Penington Institute

(formerly Association for Prevention and Harm Reduction Programs Australia)

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

PENINGTON INSTITUTE

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PENINGTON INSTITUTE

DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 30 June 2013.

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

Professor Steve Wesselingh (Chair)
Mr Ian Sanders (Secretary) (resigned 27/11/12)
Ms Amanda Milledge
The Hon. Robert Knowles
The Hon. David White
Mr Terry Scanlon
Dr Ingrid van Beek
Mr Scott Wilson
Professor Ian Gust AO (appointed 27/11/12)

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 $40,245 (2012: Profit of $218,516).

On 12th October 2012, the company changed its name to Penington Institute from Association for Prevention and Harm Reduction Programs in Australia. Other than this, no significant changes in the company's state of affairs occurred during the financial year.

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 for these activities through government and philanthropic grants.

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.

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

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

PENINGTON INSTITUTE

DIRECTORS' REPORT

Information on Directors

Amanda Milledge
Experience: Legal, strategic philanthropy, and accredited partnership broker
Director since April 2002 (Chairman from 2009 to December 2010)
Fundraising and Development Committee chair

Steve Wesselingh
Experience: Specialist in infectious diseases, immunology and public
Director since March 2007 (Chairman from February 2011)
Research Advisory Committee chair

Ian Sanders
Experience:Chartered Accountant and registered company auditor
Director since December 2008 (Secretary from July 2010 to Novemeber 2012)

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

Terry Scanlon
Experience: Private sector and business development
Director from August 2011
Audit Risk Management and Compliance Committee chair
Fundraising and Development Committee

Ingrid van Beek
Experience: Public health and addiction medicine
Director since August 2011

David White
Experience: Minister in the Victorian Government for more than 10 years
Director since September 2009
Audit Risk Management and Compliance Committee

Scott Wilson
Experience: Director of the Aboriginal Drug and Alcohol Council (South Australia) and is also a Deputy Chair of the National Indigenous Drug and Alcohol Committee
Director since October 2011

Ian Gust
Experience: Medical researcher, virologist, and former science administrator who was appointed an Officer of the Order of Australia for services to public health, particularly in relation to hepatitis and AIDS.
Director since 27/11/12

PENINGTON INSTITUTE

DIRECTORS' REPORT

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

	Date Appointed	Meetings Attended
Professor Steve Wesselingh (Chair)	March 2007	5
Mr Ian Sanders (Secretary) (to November 12)	December 2008	1
Ms Amanda Milledge	April 2002	4
The Hon. Robert Knowles	June 2009	5
The Hon. David White	September 2009	2
Mr Terry Scanlon	August 2011	4
Dr Ingrid van Beek	August 2011	4
Mr Scott Wilson	October 2011	4
Mr Ian Gust	November 2012	2

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of 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 T. Scanlon
Terry Scanlon

Dated this 30th **day of September 2013**

PENINGTON INSTITUTE

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $	2012 $
Revenue	2	934,881	1,119,334
Other revenue	2	206,793	186,347
Employee expenses		(762,067)	(731,922)
Depreciation expense		(24,708)	(25,823)
Finance expenses		(12,311)	(4,177)
Other expenses	3	(340,806)	(284,627)
Profit for the year		1,782	259,132
Other comprehensive income:			
Fair value gains on available-for-sale financial assets		38,463	(40,616)
Other comprehensive income for the period		38,463	(40,616)
Total comprehensive income for the period		40,245	218,516

The accompanying notes form part of these financial statements.

PENINGTON INSTITUTE

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Note	2013 $	2012 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	755,308	452,468
Trade and other receivables	5	53,350	66,895
Other current assets	6	636	4,062
Financial assets	7	1,417,050	1,252,785
TOTAL CURRENT ASSETS		2,226,344	1,776,210
NON-CURRENT ASSETS			
Financial assets	7	582,319	464,011
Plant and equipment	8	42,218	59,725
TOTAL NON-CURRENT ASSETS		624,537	523,736
TOTAL ASSETS		2,850,881	2,299,946
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	541,491	35,405
Borrowings	10	-	1,782
Short-term provisions	11	100,888	91,983
TOTAL CURRENT LIABILITIES		642,379	129,170
NON-CURRENT LIABILITIES			
Long-term provisions	11	12,580	15,099
TOTAL NON-CURRENT LIABILITIES		12,580	15,099
TOTAL LIABILITIES		654,959	144,269
NET ASSETS		**2,195,922**	**2,155,677**
EQUITY			
General reserve	14	83,552	83,552
Financial assets reserve	14	(2,153)	(40,616)
Retained earnings		2,114,523	2,112,741
TOTAL EQUITY		**2,195,922**	**2,155,677**

The accompanying notes form part of these financial statements.

PENINGTON INSTITUTE

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	Retained Earnings $	Financial Assets Reserve $	General Reserve $	Total $
Balance at 1 July 2011	1,853,609	-	83,552	1,937,161
Profit (Loss) for year	259,132	-	-	259,132
Other comprehensive income for the year	-	(40,616)	-	(40,616)
Balance at 30 June 2012	2,112,741	(40,616)	83,552	2,155,677
Profit (Loss) for year	1,782	-	-	1,782
Other comprehensive income for the year	-	38,463	-	38,463
BALANCE AT 30 JUNE 2013	2,114,523	(2,153)	83,552	2,195,922

The accompanying notes form part of these financial statements.

PENINGTON INSTITUTE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $	2012 $
Cash flows from operating activities			
Received from grants and activities		1,623,950	1,002,105
Donations		19,555	54,992
Interest received		58,528	109,917
Payments to suppliers and employees		(1,199,562)	(1,021,762)
Net cash provided by/(used in) operating activities	12	502,471	145,252
Cash flows from investing activities			
Investment in UCA Funds Management Portfolio		-	(500,000)
Proceeds from sale of plant and equipment		-	-
Payments for property, plant and equipment		(7,201)	(10,056)
Net cash (used in) investing activities		(7,201)	(510,056)
Net increase (decrease) in cash held		495,270	(364,804)
Cash at beginning of year		1,677,088	2,041,892
Cash at end of year	4	2,172,358	1,677,088

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The directors have elected under Section 334(5) of the Corporations Act 2001 to apply the following Accounting Standards in advance of their effective dates:

> AASB 1053 Application of Tiers of Australian Accounting Standards; and
> AASB 2010 – 2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.

AASB 1053 establishes a differential reporting framework consisting of two tiers of reporting requirements for general purpose financial statements:

> Tier 1 - Australian Accoutning Standards
> Tier 2 - Australian Accounting Standards - Reduced Disclosure Requirements.

AASB 2010-2 makes amendments to each Standard and Interpretation indicating the disclosures not required to be made by Tier 2 entities or inserting RDR paragraphs requiring simplified disclosures for Tier 2 entities.

The company complies with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board.

The adoption of these Standards has resulted in significantly reduced disclosures in respect of related parties and financial instruments. There was no other impact on the current or prior year financial statements.

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

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Accounting Policies

(a) 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.

Plant and Equipment

Plant and equipment are measured on the cost basis less 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 assets 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 including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line 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 - 25%
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.

(b) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs.

(b) Financial Instruments (continued)
Classification and subsequent measurement

Financial instruments are subsequently measured at fair value or cost. Where available, quoted market prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment. Fair value is determined based on current bid prices for all quoted investments.

(i) Held-to-maturity investments

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

(ii) Available-for-sale investments

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

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

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(iv) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

(c) Impairment of assets

At the end of 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 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.

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

(d) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(e) Provisions

Provisions are recognised when the company 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.

(f) Revenue

Grant revenue is recognised in the statement of 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.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	$	$

(g) 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.

(h) Cash and Cash Equivalents

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

(i) Comparative Figures

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

(j) Income Tax

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

(k) 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.

2. REVENUE AND OTHER INCOME

	2013 $	2012 $
Revenue		
Grants received	934,881	1,119,334
Other revenue		
Sundry income	141,452	100,187
Interest received	65,341	86,160
	206,793	186,347
Total revenue	1,141,674	1,305,681

3. PROFIT FOR THE YEAR

Expenses:

	2013 $	2012 $
Other expenses include:		
- Board of directors expenses	1,583	472
- Equipment maintenance expenses	16,785	13,156
- Memberships/Subscriptions	2,307	5,868
- Audit fees	5,250	4,250
- Motor vehicle expenses	5,456	2,642
- Occupancy expenses	71,130	67,131
- Office/Stationery expenses	49,115	26,776
- Projects/Activities	171,791	151,347

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 $	2012 $
4.	**CASH AND CASH EQUIVALENTS**		
	Cash on hand	500	1,010
	Cash at bank	754,808	451,458
	Term deposits at bank	1,417,050	1,226,402
	Bank overdrafts	-	(1,782)
	Total cash and cash equivalents as stated in the statement of cash flows	2,172,358	1,677,088
5.	**TRADE AND OTHER RECEIVABLES**		
	CURRENT		
	Trade receivables	32,628	47,400
	Sundry debtor	-	5,587
	Accrued income	20,722	13,908
		53,350	66,895

(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 not impaired and are past due. It is expected that these balances will be received when due.

		2013 $	2012 $
6.	**OTHER ASSETS**		
	CURRENT		
	Prepayments	636	4,062
		636	4,062

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	$	$

7. FINANCIAL ASSETS

	2013 $	2012 $
CURRENT		
Held-to-maturity investments		
- Term deposits at bank	1,417,050	1,226,402
- UCA cash portfolio	-	26,383
	1,417,050	1,252,785
NON-CURRENT		
Available-for-sale financial assets		
- UCA domestic equities	582,319	464,011
	582,319	464,011
Total financial assets	1,999,369	1,716,796

8. PLANT AND EQUIPMENT

	2013 $	2012 $
Office equipment at cost	96,283	94,043
Less accumulated depreciation	(85,940)	(77,665)
	10,343	16,378
Motor vehicles at cost	64,084	64,084
Less accumulated depreciation	(37,817)	(21,798)
	26,267	42,286
Furniture and fittings at cost	11,960	6,999
Less accumulated depreciation	(6,353)	(5,938)
	5,607	1,061
Total plant and equipment	42,218	59,725

Movements in Carrying Amounts

	Office equipment	Motor vehicles	Furniture and Fittings	Total
	$	$	$	$
Balance at the begiining of the year	16,378	42,286	1,061	59,725
Additions at cost	2,240		4,961	7,201
Disposals	-	-	-	-
Depreciation expense	- 8,275	- 16,019	- 414	- 24,708
Carrying amount at the end of the year	10,343	26,267	5,608	42,218

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013 $	2012 $
9. TRADE AND OTHER PAYABLES		
CURRENT		
Deferred grant revenue	430,450	1,584
Creditors and Accrued expenses	30,082	11,302
Superannuation and Witholding taxes payable	25,527	6,071
GST payable	55,432	16,448
	541,491	35,405
10. BORROWINGS		
CURRENT		
Bank overdraft (Unsecured)	-	1,782
	-	1,782
11. PROVISIONS		
Provision for long service leave	54,982	54,982
Provision for annual leave	58,486	52,100
	113,468	107,082
Analysis of Total Provisions		
Current	100,888	91,983
Non-current	12,580	15,099
	113,468	107,082
12. CASH FLOW INFORMATION		
Reconciliation of net surplus for the year to net cashflow from operating activities:		
Net surplus for the year	1,782	259,132
Depreciation of plant and equipment	24,708	25,823
Income re-invested from financial assets	(53,462)	(31,010)
(Increase)/Decrease in assets		
Trade and other receivables	13,545	19,134
Other current assets	3,426	(2,483)
Increase/(Decrease) in Liabilities		
Trade creditors	506,086	(137,833)
Provisions for employee benefits	6,386	12,489
Net cashflow from operating activities	**502,471**	**145,252**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

13. LEASING COMMITMENTS

Operating lease commitments

	2013 $	2012 $
Payable:		
- Not later than 12 months	62,543	47,770
- later than 12 months but not later than 5 years	269,504	-
- greater than 5 years	124,943	-
	456,990	47,770

The property lease commitments are non-cancellable operating leases contracted for but not capitalised in the financial statements with a seven-year term. Increase in lease commitments may occur in line with CPI.

14. KEY MANAGEMENT PERSONNEL COMPENSATION

	2013 $	2012 $
Total compensation	138,615	130,800

15. RESERVES

General reserve

The surplus for the year ended 30 June 2008 was transferred to a reserve for future expenditure should budgeted figures be exceeded.

Financial asset reserve

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

16. COMPANY DETAILS

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

95 Drummond Street
CARLTON VIC 3053

17. MEMBERS' GUARANTEE

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

PENINGTON INSTITUTE

DIRECTORS' DECLARATION

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

1. The financial statements and notes as set out on pages 6 to 18, 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 2013 and its performance for the year ended on that date of the entity.

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 ______________________

Terry Scanlon

Dated this 30th **day of September 2013**