretations yet to be adopted

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 15 *Revenue from Contracts with Customers* (1 January 2019)
- AASB 16 *Leases* (1 January 2019)

On 24 December 2018 the AASB issued an amending standard AASB 2018-8 *Amendments to Australian Accounting Standards – Right of Use Assets of Not-for-Profit Entities* that provides a temporary option for Not-For-Profit (NFP) lessees to elect not to measure right-of-use assets in peppercorn leases at initial recognition at fair value. Rather, the right-of-use asset will be valued based on the value of the lease liability, and the election is applied on a class-by-class basis.

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 1st of April 2019 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 was 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 was 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 one of the buildings 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, was 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 Biobank, at a cost of $511,482, which has been capitalised. The Biobank is located on the leased premises of the National Serology Reference Laboratory ("NSRL") (refer Note 15). 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 Biobank 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 was 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) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss (“FVPL”)

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income (“FVOCI”)

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

All subsequent changes in fair value are recognised in other comprehensive income (OCI) while dividends are recognised in profit or loss. On disposal of such investments, the cumulative change in fair value remains in OCI and is not recycled to profit or loss.

Impairment of financial assets

The company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

(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) Inventory

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on a first-in, first-out principle.

(m) Leases

The company determines at inception of an arrangement whether it contains a lease.

Leases of property, plant and equipment that transfer to the company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. The company currently has no finance leases.

Assets held under other leases are classified as operating leases and are not recognised in the company's statement of financial position. Payments under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received, if any, are recognised as an integral part of the total lease expense, over the term of the lease.

The company undertakes its research activities in two building facilities within the St Vincent's Hospital Melbourne campus under peppercorn lease arrangements with the Mary Aikenhead Ministries Limited and St Vincent's Health Melbourne. Lease payments are $1 per annum with a lease term of 15 years with options to renew. The NSRL and Biobank activities are also undertaken on campus under a lease arrangement at negotiated rates. This lease arrangement is currently under negotiation and as such the right-of-use asset value will be determined when the contract is concluded. Co-location with St Vincent's Hospital Melbourne facilitates research and clinical collaboration on campus consistent with the mission of the company's sole member, St Vincent's Health Australia, as well as the Mary Aikenhead Ministries.

(n) Comparative figures

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

(o) 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.

(p) Key judgements

Financial assets at fair value through other comprehensive income

The company maintains a portfolio of securities with a carrying value of $15,268,955 at the end of the reporting period. During the 2018 year the combined value of financial investment has decreased by $255,367, which included the decline in market value of the portfolio as well as additional contributions to the securities portfolio and dividend income which has been reinvested. There is no impairment of investments to be recognised for 2018. 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.

(q) 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

	2018 ($)	2017 ($)
Income from research activities:		
Government grants for direct research		
Commonwealth Government		
National Health and Medical Research Council	5,354,475	7,548,435
Australian Research Council	473,728	365,171
Government grants for operational support		
Commonwealth Government		
National Health and Medical Research Council (Independent Research Institutes Infrastructure Support Scheme)	1,074,130	1,462,680
Victorian State Government		
Department of Health and Human Services (Operational Infrastructure Support Program)	2,312,305	1,866,017
Other research grants	4,652,207	4,444,392
Total income from research activities	**13,866,845**	**15,686,695**
Other income:		
Legacies, bequests, donations	4,859,483	3,657,149
Dividends/share trading from other corporations	1,070,805	852,427
Interest from other corporations	180,231	178,018
Contract services	5,129,348	1,144,156
Royalty and licensing income	405,465	359,124
Sale of asset	16,000	7,489
Other	1,003,689	523,834
Total other income	**12,665,021**	**6,722,197**
Total revenues	**26,531,866**	**22,408,892**

Note 3: Expenses

	2018 ($)	2017 ($)
Expenses:		
Direct research and contract service costs	18,194,112	13,692,948
Operational support	5,800,917	4,657,642
	23,995,029	18,350,590
Transfer of funds to external, joint collaborators	507,930	2,082,480
Depreciation and amortisation of non-current assets	1,448,812	1,692,191
Total expenses	**25,951,771**	**22,125,261**

Note 4: Cash and Cash Equivalents

	2018 ($)	2017 ($)
Cash at bank and on hand	6,552,635	5,796,198
Term deposits	8,000,000	7,500,000
Total cash and cash equivalents	**14,552,635**	**13,296,198**

Note 5: Trade and Other Receivables

	2018 ($)	2017 ($)
Current		
Grants and reimbursements	2,409,479	1,322,150
Provision for impairment of receivables	-	-
	2,409,479	**1,322,150**
Non-current		
St. Vincent's Hospital - imprest advance	250,000	250,000
	250,000	**250,000**

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 2018.

Note 6: Financial Assets

	2018 ($)	2017 ($)
Non-current		
Financial assets at fair value through OCI		
Shares in listed securities - at fair value	15,268,955	15,524,322
Total financial assets	**15,268,955**	**15,524,322**

These financial assets comprise investments in the ordinary issued capital of various entities.

Note 7: Other Assets

	2018 ($)	2017 ($)
Current		
Prepayments	149,640	117,707
Stock on hand	644,488	-
Asset held for sale	607,115	-
Total other assets	**1,401,243**	**117,707**

Other Assets included inventory on hand representing samples used for diagnostic testing of infectious diseases. Other Assets also included a residential property that the company received as a bequest in August 2018 and was held for sale as at 31 December 2018. The asset held for sale was measured at fair value less costs of selling the property. The property was sold in March 2019.

Note 8: Property, Plant & Equipment

	2018 ($)	2017 ($)
Plant & equipment:		
Plant, equipment and fixtures at cost	19,422,119	16,266,407
Less accumulated depreciation	(17,467,844)	(15,294,753)
Total plant, equipment and fixtures	1,954,275	971,654
Property:		
Leasehold improvements at cost	11,975,464	11,975,464
Less accumulated amortisation	(11,159,507)	(10,426,722)
Total leasehold improvements	815,957	1,548,742
Motor vehicles:		
Motor vehicles at cost	57,409	53,929
Less accumulated depreciation	(9,804)	(53,929)
Total motor vehicles	47,605	-
Total property, plant & equipment	**2,817,837**	**2,520,396**

Movements in Carrying Amounts:

	2018 ($)	2017 ($)
Plant & equipment:		
Balance at beginning of the year	971,654	1,567,223
Additions - NSRL acquisition	539,964	-
Additions - purchases	1,148,879	215,368
Depreciation expense	(706,222)	(810,937)
Carrying amount at end of the year	1,954,275	971,654
Property:		
Balance at beginning of the year	1,548,742	2,429,997
Additions - purchases	-	-
Depreciation expense	(732,785)	(881,255)
Carrying amount at end of the year	815,957	1,548,742
Motor vehicles:		
Balance at beginning of the year	-	-
Additions	57,409	-
Depreciation expense	(9,804)	-
Carrying amount at end of the year	47,605	-
Total property, plant & equipment	**2,817,837**	**2,520,396**

Note 9: Trade and Other Payables

	2018 ($)	2017 ($)
Current		
Unsecured liabilities:		
Trade payables	4,773,584	2,945,642
Deferred income	673,690	1,224,123
Employee benefits (annual leave entitlements)	1,105,633	831,806
Total trade and other payables	**6,552,907**	**5,001,571**

Note 10: Provisions

	2018 ($)	2017 ($)
Provision for employee entitlements:		
Opening balance at beginning of the year	2,102,240	1,889,658
Acquired provision - NSRL	688,155	-
Additional provisions raised during the year	349,029	299,420
Amounts used	(255,911)	(86,838)
Balance at the end of the year	2,883,513	2,102,240
Analysis of total provisions:		
Current	2,695,617	1,953,283
Non-current	187,896	148,957
Total provision for employee entitlements	**2,883,513**	**2,102,240**

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 fair value through OCI. Effective as of 1 January 2018 the financial assets reserve also includes the cumulative change in fair value of disposed financial assets that are classified as fair value through OCI. The total loss on sale and reduction in the market value of the shares for 2018 is $928,937, which is reflected in the financial accounts as a decrease in the financial asset reserve.

Note 12: Contingent Liabilities and Contingent assets

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

Note 13: Related Party Transactions

Related party transactions during 2018 and 2017 were as follows:

- DMP Asset Management Ltd managed part of the company's investment portfolio. The previous Chair of the company's board until 31 December 2017, Ms Brenda Shanahan, was a director of DMP Asset Management during her board tenure.
- Various members of the company's board made donations to the Institute totaling $198,000 and $145,000 in 2018 and 2017, respectively.
- The Executive Director of the company was also the Director of the Aikenhead Centre for Medical Discovery (ACMD) and the remuneration for performing the ACMD role was paid by St Vincent's Hospital Melbourne.

Note 14: Key Management Personnel Compensation

No director receives remuneration in respect to their directorship.

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

	2018 ($)	2017 ($)
Key management personnel compensation	596,983	637,434

Note 15: National Serology Reference Laboratory

As at 1 July 2018 the Institute obtained control of the operations of the National Serology Reference Laboratory (NSRL) and as a result the operations of NSRL were merged with the Institute and the net assets were transferred for nil consideration. NSRL provides contract products and services to support and confirm the diagnosis of infectious diseases.

The assets and liabilities of NSRL as at 1 July 2018 were:

National Serology Reference Laboratory Net Assets	**1 July 2018 ($)**
Cash and cash equivalents	1,613,359
Trade and other receivables	1,094,519
Other assets	808,504
Total current assets	3,516,382
Property, plant & equipment	539,964
Total non-current assets	539,964
TOTAL ASSETS	**4,056,346**
Trade and other payables	1,226,487
Short-term provisions	977,967
Total current liabilities	2,204,455
Long-term provisions	28,003
Total non-current liabilities	28,003
TOTAL LIABILITIES	**2,232,458**
NET ASSETS	**1,823,889**

Note 16: Segment Reporting

The company principally operates in the medical research sector in Australia to further knowledge in the nature, origins and causes of diseases and human afflictions and improve methods for the diagnosis, treatment and prevention of human diseases.

Note 17: 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 18: 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 23 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 2018 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 1st day of April 2019, Melbourne, Australia

St Vincent's Institute Medical Research

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of St Vincent's Institute (the Company)), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss, 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 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 2018 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 St Vincent's Institute Medical Research 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.

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 2018, but does not include the financial report and the 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.

CHARTERED ACCOUNTANTS
& ADVISORS
Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

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 Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013 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 ability of the Company 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.

Auditor's Responsibilities for the Audit of the Financial Report

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.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our independent auditor's report.

We also provide the directors with a statement that we 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 our independence, and where applicable, related safeguards.

William Buck

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

CSiddles

C.L. Siddles
Director

Melbourne, 1st April 2019