

# **Statutory Financial Report**

**St Vincent's Institute  
Financial Statements for the  
Year Ended 31 December 2019**

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# Directors' Report

Your Directors present their report on the company for the financial year ended 31 December 2019.

## Directors

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

Mr Michael Burn (appointed 9 September 2019)	Dr Richard Fox
Ms Karen Inge	Professor Shitij Kapur
Professor Thomas WH Kay	Mr Stephen Marks
Mr Simon Marton (appointed 17 October 2019)	Ms Angela Nolan
The Honourable Chris Pearce	Mr Anthony Reeves
Ms Fiona Rowland	Dr Marcus Tierney
Mr Michael Wachtel	The Honourable Kathy Williams

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

<b>Mr Anthony Reeves</b>	Chairperson
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 Member of the ACMD Committee
<b>Mr Michael Burn</b>	Director
Qualifications	BComm
Experience	Board member since September 2019, former Executive Director Macquarie Group, Member Board of Trustees Melbourne Convention and Exhibition Trust, Chairman Advisory Board PFD Food Services Pty Ltd, former Director Prince Henry Institute of Medical Research
Special Responsibilities	Member of the Audit & Risk Committee Member of the ACMD Committee

<b>Dr Richard Fox</b>	Director
Qualifications	MB, BS, FRCP
Experience	Board member since September 2014, former Director of Research St Vincent's Hospital Melbourne
Special Responsibilities	Member of the ACMD Committee
<b>Ms Karen Inge</b>	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
<b>Professor Shitij Kapur</b>	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
<b>Professor Thomas WH Kay</b>	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
<b>Mr Stephen Marks</b>	Director
Qualifications	FCA
Experience	Board member since November 2011, Board Chair Chisholm Institute
Special Responsibilities	Chair of the Audit & Risk Committee Chair of the NSRL Committee Member of the Nominations, Remuneration & Culture Committee
<b>Mr Simon Marton</b>	Director
Qualifications	MBA, BBus (Marketing)
Experience	Board member since October 2019, CEO at Starward New World Whiskey Distillery Pty Ltd, significant experience in senior executive roles.
<b>Ms Angela Nolan</b>	Director
Qualifications	BBus (Accounting), Graduate Diploma (HR and Industrial Relations)
Experience	Board member since December 2017, CEO St Vincent's Hospital Melbourne

<b>The Honourable Chris Pearce</b>	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	Chair of the ACMD Committee Member of the Nominations, Remuneration & Culture Committee Member of the NSRL Committee
<b>Ms Fiona Rowland</b>	Director
Qualifications	LLB (Hons), BA, GAICD
Experience	Board member since 2017, former Executive Director of UBS Wealth Management, former CEO of Bennelong Wealth Partners and the Bennelong Foundation and current board member of Commonwealth Private Limited, Commonwealth Financial Planning Limited, Macquarie Life Limited and Melbourne Water Corporation.
Special Responsibilities	Member of the Audit & Risk Committee Member of the Investment Committee Member of the NSRL Committee
<b>Dr Marcus Tierney</b>	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
<b>Mr Michael Wachtel</b>	Director
Qualifications	BComm LLB; LLM (LSE)
Experience	Board member since November 2015, current Board member of the Future Fund and SEEK, previously Chairman of EY (Asia Pacific) and past Board member of the EY Global Governance Council and ACMI (Australian Centre for the Moving Image). Past President of the International Fiscal Association (IFA Australia).

**The Honourable Kathy 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

Special Responsibilities Member of the ACMD Committee

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

	Board		Audit & Risk Committee		ACMD Committee		Commercialisation Committee		Investment Committee		Nominations, Remuneration & Culture 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	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Burn, M	2	2	n/a	n/a	1	1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fox, R	6	3	n/a	n/a	1	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Inge, K	6	5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Kapur, S	6	2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Kay, TWH	6	6	4	4	1	1	3	3	6	6	n/a	n/a	4	4
Marton, S	2	1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Marks, S	6	6	4	4	n/a	n/a	n/a	n/a	6	5	2	2	4	4
Nolan, A	6	4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pearce, C	6	5	n/a	n/a	1	1	n/a	n/a	n/a	n/a	2	2	4	3
Reeves, T	6	6	4	4	1	1	n/a	n/a	6	6	2	2	n/a	n/a
Rowland, F	6	6	4	3	n/a	n/a	n/a	n/a	6	4	n/a	n/a	4	4
Tierney, M	6	5	n/a	n/a	n/a	n/a	3	3	n/a	n/a	n/a	n/a	n/a	n/a
Wachtel, M	6	6	n/a	n/a	1	1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Williams, K	6	6	n/a	n/a	1	1	n/a	n/a	n/a	n/a	n/a	n/a	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 2019 the liability of the sole member, St Vincent's Health Australia, was \$100 (2018: \$100).

## 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 \$1,319,118 (2018: surplus of \$1,475,047). 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.
- Support and attract outstanding researchers.
- Enable research innovation through cutting-edge research facilities and services.
- Grow research capacity and capability.

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

COVID-19 is an emerging growing global and local issue with as yet unknown community and economic consequences. Should the pandemic continue for an extended period of time, possible financial impacts may affect future revenue and the value of the Institute's investment portfolio. As none of these items are known with any certainty at the date of this report, no financial effect is contained in this financial report. Proactive action has been taken by the Institute to convert a portion of the Institute's investments to cash which has strengthened the Institute's solvency position.

No other matters or circumstances have arisen between the end of the reporting period and the date of this report which significantly affected or may significantly affect the operations, the results or the affairs of the Institute.

## 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 2019 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

AJ Reeves



Dated this 6<sup>th</sup> day of April 2020, Melbourne, Australia

Director

TWH Kay





**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 2019 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



**C.L. Siddles**  
Director

Dated this 6th day of April, 2020

**ACCOUNTANTS & ADVISORS**

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# Financial Statements

## Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	<u>Note</u>	<u>2019 (\$)</u>	<u>2018 (\$)</u>
Revenue	2	15,099,994	13,866,845
Other income	2	16,101,541	12,665,021
<b>Total revenue</b>		<b><u>31,201,535</u></b>	<b><u>26,531,866</u></b>
Consumables and general research expenses		(7,656,814)	(6,557,567)
Employee benefits expense		(17,380,094)	(14,688,545)
Depreciation and amortisation		(1,019,444)	(1,448,812)
Administration expenses		(3,254,333)	(2,748,917)
Transfers to collaborators		(1,998,061)	(507,930)
<b>Total expenses</b>	3	<b><u>(31,308,746)</u></b>	<b><u>(25,951,771)</u></b>
<b>Surplus (Deficit) for the year</b>		<b><u>(107,211)</u></b>	<b><u>580,095</u></b>
Other comprehensive income:			
Transfer of retained surplus from the National Serology Reference Lab		-	1,823,889
Net (loss) gain on revaluation of financial assets	13	1,426,329	(928,937)
<b>Total comprehensive income for the year</b>		<b><u>1,319,118</u></b>	<b><u>1,475,047</u></b>
<b>Total comprehensive income attributable to members of the entity</b>		<b><u>1,319,118</u></b>	<b><u>1,475,047</u></b>

The accompanying notes form part of these financial statements

## Statement of Financial Position

As at 31 December 2019

	<u>Note</u>	<u>2019 (\$)</u>	<u>2018 (\$)</u>
Cash and cash equivalents	4	3,076,354	14,552,635
Trade and other receivables	5	3,296,805	2,409,479
Right of Use Asset	6	13,058	-
Other assets	7	<u>1,226,492</u>	<u>1,401,243</u>
Total current assets		7,612,709	18,363,357
Trade and other receivables	5	250,000	250,000
Financial assets	8	27,156,233	15,268,955
Property, plant & equipment	9	<u>3,003,412</u>	<u>2,817,837</u>
Total non-current assets		30,409,645	18,336,792
<b>TOTAL ASSETS</b>		<b><u>38,022,354</u></b>	<b><u>36,700,149</u></b>
Trade and other payables	10	6,604,690	6,553,681
Short-term provisions	12	2,606,709	2,695,617
Lease Liabilities	11	<u>13,562</u>	<u>-</u>
Total current liabilities		9,224,961	9,249,298
Long-term provisions	12	<u>215,320</u>	<u>187,896</u>
Total non-current liabilities		215,320	187,896
<b>TOTAL LIABILITIES</b>		<b><u>9,440,281</u></b>	<b><u>9,437,194</u></b>
<b>NET ASSETS</b>		<b><u>28,582,073</u></b>	<b><u>27,262,955</u></b>
Retained surplus		26,600,704	26,707,916
Reserves	13	1,981,369	555,039
<b>TOTAL EQUITY</b>		<b><u>28,582,073</u></b>	<b><u>27,262,955</u></b>

The accompanying notes form part of these financial statements

**Statement of Changes in Equity**  
**For the year ended 31 December 2019**

	<b>Retained Surplus (\$)</b>	<b>Financial Asset Reserve (\$)</b>	<b>Total (\$)</b>
<b>Balance at 1 January 2018</b>	<b>24,304,706</b>	<b>1,483,976</b>	<b>25,788,682</b>
Total comprehensive income for the year:			
Surplus attributed to members	580,095	-	580,095
Transfer of retained surplus from the National Serology Reference Lab	1,823,115	-	1,823,115
Other comprehensive income for the year:			
Net loss on revaluation of assets	-	(928,937)	(928,937)
<b>Balance at 31 December 2018</b>	<b><u>26,707,916</u></b>	<b><u>555,039</u></b>	<b><u>27,262,955</u></b>
Total comprehensive income for the year:			
Surplus attributed to members	(107,211)	-	(107,211)
Other comprehensive income for the year:			
Net gain on revaluation of assets	-	1,426,329	1,426,329
<b>Balance at 31 December 2019</b>	<b><u>26,600,704</u></b>	<b><u>1,981,369</u></b>	<b><u>28,582,073</u></b>

The accompanying notes form part of these financial statements

**Statement of Cash Flows**  
**For the year ended 31 December 2019**

	<b>2019</b>	<b>2018</b>
	<b>Inflows</b>	<b>Inflows</b>
	<b>(Outflows)</b>	<b>(Outflows)</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>
Cash flow from operating activities:		
Grants received	15,654,860	14,058,094
Payments to suppliers and employees	(29,957,877)	(24,143,603)
Donations, legacies and bequests	5,305,219	4,234,483
Other revenue	8,326,017	6,024,441
Interest received	112,589	177,541
Dividends received	866,680	944,212
<b>Net cash generated from operating activities</b>	<b><u>307,488</u></b>	<b><u>1,295,168</u></b>
Cash flow from investing activities:		
Cash acquired from transfer of NSRL	-	1,613,359
Payments for property, plant and equipment	(1,185,142)	(1,206,288)
Proceeds from disposal of property, plant and equipment	-	16,000
Payments for financial asset investments	(10,460,948)	(595,874)
<b>Net cash used by investing activities</b>	<b><u>(11,646,090)</u></b>	<b><u>(172,803)</u></b>
Cash flow from financing activities:		
Principal amount of Lease Payments	(19,878)	-
<b>Net cash used by investing activities</b>	<b><u>(19,878)</u></b>	<b><u>-</u></b>
Net increase (decrease) in cash	(11,358,481)	1,122,364
Effect of exchange rate differences on cash	(117,800)	134,072
Cash and cash equivalents at the beginning of the year	14,552,634	13,296,198
<b>Cash and cash equivalents at the end of the year</b>	<b>4 <u>3,076,354</u></b>	<b><u>14,552,634</u></b>

The accompanying notes form part of these financial statements

## Notes to the Financial Statements for the year ended 31 December 2019

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

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#### ***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 16 Leases

The company has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

The company has elected not to measure below market leases at fair value, rather they are based on the value of the lease liability.

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 July 2020)
- AASB 2016-7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities* (1 July 2020)
- AASB 2016-18 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* (1 July 2020)
- AASB 15 *Revenue from Contracts*; St Vincent's Institute of Medical Research has adopted the deferred application date available to entities undertaking research.

#### ***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 6<sup>th</sup> of April 2020 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 3<sup>rd</sup> 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 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 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:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
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**

*(i) 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, its carrying value is written off.

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

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.



*(iii) Financial assets at fair value through other comprehensive income*

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.

*(iv) 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) Right of Use Assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

**(n) Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

**(o) Comparative figures**

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

**(p) 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.

**(q) Key judgements**

*Financial Assets at Fair Value through Other Comprehensive Income*

The company maintains a portfolio of securities with a carrying value of \$27,156,233 at the end of the reporting period. During the 2019 year the combined value of financial investment has increased by \$11,887,278, which included the increase 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 2019. 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.

**(r) 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

	<u>2019 (\$)</u>	<u>2018 (\$)</u>
<b>Income from research activities:</b>		
Government grants for direct research		
<i>Commonwealth Government</i>		
National Health and Medical Research Council	7,789,414	5,354,475
Australian Research Council	293,944	473,728
Government grants for operational support		
<i>Commonwealth Government</i>		
National Health and Medical Research Council (Independent Research Institutes Infrastructure Support Scheme)	1,202,588	1,074,130
<i>Victorian State Government</i>		
Department of Health and Human Services (Operational Infrastructure Support Program)	1,766,773	2,312,305
Other research grants	4,047,275	4,652,207
Total income from research activities	<u>15,099,994</u>	<u>13,866,845</u>
<b>Other income:</b>		
Legacies, bequests, donations	5,305,219	4,859,483
Dividends/share trading from other corporations	866,680	1,070,805
Interest from other corporations	112,589	180,231
Contract services	8,730,777	5,129,348
Royalty and licensing income	513,015	405,465
Sale of asset	-	16,000
Other	573,261	1,003,689
Total other income	<u>16,101,541</u>	<u>12,665,021</u>
<b>Total revenues</b>	<u>31,201,535</u>	<u>26,531,866</u>

## Note 3: Expenses

	<u>2019 (\$)</u>	<u>2018 (\$)</u>
Expenses:		
Direct research and contract service costs	18,683,049	18,194,112
Operational support	9,608,192	5,800,917
	<u>28,291,241</u>	<u>23,995,029</u>
Transfer of funds to external, joint collaborators	1,998,061	507,930
Depreciation and amortisation of non-current assets	1,019,444	1,448,812
<b>Total expenses</b>	<u>31,308,746</u>	<u>25,951,771</u>

## Note 4: Cash and Cash Equivalents

	<u>2019 (\$)</u>	<u>2018 (\$)</u>
Cash at bank and on hand	3,076,354	6,552,635
Term deposits	-	8,000,000
<b>Total cash and cash equivalents</b>	<u>3,076,354</u>	<u>14,552,635</u>

## Note 5: Trade and Other Receivables

	<u>2019 (\$)</u>	<u>2018 (\$)</u>
<b>Current</b>		
Grants and reimbursements	3,329,061	2,409,479
Provision for impairment of receivables	(32,256)	-
	<u>3,296,805</u>	<u>2,409,479</u>
<b>Non-current</b>		
St. Vincent's Hospital - imprest advance	250,000	250,000
	<u>250,000</u>	<u>250,000</u>

### *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. The provision for impairment of receivables at 31 December 2019 was (\$32,256).

## Note 6: Right of Use Assets

	<u>2019 (\$)</u>	<u>2018 (\$)</u>
<b>Current</b>		
Equipment leases capitalised	32,936	-
	(19,878)	-
<b>Total right of use assets</b>	<u>13,058</u>	<u>-</u>

## Note 7: Other Assets

	<u>2019 (\$)</u>	<u>2018 (\$)</u>
<b>Current</b>		
Prepayments	153,786	149,640
Stock on hand	1,072,706	644,488
Asset held for sale	-	607,115
<b>Total other assets</b>	<u>1,226,492</u>	<u>1,401,243</u>

Other Assets included inventory on hand representing samples used for diagnostic testing of infectious diseases.

## Note 8: Financial Assets

	<u>2019 (\$)</u>	<u>2018 (\$)</u>
<b>Non-current</b>		
Financial assets at fair value through OCI		
Shares in listed securities - at fair value	27,156,233	15,268,955
<b>Total financial assets</b>	<u>27,156,233</u>	<u>15,268,955</u>

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

## Note 9: Property, Plant & Equipment

	<u>2019 (\$)</u>	<u>2018 (\$)</u>
<b>Plant &amp; equipment:</b>		
Plant, equipment and fixtures at cost	20,607,261	19,422,119
Less accumulated depreciation	<u>(17,875,359)</u>	<u>(17,077,882)</u>
Total plant, equipment and fixtures	2,731,902	2,344,237
<b>Property:</b>		
Leasehold improvements at cost	11,975,464	11,975,464
Less accumulated amortisation	<u>(11,732,423)</u>	<u>(11,549,469)</u>
Total leasehold improvements	243,041	425,995
<b>Motor vehicles:</b>		
Motor vehicles at cost	57,409	57,409
Less accumulated depreciation	<u>(28,940)</u>	<u>(9,804)</u>
Total motor vehicles	28,469	47,605
<b>Total property, plant &amp; equipment</b>	<b><u>3,003,412</u></b>	<b><u>2,817,837</u></b>
<b>Movements in Carrying Amounts:</b>		
<b>Plant &amp; equipment:</b>		
Balance at beginning of the year	1,954,275	971,654
Additions - NSRL acquisition	-	539,964
Additions - purchases	1,185,142	1,148,879
Depreciation expense	<u>(797,477)</u>	<u>(706,222)</u>
Carrying amount at end of the year	2,341,939	1,954,275
<b>Property:</b>		
Balance at beginning of the year	815,957	1,548,742
Additions - purchases	-	-
Depreciation expense	<u>(182,954)</u>	<u>(732,785)</u>
Carrying amount at end of the year	633,004	815,957
<b>Motor vehicles:</b>		
Balance at beginning of the year	47,605	-
Additions	-	57,409
Depreciation expense	<u>(19,136)</u>	<u>(9,804)</u>
Carrying amount at end of the year	28,469	47,605
<b>Total property, plant &amp; equipment</b>	<b><u>3,003,412</u></b>	<b><u>2,817,837</u></b>

## Note 10: Trade and Other Payables

	<u>2019 (\$)</u>	<u>2018 (\$)</u>
<b>Current</b>		
Unsecured liabilities:		
Trade payables	4,787,249	4,774,358
Deferred income	624,846	673,690
Employee benefits (annual leave entitlements)	1,192,595	1,105,633
<b>Total trade and other payables</b>	<u><b>6,604,690</b></u>	<u><b>6,553,681</b></u>

## Note 11: Leases

	<u>2019 (\$)</u>	<u>2018 (\$)</u>
<b>Leases:</b>		
Lease Liability	13,562	-
<b>Total Lease Liability</b>	<u><b>13,562</b></u>	<u><b>-</b></u>

## Note 12: Provisions

	<u>2019 (\$)</u>	<u>2018 (\$)</u>
<b>Provision for employee entitlements:</b>		
Opening balance at beginning of the year	2,883,513	2,102,240
Acquired provision - NSRL	-	688,155
Additional provisions raised during the year	121,422	349,029
Amounts used	(182,906)	(255,911)
<b>Balance at the end of the year</b>	<u><b>2,822,029</b></u>	<u><b>2,883,513</b></u>
<b>Analysis of total provisions:</b>		
Current	2,606,709	2,695,617
Non-current	215,320	187,896
<b>Total provision for employee entitlements</b>	<u><b>2,822,029</b></u>	<u><b>2,883,513</b></u>

### *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 13: Reserve

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### *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 gain on sale and increase in the market value of the shares for 2019 is \$1,426,329, which is reflected in the financial accounts as an increase in the financial asset reserve.

## Note 14: Contingent Liabilities and Contingent assets

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

## Note 15: Related Party Transactions

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Related party transactions during 2019 and 2018 were as follows:

- Certain members of the company's board made donations to the Institute totaling \$227,630 in 2019.
- 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.
- 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 16: Key Management Personnel Compensation

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

	2019 (\$)	2018 (\$)
Key management personnel compensation	596,500	596,983

## Note 17: Segment Reporting

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

## Note 18: Events after the reporting period

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COVID-19 is an emerging growing global and local issue with as yet unknown community and economic consequences. Should the pandemic continue for an extended period of time, possible financial impacts may affect future revenue and the value of the Institute's investment portfolio. As none of these items are known with any certainty at the date of this report, no financial effect is contained in this financial report. Proactive action has been taken by the Institute to convert a portion of the Institute's investments to cash which has strengthened the Institute's solvency position.

No other matters or circumstances have arisen between the end of the reporting period and the date of this report which significantly affected or may significantly affect the operations, the results or the affairs of the Institute.

## Note 19: Company Details

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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 22 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 2019 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

AJ Reeves

Dated this 6<sup>th</sup> day of April 2020, Melbourne, Australia



Director

TWH Kay



## 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 2019, 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 2019 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.

#### *Emphasis of Matter*

We draw attention to Note 18 of the financial report, which describes the circumstances relating to the material subsequent event regarding COVID – 19 and the uncertainty surrounding any potential financial impact of the financials. Our opinion is not modified in respect of this matter.

#### ACCOUNTANTS & ADVISORS

Level 20, 181 William Street  
Melbourne VIC 3000

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### **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 2019, 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.

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](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

*C.L. Siddles*

**C.L. Siddles**

Director

Melbourne, 6<sup>th</sup> April 2020