

Centre for Eye Research Australia Limited and its controlled entity

ABN: 72 076 481 984

Consolidated Financial Statements

For the Year Ended 31 December 2019

Centre for Eye Research Australia Limited and its controlled entity

ABN: 72 076 481 984

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For the Year Ended 31 December 2019

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Centre for Eye Research Australia Limited and its controlled entity

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Directors Report

The Directors present the annual Financial Report of the consolidated group consisting of the Centre for Eye Research Australia Limited (ABN 72 076 481 984) (**CERA**) and the Centre for Eye Research Australia Foundation (ABN 24 684 029 499) (**CERAF**) for the financial year ended 31 December 2019.

Directors

The names of the directors for Centre for Eye Research Australia Limited during the financial year and at the date of this report are as follows:

Director	Date appointed	Date of resignation
Mr Simon Coates Brewin	24 Aug 2017	
Mr Andrew Thomas Cowlshaw	25 Feb 2016	18 Feb 2020*
Professor Robert Andrew Cuthbertson AO	1 Jun 2017	
Ms Suwanee Dharmalingam	1 Sep 2019	
Ms Christine Elizabeth Edwards	25 Feb 2015	
Ms Olivia Page Hilton	20 Feb 2013	
Professor Darren James Kelly	31 Oct 2019	
Mr Peter Douglas Larsen	1 Nov 2012	10 Sep 2019
Professor Keith Robert Graham Martin	11 Feb 2019	
Ms Wendy Kathryn Miller	15 Aug 2016	
Professor Johannes (John) Prins	28 Feb 2019	
Associate Professor Peter van Wijngaarden	24 Jul 2018	11 Feb 2019

The names of the directors for CERA Foundation Ltd, being the trustee for the Centre for Eye Research Australia Foundation during the financial year and at the date of this report are as follows:

Director	Date appointed	Date of resignation
Ms Suwanee Dharmalingam	1 Sep 2019	
Ms Christine Elizabeth Edwards	26 Feb 2015	
Ms Olivia Page Hilton	24 Mar 2018	
Professor Keith Robert Graham Martin	11 Feb 2019	
Ms Wendy Kathryn Miller	13 Dec 2017	
Associate Professor Peter van Wijngaarden	24 Jul 2018	11 Feb 2019

Directors were in office for the entire year unless otherwise stated.

*Mr Andrew Thomas Cowlshaw resigned as a director of CERA on 18 February 2020. Ms Nuala Kilgallon has been appointed as a director of CERA on 19 March 2020.

Qualifications, Experience and Special Responsibilities of Directors

Simon Coates Brewin	B Bus, Grad Dip HSM, MBL, GAICD Director, Centre for Eye Research Australia Limited Deputy Chair and Director, RVEEH, July 2017 Chair, Audit & Risk Committee, RVEEH Member, Quality & Safety Committee, RVEEH Deputy Chair, Uniting Age Well (Vic & Tas) Chair, Property & Development Committee, Uniting Age Well Chair, Governance Committee, Uniting Age Well Member, DPV Health Community Engagement Committee
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Directors Report (Cont'd)

Qualifications, Experience and Special Responsibilities of Directors

Andrew Thomas Cowlshaw	BComm (Accounting & Finance), CA Partner, Melbourne Mergers & Acquisitions, Ernst & Young Director & Treasurer, Centre for Eye Research Australia Limited Chair, Centre for Eye Research Australia Limited Finance and Risk Committee
Robert <u>Andrew</u> Cuthbertson AO	BMedSci, MBBS, PhD FTSE FAHMS Chief Scientific Officer, CSL Limited Executive Director, CSL Limited Director, Centre for Eye Research Australia Limited Director, Grattan Institute Enterprise Professor, Faculty of Medicine, Dentistry and Health Sciences, University of Melbourne, 2016
Suwanee Dharmalingam (Appointed 1 September 2019)	B. Comm (Accounting and Finance) LLB (UNSW) Private Banker, Macquarie Private Bank, Macquarie Bank Limited Director, Centre for Eye Research Australia Limited Director, CERA Foundation Ltd Non-Executive Director & Member, The Diplomacy Training Program Member, Finance, Audit and Risk Committee DTP Member, Fundraising Committee DTP Member Responsible Investment Association Australasia
Christine Elizabeth Edwards	B App Sc, Post Grad Cert Public Sector Management, M Health Admin, GAICD Director, Centre for Eye Research Australia Limited Director, CERA Foundation Ltd Member, Centre for Eye Research Australia Research Advisory Committee Director, Health Recruitment Plus, Tasmania Chair, The Glenorchy Art and Sculpture Park "GASP" Member, Advisory Committee, The Butterfly Trust, New Zealand Fellow, Australian Institute of Managers and Leaders Associate Fellow, Australasian College of Health Service Management Director, Indigo Foundation Public Health and Disaster Committee, Australasian College for Emergency Medicine
Olivia Paige Hilton	Bbus (Mkt) Hons Executive Director, Social Ventures Australia Director, Centre for Eye Research Australia Limited, February 2013 – January 2018 as nominated representative of the Members Forum Independent Director, Centre for Eye Research Australia Limited, January 2018 Chair, Centre for Eye Research Australia Limited, March 2018 Chair, Centre for Eye Research Australia Limited, Nominations & Appointments Committee Member, Centre for Eye Research Australia Limited Finance and Risk Committee Chair, CERA Foundation Ltd Director, Chuffed.org

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Directors Report (Cont'd)

Qualifications, Experience and Special Responsibilities of Directors

Darren James Kelly
(Appointed 31 October 2019)

BAppSc(MedLabSc) PhD FASN
Associate Dean (Innovation & Enterprise MDHS)
Director and CEO, OccuRx Pty Ltd
Director and CEO, Certa Therapeutics
Director, Kelair Pty Ltd
Director, Carbonback (WFP)
Director, Centre for Eye Research Australia Limited
Director, Enlighten Imaging Pty Ltd
Entrepreneur in Residence (Venture Partner), Medical Research Commercialization Fund
Advisory Board Member, Pharmaxis Scientific Advisory Board
Research Board Member, Et Al. Research Board
Chair, Cincera Therapeutics, Scientific Advisory Board
Professional Fellow, University of Melbourne
Principal Fellow, St Vincent's Institute of Medical Research

Peter Douglas Larsen
(retired 10 September 2019)

BSC (Optometry)
Director, Specsavers Pty Ltd and Specsavers New Zealand Limited
Director, Professional Services, Specsavers
Director, Centre for Eye Research Australia
Member, the Centre for Eye Research Australia Finance and Risk Committee
Director, DERMOX Pty Ltd

Keith Robert Graham Martin
(appointed 11 February 2019)

MA BM BCh DM MRCP FRCOphth FRANZCO ALCM
Director, Centre for Eye Research Australia Limited
Director, CERA Foundation Ltd, February 2019
Member, Centre for Eye Research Australia Limited Finance & Risk Committee
Member, Centre for Eye Research Australia Limited Nominations & Appointments Committee
Managing Director, Centre for Eye Research Australia Limited
Ringland Anderson Professor
Head of Ophthalmology, University of Melbourne

Wendy Kathryn Miller

BA, LLB (Melb)
Special Counsel, Thomson Geer
Director, Centre for Eye Research Australia Limited
Member, Centre for Eye Research Australia Finance and Risk Committee
Director, CERA Foundation Ltd

Johannes (John) Prins
(appointed 28 February 2019)

MB BS PHD FRACP FAHMS
Director, Centre for Eye Research Australia Limited
Director, Metro South Hospital and Health Service
Director, Murdoch Children's Research Institute

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Directors Report (Cont'd)

Qualifications, Experience and Special Responsibilities of Directors

Peter van Wijngaarden (retired 11 February 2019)	MBBS, PhD, FRANZCO Interim Managing Director, Centre for Eye Research Australia, June 2018 – February 2019 Director, Centre for Eye Research Australia Limited Member, Centre for Eye Research Australia Limited Finance and Risk Committee Member, Centre for Eye Research Australia Research Advisory Committee Member, Centre for Eye Research Australia Limited, Nominations & Appointments Committee Alternate Director to Professor Keith Robert Graham Martin, Centre for Eye Research Australia Limited, October 2019 Alternate Director to Professor Keith Robert Graham Martin, CERA Foundation Ltd, October 2019
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Company Secretary

The following persons held the position of Company Secretary throughout the financial year:

- Ms Jade Lemmens, BHSc, CAPM, Cert GIA
- Ms Cathy Foden, Cert GIA, GIA(Affiliate), Company Secretary (Maternity Leave Cover)

Meeting of Directors for Centre for Eye Research Australia Limited

During the financial year ended 31 December 2019, 11 meetings of directors (including Committees of the Board) were held. Attendances by each director during the year were as follows:

Board of Directors	Meetings eligible to attend	Meetings attended
Mr Simon Coates Brewin	5	4
Mr Andrew Thomas Cowlshaw	5	5
Professor Robert Andrew Cuthbertson AO	5	2
Ms Suwanee Dharmalingam	2	2
Ms Christine Elizabeth Edwards	5	4
Ms Olivia Page Hilton	5	5
Professor Darren James Kelly	1	1
Mr Peter Douglas Larsen	4	2
Professor Keith Robert Graham Martin	5	5
Ms Wendy Kathryn Miller	5	5
Professor Johannes (John) Prins	5	4
Associate Professor Peter van Wijngaarden	-	-

Finance and Risk Committee	Meetings eligible to attend	Meetings attended
Mr Andrew Thomas Cowlshaw	4	4
Ms Olivia Page Hilton	4	4
Mr Peter Douglas Larsen	3	2
Professor Keith Robert Graham Martin	4	4
Ms Wendy Kathryn Miller	4	4

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Directors Report (Cont'd)

Nominations and Appointments Committee	Meetings eligible to attend	Meetings attended
Ms Olivia Page Hilton	2	2
Professor Keith Robert Graham Martin	2	2

Meeting of Directors for CERA Foundation Limited

During the financial year ended 31 December 2019, four meetings of directors were held. Attendances by each director during the year were as follows:

Board of Directors	Meetings eligible to attend	Meetings attended
Ms Suwanee Dharmalingam	2	1
Ms Christine Elizabeth Edwards	4	3
Ms Olivia Page Hilton	4	4
Professor Keith Robert Graham Martin	4	4
Ms Wendy Kathryn Miller	4	4
Associate Professor Peter van Wijngaarden	-	-

Principal Activities and Strategic Objectives

The principal activity of CERA during the financial year was medical research in the field of ophthalmology. The institute conducts eye research across the full spectrum from laboratory-based basic science and stem cell research through genetics and clinical research, to translational and population-based studies. CERA conducts eye research with real-life impact; translating to better treatments, earlier diagnosis, health education and disease prevention, and unravelling the causes of eye disease through genetics.

CERA aims to save sight and change lives by conducting innovative eye research that makes a difference to patient's lives, and to eliminate the major eye diseases that cause vision loss and blindness and to reduce their impact in the community.

Members' Guarantee

The Centre for Eye Research Australia Limited is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each member and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$100 subject to the provisions of the company's constitution.

At 31 December 2019, the collective liability of members was \$700.

Operating results

The surplus of the consolidated group for the financial year ending 31 December 2019 was \$2,774,503 (2018: \$875,695).

Dividends paid or recommended

As the entities in the group are not-for-profit entities, no dividends were paid or declared during or since the end of the financial year.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the entities in the consolidated group during the year.

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Directors Report (Cont'd)

Events subsequent to the end of the financial year

On 30 January 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the consolidated entity's financial condition, liquidity, and future results of operations however is likely to affect the amount of income received. The COVID-19 outbreak has also led to a significant downturn in financial markets subsequent to year end. This has resulted in a (\$3,567,583) decrease in the value of the consolidated entity's investments at the date of signing this report.

Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the consolidated entity is not able to accurately estimate the effects of the COVID-19 outbreak at this point in time. However, due to the consolidated entity's strong cash and financial asset position, Management is confident that the consolidated entity will be able to continue as a going concern for at least twelve months from the signing of the report.

No other 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.

Environmental matters

The entities are not regulated by any significant regulations under a law of the Commonwealth or of a State or Territory.

Auditor's independence declaration

A copy of the auditor's independence declaration is set out on the following pages:

This report is made in accordance with a resolution of the Board of Directors.



Director: _____



Director: _____

Dated: 28 April 2020

DECLARATION OF INDEPENDENCE BY TIM FAIRCLOUGH TO THE DIRECTORS OF CENTRE FOR EYE RESEARCH AUSTRALIA LIMITED AND ITS CONTROLLED ENTITY

As lead auditor of Centre for Eye Research Australia Limited and its controlled entity for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of section 60-40 of the *Australian Charities and Not-for-profit Commission Act 2012* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Centre for Eye Research Australia Limited and the entities it controlled during the period.



Tim Fairclough
Director

BDO Audit Pty Ltd

Melbourne, 28 April 2020

Centre for Eye Research Australia Limited and its controlled entity

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 \$	2018 \$
Operating Revenue			
Grants - Federal and State		2,730,480	3,317,720
Grants - Philanthropic and other		1,377,549	3,267,916
Philanthropic Income - Donations and Bequests		2,348,198	3,205,406
Commercial Contracts, Clinical Trials & LEDs		6,508,398	5,873,438
Royalty Income		31,098	157,614
		12,995,723	15,822,094
Finance Income			
Investment Income		1,266,083	1,335,976
Realised and unrealised movements in investments		2,793,391	(886,858)
		4,059,474	449,118
Other Income			
Reimbursements		203,860	445,015
Other		123,323	75,824
		327,183	520,839
Total Revenue		17,382,380	16,792,051
Expenses			
Salaries and wages		(9,964,301)	(10,279,314)
Medical and research costs		(988,665)	(1,144,538)
Consulting and collaboration expenses		(1,149,706)	(1,632,836)
Travel and entertainment		(459,911)	(461,195)
Depreciation and amortisation		(687,280)	(500,558)
Advertising and publication		(151,320)	(83,882)
Professional costs		(111,545)	(207,084)
Occupancy costs		(280,209)	(678,381)
Motor vehicles expenses		(6,157)	(3,363)
IT expenses		(171,982)	(245,986)
Insurance		(28,589)	(28,564)
Minor asset purchases and loss on disposal of fixed assets		(39,045)	(124,258)
Finance and investment costs		(154,920)	(248,292)
Operating expenses		(414,247)	(278,105)
Total Expenses		14,607,877	15,916,356
Surplus before income tax		2,774,503	875,695
Income tax expense	2(m)	-	-
Surplus for the year		2,774,503	875,695
Other comprehensive income		-	-
Total comprehensive income for the year		2,774,503	875,695

The accompanying notes form part of these financial statements.

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Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 \$	2018 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		688,873	2,739,925
Trade and other receivables	4	729,407	726,523
Prepayments		82,913	52,541
TOTAL CURRENT ASSETS		<u>1,501,193</u>	<u>3,518,989</u>
NON-CURRENT ASSETS			
Financial assets	5	25,193,867	21,589,581
Property, plant and equipment	7	793,720	850,367
Right of use assets	8	854,137	-
TOTAL NON-CURRENT ASSETS		<u>26,841,724</u>	<u>22,440,218</u>
TOTAL ASSETS		<u>28,342,917</u>	<u>25,959,207</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	1,664,326	3,138,461
Lease liabilities		298,024	-
Provisions	10	1,263,243	1,132,680
TOTAL CURRENT LIABILITIES		<u>3,225,593</u>	<u>4,271,141</u>
NON-CURRENT LIABILITIES			
Lease liabilities		569,734	-
Provisions	10	262,650	177,629
TOTAL NON-CURRENT LIABILITIES		<u>832,384</u>	<u>177,629</u>
TOTAL LIABILITIES		<u>4,057,977</u>	<u>4,448,770</u>
NET ASSETS		<u>24,284,940</u>	<u>21,510,437</u>
EQUITY			
Settled sum		100	100
Reserves	11	10,677,228	8,330,474
Retained earnings		13,607,612	13,179,863
TOTAL EQUITY		<u>24,284,940</u>	<u>21,510,437</u>

The accompanying notes form part of these financial statements.

Centre for Eye Research Australia Limited and its controlled entity

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Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

2019

	Settled Sum	Retained Earnings	Research Units Reserve	Research Units Support/ Central reserve	Strategic Funding Reserve	Innovation Fund	General reserve	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at 1 January 2019	100	13,179,863	4,248,951	153,430	390,052	3,322,502	215,539	21,510,437
Profit for the year	-	2,774,503	-	-	-	-	-	2,774,503
Transfers to and from	-	(2,346,754)	2,502,593	(153,430)	(390,052)	367,250	20,393	-
Balance as at 31 December 2019	100	13,607,612	6,751,544	-	-	3,689,752	235,932	24,284,940

2018

	Settled Sum	Retained Earnings	Research Units Reserve	Research Units Support/ Central reserve	Strategic Funding Reserve	Innovation Fund	General reserve	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at 1 January 2018	100	12,172,025	4,248,951	153,430	390,052	3,454,645	917,066	21,336,269
Profit for the year	-	875,695	-	-	-	-	-	875,695
Prior period adjustment	-	-	-	-	-	-	(701,527)	(701,527)
Transfers to and from	-	132,143	-	-	-	(132,143)	-	-
Balance as at 31 December 2018	100	13,179,863	4,248,951	153,430	390,052	3,322,502	215,539	21,510,437

The accompanying notes form part of these financial statements.

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Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers, partners, donors and grantors		14,212,538	17,479,648
Investment income received		1,283,269	1,333,532
Cash paid to suppliers and employees		(16,024,255)	(17,052,617)
Finance costs		(128,541)	(18,770)
Net cash (used in)/provided by operating activities	14	(656,989)	1,741,793
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for plant and equipment		(300,119)	(258,757)
Proceeds from disposal of plant and equipment		-	9,616
Proceeds from investments		-	148,012
Payments for investments		(810,628)	(368,739)
Repayment of lease contracts		(283,316)	-
Net cash used in operating activities		(1,394,063)	(469,868)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (decrease)/increase in cash and cash equivalents held		(2,051,052)	1,271,925
Cash and cash equivalents at beginning of year		2,739,925	1,468,000
Cash and cash equivalents at end of financial year		688,873	2,739,925

The accompanying notes form part of these financial statements

Centre for Eye Research Australia Limited and its controlled entity

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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

General information

The financial statements cover Centre for Eye Research Australia Limited as a consolidated entity consisting of Centre for Eye Research Australia Limited and the entities it controlled at the end of, or during, the year.

The functional and presentation currency of Centre for Eye Research Australia Limited is Australian dollars.

The financial report was authorised for issue by the Directors on 28 April 2020.

1. Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Australian Charities and Not-for-profit Commission Act 2012, as appropriate for not-for-profit entities.

The financial statements 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 financial assets and financial liabilities.

New, revised or amending Accounting Standards and Interpretations adopted

The Centre for Eye Research Australia Limited 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.

The following Accounting Standards and Interpretations are most relevant to Centre for Eye Research Australia Limited:

AASB 15 Revenue from Contracts with Customers

Centre for Eye Research Australia Limited has adopted AASB 15 from 1 January 2019. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

1. Basis of Preparation (Cont'd)

New, revised or amending Accounting Standards and Interpretations adopted (Cont'd)

AASB 1058 Income of Not-for-Profit Entities

Centre for Eye Research Australia Limited has adopted AASB 1058 from 1 January 2019. The standard replaces AASB 1004 *Contributions* in respect to income recognition requirements for not-for-profit entities. The timing of income recognition under AASB 1058 is dependent upon whether the transaction gives rise to a liability or other performance obligation at the time of receipt. Income under the standard is recognised where: an asset is received in a transaction, such as by way of grant, bequest or donation; there has either been no consideration transferred, or the consideration paid is significantly less than the asset's fair value; and where the intention is to principally enable the entity to further its objectives. For transfers of financial assets to the entity which enable it to acquire or construct a recognisable non-financial asset, the entity must recognise a liability amounting to the excess of the fair value of the transfer received over any related amounts recognised. Related amounts recognised may relate to contributions by owners, AASB 15 revenue or contract liability recognised, lease liabilities in accordance with AASB 16, financial instruments in accordance with AASB 9, or provisions in accordance with AASB 137. The liability is brought to account as income over the period in which the entity satisfies its performance obligation. If the transaction does not enable the entity to acquire or construct a recognisable non-financial asset to be controlled by the entity, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income immediately. Where the fair value of volunteer services received can be measured, a private sector not-for-profit entity can elect to recognise the value of those services as an asset where asset recognition criteria are met or otherwise recognise the value as an expense.

AASB 16 Leases

Centre for Eye Research Australia Limited 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. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. 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. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

AASB 15, AASB 16 and AASB 1058 were adopted using the modified retrospective approach and as such comparatives have not been restated.

The new Accounting Standards AASB 15 and AASB 1058 have not required any change to be made to figures previously reported nor is there an impact on the 31 December 2019 financial report. The impact of the adoption of AASB 16 *Leases* was as follows:

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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

1. Basis of Preparation (Cont'd)

Impact of adoption (Cont'd)

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption as at 1 January 2019 was as follows:

	1 January 2019 \$
Operating lease commitments as at 1 January 2019 (AASB 117)	128,687
Contracts reassessed as lease contracts	763,222
Operating lease commitments discount based on the weighted average incremental borrowing rate of 4.85% (AASB 16)	(80,230)
Right of use assets (AASB 16)	<u>811,679</u>
 Lease liabilities – current (AASB 16)	 213,496
Lease liabilities – non-current (AASB 16)	 598,183
	<u><u>811,679</u></u>

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2. Summary of Significant Accounting Policies

(g) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Centre for Eye Research Australia Limited ('company' or 'parent entity') as at 31 December 2019 and the results of its subsidiary, Centre for Eye Research Australia Foundation, for the year then ended. Centre for Eye Research Australia Limited and its subsidiary together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

(h) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the consolidated entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

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

Centre for Eye Research Australia Limited and its controlled entity

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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

2. Summary of Significant Accounting Policies (Cont'd)

(b) Revenue and other income (Cont'd)

Grant revenue

Grant revenue is recognised in profit or loss when the consolidated entity satisfies the performance obligations stated within the funding agreements.

If conditions are attached to the grant which must be satisfied before the consolidated entity is eligible to retain the contribution, the grant will be recognised in the statement of financial position as a liability until those conditions are satisfied.

Donations

Donations and bequests are recognised as revenue when received.

Interest revenue

Interest is recognised using the effective interest method.

Dividend revenue

Dividends are recognised when the consolidated entity's right to receive payment is established.

Other income

Other income is recognised on an accruals basis when the consolidated entity is entitled to it.

(i) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). Receivables and payables are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(j) Fair value of assets and liabilities

CERA measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price CERA would receive to sell an asset or would pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to CERA at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participants ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

Centre for Eye Research Australia Limited and its controlled entity

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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

2. Summary of Significant Accounting Policies (Cont'd)

(k) Property, plant and equipment

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

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated entity, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Useful life
Plant and Equipment	5 years
Computer Equipment	3 years

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(l) 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 consolidated entity 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 re-measurement of lease liabilities.

The consolidated entity 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.

(m) Financial instruments

Financial instruments are recognised initially on the date that the consolidated entity becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

2. Summary of Significant Accounting Policies (cont'd)

(g) Financial instruments (Cont'd)

Classification

On initial recognition, the consolidated entity classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss - FVTPL

Financial assets are not reclassified subsequent to their initial recognition unless the consolidated entity changes its business model for managing financial assets.

Amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets 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.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for financial assets measured at amortised cost.

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the company's historical experience and informed credit assessment and including forward looking information.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

2. Summary of Significant Accounting Policies (Cont'd)

(g) Financial instruments (Cont'd)

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The consolidated entity measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the consolidated entity comprise trade payables and finance lease liabilities.

(h) Leases

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 consolidated 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.

(i) Impairment of assets

At the end of each reporting period, the consolidated entity assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information, and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing then recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal 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 (e.g. in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(j) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Centre for Eye Research Australia Limited and its controlled entity

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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

2. Summary of Significant Accounting Policies (Cont'd)

(k) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

(l) Provisions

Provisions are recognised when the consolidated 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.

(m) Income and Payroll Taxes

The consolidated entity is exempt from income tax under Division 50 of *the Income Tax Assessment Act 1997*.

An application for exemption from payroll tax has been approved by the Victorian State Revenue Office, therefore no payroll tax provision is required.

(n) Share capital

CERA is limited by guarantee. Upon CERA being wound up, the constitution requires each member to contribute to the assets of CERA (up to an amount not exceeding \$100) for payments of the debts and liabilities of CERA. At 31 December 2019 the number of members was 7.

(o) Recognition of In-kind resources

In-kind contributions related to accommodation and utility services from the Royal Victorian Eye and Ear Hospital (RVEEH) and in turn provides research services to the RVEEH.

CERA chooses to not recognise the fair value of in-kind contributions received.

(p) New accounting standards for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The directors have decided against early adoption of these Standards and does not expect the adoption of these standards to have any impact on the reported position or performance of the consolidated entity.

Centre for Eye Research Australia Limited and its controlled entity

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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

3. Critical Accounting Estimates and Judgements

The Directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key judgement - Investment in associate

Included in the Statement of Financial Position and Note 6 is an investment in a company called CERA Technologies Pty Ltd for an amount of \$0 (2018:\$ nil). CERA Technologies Pty Ltd is a software development company of which the consolidated entity owns 19.2% (2018: 25%) of its shares and was a founding shareholder. CERA Technologies Pty Ltd is currently within the commercialisation phase which attracts an element of uncertainty and risk to the operations of the company.

Key judgement - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

Key judgement – lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Key judgement – incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

4. Trade and Other Receivables

	2019 \$	2018 \$
Trade receivables	631,467	585,624
Provision for impairment	(15,353)	-
	616,114	585,624
Accrued income	25,000	140,899
Other receivables	88,293	-
Total trade and other receivables	729,407	726,523

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

5. Financial Assets

	2019 \$	2018 \$
NON-CURRENT		
Financial assets at fair value through profit and loss	25,193,867	21,589,851
Cash	3,146,276	2,792,974
Australian equities	12,451,713	10,750,396
International equities	4,437,867	3,423,805
Fixed interest – domestic	4,194,874	4,394,961
Fixed interest – international	199,555	-
Property trusts	149,769	-
Alternative assets – defensive	548,898	196,876
Receivables	64,915	30,839
	25,193,867	21,589,851

The consolidated entity retains funds managers to manage, in accordance with mandates established by the consolidated entity, the investment portfolio.

6. Interests in Associates

	Place of incorporation	Percentage Owned (%) 2019	Percentage of Owned (%) 2018
Associate:			
CERA Technologies Pty Ltd	East Melbourne	19.2	25

*The percentage of ownership interest held is equivalent to the percentage voting rights for all associates.

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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

6. Interests in Associates (Cont'd)

CERA Technologies Pty Ltd

CERA Technologies Pty Ltd is a software development company. CERA Technologies Pty Ltd is a private entity that is not listed on any public exchange and therefore no quoted market prices are available for its shares. The Company's interest in CERA Technologies Pty Ltd is accounted for using the equity method in the financial statements.

As at 31 December 2019, the Company's interest in CERA Technologies Pty Ltd was \$Nil (2018: \$Nil) due to the consolidated entity's share of the losses of CERA Technologies Pty Ltd exceeding the value of the consolidated entity's investment.

The associate had no contingent liabilities or capital commitments as at 31 December 2019 (2018: \$Nil) to which the consolidated entity has provided any guarantees.

7. Property, plant and equipment

	2019 \$	2018 \$
LEASEHOLD IMPROVEMENTS		
At cost	1,430,237	3,230,076
Accumulated depreciation	(1,417,049)	(3,216,888)
Total leasehold improvements	13,188	13,188
FURNITURE AND FITTINGS		
At cost	183,748	214,541
Accumulated depreciation	(137,368)	(141,683)
Total furniture and fittings	46,380	72,858
MEDICAL EQUIPMENT		
At cost	4,222,667	3,797,952
Accumulated depreciation	(3,695,647)	(3,243,929)
Total medical equipment	527,020	554,023
MOTOR VEHICLES		
At cost	29,114	29,114
Accumulated Depreciation	(7,450)	(1,627)
Total motor vehicles	21,664	27,487
COMPUTER EQUIPMENT		
At cost	630,313	641,125
Accumulated Depreciation	(507,253)	(497,000)
Total computer equipment	123,060	144,125
COMPUTER SOFTWARE		
At cost	423,859	374,341
Accumulated Depreciation	(361,451)	(335,655)
Total computer software	62,408	38,686
Total property, plant and equipment	793,720	850,367

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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

7. Property, plant and equipment (Cont'd)

Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Leasehold improvements \$	Furniture and Fittings \$	Medical Equipment \$	Motor Vehicles \$	Computer Equipment \$	Computer Software \$	Total \$
Year ended 31 December 2019							
Balance at the beginning of year	13,188	72,858	554,023	27,487	144,125	38,686	850,367
Additions	-	-	244,685	-	5,915	49,519	300,119
Disposals	-	(7,960)	(551)	-	(2,199)	-	(10,710)
Depreciation	-	(18,518)	(271,137)	(5,823)	(24,781)	(25,797)	(346,056)
Balance at the end of the year	13,188	46,380	527,020	21,664	123,060	62,408	793,720

	Leasehold improvements \$	Furniture and Fittings \$	Medical Equipment \$	Motor Vehicles \$	Computer Equipment \$	Computer Software \$	Total \$
Year ended 31 December 2018							
Balance at the beginning of year	13,188	113,344	787,907	17,878	108,123	64,224	1,104,664
Additions	-	-	111,517	29,114	118,126	-	258,757
Disposals	-	-	-	(12,495)	-	-	(12,495)
Depreciation	-	(40,486)	(345,401)	(7,010)	(82,124)	(25,538)	(500,559)
Balance at the end of the year	13,188	72,858	554,023	27,487	144,125	38,686	850,367

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Notes to the Consolidated Financial Statements

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8. 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 consolidated entity 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 re-measurement of lease liabilities.

The consolidated entity 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.

	Property \$	Computer equipment \$	Total \$
At 31 December 2019			
Right of use assets	800,861	350,213	1,151,074
Accumulated depreciation	(228,816)	(68,121)	(296,937)
Net book amount	572,045	282,092	854,137

Year ended 31 December 2019

Right of use assets recognised on adoption of AASB 16	800,861	10,818	811,679
Additions	-	339,395	339,395
Depreciation charge	(228,816)	(68,121)	(296,937)
Closing net book amount	572,045	282,092	854,137

9. Trade and Other Payables

	2019 \$	2018 \$
Trade payables	261,012	1,643,350
Employee liabilities	802,260	829,764
Accrued expenses	301,453	273,130
Income received in advance	299,601	392,217
Total trade and other payables	1,664,326	3,138,461

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

10. Provisions

	2019 \$	2018 \$
CURRENT		
Provision for Long Service Leave	498,596	601,466
Provision for Annual Leave	664,647	431,214
Provision for Make-Good	100,000	100,000
	1,263,243	1,132,680
NON-CURRENT		
Provision for Long Service Leave	262,650	177,629
	262,650	177,629

11. Reserves

	2019 \$	2018 \$
Research Units Reserve		
Opening balance	4,248,951	4,248,951
Transfers in	2,502,593	-
	6,751,544	4,248,951
Research Support/ Central Reserve		
Opening balance	153,430	153,430
Transfers out	(153,430)	-
	-	153,430
Strategic Funding Reserve		
Opening balance	390,052	390,052
Transfers out	(390,052)	-
	-	390,052
Innovation Fund Reserve		
Opening balance	3,322,502	3,454,645
Transfers in	367,250	-
Transfers out	-	(132,143)
	3,689,752	3,322,502
General Reserve		
Opening balance	215,539	917,066
Transfers in	20,393	-
Transfers out	-	(701,527)
	235,932	215,539
Total	10,677,228	8,330,474

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For the Year Ended 31 December 2019

11. Reserves (Cont'd)

(g) Research Unit Reserve

The research units reserve records the total carried forward funds of the research units available for future research.

(h) Research Support/Central Reserve

The research support/central reserve records the funds set aside for active funding of the consolidated entity's central corporate services requirements in the future. This reserve has been consolidated into the General Reserve.

(i) Strategic Funding Reserve

The strategic funding reserve records funds available for the consolidated entity's future strategic purposes and projects. This reserve has been consolidated into the General Reserve.

(j) Innovation Fund Reserve

The Innovation fund reserve will support research that has the potential to build pipeline of projects with commercial potential. This will support the consolidated entity's innovation agenda and build the organisations capability in this critical area.

(k) General Reserve

The general reserve records the unallocated reserves of the consolidated entity.

12. Leasing Commitments

(g) Operating leases

	2019 \$	2018 \$
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	-	60,362
- between one year and five years	-	42,584
- later than five years	-	25,741
	-	128,687

Operating leases are in place for IT equipment and normally have a term between 3 and 5 years.

Upon the adoption of AASB 16 *Leases* from 1 January 2019 the consolidated entity has recognised its liability for significant leases on the balance sheet. (Refer note 1)

13. Contingencies

In the opinion of the Directors, the consolidated entity did not have any contingencies at 31 December 2019 (31 December 2018: None).

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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

14. Cash Flow Information

Reconciliation of result for the year to cash flows from operating activities.

	2019 \$	2018 \$
Surplus for the year	2,774,503	875,695
Non-cash flows in result:		
Realised and unrealised movements in investments	(2,793,389)	886,857
Depreciation and amortisation	642,993	500,559
Allowance for expected credit loss	15,353	-
Loss on disposal of property, plant and equipment	10,710	2,879
Prior period adjustment	-	(701,527)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(18,237)	546,144
(Increase)/decrease in prepayments	(30,372)	(15,111)
Increase/(decrease) in trade and other payables	(1,474,134)	(275,742)
Increase/(decrease) in provisions	215,584	(77,961)
Net cash (used in)/provided by operating activities	<u>(656,989)</u>	<u>1,741,793</u>

15. Controlled entities

The controlled entity is Centre for Eye Research Australia Foundation.

16. Key management personnel remuneration

The total remuneration paid to key management personnel of the consolidated entity was \$1,061,739 (2018: \$473,452).

17. Related Parties

(a) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

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Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

17. Related Parties (Cont'd)

(b) Balances with Related Parties

The Group has outstanding balances at 31 December 2019 with related entities as follows:

	2019 \$	2018 \$
Amount (payable to) University of Melbourne	(873,573)	(2,099,031)
Amount receivable from University of Melbourne	18,052	95,410
Total	(855,521)	(2,003,621)

University of Melbourne (UoM)

The amount payable to UoM includes payments for provision of services and salary funds for which the UoM have incurred costs, or made payments, on behalf of the Group.

CERA recovered \$158,754 (2018: \$193,754) from UoM during the year in relation to salaries and wages paid by the CERA for CERA employees who were allocated to work on UoM projects.

CERA paid \$661,403 (2018: \$863,976) in salaries and wages (inclusive of superannuation) during the year to UoM employees. These UoM employees were engaged to work on CERA projects and CERA was therefore recharged for their services.

Royal Victorian Eye and Ear Hospital (RVEEH)

The Royal Victorian Eye and Ear Hospital provides working space and clinical facilities to CERA under an occupancy agreement.

CERA provides support and resources to the RVEEH in its role as an international leader in ophthalmology teaching and research.

CERA Technologies

There were no transactions with CERA Technologies Pty Ltd during the year.

18. Financial risk management

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, and investments, accounts receivable and payable.

The total for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements are as follows:

	2019 \$	2018 \$
Cash and cash equivalents	688,873	2,739,925
Trade and other receivables	729,407	726,523
Financial assets at fair value through profit and loss	25,193,867	21,589,851
Total financial assets	26,612,147	25,056,299
Trade and other payables	1,664,326	3,138,461
Lease liabilities	867,758	-
Total financial liabilities	2,532,084	3,138,461

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For the Year Ended 31 December 2019

19. Fair value measurement

The consolidated entity fair values its investments as disclosed below. Fair values are based on quoted bid prices for listed investments and on published prices for investment in trusts.

All investments are measured at fair value on a recurring basis with the movement taken to the Statement of Profit or Loss.

The carrying value of receivables and payables held at amortised costs are assumed to approximate their fair values due to their short-term nature.

20. Events after the end of the Reporting Period

On 30 January 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the consolidated entity's financial condition, liquidity, and future results of operations however is likely to affect the amount of income received. The COVID-19 outbreak has also led to a significant downturn in financial markets subsequent to year end. This has resulted in a (\$3,567,583) decrease in the value of the consolidated entity's investments at the date of signing this report.

Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the consolidated entity is not able to accurately estimate the effects of the COVID-19 outbreak at this point in time. However, due to the consolidated entity's strong cash and financial asset position, Management is confident that the consolidated entity will be able to continue as a going concern for at least twelve months from the signing of the report.

21. Statutory Information

The registered office and principal place of business of the Centre for Eye Research Limited is:

Centre for Eye Research Australia Limited
Level 7
32 Gisborne Street
East Melbourne Victoria 3002

Centre for Eye Research Australia Limited and its controlled entity

ABN: 72 076 481 984

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 2 to 30, are in accordance with the *Australian Charities and Not-for-profit 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 consolidated 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.

This declaration is made in accordance with a resolution of the Board of Directors.



Director



Director

Date: 28 April 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Centre for Eye Research Australia Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Centre for Eye Research Australia Limited (the registered entity) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the responsible entities' declaration.

In our opinion the accompanying financial report of Centre for Eye Research Australia Limited, is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards- Reduced Disclosure Requirements 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 Group 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 (including Independence Standards)* (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 - Subsequent event

We draw attention to Note 20 of the financial report, which describes the non-adjusting subsequent event on the impact of COVID-19 on the registered entity. Our opinion is not modified with respect to this matter.



Other information

Those charged with governance are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the registered entity's directors report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 responsible entities for the Financial Report

The responsible entities of the registered entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the ACNC Act, and for such internal control as the responsible entities determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, responsible entities are responsible for assessing the Group'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 responsible entities either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the registered entity's financial reporting process.

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 the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

A handwritten signature in black ink that reads 'BDO' on the first line and 'Tim Fairclough' on the second line.

Tim Fairclough
Director

Melbourne, 28 April 2020