Penington Institute

ABN 23 005 070 102

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

PENINGTON INSTITUTE
ABN 23 005 070 102

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DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 30 June 2019.

The names of the directors in office at anytime during or since the end of the year are:

The Hon. Robert Knowles AO
Mr Scott Wilson
Professor Ian Gust AO
Ms Kathryn Greiner AO (Chair)
Professor David Castle (resigned October 2018)
Ms Lucinda Nolan PSM
Ms Carmel Arthur
Professor Nicholas Lintzeris

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

The Net Profit of the company for the financial year amounted to $160,059 (2018: Profit of $275,153).

The principal activities of the company during the financial year were:

Training and workforce development support to frontline health service staff working with people who use drugs.

Policy advice to government on approaches to address drug use and related issues.

Research on drug-related issues and recommended solutions.

Raising funds through government and philanthropic grants for specific drug use related projects.

No significant change in the nature of these activities occurred during the financial year.

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

The Directors are not aware of any specific developments that are likely to have a material effect on the operations of the company or the expected results of those operations in future financial years.

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

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DIRECTORS' REPORT

Information on Directors

Robert Knowles
Experience: Consultant/advisor in the health sector and previous Victorian Health Minister.
Director since June 2009.

Scott Wilson
Experience: Drug and alcohol, and Aboriginal affairs
Director since October 2011

Ian Gust
Experience: Medical researcher, virologist, and former science administrator
Director since November 2012
Audit, Finance and Risk Management Committee Chair

Kathryn Greiner
Experience: Chair/advisor in the health and education sector
Director since July 2014 (Chair from November 2017)

Lucinda Nolan
Experience: Emergency Services Executive
Director since March 2016

David Castle
Experience: Professor of Psychiatry
Director since March 2016 (Resigned October 2018)

Carmel Arthur
Experience: Community Advocate
Director since April 2018

Nick Lintzeris
Experience: Addiction Medicine Specalist
Director since April 2018

PENINGTON INSTITUTE

DIRECTORS' REPORT

During the financial year, four meetings of directors were held. Attendances by each director were as follows:

	Date Appointed	Meetings Attended
The Hon. Robert Knowles AO	June 2009	4 out of 4
Mr Scott Wilson	October 2011	2 out of 4
Professor Ian Gust AO	November 2012	4 out of 4
Ms Kathryn Greiner AO (Chair)	July 2014	3 out of 4
Ms Lucinda Nolan PSM	March 2016	4 out of 4
Professor David Castle (resigned October 2018)	March 2016	0 out of 1
Ms Carmel Arthur	April 2018	4 out of 4
Professor Nicholas Lintzeris	April 2018	4 out of 4

During the financial year, the directors and officers of the company were insured through a Victorian State Government provided insurance scheme for funded organisations. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company.

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

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is attached to this financial report.

Signed in accordance with a resolution of the board of directors:

Director Ian D Gust

Dated this 18th **day of** September **2019**

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
PENINGTON INSTITUTE**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019 there has been no contraventions of:

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

HAINES MUIR HILL
Chartered Accountants
888 Doncaster Road
DONCASTER EAST VIC 3109

Kristian Lunardello
Partner

Dated on this 17th day of September 2019

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Revenue	2	1,321,704	1,510,963
Other revenue	2	259,225	204,244
Employee expenses		(1,035,240)	(1,018,279)
Depreciation expense		(22,432)	(24,000)
Project expenses		(264,166)	(277,055)
Other expenses	3	(223,060)	(234,668)
Profit / (loss) for the year		36,031	161,205
Other comprehensive income:			
Fair value gain/(loss on investment)		124,028	113,948
Other comprehensive income for the year		124,028	113,948
Total comprehensive income for the year		160,059	275,153

The accompanying notes form part of these financial statements.

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STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	390,591	877,474
Trade and other receivables	5	95,871	4,468
Other current assets	6	26,641	14,702
Financial assets	7	1,063,342	650,974
TOTAL CURRENT ASSETS		1,576,445	1,547,618
NON-CURRENT ASSETS			
Financial assets	7	1,763,908	1,603,087
Plant and equipment	8	42,450	56,648
TOTAL NON-CURRENT ASSETS		1,806,358	1,659,735
TOTAL ASSETS		3,382,803	3,207,353
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	456,861	444,557
Short-term provisions	10	136,101	134,298
TOTAL CURRENT LIABILITIES		592,962	578,855
NON-CURRENT LIABILITIES			
Long-term provisions	10	7,628	6,345
TOTAL NON-CURRENT LIABILITIES		7,628	6,345
TOTAL LIABILITIES		600,590	585,200
NET ASSETS		**2,782,212**	**2,622,153**
EQUITY			
General reserve	13	-	83,551
Financial assets reserve	13	406,231	282,204
Retained earnings		2,375,981	2,256,398
TOTAL EQUITY		**2,782,212**	**2,622,153**

The accompanying notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Retained Earnings $	Financial Asset Reserve $	General Reserve $	Total $
BALANCE AT 30 JUNE 2017	2,095,193	168,256	83,551	2,347,000
Profit (Loss) for year	161,205			161,205
Other comprehensive income for the year		113,948		113,948
BALANCE AT 30 JUNE 2018	2,256,399	282,204	83,551	2,622,153
Profit (Loss) for year	36,031			36,031
Other comprehensive income for the year		124,028		124,028
Transfer General Reserve to Retained Earnings	83,551		(83,551)	-
BALANCE AT 30 JUNE 2019	2,375,981	406,231	-	2,782,212

For a description of each reserve, refer to Note 13.

The accompanying notes form part of these financial statements.

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Received from grants and activities		1,380,177	1,613,686
Donations		54,455	60,915
Interest received		60,790	76,287
Payments to suppliers and employees		(1,574,072)	(1,610,588)
Net cash provided by/(used in) operating activities	**11**	(78,649)	140,300
Cash flows from investing activities			
Investment in UCA Funds Management Portfolio		-	(58,526)
Investment in term deposit		(400,000)	(8,599)
Payments for property, plant and equipment		(8,234)	(24,644)
Net cash (used in) investing activities		(408,234)	(91,769)
Net increase (decrease) in cash held		(486,883)	48,531
Cash and cash equivalents at beginning of year		877,474	828,943
Cash and cash equivalents at end of year	**4**	390,591	877,474

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

The financial report covers Penington Institute as an individual entity. Penington Institute is a company limited by guarantee, incorporated and domiciled in Australia on the 26th day of October 2009. Penington Institute was formerly known as Association for Prevention and Harm Reduction Programs Australia.

The financial statements were authorised on 17th September 2019 by the directors of the Entity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

Penington Institute applies Australian Accounting Standards - Reduced Disclosure Requirements.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Baord (AASB) and the Corporations Act 2001.
The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

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 financial assets. The amounts presented in the financial statements have been rounded to the nearest dollar.

(a) Intangibles

Software is initially recognised at cost. It has a finite life and is carried at cost less any accumulated amortisation and impairment losses. Software has an estimated useful life of between one and five years. It is assessed annually for impairment.

(b) Trade and Other Payables

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

(c) Revenue

Grant revenue is recognised in the statement of comprehensive income when the company 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 company 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.

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

(d) Plant and Equipment

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

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

Subsequent costs are included in the asset's 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 statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets are depreciated on a diminishing value basis over their estimated useful lives to the entity 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.

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

Class of Fixed Asset	Depreciation Rate
Office equipment	20 - 66.67%
Motor vehicles	25%
Furniture and fittings	5 - 10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. 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 the statement of comprehensive income.

(e) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or the sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

(e) Financial Instruments (continued)

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in paragraph 63 of AASB 15: Revenue from Contracts with Customers.

Classification and subsequent measurement

Financial Liabilities
Financial liabilities are subsequently measured at:
- amortised cost; or
- fair value through profit and loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:
- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense to profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:
- incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk to other comprehensive income enlarges or creates an accounting mismatch, these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

(e) Financial Instruments (continued)

Financial Assets

Financial assets are subsequently measured at:
- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:
- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:
- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Company initially designates a financial instrument as measured at fair value through profit or loss if:
- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy and information about the groupings is documented appropriately, so the performance of the financial liability that is part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

Financial assets designated at fair value through Other Consolidated Income (OCI) (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity instruments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 Financial Instruments: Presentation and are held for trading. The classification is determined on an instrument-by-instrument basis.

(e) Financial Instruments (continued)

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The company elected to classify irrevocably its non-listed equity investments under this category.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:
-the right to receive cash flows from the asset has expired or been transferred;
-all risk and rewards of ownership of the asset have been substantially transferred; and
-the Company no longer controls the asset (ie it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity that the Company elected to classify as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss,

(e) Financial Instruments (continued)

Impairment

The Company recognises a loss allowance for expected credit losses on:
- financial assets that are measured at amortised cost or fair value through other - comprehensive income;
- lease receivables; and
- loan commitments that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:
- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all

(f) Impairment of assets

At the end of each reporting period, the company 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 asset's 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 (for example 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 the other standard.

(g) Employee Benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and annual leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Other long-term employee benefits

The company classifies employees' long service leave entitlements as other long-term employee benefits as they are not expected to be settled wholly within the 12 months after the end of the annual reporting period in which the employees render the related service. Provision is made for the company's obligation for other long-term employee benefits, which are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss classified under employee benefits expense.

(h) Goods and Services Tax (GST)

All revenue is stated net of the amount of 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 Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(i) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments.

(j) Comparative Figures

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

(k) Income Tax

No provision for income tax has been raised as the company is exempt from income tax under Div 50 of the Income Tax Assessment Act 1997.

(l) Critical accounting estimates and adjustments

The directors evaluate estimates and judgements incorporated into the financial report 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.

(m) New and Amended Accounting Policies Adopted by the Company

AASB 9

Considering the initial application of AASB 9 during the financial period, financial statement line items have not been affected for the current and prior period, as the company does not have any financial instruments where hedge accounting is applied.

There were no financial assets/liabilities which the Company had previously designated as at fair value through profit or loss under AASB 139: Financial Instruments: Recognition and Measurement that were subject to reclassification/elected reclassification upon the application of AASB 9.

AASB 1058 and 15

AASB 1058: Income of Not-for-Profit Entities (applicable to annual reporting periods beginning on or after 1 January 2019) and AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2019)

The Entity has chosen not to early-adopt AASB 1058 and AASB 15. However, the Entity has conducted a high-level assessment of the impact of these new Standards, as follows.

(m) New and Amended Accounting Policies Adopted by the Company (Continued)

A core change under AASB 1058 and AASB 15 is that focus shifts from a reciprocal/non-reciprocal basis to a basis of assessment that considers the enforceability of a contract and the specificity of performance obligations. AASB 1058 is applicable when an entity receives volunteer services or enters into other transactions where the consideration to acquire the asset is significantly less than the fair value of the asset principally to enable the Entity to further its objectives.

The significant accounting requirements of AASB 1058 are as follows:
Income arising from an excess of the initial carrying amount of an asset over the related contributions by owners, increases in liabilities, decreases in assets and revenue arising from contracts with customers should be immediately recognised in profit or loss. For this purpose, the assets, liabilities and revenue are to be measured in accordance with other applicable Standards.

Liabilities should be recognised for the excess of the initial carrying amount of a financial asset (received in a transfer to enable the Entity to acquire or construct a recognisable non-financial asset that is to be controlled by the Entity) over any related amounts recognised in accordance with the applicable Standards. Income must be recognised in profit or loss when the Entity satisfies its obligations under the transfer.

AASB 15 applies where there is an "enforceable" contract with a customer with "sufficiently specific" performance obligations which results in income being recognised when (or as) the performance obligations are satisfied under AASB 15, as opposed to immediate income recognition under AASB 1058. AASB 15 introduces a five-step approach to revenue recognition which is far more prescriptive than AASB 118: Revenue.

As at the reporting date, the directors have concluded that AASB 1058 and AASB 15 will have no impact on the financial statements, given that these Standards have already been applied.

AASB 16
AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

The Entity has chosen not to early-adopt AASB 16. However, the Entity has conducted a preliminary assessment of the impact of this new Standard, as follows.

A core change resulting from applying AASB 16 is that most leases will be recognised on the balance sheet by lessees as the standard no longer differentiates between operating and finance leases. An asset and a financial liability are recognised in accordance to this new Standard. There are, however, two exceptions allowed: short-term and low-value leases.

Basis of preparation
The accounting for the Entity's operating lease will be primarily affected by this new Standard.

(m) New and Amended Accounting Policies Adopted by the Company (Continued)

AASB 16 will be applied by the Entity from its mandatory adoption date of 1 July 2019. The comparative amounts for the year prior to first adoption will not be restated, as the Entity has chosen to apply AASB 16 retrospectively with cumulative effect. While the right-of-use assets for property leases will be measured on transition as if the new rules had always been applied, all other right-of-use assets will be measured at the amount of the lease liability on adoption (after adjustments for any prepaid or accrued lease expenses).

The Company's non-cancellable operating lease commitments amount to $55,523 payable over 12 months as at the reporting date, as displayed in Note 12.

2. REVENUE AND OTHER INCOME

	2019	2018
Revenue	**$**	**$**
Grants Received		
Fee for services - Government	1,121,566	1,104,902
Fee for services - Other	200,138	406,061
	1,321,704	1,510,963
Other revenue		
Donations	54,455	60,915
Other Income	113,763	67,042
Interest received	91,007	76,287
	259,225	204,244
Total revenue	1,580,929	1,715,207

3. OTHER EXPENSES

Other expenses include:		
- Board of directors expenses	3,296	1,846
- Equipment maintenance expense	34,726	41,118
- Memberships/Subscriptions	4,816	6,088
- Audit fees	7,250	7,250
- Motor vehicle expenses	7,104	8,962
- Bookkeeping and bank fees	10,107	13,582
- Occupancy expenses	122,703	125,637
- Office/Stationery expenses	32,975	30,185
- Sundry	83	-
Total Other Expenses	223,060	234,668

4. CASH AND CASH EQUIVALENTS

Cash on hand	470	471
Cash at bank	390,121	877,003
Total cash and cash equivalents as stated in the statement of cash flows	390,591	877,474

5. TRADE AND OTHER RECEIVABLES

	2019	2018
CURRENT	**$**	**$**
Trade receivables	62,788	2,168
Accrued income	33,083	2,300
	95,871	4,468

(i) Provision for Impairment of Receivables

Current trade receivables are generally on 30-day terms. These receivables are assessed for recoverability and a provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired.

(ii) Credit Risk — Trade and Other Receivables

The company does not have any material credit risk exposure to any single receivable or group of receivables.

The company does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

There are no balances within trade receivables that contain assets that are impaired and are past due with exception of two debts totalling less than $1000. It is expected that all other balances will be received when due.

OTHER ASSETS

	2019	2018
CURRENT		
Prepayments	26,641	14,702
	26,641	14,702

7. FINANCIAL ASSETS

	2019	2018
CURRENT		
Held-to-maturity investments		
- Term deposits at bank	1,063,342	650,974
Total Current	1,063,342	650,974
NON-CURRENT		
Fair value through profit and loss financial assets		
- UCA domestic equities	1,763,908	1,603,087
Total Non Current	1,763,908	1,603,087
Total financial assets	2,827,250	2,254,061

	2019	2018
8. PLANT AND EQUIPMENT	**$**	**$**
Office equipment at cost	79,722	76,519
Less accumulated depreciation	(62,379)	(46,552)
	17,343	29,967
Motor vehicles at cost	90,477	90,476
Less accumulated depreciation	(79,370)	(75,668)
	11,107	14,808
Furniture and fittings at cost	28,560	23,531
Less accumulated depreciation	(14,560)	(11,658)
	14,000	11,872
Total plant and equipment	42,450	56,648

Movements in Carrying Amounts	Office Equipment	Motor Vehicles	Furniture & Fittings	Total
Balance at beginning of year	29,967	14,808	11,872	56,648
Additions at Cost	3,203	0	5,030	8,234
Disposals				
Depreciation Expense	15,828	3,702	2,902	22,432
Carrying amount at end of year	17,343	11,107	14,000	42,450

9. TRADE AND OTHER PAYABLES

CURRENT	2019	2018
Deferred grant revenue	225,628	269,074
Creditors and Accrued expenses	193,041	138,731
Superannuation and Witholding taxes payable	24,744	17,872
GST payable	13,448	18,880
	456,861	444,557

10. PROVISIONS

	2019 $	2018 $
Provision for long service leave	87,347	79,415
Provision for annual leave	56,382	61,228
	143,729	140,643
Analysis of Total Provisions		
Current	136,101	134,298
Non-current	7,628	6,345
	143,729	140,643

11. CASH FLOW INFORMATION

Reconciliation of net surplus for the year to net cashflow from operating activities:

	2019	2018
Net surplus for the year	36,031	161,205
Add/(subtract)		
Depreciation of plant and equipment	22,432	24,000
(Increase)/decrease in assets		
Trade and other receivables	(91,402)	13,069
Other current assets	(11,939)	1,818
Financial assets	(49,161)	
Increase/(decrease) in liabilities		
Borrowings	-	(9,978)
Trade creditors and other payables	12,304	(62,625)
Provisions for employee benefits	3,087	12,811
Net cashflow from operating activities	**(78,649)**	**140,300**

12. LEASING COMMITMENTS

Operating lease commitments

	2019	2018
Payable:		
- Not later than 12 months	55,523	72,414
- later than 12 months but not later than 5 years	-	55,523
- greater than 5 years	-	-
	55,523	127,937

The property lease commitments is a non-cancellable operating lease contracted for but not capitalised in the financial statements with a seven-year term. expiring on 22nd April 2020 with two further 5 year options to renew. Increase in lease commitments may occur in line with CPI.

13. RESERVES

General reserve

It was determined that the general reserve was no longer required and its balance transferred to retained earnings.

Retained earnings

The surplus for the year ended 30 June 2019 was transferred to retained earnings for future use.

Financial asset reserve

The financial asset reserve consists of all realised and unrealised gains and losses on available-for-sale financial assets.

14. COMPANY DETAILS

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

95 Drummond Street
CARLTON VIC 3053

15. MEMBERS' GUARANTEE

The entity is incorporated under the Corporations Act 2001 and is an entity limited by guarantee.

PENINGTON INSTITUTE
ABN 23 005 070 102

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Penington Institute, the directors of the company declare that:

1. The financial statements and notes as set out on pages 6 to 22, are in accordance with the Corporations Act 2001 and:

    a. comply with Australian Accounting Standards; and

    b. give a true and fair view of the company's financial position as at 30 June 2019 and its performance for the year ended on that date.

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.

Director Jan. D Gust

Dated this 18th **day of** September **2019**

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
PENINGTON INSTITUTE
ABN 23 005 070 102

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Penington Institute (the Company), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other 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 accompanying financial report of Penington Institute is in accordance with the requirements of the *Corporations Act 2001* including:

(i) giving a true and fair view of the company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards- Reduced Disclosure Requirements to the extent described in Note 1 and the *Corporations Regulations 2001*

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Information Other than the Financial Report and Auditor's Report Thereon

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 30 June 2019, but does not include the financial report and our auditor's report thereon.

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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 Requirements and the *Corporations Act 2001* and for such internal control as the directors determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have 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.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Haines Muir Hill

HAINES MUIR HILL
Chartered Accountants
888 Doncaster Road
Doncaster East, Victoria

Kristian Lunardello
Partner

Dated on this 18th day of September 2019