TELETHON KIDS INSTITUTE
(A Company Limited by Guarantee)

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

ABN: 86 009 278 755

Contents of the Directors' Report

Director's report

For the year ended 31 December 2019

The Directors present their report together with the financial report of Telethon Kids Institute ("the Institute") for the year ended 31 December 2019 and the independent auditor's report thereon.

1. Directors

The directors below held office for the full year unless shown otherwise

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Hon Julie Bishop Non-Executive Chair Appointed 15 August 2019 Attended 3 of 3 Board meetings	Chair of the Board, Telethon Kids Institute; Chair, Remuneration and Nomination Committee, Telethon Kids Institute; Chair Development Committee, Telethon Kids Institute; Chancellor Australian National University; Board Member Princes' Trust Australia; Director The Palladium Group, Member International Advisory Board Afiniti; Member International Advisory Board Greensill Capital; Member International Advisory Board Human Vaccine Project; Director Julie Bishop and Partners.
John Leslie Langoulant AO BEc (Hons) Non-Executive Chair Appointed 10 February 2005 Resigned 15 August 2019 Attended 4 of 4 Board meetings	Chair of the Board, Telethon Kids Institute; Member, Finance Committee, Telethon Kids Institute; Chair, Remuneration Committee, Telethon Kids Institute; Former Chair of the Board, Committee for Perth; Chairman, Government Employees Superannuation Board; Chairman, Dampier to Bunbury Pipeline Board; Director, Multinet Gas Networks Board; Chairman, Power and Water Corporation NT Board; Chairman Pawsey Supercomputing Centre Board; Former President, CEDA in WA; Chairman, Western Australia Westpac Bank Group; Board Director, NDIA; Chairman, The Lester Group; Chairman, Rottnest Island Authority Board; Chair Infrastructure WA.; Chairman, Amana Living Incorporated
Professor Jonathan Carapetis AM MBBS BMedSc FRACP Paediatrics FRACP Infect Dis FAFPHM FAAHMS PhD Executive Appointed 23 July 2012 Attended 6 of 6 Board meetings	Executive Director, Telethon Kids Institute; Member, Finance Committee, Telethon Kids Institute; Member, Risk and Compliance Committee, Telethon Kids Institute; Member, Development Committee, Telethon Kids Institute; Chair, Scientific Advisory Council, Telethon Kids Institute; President, Association of Australian Medical Research Institutes (AAMRI); Co-Chair, WA Govt Interagency Steering Committee on School Attendance; Member, Australian Indigenous Doctors' Association; Member, One Disease at a Time Foundation Board; Member, WA RHD Program Governance Group; Member, RHD Australia Advisory Committee; Member, The University of Western Australia, Forrest Foundation Selection Committee; Member, Executive Committee, Strep A Vaccine Consortium (SAVAC); Member, Child Health Research Strategic Council WA; Member, Council of Methodist Ladies College WA.

Directors' report (continued)
For the year ended 31 December 2019

Professor Alex Brown BMed MPH PhD FCSANZ FRACP (hon) FAAHMS Non-Executive Appointed 24 October 2016 Resigned 19 December 2019 Attended 4 of 5 Board meetings	Member, Scientific Advisory Council, Telethon Kids Institute; Leader, Aboriginal Research Unit, South Australian Health and Medical Research Institute; Research Chair, Aboriginal Health, University of South Australia; Fellow, Australian Academy of Health and Medical Sciences; Member SA RHD Control Program; Member, CSANZ Indigenous Council, NHMRC Academy; RHD Australia Executive, Director, SA Heart Foundation; Deputy Director, South Australian Advanced Health Research Translation Centre; APHRA Indigenous Advisory Committee; Research Advisory Committee Cancer Australia; SA Mental Health Commission; CSANZ ACOR Registry Member.
Fiona Drummond BCom F CA F Fin MAICD Non-Executive Appointed 23 November 2017 Attended 6 of 6 Board meetings	Chair, Finance Committee, Telethon Kids Institute; EY Managing Partner - Western Region and Assurance Partner; Fellow, Chartered Accountants in Australia and New Zealand; Fellow, Financial Services Institute of Australasia, Member Australian Institute of Company Directors; Fellow, Leadership WA program; Former Board Member, United Way WA.
Jane Muirsmith BCom FCA MAICD Non-Executive Appointed 02 February 2018 Attended 5 of 6 Board meetings	Member, Risk and Compliance Committee, Telethon Kids Institute; Chair, HealthDirect Australia; Non-Executive Director, Australian Finance Group; Non-Executive Director, Cedar Woods Properties Limited; Fellow, Chartered Accountants in Australia and New Zealand and Member, Corporate Sector Advisory Committee, A &NZ; Executive Director, Lenox Hill; Member, Australian Institute of Company Directors; Former President, Women's Advisory Council to the WA Government.
Jeff Phillip Dowling CA FAICD Non-Executive Appointed 24 November 2009 Attended 5 of 6 Board meetings	Member, Finance Committee, Telethon Kids Institute; Fellow, Australian Institute of Company Directors; Fellow, Institute of Chartered Accountants Australia; Fellow, Financial Services Institute of Australasia; Non-Executive Director, S2 Resources Ltd; Non-executive Director, Battery Minerals Ltd; Non-Executive Director, NRW Holdings Ltd; Non –Executive Director, Fleetwood Corporation Ltd; Former Chairman, Pura Vida Energy Limited; Former Managing Partner, Ernst & Young Western Region; Former Board Member, West Australian Symphony Orchestra; Former Member, Board of Trustees, United Way; Former Director, Atlas Iron Limited; Former Chairman, Sirius Resources NL.

Directors' report (continued)
For the year ended 31 December 2019

Professor Jozef Gecz PhD Non-Executive Appointed 24 October 2016 Attended 4 of 6 Board meetings	Member, Risk and Compliance Committee, Telethon Kids Institute; NHMRC Senior Principal Research Fellow; Chair, Channel 7 Children's Research Foundation for the Prevention of Childhood Disability; Professor of Human Genetics, Adelaide Medical School, University of Adelaide; Fellow, the Australian Academy of Health and Medical Sciences; Fellow, the Australian Academy of Science; Founding Fellow, the Faculty of Science of RCPA; Member, National Steering Committee, the Australian Genomics Health Alliance; Member, Board of the European Society of Human Genetics; 2019 South Australian Scientist of the Year.
Michael McAnearney BPsych Non-Executive Appointed 5 December 2012 Attended 5 of 6 Board meetings	Member, Remuneration and Nomination Committee, Telethon Kids Institute; Member Development Committee, Telethon Kids Institute; Member, Risk and Compliance Committee, Telethon Kids Institute; Director, CEO & Co-Founder, Gerard Daniels Australia; Director, Gerard Daniels UK Limited; Director, Gerard Daniels USA Inc; Non-Executive Director LNG Ltd; Member, Australian Institute of Company Directors; Member, the Institute of Directors UK.
Nicole O'Connor BA(Hons) MA(Hons) DipEd(Hons) Non-Executive Appointed 08 November 2016 Attended 5 of 6 Board Meetings	Member, Remuneration and Nomination Committee, Telethon Kids Institute; Chair, Risk and Compliance Committee, Telethon Kids Institute; Director of Research Services and Systems, Curtin University; Former General Manager Western Australia, SAP; Former Member, Advisory Board, School of Information Systems, Curtin University; Former Member, Fremantle Primary School Board; Member, Committee for Perth; Member, Australian Institute of Company Directors.
Rohan Williams Non-Executive Appointed 22 August 2013 Attended 3 of 6 Board meetings	Chair, Development Committee, Telethon Kids Institute; Executive Chairman, CEO and Co-founder of Dacian Gold Limited; Former CEO, Managing Director and Co-founder of Avoca Resources Ltd; Former Non-Executive Director, Alacer Gold Corp; Member Australian Institute of Mining and Metallurgy.
Kristy Le May FGIA FCIS GAICD BSc Company Secretary Appointed 26 September 2012 Attended 6 of 6 Board meetings	Fellow, Governance Institute of Australia; Fellow, Institute of Chartered Secretaries and Administrators; Graduate, Australian Institute of Company Directors; Centre Manager, Centre for Child Health Research, University of Western Australia

Directors' report (continued)
For the year ended 31 December 2019

2. Operating and financial review

The Institute recorded a profit from ordinary activities for the year ended 31 December 2019 of $5,069,518 (2018: profit $4,603,395). This included a $Nil realised loss on the sale of investments (2018: $126,919), and a fair value gain on investments of $6,311,545 (2018: loss of $2,284,366). The total comprehensive income for the period was $5,770,105 (2018: $4,356,129) which included an unrealised gain in the value of equities of $700,587 (2018: loss of $247,266).

In 2011, the Institute entered into an agreement with the Western Australian State Government to relocate to a world-class research facility as part of the Perth Children's Hospital being constructed at the QEII medical centre campus in Nedlands, Western Australia. The Federal Government previously provided significant funding in 2007 to cover the fit-out costs pertaining to the Institute's new research facility. This funding, plus accumulated interest over the time period, totals approximately $52 million as at 31 December 2019. The Institute relocated to Perth Children's Hospital on 13 August 2018 while at the same time retaining its existing building at 100 Roberts Road. The Roberts Road facility is used partially as the headquarters for the Institute's new clinical research and clinical services initiative ('CliniKids') as well as being leased to the Department of Health on a five-year basis.

In 2019, the Minderoo Foundation continued their partnership with a $3,061,125 contribution to CoLab via the Channel 7 Telethon Trust. This funding enables CoLab to continue its essential work into improving early learning and development of children so that they have the best possible start in life.

The McCusker Charitable Foundation contributed $900,000 to enable the Institute to continue essential research by providing support of individual researchers and their research teams.

The Stan Perron Charitable Foundation continued its valuable long-term support of the Institute with $610,000 for research into personalised medicine and support for individual researchers.

In 2017, Wesfarmers bestowed the Institute with a corporate grant of $6 million to be split over a 4 year period and received via the Channel 7 Telethon Trust. This funding has assisted the Institute with its continued operation of its core programme for the Wesfarmers Centre of Vaccines and Infectious Diseases, with a particular focus on rheumatic heart disease and immunization uptake.

In 2014, the Institute was awarded a corporate grant from BHP to the value of $20 million in which $4 million is received annually over a 5 year period via the Channel 7 Telethon Trust. $1 million per year was specific to indigenous child health research. $3 million per year was dedicated to strategic initiatives in line with the Institute's Strategic Plan. A new funding agreement was executed with BHP in October 2019 to the value of $20 million in which $4 million is received annually over a 5 year period via the Channel 7 Telethon Trust. The new agreement with BHP underpins a world-first research partnership in close collaboration with the Aboriginal community controlled health sector and Aboriginal families in the Pilbara and Perth. The focus of the project will be working one-on-one with up to 1000 families to develop an unprecedented understanding of the cultural, environmental and policy settings that bring about the best outcomes for kids under five.

The Institute has also received generous support from the Channel 7 Telethon Trust and the people of Western Australia for over twenty years. This support has been vital in sustaining the critical research of the Institute as well as ensuring its long term viability.

A full review of operations of the Institute is contained in the Chairman's Report in the body of the Annual Report.

Directors' report (continued)

For the year ended 31 December 2019

3. Principal activities during the year

The principal activities during the year included research into child and adolescent disease and disabilities, the application of research findings to improve the health of children, adolescents and their families, educating the next generation of health researchers and advocating for research and for children.

There has been no significant changes in the Institute's state of affairs nor any significant future developments.

4. Short and long term objectives

The overarching objective of the Institute, for both the short and the long term, is to improve and to promote the health and wellbeing of all children through the unique application of multidisciplinary research.

5. Strategy for achieving objectives

The strategy for achieving the Institute's objectives is underpinned by the retention, development and recruitment of researchers who are, or have the prospect of being, leaders in their field. Through high quality people, the Institute attracts research funding from international, national and local sources in turn enabling it to conduct high quality research. The Institute differentiates itself from other research organisations by having a strategy of approaching child health issues from a multidisciplinary perspective, meaning it links together the research findings of population health based research, laboratory based research and clinical research. The Institute also provides a world leading research environment at Perth Children's Hospital which is well supported by state-of-art research technology and equipment, a broad range of high quality professional services, cutting-edge research platforms and significant recurrent investment in initiatives that build the Institute's research capacity.

6. How principal activities assisted in achieving the entity's objectives

The Institute's principal activities are solely related to its objectives. The Institute's annual report provides a comprehensive overview of those activities and achievements. In addition, the Institute produces an in-depth scientific report detailing specific projects and outcomes. Both reports are available on the Institute's website – http://www.telethonkids.org.au/.

7. How performance is measured, including any key performance indicators (KPIs) used by the entity

The Institute's performance is measured at multiple levels and includes its success in winning research funding, the extent to which that funding is sourced internationally, nationally or locally and whether it is from competitive peer reviewed sources, or through the negotiation of government, not-for-profit or commercial contracts. In addition, performance is measured on the quality and number of research publications; the success in supervising post graduate students through the completion of Honours, Masters or Postdoctoral studies; commercialisation endeavours; and of course, success in achieving improved health outcomes through the translation of research.

8. Events subsequent to reporting date

On 30 January 2019, the Institute served notice of termination for the Research & Development Agreement in place with Phylogica Limited. A 60 day period was provided pursuant to the notice of termination to facilitate a transitional process being completed, with the Research & Development Agreement formally concluding on 31 March 2019. The impact to the Institute resulting from this outcome was the loss of future indirect cost recovery amounts from Phylogica with an annual value of approximately $1 million. This indirect cost recovery from Phylogica previously assisted in supporting the Institute's research facilities, equipment, support services and ongoing administrative costs. In April 2020, following a resolution by the Telethon Kids Board, the Institute disposed of all its shareholdings in Phylogica (20.606 million units). This generated gross income of $1.556 million.

Directors' report (continued)

For the year ended 31 December 2019

The COVID-19 global pandemic first reported cases in Australia during January 2020, i.e. after the reporting date. Whilst this is currently adversely affecting some aspects of the Australian economy, the Institute is not able to quantify the future impact of COVID-19 on future financial results (revenue) or position (recoverability of trade receivables). The amounts recognised in the financial statements dated 31 December 2019 have therefore not been adjusted for any impact of COVID-19. The Institute is able to determine the fair value loss from 31 December 2019 to 30 April 2020 in relation to investments they hold in unlisted unit funds. This loss amounts to $6,637,278, with the fair value of investments being $79,077,890 (including changes in holdings) as at 30 April 2020. The amounts recognised in the financial statements represent the fair value at 31 December 2019 for these investments. The Institute does not consider the future impacts of COVID-19 to be so significant as to cause a material uncertainty over its ability to continue as a going concern. The financial statements therefore continue to be prepared on a going concern basis.

9. Indemnification and Insurance of Officers and Auditors

During the financial year, the Institute has paid insurance premiums in respect of Directors' and Officers' liability and legal expenses for all current and former officers, including directors, executive officers, company secretaries and employees of the Institute. Such insurance contracts insure against certain liability (subject to specific exclusions) person who are or have been directors or executive offers of the Institute. The insurance contract prohibits disclosure of the premiums paid.

The Institute has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified an officer or auditor of the Institute against a liability incurred as such an officer of auditor.

10. Environmental regulation

The Institute's operations are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory.

11. Corporate Structure

The liability of the members is limited by guarantee. Every member of the Institute undertakes to contribute to the property of the Institute in the event of the same being wound up while they are a member, or within one year after they cease to be a member, for payment of the debts and liabilities of the Institute contracted before they ceased to be a member and of the costs, charges and expense of winding up, and for the adjustment of the rights of the contributors among themselves such amount as may be required not exceeding ten dollars ($10). At 31 December 2019 there were 35 members (2018: 45 members).

The income and property of the Institute is solely applied towards the promotion of the objectives of the Institute and no portion thereof shall be paid or transferred directly or indirectly by way of profit to the members of the Institute.

12. Auditor's Independence Declaration

The auditor's independence declaration is set out on page 9 and forms part of the directors' report for the financial year end 31 December 2019.

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

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Fiona Drummond - Director

Dated at Perth this day of 2020. Jun 2, 2020

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The Members of the Board
Telethon Kids Institute
15 Hospital Avenue
NEDLANDS WA 6009

4 June 2020

Dear Board Members

Telethon Kids Institute

In accordance with Subdivision 60-C of the *Australian Charities and Not-for-profits Commission Act 2012*, I am pleased to provide the following declaration of independence to the Members of the Board of Telethon Kids Institute.

As lead audit partner for the audit of the financial statements of Telethon Kids Institute for the financial year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) The auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

PE Pink.

Penelope Pink
Partner
Chartered Accountants

Statement of Financial Position
As at 31 December 2019

	Note	2019 $	2018 $
ASSETS			
Cash and cash equivalents	7	21,255,449	9,209,817
Other financial assets	8	490,500	9,087,737
Trade and other receivables	9	7,621,951	12,649,144
Other current assets	10	1,379,308	1,171,394
TOTAL CURRENT ASSETS		**30,747,208**	**32,118,092**
Investments	11	77,478,196	57,965,154
Property, plant and equipment	12, 20	66,136,809	72,904,497
TOTAL NON-CURRENT ASSETS		**143,615,005**	**130,869,651**
TOTAL ASSETS		**174,362,213**	**162,987,743**
LIABILITIES			
Trade and other payables	13	5,974,343	5,288,692
Employee benefits	14	5,864,383	6,378,834
Other liabilities	15, 20	88,444,585	82,857,560
TOTAL CURRENT LIABILITIES		**100,283,311**	**94,525,086**
Employee benefits	14	1,082,535	1,055,300
Other liabilities	15, 20	2,045,071	2,226,166
TOTAL NON-CURRENT LIABILITIES		**3,127,606**	**3,281,466**
TOTAL LIABILITIES		**103,410,917**	**97,806,552**
NET ASSETS		**70,951,296**	**65,181,191**
EQUITY			
Retained earnings	16	70,951,296	65,181,191
TOTAL EQUITY		**70,951,296**	**65,181,191**

The Statement of Financial Position is to be read in conjunction with the accompanying notes to and forming part of the financial statements set out on pages 14 to 34.

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2019

	Note	2019 $	2018 $
Revenue	5	78,925,616	75,194,288
Scientific research expenses	6(a)	(54,363,202)	(47,730,772)
Research support and platforms expenses	6(b)	(30,797,678)	(24,496,017)
Results from operating activities		**(6,235,264)**	**2,967,499**
Net finance income	5	11,304,782	1,635,896
Profit before income tax		**5,069,518**	**4,603,395**
Income tax	4(f)	-	-
Profit for the year		**5,069,518**	**4,603,395**
Other comprehensive income			
Items that will not be reclassified to profit or loss:		-	-
Net change in fair value of equity instruments at FVOCI		700,587	(247,266)
Other comprehensive income for the year		700,587	(247,266)
Total comprehensive income for the year		**5,770,105**	**4,356,129**

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes to and forming part of the financial statements set out on pages 14 to 34.

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

	Retained earnings $	Total equity $
Balance at 1 January 2018	60,825,062	60,825,062
Total comprehensive income for the year		
Profit for the year	4,603,395	4,603,395
Other comprehensive income		
Net change in fair value of equity instruments at FVOCI due to change in market values	(247,266)	(247,266)
Total other comprehensive income	(247,266)	(247,266)
Total comprehensive income for the year	4,356,129	4,356,129
Balance at 31 December 2018	**65,181,191**	**65,181,191**
Adjustment on initial application of AASB 16	-	-
Balance at 1 January 2019	65,181,191	65,181,191
Total comprehensive income for the year		
Profit for the year	5,069,518	5,069,518
Other comprehensive income		
Net change in fair value of equity instruments at FVOCI due to change in market values	700,587	700,587
Total other comprehensive income	700,587	700,587
Total comprehensive income for the year	5,770,105	5,770,105
Balance at 31 December 2019	**70,951,296**	**70,951,296**

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes to and forming part of the financial statements set out on pages 14 to 34.

Statement of Cash Flows
For the year ended 31 December 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		90,857,068	80,561,239
Payments to suppliers, employees and others		(75,820,410)	(71,849,581)
Interest received from investments		387,749	377,387
Rent received		820,701	-
Net cash provided by / (used in) operating activities		**16,245,108**	**9,089,045**
Cash flows from investing activities			
Proceeds from the sale of property, plant & equipment		14,175	42,164
Acquisition of property, plant and equipment		(2,494,704)	(14,818,512)
Acquisition of investments		(21,349,813)	(13,086,653)
Proceeds from redemption of investments		8,942,109	5,536,412
Net (acquisition)/disposal of term deposits		8,597,237	(217,741)
Investment income received		3,371,656	3,148,921
Net cash used in investing activities		**(2,919,340)**	**(19,395,409)**
Cash flows from financing activities			
Payment of finance lease liabilities		(1,280,136)	(423,953)
Net cash used in financing activities		**(1,280,136)**	**(423,953)**
Net (decrease)/increase in cash and cash equivalents		12,045,633	(10,730,317)
Cash and cash equivalents at 1 January		9,209,817	19,940,134
Cash at the end of the financial year	7	**21,255,449**	**9,209,817**

The Statement of Cash Flows is to be read in conjunction with the accompanying notes to and forming part of the financial statements set out on pages 14 to 34.

Notes to the Financial Statements
For the year ended 31 December 2019

1. General information

The Telethon Kids Institute (the "Institute") is a company limited by guarantee domiciled in Australia and a not for profit entity.

The financial report of the Institute has been drawn up for distribution to the members and for the purpose of fulfilling the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and the *Charitable Collections Act 1946*.

2. Basis of Preparation

(a) Statement of compliance

In the opinion of the directors, the Institute is not publicly accountable.

The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board (AASB), the *Australian Charities and Not-for-profits Commission Act 2012* and the *Charitable Collections Act 1946*.

The financial statements were authorised for issue by the Board of Directors on 28 May 2020.

(b) Basis of measurement

The financial report is presented in Australian dollars which is the Institute's functional currency. The financial report is prepared on the historical cost basis except for financial instruments classified as FVTPL or FVOCI which are stated at their fair value.

(c) Going concern and liquidity management

As at 31 December 2019 the Institute had a net current liability position of $69,536,103 (2018: $62,406,994) predominantly associated with:

- the on-going acquisition of property, plant and equipment reducing the cash balance,
- the strategic allocation of cash to investments in unit trusts (which are classified as non-current assets),
- the recognition of a current financial liability of $45,032,609 (2018: $50,260,631) associated with the grant for the fit-out of the new building at Perth Children's Hospital (refer below), and
- the current element of the deferred grant income of $42,528,891 (2018: $31,903,821).

The Institute acknowledges the clauses within the grant agreement with the Federal Government relating to the fit-out of the new building at Perth Children's Hospital which has given rise to the current financial liability, whereby the undepreciated value of the asset which the funds were spent on can be recalled by the Federal Government at any time during the project period (ie until 31 December 2028). However, the Institute believe the likelihood of such an event occurring to be remote. As the Institute does not have the unconditional right to defer settlement 12 months post year end, this amount should it be recalled, has resulted in the financial liability being presented as a current liability within the statement of financial position.

The Institute had net cash provided by operating activities of $16,245,108 for the year ended 31 December 2019 (2018: $9,089,045). The total net cash increase for the year ended 31 December 2019 was $12,045,633 (2018: net decrease of $10,730,317) after taking into account net cash used in investing activities of $2,919,340 (2018: $19,395,409) for the acquisition of property, plant and equipment and a net increase in investments classified as non-current assets. The majority of the $77,478,196 (2018: $57,965,154) of non-current investments are liquid investments that are readily convertible to cash. The Institute can liquidate investments in the unit trusts to meet liabilities as and when required, with net assets excluding property, plant and equipment being $4,814,487.

As a result of these factors, the financial report has been prepared on the basis that the Institute will continue to meet its commitments as and when they fall due, and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Notes to the financial statements (continued)

(d) Use of Estimates and Judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Institute. Note 4(k) contains information about estimations of fair values of financial instruments. An allowance for lifetime ECL has been made in relation to the trade debtor balances. The determination of lifetime ECL uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. It is also based on the probability of default of individual customers, and portfolios of customers of similar characteristics, over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Should the conditions on which these assumptions are based be different in future the probability of default, and therefore the lifetime loss, may be higher or lower.

(e) Changes in accounting policy

The Institute has consistently applied the accounting policies set out in Note 4 to all periods presented in these financial statements, unless stated otherwise.

(f) Comparative figures

When permitted by accounting standards comparative figures have been reclassified to conform to changes in presentation for the current financial year.

3. Adoption of new and revised Standards

New Standards adopted in the year

Impact of initial application of AASB 16 Leases ("AASB 16")

In the current year, the Institute has applied AASB 16 (as issued by the AASB in February 2016) that is effective for annual periods that begin on or after 1 January 2019.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. The impact of the adoption of AASB 16 on the Institute's financial statements is described below. The Institute first applied AASB 16 on the 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

(a) Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in AASB 117 and IFRIC 4.

The Institute applies the definition of a lease and related guidance set out in AASB 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of AASB 16, the Institute has determined that AASB 16 will not significantly change the scope of contracts that meet the definition of a lease for the Institute.

(b) Impact on lessee accounting

(i) Former operating leases

AASB 16 changes how the Institute accounts for leases previously classified as operating leases under AASB 117, which were off balance sheet. Applying AASB 16 for all leases (except as noted below), the Institute:

Notes to the financial statements (continued)

(a) Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;

(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;

(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136. For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Institute opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within 'administration expenses' in profit or loss.

(ii) Former finance leases

The main differences between AASB 16 and AASB 117 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. AASB 16 requires that the Institute recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117. This change did not have any material effect on the Institute's financial statements. A reclassification within property, plant, and equipment of $3,465,542 with regards to former finance leases is included in the carrying amount of $73,674,053.

	Note	Previous Carrying Amount	Adjustment on Adoption	Carrying amount under new policies
Assets				
Property, plant and equipment	12	72,904,497	769,556	73,674,053
Liabilities				
Borrowings and lease liabilities	15(a)	(2,919,274)	(769,556)	(3,688,830)
Equity				
Retained earnings		65,181,191	-	65,181,191

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 7.12%.

(iii) Leases at significantly below-market terms and conditions (concessionary leases)

In the current year, the Institute has applied AASB 2018-8 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not- for-Profit Entities* which is effective for an annual period that begins on or after 1 January 2019.

For not-for-profit entities with leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives (commonly known as concessionary leases or peppercorn leases), AASB 1058 and AASB 16 requires not-for-profit entities to measure right-of-use assets at initial recognition at fair value (based on AASB 13), the lease liability per AASB 16 and the difference to be accounted as income upfront.

AASB 2018-8 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities* provides a temporary option for not-for-profit lessees to elect to measure a class (or classes) of right-of-use assets arising under 'concessionary leases' at initial recognition, at either fair value or cost. If an entity chooses the cost option, additional disclosures are required for each material 'concessionary / peppercorn lease' on the nature and terms and the entity's dependence on such leases. The Institute has conducted an analysis of the lease arrangements and notes that the office space where it currently occupies is significantly below-market terms and conditions (concessionary leases). For this concessionary lease, the Institute has decided to make use of the temporary option under AASB 2018-8 to measure the right-of-use assets at cost on initial recognition. As the amount of the concessionary lease payments are immaterial, the Institute does not expect a significant impact on its financial statements arising from the adoption of the cost option for concessionary leases.

Notes to the financial statements (continued)

AASB 15 Revenue from Contracts with Customers ("AASB 15") and AASB 1058 Income for Not-For-Profit Entities ("AASB 1058")

The Standards establish a comprehensive framework for determining whether, how much and when revenue is recognised. They replace existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 111 *Construction contracts* and IFRIC 13 *Customer Loyalty Programmes*. AASB 15 and AASB 1058 are effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted. In the current year the Institute has adopted this standard along with the below amendment in the current year.

AASB 2019-6 Amendments to Australian Accounting Standards – Research Grants and Not-for-Profit Entities ("AASB 2019-6")

This Standard amends AASB 15 and AASB 1058 to permit not-for-profit entities to apply those Standards to research grants for annual reporting periods beginning on or after 1 July 2019 instead of 1 January 2019. This provides an extended implementation period for not-for-profit entities with a 31 December 2019 year-end in relation to their research grants received.

The application of AASB 15 and AASB 1058 to other sources of income is not extended. The option to extend the implementation period applies at the entity level and is not available on an individual research grant basis.

As a consequence of AASB 2019-6, the adoption of AASB 15 and AASB 1058 have not had a material impact on the Institute's financial statements in the current year.

New and revised AASB standards in issue but not yet adopted

As at the date of authorisation of these financial statements, the Institute has not applied the following new and revised AASB Standards that have been issued but are not yet effective.

Pronouncement	Title	Operative date
2018-6	Amendments to Australian Accounting Standards – Definition of a Business	Periods commencing on or after 1 January 2020
2018-7	Amendments to Australian Accounting Standards – Definition of Material	Periods commencing on or after 1 January 2020
2019-1	Amendments to Australian Accounting Standards – References to the Conceptual Framework	Periods commencing on or after 1 January 2020
2019-2	Amendments to Australian Accounting Standards – Implementation of AASB 1059	Periods commencing on or after 1 January 2020
2019-4	Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements	Periods ending on or after 30 June 2020
AASB 1060	General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C)	Periods commencing on or after 1 July 2021
2020-1	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	Periods commencing on or after 1 January 2022
2020-2	Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities	Periods commencing on or after 1 July 2021

The Institute's management is in the process of assessing the impact of these new standards and amendments on its financial reporting.

Notes to the financial statements (continued)

4. Significant accounting policies

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Institute takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of AASB 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 or value in use in ASB 136.

The principal accounting policies adopted are set out below.

(a) Revenue recognition

The Institute recognises revenue from the following major sources:

- Project (research) grants and deferred income;
- Donations;
- Investment and interest income;
- New building grant; and
- Lease revenue.

Project (research) grants, government (research) grants and deferred income

The Institute recognises an unconditional grant in profit or loss when the grant becomes receivable. Other project grants are initially recognised as deferred income at fair value when there is reasonable assurance that they will be received and that the Institute will comply with the conditions associated with the grant; they are then recognised in profit or loss on a systematic basis when the conditions are met.

Grants that compensate the Institute for expenses incurred are recognised in profit or loss on systematic basis in the periods in which the expenses are recognised. Grants are not recognised until there is reasonable assurance that the Institute will comply with the conditions attaching to them and that the grants will be received.

Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Institute with no future related costs are recognised in profit or loss in the period in which they become receivable.

Grants towards staff re-training costs are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Grants whose primary condition is that the Institute should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Donations

Donation income is recognised either when it is received or when it becomes receivable.

Investment and interest income

Investment and interest income is recognised on an accrual basis.

Notes to the financial statements (continued)

New building grant

The new building grant (consisting grant funds and accumulated interest) received in prior periods has given rise to a financial liability which reduces over the project period. The income will be recognised (as grant income) progressively in the Statement of Profit or Loss as the grant agreement conditions are satisfied (the remaining project period reduces) (refer note 20).

Lease income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying of the leased asset and recognised on a straight-line basis over the lease term.

(b) Research and development costs

Expenditure (including consumables) on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit and loss when incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible, future economic benefits are probable and the Institute intends to and has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit and loss when incurred. Capitalised development expenditure is stated at cost less accumulated amortization and impairment losses.

(c) Leases

The Institute assesses whether a contract is or contains a lease at inception of the contract. The Institute recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Institute recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Institute uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Institute remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Notes to the financial statements (continued)

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Institute did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Institute incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Institute expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate asset class within property, plant and equipment in the statement of financial position.

The Institute applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, Plant and Equipment’ policy.

(d) Foreign currencies

In preparing the financial statements of the Institute, transactions in currencies other than the Institute’s functional currency (AUD) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

(e) Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Institute in respect of services provided by employees up to the reporting date.

Notes to the financial statements (continued)

(f) Taxation

The Institute is deemed a non-profit organisation for income tax purposes and is exempt from the payment of income tax by virtue of Section 50-5 of the *Income Tax Assessment Act 1997*.

(g) GST

Revenues, 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"). 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 are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from or payable to the ATO are classified as operating cash flows.

(h) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Asset Class	Useful life
Computers and Software	1 - 3 years
Plant and Equipment	3 - 10 years
Buildings	5 - 25 years
Vehicles	8 years

Freehold land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Institute expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(i) Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the Institute reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Institute estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Notes to the financial statements (continued)

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

(j) Financial instruments

Financial assets and financial liabilities are recognised in the Institute's statement of financial position when the Institute becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(k) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the financial statements (continued)

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Institute may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Institute may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- the Institute may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Institute recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognised in profit or loss and is included in the 'finance income – interest income' line item (note 5).

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Institute may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Institute manages together and has evidence of a recent actual pattern of short-term profit-taking; or

Notes to the financial statements (continued)

- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the retained earnings. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, the amount is remains in retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with AASB 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income – other' line item (note 5) in profit or loss.

The Institute designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition (see note 12).

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) and (ii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Institute designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item (note 5).

Impairment of financial assets

The Institute recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Institute always recognises lifetime ECL (expected credit losses) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Institute's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Institute recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Institute measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Notes to the financial statements (continued)

The Institute recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Institute derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Institute neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Institute recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Institute retains substantially all the risks and rewards of ownership of a transferred financial asset, the Institute continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in an equity instrument which the Institute has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments is transferred to retained earnings.

(l) Financial liabilities

All of the Institute's financial liabilities are measured subsequently at amortised cost using the effective interest method.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Institute derecognises financial liabilities when, and only when, the Institute's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Institute exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Institute accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

Notes to the financial statements (continued)

5. Revenue and Finance Income

	2019 $	2018 $
Revenue		
Government grants and contracts	30,510,382	24,640,661
Other grants and contracts	43,359,176	41,832,051
Bequests	-	2,267
Donations and fundraising	3,480,460	3,959,754
Other revenue	1,575,598	4,759,555
Total revenue from operating activities	**78,925,616**	**75,194,288**
Net finance income		
Investment income from assets investments	3,784,787	3,659,549
Interest income from bank deposits	387,749	387,632
Rent (100 Roberts Road)	820,701	-
Realised gain/(loss) on sale of investments	-	(126,919)
Unrealised gain/(loss) from change in fair value of investments	6,311,545	(2,284,366)
Net finance income recognised in profit and loss	**11,304,782**	**1,635,896**

Competitive peer reviewed grants form a significant portion of the income from government grants and contracts. Of the competitive peer reviewed grants received, the majority come from the Australian Government's National Health and Medical Research Council. Such grants typically span a period of three to five years and are subject to annual acquittal.

In 2019, the Minderoo Foundation continued their partnership with a $3,061,125 contribution to CoLab via the Channel 7 Telethon Trust. This funding enables CoLab to continue its essential work into improving early learning and development of children so that they have the best possible start in life. The McCusker Charitable Foundation contributed $900,000 to enable the Institute to continue essential research by providing support of individual researchers and their research teams. The Stan Perron Charitable Foundation continued its valuable long-term support of the Institute with $610,000 for research into personalised medicine and support for individual researchers.

In 2017, Wesfarmers bestowed the Institute with a corporate grant of $6 million to be split over a 4 year period and received via the Channel 7 Telethon Trust. This funding has assisted the Institute with its continued operation of its core programme for the Wesfarmers Centre of Vaccines and Infectious Diseases, with a particular focus on rheumatic heart disease and immunization uptake.

In 2014, the Institute was awarded a corporate grant from BHP to the value of $20 million in which $4 million is received annually over a 5 year period via the Channel 7 Telethon Trust. $1 million per year was specific to indigenous child health research. $3 million per year was dedicated to strategic initiatives in line with the Institute's Strategic Plan. A new funding agreement was executed with BHP in October 2019 to the value of $20 million in which $4 million is received annually over a 5 year period via the Channel 7 Telethon Trust. The new agreement with BHP underpins a world-first research partnership in close collaboration with the Aboriginal community controlled health sector and Aboriginal families in the Pilbara and Perth. The focus of the project will be working one-on-one with up to 1000 families to develop an unprecedented understanding of the cultural, environmental and policy settings that bring about the best outcomes for kids under five.

The Institute has also received generous support from the Channel 7 Telethon Trust and the people of Western Australia for over twenty years. This support has been vital in sustaining the critical research of the Institute as well as ensuring its long term viability.

Notes to the financial statements (continued)

6. Expenditure from operating activities before income tax expense

	2019 $	2018 $
(a) Scientific research expenses		
Employee expense	35,554,501	34,060,534
Research expense	17,716,165	12,888,935
Depreciation	1,092,536	781,303
Total expenditure from Scientific research	**54,363,202**	**47,730,772**

(b) Research support and platforms expenses	**2019 $**	**2018 $**
Employee expense	12,815,998	12,432,713
Infrastructure and administration expense	9,804,666	7,993,193
Depreciation	8,177,014	4,070,111
Total expenditure from Research and platforms support	**30,797,678**	**24,496,017**

7. Cash and cash equivalents

	2019 $	2018 $
Bank balances	21,228,999	9,189,839
Cash on hand	26,450	19,978
Cash and cash equivalents in the statement of cash flows	**21,255,449**	**9,209,817**

Cash and cash equivalents include cash held at authorised deposit taking institutes as well as cash on hand which includes petty cash, deposits held at call with banks or the, other short-term highly liquid investments with original maturities of 90 days or less. Investments with original maturities of greater than 90 days are classified as other financial assets and detailed in note 8.

During the year the Institute entered into no material non-cash transactions.

8. Other financial assets

	Interest Rate	2019 $	2018 $
Term deposits	1.85% - 2.5%	490,500	9,087,737
		490,500	**9,087,737**

The term deposits as at the 31 December 2019 have maturity dates in January – May 2020.

9. Trade and other receivables

	2019 $	2018 $
Trade receivables	5,414,498	7,529,671
Loss allowance	(930,520)	(410,437)
	4,483,978	7,119,234
Accrued income	3,121,826	5,437,030
Other receivables	16,147	92,880
	7,621,951	**12,649,144**

Notes to the financial statements (continued)

All receivables are non-interest bearing with terms of payment net 30 days.

10. Other current assets

	2019 $	2018 $
Prepayments	1,379,308	1,171,394
	1,379,308	**1,171,394**

11. Investments

The following combines information about the financial assets and their fair values.

	2019 $	2018 $
Non-current		
Convertible notes at amortised cost	93,605	-
Equity investments at FVOCI	2,019,467	1,318,881
Unit trusts at FVTPL	75,365,124	56,646,273
	77,478,196	**57,965,154**

Investments in unit trusts are held as part of the Institute's strategy to manage its liquidity and also the return achievable from its assets. The investments are measured at fair value at reporting date, fair value is determined as shown below.

Fair value of the Institute's financial assets that are measured at fair value on a recurring basis

Some of the Institute's financial assets are measured at fair value at the end of each reporting period. The following gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

- Equity investments in listed entities are valued at the quoted bid prices in an active market.
- Equity investments in unlisted shares have been valued using the direct comparison approach, by reference to recent transactions in those equity instruments.
- Unit trusts are valued at the quoted bid prices in an active market.

No capital gains tax would be payable if the investments were sold at reporting date due to the tax exempt status of the Institute refer note 4(f).

Notes to the financial statements (continued)

12. Property, plant and equipment

	2019 $	2018 $
Freehold land – at cost	2,100,476	2,100,476
	2,100,476	**2,100,476**
Computers and software – at cost	7,802,303	9,537,905
Accumulated depreciation	(5,205,309)	(4,622,612)
	2,596,994	**4,915,293**
Plant equipment – at cost	72,483,370	72,886,677
Accumulated depreciation	(17,715,412)	(11,563,574)
	54,767,958	**61,323,103**
Buildings – at cost	18,577,351	18,570,151
Accumulated depreciation	(14,760,233)	(14,058,881)
	3,817,118	**4,511,270**
Motor vehicles – at cost	174,258	105,466
Accumulated depreciation	(61,491)	(51,111)
	112,767	**4,511,270**
Right of use asset – at cost	4,235,068	-
Accumulated depreciation	(1,493,572)	-
	2,741,496	**-**
Total property, plant and equipment		
Net book value	**66,136,809**	**72,904,497**

Notes to the financial statements (continued)

12. Property, plant and equipment (continued)

2019	Freehold Land	Buildings	Computers & Software	Plant & Equipment	Motor Vehicles	Right of use Assets	Total
Cost							
As at 1 January 2019	2,100,476	18,570,151	9,537,905	72,886,677	105,465	-	103,200,674
Adjustment*	-	-	-	-	-	769,556	769,556
Transfers*	-	-	(1,920,705)	(1,544,837)	-	3,465,542	-
As at 1 January 2019 (restated)*	**2,100,476**	**18,570,151**	**7,617,200**	**71,341,840**	**105,465**	**4,235,098**	**103,970,230**
Additions	-	7,200	475,354	1,141,530	68,793		1,692,877
Disposals	-	-	(290,251)	-	-	-	(290,251)
As at 31 December 2019	2,100,476	18,577,351	7,802,303	72,483,370	174,258	4,235,098	105,372,856
Accumulated depreciation							
As at 1 January 2019	-	14,058,881	4,622,611	11,563,575	51,111	-	30,296,178
Transfers*	-	-	(512,188)	(669,459)	-	1,181,647	-
As at 1 January 2019 (restated)*	**-**	**14,058,881**	**4,110,423**	**10,894,116**	**511,111**	**1,181,647**	**30,296,178**
Depreciation expense	-	701,352	1,424,567	6,821,296	10,380	311,955	9,269,550
Disposals	-	-	(329,681)	-	-	-	(329,681)
As at 31 December 2019	-	14,760,233	5,205,309	17,715,412	61,491	1,493,602	39,236,047
Netbook Value							
As at 1 January 2019	2,100,476	4,511,270	4,915,294	61,323,103	54,354	-	72,904,497
As at 1 January 2019 (restated)*	2,100,476	4,511,270	3,506,777	60,447,724	54,354	3,053,451	73,674,052
As at 31 December 2019	2,100,476	3,817,118	2,596,994	54,767,958	112,767	2,741,496	66,136,809

* *on adoption of AASB 16*

Notes to the financial statements (continued)

12. Property, plant and equipment (continued)

2018	Freehold Land	Buildings	Computers & Software	Plant & Equipment	Motor Vehicles	New Building Assets under Construction	Total
Cost							
As at 1 January 2018	2,100,476	18,623,205	6,724,446	14,377,135	101,022	47,606,110	89,532,394
Additions	-	11,293	3,300,339	13,928,924	44,956	-	17,285,512
Disposals	-	(64,347)	(1,788,491)	(1,723,881)	(40,513)	-	(3,617,232)
Transfers	-	-	1,301,611	46,304,499	-	(47,606,110)	-
As at 31 December 2018	2,100,476	18,570,151	9,537,905	72,886,677	105,465	-	103,200,674
Accumulated depreciation							
As at 1 January 2018	-	13,376,438	5,583,213	10,003,204	65,998	-	29,028,853
Depreciation expense	-	746,786	823,107	3,272,325	9,196	-	4,851,414
Disposals	-	(64,343)	(1,783,709)	(1,711,954)	(24,083)	-	(3,584,089)
Transfers	-	-	-	-	-	-	-
As at 31 December 2018	-	14,058,881	4,622,611	11,563,575	51,111	-	30,296,178
Netbook Value							
As at 1 January 2018	2,100,476	5,246,767	1,141,233	4,373,931	35,024	47,606,110	60,503,541
As at 31 December 2018	2,100,476	4,511,270	4,915,294	61,323,103	54,354	-	72,904,497

Assets pledged as security

Plant and equipment with a written down carrying amount of $44,328,509 (2018: $49,979,918) have been pledged as security against the deferred income/financial liability of the Institute in relation to the grant to assist with the fit-out of the new building (see note 20). The Institute is not allowed to pledge these assets as security for other borrowings or to sell them to another entity without the approval of the Commonwealth Government.

13. Trade and other payables

	2019 $	2018 $
Trade payables	2,884,264	2,892,284
Other payables and accruals	3,090,079	2,396,408
	5,974,343	**5,288,692**

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value. Trade and other payables are non-interest bearing with terms of credit generally net 30 days.

Notes to the financial statements (continued)

14. Employee benefits

	2019 $	2018 $
Current		
Provision for Long Service Leave	2,632,926	2,640,066
Provision for Annual Leave	3,231,457	3,402,192
Other provisions		336,576
	5,864,383	**6,378,834**

	2019 $	2018 $
Non-Current		
Provision for Long Service Leave	1,082,535	1,055,300
	1,082,535	**1,055,300**

15. Other liabilities

	2019 $	2018 $
Deferred Income – Current	42,528,891	31,903,821
Financial liability New Building (PCH) – Current	45,032,609	50,260,631
Lease Liability – Current (a)	883,085	693,108
	88,444,585	**82,857,560**

	2019 $	2018 $
Lease Liability – Non-current (a)	2,045,071	2,226,166
	2,045,071	**2,226,166**

(a) Lease liabilities

	2019 $	2018 $
Lease Liability – Current	883,085	693,108
Lease Liability – Non-current	2,045,071	2,226,166
Total lease liabilities	2,928,156	2,919,274

16. Equity

	2019 $	2018 $
Retained Earnings	70,951,296	65,181,191
Total Equity	70,951,296	65,181,191

Notes to the financial statements (continued)

17. Operating leases

Leases as lessor

The Institute receives rental income from the property at 100 Roberts Road which is leased to the Department of Health on a five-year basis. At 31 December, the undiscounted lease payments under operating leases were receivable as follows.

	2019 $	2018 $
Year 1	1,046,764	-
Year 2	1,088,289	-
Year 3	1,131,059	-
Year 4	1,175,113	-
Year 5	98,233	-
Year 6 and onwards	-	-
	4,539,458	-

18. Employee entitlements

Superannuation plans

The Institute contributes to a defined contribution and a defined benefit employee superannuation plan. Under the rules of the plan the Institute has no obligation to contribute to any shortfall of the defined benefit plan. This was as a result of a change in the plan rules as advised by Unisuper in December 2006.

19. Related parties

Key management personnel compensation

The key management personnel compensation was $1,946,075 for the year ended 31 December 2019 (2018: $1,712,792). There are no balances with related parties as at 31 December 2019, nor any other transactions with related parties during the year then ended.

Members of the Board receive no compensation for the board services they provide.

20. New building (PCH) funding

The Federal Government, via a grant agreement executed in 2007 together with subsequent revisions, has provided the Institute with an initial funding allocation of $33.3 million which has increased with the accumulation of interest to $52.9 million to support the construction of a new research facility for the Institute at Perth Children's Hospital. As at 31 December 2019, $52.9 million of that funding has been spent by the Institute on plant and equipment purchases. This has been recognised at 31 December 2019 within the Statement of Financial Position as Property, Plant and Equipment.

The Institute relocated to Perth Children's Hospital on 13 August 2018 while at the same time retaining its existing building at 100 Roberts Road. The Roberts Road facility is used partially as the headquarters for the Institute's new clinical research and clinical services initiative ('CliniKids') as well as being leased to the Department of Health on a five year basis.

The accounting policy for the new building grant funds is set out in note 4(a).

Notes to the financial statements (continued)

21. Events subsequent to reporting date

On 30 January 2019, the Institute served notice of termination for the Research & Development Agreement in place with Phylogica Limited. A 60 day period was provided pursuant to the notice of termination to facilitate a transitional process being completed, with the Research & Development Agreement formally concluding on 31 March 2019. The impact to the Institute resulting from this outcome was the loss of future indirect cost recovery amounts from Phylogica with an annual value of approximately $1 million. This indirect cost recovery from Phylogica assisted in supporting the Institute's research facilities, equipment, support services and ongoing administrative costs. In April 2020, following a resolution by the Telethon Kids Board, the Institute disposed of all its shareholdings in Phylogica (20.606 million units). This generated gross income of $1.556 million.

The COVID-19 global pandemic first reported cases in Australia during January 2020, i.e. after the reporting date. Whilst this is currently adversely affecting some aspects of the Australian economy, the Institute is not able to quantify the future impact of COVID-19 on future financial results (revenue) or position (recoverability of trade receivables). The amounts recognised in the financial statements dated 31 December 2019 have therefore not been adjusted for any impact of COVID-19. The Institute is able to determine the fair value loss from 31 December 2019 to 30 April 2020 in relation to investments they hold in unlisted unit funds. This loss amounts to $6,637,278, with the fair value of investments (including changes in holdings) being $79,077,890 as at 30 April 2020. The amounts recognised in the financial statements represent the fair value at 31 December 2019 for these investments. The Institute does not consider the future impacts of COVID-19 to be so significant as to cause a material uncertainty over its ability to continue as a going concern. The financial statements therefore continue to be prepared on a going concern basis.

Directors' declaration

In the opinion of the Directors of the Telethon Kids Institute:

(a) the Institute is not publicly accountable;

(b) the financial statements and notes that are set out on pages 10 to 33 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012 including:

  (i) giving a true and fair view of the Institute's financial position as at 31 December 2019 and of its performance, for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Australian Charities and Not-for-profits Commission Regulation 2013; and

(c) there are reasonable grounds to believe that the Institute will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors:

Dated at Perth this day of 2020. Jun 2, 2020

Fiona Drummond
Director

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report to the Members of Telethon Kids Institute

Opinion

We have audited the financial report of Telethon Kids Institute (the "Entity") which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by the directors. In addition, we have audited the Entity's compliance with the specific requirements of the *Charitable Collections Act (WA) 1946* and *Charitable Regulations (WA) 1947* (collectively "Specific Requirements").

(a) In our opinion the accompanying financial report of the Entity, is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* (the "ACNC Act"), including:

   i. giving a true and fair view of the Entity's financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards – Reduced Disclosure Requirements to the extent described in Note 2, and Division 60 of the ACNC Act;

(b) the financial report agrees to the underlying financial records of the Entity that have been maintained, in all material respects, in accordance with the Specific Requirements for the year ended 31 December 2019;

(c) monies received by the Entity as a result of fundraising appeals conducted during the year ended 31 December 2019, have been utilised for, and applied, in all material respects, in accordance with the Specific Requirements;

We have obtained all the necessary information required in connection with our audit in respect of the financial year ended 31 December 2019.

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 and Compliance with the Specific Requirements section of our report. We are independent of the Entity in accordance with the auditor independence requirements of the ACNC Act and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report and compliance with the Specific Requirements in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Deloitte.

We confirm that the independence declaration required by the ACNC Act, which has been given to the directors of the Entity, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Entity's annual report for the year ended 31 December 2019, 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 we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report and for Compliance with the Specific Requirements

The directors of the Entity are responsible for compliance with the Specific Requirements and the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, the ACNC Act, the Specific Requirements and the needs of the Members. The director's responsibility also includes such internal control as the directors' determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error and to enable compliance with the Specific Requirements.

In preparing the financial report, the directors are responsible for assessing the ability of the Entity to continue as a going concern disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Entity or to cease operations, or has no realistic alternative but to do so

Auditor's Responsibilities for the Audit of the Financial Report and Compliance with the Specific Requirements

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 the Entity complied in all material respects, with the Specific Requirements, and to and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of non-compliance with the Specific Requirements and the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Because of the inherent limitations of any compliance procedure, it is possible that fraud, error or non-compliance with the Specific Requirements may occur and not be detected. An audit is not designed to detect all weaknesses in the Entity's compliance with the Specific Requirements as an audit is not performed continuously throughout the period and the tests are performed on a sample basis. Any projection of the evaluation of the compliance procedures to future periods is subject to the risk that the procedures, may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

PEPink.

Penelope Pink
Partner
Chartered Accountants
Perth, 4 June 2020