

Annual Financial Report

FOR THE YEAR ENDED 30 JUNE 2018

THE GEORGE INSTITUTE FOR GLOBAL HEALTH AND CONTROLLED ENTITIES
A PUBLIC COMPANY LIMITED BY GUARANTEE
ABN: 90 085 953 331

DIRECTORS' REPORT

The Directors present this report on Consolidated Entity consisting of The George Institute for Global Health (the "Company") and the entities it controlled for the financial year ended 30 June 2018.

Directors

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

Michael John Hawker AM (Chair)
David Hugh Armstrong
Catherine Brighid Livingstone AO (resigned 25 August 2017)
David Zalmon Baffsky AO
Eric Paul McClintock AO
Gina Nancy McGregor Anderson
Meena Thuraisingham (appointed 30 November 2017)
Melinda Blanton Conrad
Rodney Ernest Phillips
Russell Anthony Aboud (resigned 16 August 2018)
Srinivas Akkaraju
Yasmin Anita Allen
Robyn Ngaire Norton AO
Stephen William MacMahon AO

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

Company Secretary

Leanne Maree Ralph held the position of Company Secretary during the financial year and to the date of this Report.

Short and Long-Term Objectives

The Consolidated Entity is an independent not-for-profit entity with short and long-term objectives to be a world-leading medical research institute focused on:

- improving the health of disadvantaged populations worldwide;
- better management of common chronic and critical conditions;
- innovation to ensure the sustainability of healthcare services; and
- new approaches to managing injury, frailty and disability across the globe.

Strategy for Achieving Objectives

The Consolidated Entity has developed a strategic plan to guide its work in its core business of medical research and in its operations globally.

Principal Activities

The principal activity of the Consolidated Entity during the financial year was to undertake clinical, epidemiological and health systems research, especially focused on reducing the burden of chronic diseases and injuries. The Company also owns a group of "for profit" subsidiaries, with the lead subsidiary being George Health Enterprises Pty Limited, whose purpose is to generate commercial returns in order to supplement the funding requirements of the Company. No significant changes in the nature of the activity occurred during the financial year.



How Principal Activities Contributed to Objectives

- The strengthening of research in Australia on health care delivery systems;
- The strengthening of research activities in China, India and UK;
- The gaining of peer-reviewed research grants through the National Health and Medical Research Council (NHMRC) in Australia and other global funding bodies;
- The publication of scientific papers in prestigious peer-reviewed journals and efforts to ensure the translation of research findings into policy and practice; and
- The development of new health enterprises to generate social and financial dividends.

Performance Measurement

Performance indicators include the following financial and non-financial targets:

- The number of scientific papers in prestige peer-reviewed journals;
- The number and value of peer-reviewed research grants;
- The growth in revenue of clinical and epidemiological research; and
- Financial sustainability as measured by the dollar value of surplus, cash, net current assets and total net assets.

Operating Results

The surplus of the Consolidated Entity for the financial year ended 30 June 2018 amounted to \$1,039,030 (2017: Surplus \$1,235,405).

Dividends Paid or Recommended

As a not-for-profit entity, the Company's Constitution prohibits the payment of dividends and accordingly no dividends were paid from the Company. No dividends were paid from the "for profit" subsidiaries during the year.

Review of Operations

This year has been one of strong growth globally with careful management of expenses. The net result was a surplus of \$1,039,030 (2017: Surplus \$1,235,405). Operating Revenue increased by 17% from the previous year with both the Institute and George Clinical winning new work and increasing activity on existing and new projects. As a result, total net assets increased by 35% during the financial year to \$17,125,469.

Significant Changes in State of Affairs

No significant changes in the Consolidated Entity's state of affairs occurred during the financial year.

After Balance Date Events

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

Future Developments

The Company expects to maintain its present status. The "for profit" subsidiaries, with the head subsidiary being George Health Enterprises Pty Limited, intend to seek external funding in support of further development and expansion of these subsidiaries.

Environmental Issues

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

Options

No options over issued shares or interests in the Company were granted during or since the end of the financial year, and there were no options outstanding at the date of this report for the Company. During the financial year, Long Term Incentive (LTI) Plans were put in place for a small number of employees and executives in George Health Enterprises Pty Ltd (GHE) and its subsidiaries. Grants under the LTI Plans were made in the form of share appreciation rights (SARs).



INFORMATION ON DIRECTORS

Michael John Hawker AM Chair / Non-Executive Director	
Qualifications	BSc (Syd), FAICD, FAIM, SF Fin
Experience	<p>Non-Executive Director - Aviva Plc Group (UK)</p> <p>Non-Executive Director - Macquarie Group Limited and Macquarie Bank Limited</p> <p>Non-Executive Director - Washington H. Soul Pattinson and Company Limited</p> <p>Chair - Australian Business and Community Network (ABCN) Foundation</p> <p>Non-Executive Director - Rugby World Cup Limited (RWC)</p> <p>Former Chair - Australian Rugby Union</p> <p>Former CEO / Managing Director - Insurance Australia Group</p> <p>Former President - Insurance Council of Australia</p> <p>Former Chair - Australian Financial Markets Association</p> <p>Former Board Member - Geneva Association</p> <p>Former Member - Financial Sector Advisory Council</p>
David Hugh Armstrong Non-Executive Director	
Qualifications	BBus (UTS), FCA, MAICD
Experience	<p>Non-Executive Director - National Australia Bank</p> <p>Chair - National Australia Bank Audit Committee</p> <p>Member - National Australia Bank Risk Committee</p> <p>Director - Opera Australia Capital Fund Limited</p> <p>President - Australian Museum Trust</p> <p>Trustee of Lizard Island Reef Research Foundation</p>
Catherine Brigid Livingstone AO Non-Executive Director (resigned 25 August 2017)	
Qualifications	BA (Hons)(MQ), Hon.DBus (MQ), Hon.DSc (MU), Hon.DLitt (USYD), Hon.DBus (UTS), Hon.DSc (UW) FCA, FTSE, FAICD, FAA
Experience	<p>Chairman - Commonwealth Bank of Australia</p> <p>Non-Executive Director - Worley Parsons Limited</p> <p>Non-Executive Director - Saluda Medical Pty Ltd</p> <p>Chancellor - University of Technology Sydney</p> <p>Former President - Australian Museum Trust</p> <p>Member - The Commonwealth Science Council, and the Industry Growth Centres Advisory Committee</p> <p>Former President - Business Council of Australia</p> <p>Former Chairman - Telstra Corporation Limited</p> <p>Former Non-Executive Director - Macquarie Group Limited and Macquarie Bank Limited</p> <p>Former Member - New South Wales Innovation and Productivity Council</p>



David Zalmon Baffsky AO Non-Executive Director	
Qualifications	LLB (Sydney University)
Experience	Chairman - Investa Property Group Chairman - Ariadne Australia Limited Honorary Chairman - Accor Asia Pacific Board Member - Sydney Olympic Park Authority Board Member - Destination NSW Board Member - Australian Brandenburg Orchestra Former Chairman - Accor Asia Pacific Former Director - SATS Limited Former Trustee - Art Gallery of NSW Chevalier in the Order of National Légion d'Honneur of France
Eric Paul McClintock AO Non-Executive Director	
Qualifications	BA LLB (USYD)
Experience	Chairman of NSW Ports Chairman of I-MED Network Chairman of Broadspectrum Pty Limited Chairman of Committee for Economic Development of Australia Chair of Sydney Health Partners Director of St Vincent's Health Australia Limited Former Secretary to Cabinet and Head of the Cabinet Policy Unit reporting directly to the Prime Minister as Chairman of Cabinet Former Chair - Medibank Private Limited, Thales Australia, COAG Reform Council, Expert Panel of the Low Emissions Technology Demonstration Fund, Intoll Management Limited, Symbion Health, Affinity Health, Ashton Mining, Plutonic Resources, and the Woolcock Institute of Medical Research Former Director of the Australian Strategic Policy Institute and Perpetual Limited Former Commissioner of the Health Insurance Commission Former Member - Australia-Malaysia Institute Executive Committee. Honorary Fellow of the Faculty of Medicine of the University of Sydney Life Governor of the Woolcock Institute of Medical Research
Gina Nancy McGregor Anderson Non-Executive Director	
Qualifications	BA, GAICD
Experience	Chair - The George Foundation for Global Health Limited Non-Executive Director - GDI Property Group and GDI Funds Management Ltd Former Founding Advisory Board Member - Australian Charities and Not-for-profits Commission (ACNC) Co-Founder and Former Chair - Women's Community Shelters Limited Philanthropy Fellow - Centre for Social Impact, University of New South Wales Former Executive Director and Chief Executive - Philanthropy Australia



Meena Thuraisingham Non-Executive Director (appointed 30 November 2017)	
Qualifications	PhD, GAICD, MAPS
Experience	<p>Founder & Principal, BoardQ</p> <p>Founder & Principal, TalentInvest</p> <p>Member, International Women's Forum</p> <p>Former Senior Executive, ANZ Banking Group</p>
Melinda Blanton Conrad Non-Executive Director	
Qualifications	BA (Wellesley), MBA (Harvard), FAICD
Experience	<p>Non-Executive Director - ASX Limited</p> <p>Non-Executive Director - Caltex Australia Limited</p> <p>Non-Executive Director - OFX Group Limited</p> <p>Non-Executive Director - The Centre for Independent Studies</p> <p>Member - ASIC Director Advisory Panel</p> <p>Member - AICD Corporate Governance Council</p> <p>Former Non-Executive Director - David Jones Limited</p> <p>Former Non-Executive Director - APN News & Media Limited</p> <p>Former Non-Executive Director - NSW Clinical Excellence Commission</p> <p>Former Non-Executive Director - NSW Agency for Clinical Innovation</p> <p>Former Non-Executive Director - Garvan Medical Research Institute Foundation</p>
Rodney Ernest Phillips Non-Executive Director	
Qualifications	MBBS (Melb), FRACP, MD (Melb), MA (Oxon), FRCP (London), FAMS, FAHMS
Experience	<p>Dean of Medicine, UNSW Medicine, UNSW Sydney</p> <p>Director - Garvan Institute of Medical Research</p> <p>Director - Kinghorn Cancer Centre</p> <p>Director - Ingham Health Research Institute</p> <p>Director - Neuroscience Research Australia</p> <p>Member of the Medical Deans Australia & New Zealand</p> <p>Honorary Fellow - Pembroke College, Oxford</p> <p>Former Professor - Clinical Medicine University of Oxford</p> <p>Former Director - Peter Medawar Building for Pathogen Research</p> <p>Former Chair - Research Assessment Exercise Working Group, Oxford</p> <p>Former Chair - Appointments Committee, Division of Medical Sciences</p> <p>Former Chair - Oxford Cancer Radiobiology Steering Committee</p> <p>Former Co-Director - Institute for Emerging Infections, James Martin 21st Century School, Oxford</p> <p>Former Chair - Biomedical and Neuroscience Institute, Oxford</p> <p>Former Adjunct Professor - Medicine, Duke University, USA</p>



Russell Anthony Aboud Non-Executive Director (resigned 16 August 2018)	
Qualifications	MBBS (USYD)
Experience	Executive Chair / Founding Partner - Manikay Partners (New York) Non-Executive Director - George Health Enterprises Pty Limited Advisory board member - Adamantem Capital Former Non-Executive Director - Australian Securities Exchange Limited, and Former Member of its Clearing Board Former Chairman - Ord Minnett (Australia) Former Senior Advisor to JP Morgan Australia Former Member - Advisory Board UBS O'Connor Former Global Head of European Equities for UBS London, and former Board member of UBS Investment Bank (London)
Srinivas Akkaraju Non-Executive Director	
Qualifications	M.D., Ph.D.
Experience	Managing General Partner - Samsara BioCapital Director - Seattle Genetics Director - Syros Pharmaceuticals Director - Intercept Pharmaceuticals Inc. Director - Versartis Inc. Former Director - aTyr Pharma, Inc. Former Director - ZS Pharma, Inc. Former Director - Eyetech Pharmaceuticals, Inc. Former Director - Synageva Biopharma Corp. Former Director - Barrier Therapeutics, Inc. Former Director - Amarin Corporation plc Former General Partner - Sofinnova Ventures Former Managing Director - New Leaf Venture Partners Former Co-Founder and Managing Director - Panorama Capital, LLC Former Manager - Genentech, Inc. Former Partner - JP Morgan Partners
Yasmin Anita Allen Non-Executive Director	
Qualifications	BCom, FAICD
Experience	Non-Executive Director - ASX Limited Non-Executive Director - Cochlear Limited Non-Executive Director - Santos Limited Board Member - George Health Enterprises Pty Limited Member - ASX Limited Clearing and Settlement Board and Audit Committee Director - National Portrait Gallery, Canberra Member - Federal Government's Takeovers Panel Former Non-Executive Director - Insurance Australia Group Limited (IAG) Former National Director - Australian Institute of Company Directors Former Chair - Macquarie Global Infrastructure Funds Former Board Member - Export Finance and Insurance Corporation (EFIC) Former Board Member - Film Australia Limited Former Board Member - Red Cross Blood Service Former Member - Salvation Army Advisory Board Former Director of ANZ Investment Bank, Sydney Former Vice President of Deutsche Bank Former Associate Director of HSBC, London



Robyn Ngaire Norton AO Executive Director	
Qualifications	BA, MA (Canterbury), MPH, PhD (Syd), FAHMS
Experience	Principal Director - The George Institute for Global Health Executive Director - The George Foundation for Global Health Limited (AUS) and Beijing George Medical Research Co Ltd (China) Executive Director - George Health Enterprises Pty Ltd (AUS) Executive Director / Trustee - George Partners Limited (UK) Professor of Global Health and Oxford Martin Senior Fellow, University of Oxford (UK) Professor of Public Health, UNSW Sydney (AUS) Honorary Professor, Peking University Health Science Center (China)
Stephen William MacMahon AO Executive Director	
Qualifications	BSc, MA (Canterbury), MPH, PhD (UNSW), DSc (UNSW), FAA, FMedSci, FACC, FAHA, FCSANZ
Experience	Principal Director - The George Institute for Global Health Executive Director - The George Foundation for Global Health Limited (AUS) Executive Director - George Clinical Pty Ltd (AUS) Executive Director - George Health Enterprises Pty Ltd (AUS) Executive Director - SmartGenRx Pty Ltd (AUS) Non-Executive Director - Oxford Health Alliance (UK) Executive Director / Trustee - George Partners Limited (UK) Professor of Medicine and Oxford Martin Senior Fellow, University of Oxford (UK) Professor of Cardiovascular Medicine, UNSW, Sydney Honorary Professor, Peking University Health Science Center (China)



MEETINGS OF DIRECTORS

During the financial year, 20 meetings of Directors (including committee meetings) were held. Attendances by each Director are listed below.

	Board Meeting		Remuneration Committee		Nominations Committee		Development Committee [#]		Finance, Risk and Audit Committee [^]		Research Committee ⁺	
	eligible to attend	Attended	eligible to attend	attended	eligible to attend	attended	eligible to attend	attended	eligible to attend	attended	eligible to attend	attended
Michael Hawker	5	5	3	3	-	-	-	-	-	-	3	3
David Armstrong	5	5	-	-	-	-	-	-	5	5	-	-
Catherine Livingstone	1	1	2	2	-	-	-	-	-	-	1	1
Gina Anderson	5	5	-	-	-	-	4	4	-	-	-	-
Paul McClintock	4	3	-	-	-	-	-	-	-	-	-	-
Russell Aboud	5	5	-	-	-	-	-	-	-	-	1	1
Yasmin Allen	5	4	-	-	-	-	-	-	-	-	-	-
Robyn Norton	5	4	-	-	-	-	-	-	5	5	3	3
Stephen MacMahon	5	5	-	-	-	-	4	2	-	-	3	3
Melinda Conrad	5	4	-	-	-	-	4	4	-	-	-	-
Srinivas Akkaraju	5	4	-	-	-	-	-	-	-	-	-	-
David Baffsky	5	4	-	-	-	-	-	-	-	-	-	-
Rodney Phillips	2	2	-	-	-	-	-	-	-	-	-	-
Meena Thuraisingham	3	3	1	1								

[^] The membership of the Finance, Risk and Audit Committee includes an independent professional, Mr David Clark.

⁺ The membership of the Research Committee includes senior managers of the Company, as approved by The National Health and Research Medical Council (NHMRC), and Directors are invited to attend.

[#] The membership of the Development Committee includes a Non-Executive Director, Mr Jason Yat-sen Li.



Insurance of Officers

During the year, the Company paid a premium of \$56,359 for Management Liability Policy. Part of this premium is to insure Directors and officers (each an "Officer") of the Company and its controlled entities. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against an Officer in their capacity as Officer of an entity within the Consolidated Entity, and any other payments arising from liabilities incurred by an Officer in connection with such proceedings.

Agreement to Indemnify Officers

The Company has agreed to indemnify each Officer of the Company and its controlled entities against any liability, loss, damages, monetary obligations, non-criminal penalties, charges, legal costs and expenses incurred by that Officer as an Officer of the Company or a controlled entity, to the extent permitted by law. This indemnity does not cover any liability the Officer owes to the Company or a related entity, any pecuniary penalty order or compensation order issued against the Officer under the *Corporations Act 2001 (Cth)*, any liability to a third party that did not arise out of conduct in good faith, and court proceedings where the Officer is found guilty or where judgment is made against the Officer.

Members Guarantee

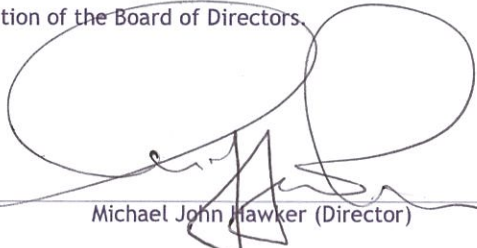
The Company is incorporated under the *Corporations Act 2001 (Cth)* and is a Company limited by guarantee. If the Company is wound up, the Constitution states that each member is required to contribute \$10 towards meeting any outstanding obligations of the Company. As at 30 June 2018 the number of members was thirteen.

Proceedings on Behalf of the Company

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

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

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


Michael John Hawker (Director)

31

day of

August

2018

Dated this


Stephen William MacMahon (Director)

31

day of

August

2018

Dated this



STATEMENT OF PROFIT OR LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated	
		2018	2017
		\$	\$
Operating Revenue	3	95,925,394	82,198,598
Other Income	3	4,389,301	3,448,314
Employee Benefits Expense	4 & 23	(61,185,252)	(45,595,660)
Depreciation and Amortisation Expense	4	(1,841,431)	(1,176,887)
Rental Expense		(3,355,993)	(2,871,739)
Administration Expense		(3,816,662)	(2,845,481)
Study Contract Fee		(9,912,675)	(9,874,005)
Patient Recruitment Expense		(1,121,956)	(1,707,152)
Consultants and Sub-Contractors Fee		(3,924,313)	(6,474,804)
Travel/Accommodation Costs		(3,419,917)	(2,826,583)
Other Expenses		(9,756,468)	(9,546,165)
Share of Loss of Jointly Controlled Entity	10	(463,598)	(542,493)
Surplus before Income Tax		1,516,430	2,185,943
Income Tax		(477,400)	(950,538)
Surplus after Income Tax		1,039,030	1,235,405
Other Comprehensive Income			
Items that may be reclassified subsequently to surplus or deficit when specific conditions are met:			
Exchange Differences on Translation of Foreign Operations		222,235	(273,383)
Changes in the Fair Value of Available-for-sale Financial Assets		376,075	569,306
Cash Flow Hedges		(286,369)	-
Total Other Comprehensive Income for the Year		311,941	295,923
Total Comprehensive Income for the Year		1,350,971	1,531,328

The accompanying notes form part of these financial statements.



STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Consolidated	
		2018	2017
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	5	24,308,699	21,433,130
Trade and Other Receivables	6	16,759,909	23,223,180
Other Assets	7	3,838,516	2,984,942
Accrued Income	8	6,928,621	4,257,005
TOTAL CURRENT ASSETS		51,835,745	51,898,257
NON-CURRENT ASSETS			
Other Financial Assets	9	7,545,697	6,912,086
Investments Accounted for using Equity Method	10	1,449,378	1,374,928
Plant, Fitting and Equipment	11	6,137,103	5,965,723
Goodwill	12	7,307,569	7,021,613
Intangible Assets	12	1,962,779	2,456,078
TOTAL NON-CURRENT ASSETS		24,402,526	23,730,428
TOTAL ASSETS		76,238,271	75,628,685
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	13	9,316,845	11,823,678
Deferred Income	14	36,294,468	36,098,898
Provisions	15	5,821,444	5,544,330
Borrowings	16	1,500,000	1,500,000
Other Liabilities	17	661,914	300,000
TOTAL CURRENT LIABILITIES		53,594,671	55,266,906
NON-CURRENT LIABILITIES			
Provisions	18	693,131	623,583
Borrowings	16	2,600,000	4,500,000
Other Liabilities	17	2,225,000	2,525,000
TOTAL NON-CURRENT LIABILITIES		5,518,131	7,648,583
TOTAL LIABILITIES		59,112,802	62,915,489
NET ASSETS		17,125,469	12,713,196
EQUITY			
Foreign Currency Translation Reserve		(527,763)	(749,998)
Available-for-sale Financial Asset Reserve		1,147,911	771,836
Cash Flow Hedge Reserve		(286,369)	-
Share Based Payment Reserve		3,061,302	-
Accumulated Surplus		13,730,388	12,691,358
TOTAL EQUITY		17,125,469	12,713,196

The accompanying notes form part of these financial statements.



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

Consolidated	Accumulated Surplus	Available- for- sale Financial Asset Reserve*	Foreign Currency Translation Reserve [#]	Cash Flow Hedge Reserve [^]	Share Based Payment Reserve**	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	11,455,953	202,530	(476,615)	-	-	11,181,868
Surplus for the year	1,235,405	-	-	-	-	1,235,405
Other comprehensive income for the year	-	569,306	(273,383)	-	-	295,923
Total comprehensive income for the year	1,235,405	569,306	(273,383)	-	-	1,531,328
Balance at 30 June 2017	12,691,358	771,836	(749,998)	-	-	12,713,196
Surplus for the year	1,039,030	-	-	-	-	1,039,030
Other comprehensive income for the year	-	376,075	222,235	(286,369)	-	311,941
Share based payment expenses	-	-	-	-	3,061,302	3,061,302
Total comprehensive income for the year	1,039,030	376,075	222,235	(286,369)	-	1,350,971
Balance at 30 June 2018	13,730,388	1,147,911	(527,763)	(286,369)	3,061,302	17,125,469

* Available-for-sale financial asset reserve

Changes in the fair value arising on translation of investments, such as securities in listed corporations, classified as available-for-sale financial assets, are recognised in other comprehensive income and accumulated in a separate reserve within equity (available-for-sale financial asset reserve). Amounts are recognised in surplus or deficit when the associated investments are sold or impaired.

Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity (foreign currency translation reserve). The reserve is recognised in surplus or deficit when the net investment is disposed of.

^ Cash flow hedge reserve

The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income, as described in note 1(j). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

** Share-based payment reserve

The share-based payments reserve is used to recognise the value of SARs (Share Appreciation Rights) share-based payments provided to a small number of employees (including senior executives) in the Consolidated Entity's commercial business, George Health Enterprises Pty Ltd and its subsidiaries, as part of their remuneration. Refer to Notes 1(v) and 23 for further details of these plans.

The accompanying notes form part of these financial statements.



STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated	
		2018	2017
		\$	\$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipt of grants and contract revenue		116,725,908	98,814,927
Payments to suppliers and employees		(110,706,527)	(92,465,003)
Dividends received		210,196	303,870
Interest received		254,759	126,246
Net cash generated from operating activities	24b	6,484,336	6,780,040
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for plant, fittings and equipment		(1,364,431)	(5,725,358)
Payment for Intangibles		(13,313)	(29,209)
Proceeds from sale of available-for-sale investments		491,118	3,954,751
Payment for available-for-sale investments		(1,040,175)	(2,085,621)
Receipt of held-to-maturity investments		2,050,000	2,395,500
Payment for held-to-maturity investments		(1,852,470)	(1,750,000)
Acquisition of a business, net of cash acquired	12	-	(7,045,220)
Net cash used in investing activities		(1,729,271)	(10,285,157)
CASH FLOW FROM FINANCING ACTIVITIES			
(Repayment)/Receipt of bank loan		(1,900,000)	6,000,000
Net cash (used in)/generated from financing activities		(1,900,000)	6,000,000
Net increase in cash and cash equivalents held		2,855,065	2,494,884
Effect of exchange rate fluctuations on cash and cash equivalents		20,504	(91,183)
Cash and cash equivalents at the beginning of the financial year		21,433,130	19,029,429
Cash and cash equivalents at the end of the financial year	5	24,308,699	21,433,130

The accompanying notes form part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Consolidated Entity consisting of The George Institute for Global Health (the "Company") and its subsidiaries.

The financial statements were authorised for issue in accordance with a resolution of the Company's Directors on 31 August 2018.

The Company is a company limited by guarantee, incorporated and domiciled in Australia. The nature of the operations and principal activities of the Company are described in the Directors' Report.

Basis of Preparation

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, including the Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012* as appropriate for not-for-profit oriented entities.

Historical cost convention

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

Accounting Policies**(a) Principles of Consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of The George Institute for Global Health (the "Company") as at 30 June 2018 and the results of all the subsidiaries for the year ended 30 June 2018. The Company and its subsidiaries are referred to in these financial statements as the "Consolidated Entity".

Subsidiaries are all those entities over which the Consolidated Entity has the power to govern the financial and operating policies.

i. Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Consolidated Entity has joint control, established by contractual agreement. In the consolidated financial statements, jointly controlled entities are accounted for using the equity method of accounting. Where the equity method is applied, the consolidated financial statements include the Consolidated Entity's share of the total recognised gains and losses of jointly controlled entities on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. Then the Consolidated Entity's share of losses exceeds its interest in the jointly controlled entity, the Consolidated Entity's carrying amount is reduced to \$nil the recognition of further losses is discontinued except to the extent that the Consolidated Entity has incurred obligations or made payments on behalf of the jointly controlled entity. Intercompany transactions, balances and unrealised gains or losses on transactions between entities in the Consolidated Entity are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

ii. Business combinations

The acquisition method of accounting is used to account for business combinations by the Consolidated Entity.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Consolidated Entity. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.



(a) Principles of Consolidation (continued)

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. Refer to the paragraph k "Goodwill" for the subsequent accounting policy on goodwill. Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in the profit or loss account.

(b) Parent Entity Information

In accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in note 25.

(c) Foreign Currency Translation

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the foreign exchange rates, which approximate the rate at the date of the translating transaction, for the period. All resulting foreign exchange differences are recognised in the foreign currency translation reserve in equity. On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

(d) Segment reporting

The Consolidated Entity has two operating segments: Not-for-Profit (Research) and For-Profit (Commercial) segments. In identifying its operating segments, management followed the Group's organisational structure which represent the main distinguished services provided and its internal financial reporting system which provide the best evidence of the predominant source of risks and returns of the segments for the purpose of segment reporting.

The activities undertaken by the Research Segment includes clinical, epidemiological and health systems research, especially focused on reducing the burden of chronic diseases and injuries. The Commercial Segment's purpose is to generate commercial returns in order to supplement the funding requirements of the Consolidated Entity.

The measurement policies the consolidated entity uses for segment reporting under AASB 8 are the same as those used in its financial statements. Detail segment reporting with comparatives is disclosed in note 2.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

(e) Revenue

The Consolidated Entity's activities are supported by funding from research grants and contracts. Funding received on the condition that specified services are delivered, or conditions fulfilled are considered reciprocal. Such funding is initially recognised as a liability and revenue is recognised as services are performed or conditions fulfilled. Revenue from non-reciprocal grants and contracts are recognised when the Consolidated Entity obtains control of the funds.

Donations and bequests are recognised as revenue when received.

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

Dividend revenue is recognised when the right to receive a dividend has been established.

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



(f) **Income Tax**

The parent company is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*. All other subsidiaries' income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and the adjustment recognised for prior periods, where applicable.

(g) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at-call with banks and other short-term highly liquid investments with original maturities of up to six months that are subject to an insignificant risk of change in value.

(h) **Trade Receivables**

Trade receivables, which consists of the amount due to third parties are recognised and carried at original invoiced amount less any uncollectable amount. Trade receivables are generally due within 30 days. The carrying amount of receivables is deemed to reflect the fair value. Allowance for doubtful debt is made within the objective evidence shows that the consolidated entity will not be able to collect the debt. Bad debts were written off when identified.

(i) **Accrued Income**

Accrued Income is the revenue recognised in relation to research grants and contracts in excess of amounts billed.

(j) **Investments and Financial Assets**

Initial recognition and measurement

Financial assets are recognised when the consolidated entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the consolidated entity commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted). Financial assets are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial assets are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- i. the amount at which the financial asset is measured at initial recognition;
- ii. less principal repayments;
- iii. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- iv. less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Consolidated Entity classifies its financial assets in the following categories (where applicable):

- i. **Financial assets at fair value through profit or loss**
Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking, where they are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.
- ii. **Loans and receivables**
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.



Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

iii. *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the consolidated entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

iv. *Available-for-sale financial assets*

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

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after the end of the reporting period.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the consolidated entity assesses whether there is objective evidence that a financial asset has been impaired. In the case of available-for-sale financial assets, a prolonged decline in the value of the asset is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of profit or loss.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the consolidated entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Derivative Financial Instruments and Hedge Accounting

The Consolidated Entity uses derivative financial instruments (foreign currency forward contracts) to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the profit and loss statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges, when they hedge the exposure to changes in the fair value of a recognised asset or liability; or
- cash flow hedges, when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

Hedges that meet the strict criteria for hedge accounting are accounted as follows:

- For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the profit and loss statement.
- For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged and the derivative is remeasured to fair value. Gains and losses from both are taken to the profit and loss statement.

The Consolidated Entity uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.



All of Consolidated Entity's foreign exchange forward contracts were valued using market comparison technique (Level 2) and there were no transfers between levels during the year. The fair values are based on third party independent valuation. Similar contracts are traded in an active market and the independent valuation reflects the actual transactions in similar instruments.

As at 30 June 2018, the Consolidated Entity holds derivative financial instruments carried at fair value of \$360,489 (2017: Nil). No ineffective portion of the hedge was recognised in the profit or loss (2017: Nil). The period in which the cash flows expect to affect the profit or loss is between 1 July 2018 to 30 January 2020.

(k) Furniture, Fittings and Equipment

Each class of furniture, fittings and equipment (FF&E) is carried at cost, less, where applicable, accumulated depreciation and impairment losses.

Depreciation

Items of the FF&E are depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Furniture, fittings and equipment	10% - 33.33%
Motor vehicle	Over the life of the project

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Asset classes carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income.

Motor vehicles are purchased purely for the purpose of running specific projects hence depreciated over the life of specific projects.

(l) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Goodwill is tested for impairment at least annually. Any impairment is recognised immediately in the income statement. Subsequent reversals of impairment losses for goodwill are not recognised. Management has compared the carrying value of Goodwill with expected future earnings using a Discounted Cash Flow methodology and concluded that there were no indicators of any impairment at the end of the reporting period.

(m) Intangible Assets

Development Cost

Polypill Development Costs are carried in the accounts of SmartGenRx Pty Ltd and recorded at cost. Polypill Development Costs have a finite life and are carried at cost less any accumulated amortisation and impairment losses. They have an estimated useful life of 20 years. They are assessed annually for impairment.

Trademark

Trademarks are recorded at cost. Trademarks have an infinite life and are carried at cost less any impairment losses. They are assessed annually for impairment.

Backlog

An order or production backlog arises from contracts such as purchase or sales orders. Backlog acquired in a business combination meets the contractual-legal criterion even if the purchase or sales orders are cancellable. On acquisition, contracts exist in which the engagement has been sold, yet no cash has been received and services remain to be performed on the contract. These contracts have economic value to the extent that they have the capability of providing a positive earnings stream that exceeds what is required to provide a return on the other assets employed.

Backlogs are recorded at fair value and have a finite life and are carried at cost less any accumulated amortisation and impairment losses. They have an estimated useful life of five years. They are assessed annually for impairment.

Non-Competition Agreements

The value of the Non-Competition Agreements is represented by the present value of the cash flows that would



be lost if competition occurs, adjusted for the effective probability that they would compete, and compete successfully.

Non-Competition Agreements acquired on a business combination are recorded at fair value and have a finite life and are carried at cost less any accumulated amortisation and impairment losses. They have an estimated useful life of one year. They are assessed annually for impairment.

Customer Relationships

Customer relationships arise from established relationships with pharmaceutical companies that use the Group's services on a continuous basis. The existence of a recurring revenue stream from these customers helps to establish the existence of a relationship between the Group and its customer base.

Customer Relationships acquired on a business combination are recorded at fair value and have a finite life and are carried at cost less any accumulated amortisation and impairment losses. They have an estimated useful life of four years. They are assessed annually for impairment.

(n) Impairment of Non-Financial Assets

At the end of each reporting period, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the consolidated entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an assets' class, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

(o) Trade and Other Payables

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

(p) Deferred Income

The liability for deferred income is the unutilised amounts of funding from research grants and contracts received on the condition that specified services are delivered or conditions fulfilled. The services are usually provided or conditions usually fulfilled within 12 months of receipt of the funding.

(q) Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(r) Employee Benefits

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Contributions are made by the consolidated entity to an employee superannuation fund and are charged as expenses when incurred.

Long Term Incentive Plan

During Financial year ending June 2018, Long Term Incentive (LTI) Plans were put in place for a small number of employees and executives in George Health Enterprises Pty Ltd (GHE) and its subsidiaries, as is common practice for executives in commercial organisations. This is part of the overall remuneration strategy of George Health Enterprises and its subsidiaries to attract, motivate and retain talent at its senior leadership level. These LTI Plans are designed to align the interests of participating employees and executives to the achievement of core strategic goals of GHE and to reward these participants for positive and sustained growth in business value.



Grants under the LTI Plans are approved by the GHE Board, and are made in the form of share appreciation rights (SARs). Each SAR provides participating employees and executives with a potential entitlement to an LTI outcome in the form of shares or, if the Board determines, in cash payment(s) of equivalent value, plus in certain plans a potential entitlement to notional "dividends".

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(t) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the lease term. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(u) Comparative Figures

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

When an entity applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period must be disclosed.

(v) Significant Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity.

Key judgements

Revenue from reciprocal grants and contracts

Revenue from reciprocal grants and contracts is recognised as revenue when services are performed or conditions fulfilled under the terms of the grant or contract. The recognition of revenue in relation to these grants and contracts requires the use of judgement in assessing the stage of completion, such as number of patients recruited and/or budgeted costs to complete.

Employee benefits estimation

A provision has been recognised for employee benefits relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.

Business combinations

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported

Share-based payments

A small number of executives in George Health Enterprises Pty Ltd and its subsidiaries, receive remuneration in the form of granted share appreciation rights (SAR). Each SAR provides a participant with a potential entitlement to a LTI outcome in the form of shares or, if the Board determines, in cash payment(s) of equivalent value, plus a potential entitlement to notional "dividends".

The estimation of the fair value of share-based payment awards such as SARs requires judgement with respect to the appropriate valuation methodology. The choice of valuation methodology is determined by the structure of the awards, particularly the vesting conditions. A description of the SAR arrangement that existed during the period, general terms and conditions of these arrangements such as vesting requirements, grant date and valuation methodologies used for the award is shown in note 23.

(w) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. There are no material impacts on the consolidated entity's results coming from these standards.



NOTE 2

SEGMENT REPORTING

Major Segments ('000)

	TGI Group [^] (Research)		GHE Group [#] (Commercial)		Eliminations [*]		Consolidated Entity	
	2018	2017	2018	2017	2018	2017	2018	2017
Segment Revenue								
Operating Revenue	45,846	39,005	50,079	43,193			95,925	82,199
Other Income	1,644	2,113	2,745	1,335			4,389	3,448
Intersegment Revenue	5,735	6,321	1,823	2,090	(7,558)	(8,411)	-	-
<i>Operating revenue as a % of consolidated revenue</i>	<i>48%</i>	<i>47%</i>	<i>52%</i>	<i>53%</i>				
Segment Expenses								
Employee Benefits Expense	29,708	27,507	28,416	18,089			58,124	45,596
Share based payment**	-	-	3,061	-			3,061	-
Depreciation and Amortisation Expense	1,011	882	830	295			1,841	1,177
Rental Expense	1,970	2,005	1,386	866			3,356	2,872
Administration Expense	2,172	2,082	1,645	764			3,817	2,845
Study Contract Fee	596	646	9,317	9,228			9,913	9,874
Patient Recruitment Expense	1,122	1,707	-	-			1,122	1,707
Consultants and Sub-Contractors Fee	1,606	1,830	2,318	4,645			3,924	6,475
Travel/ Accommodation Costs	2,383	1,894	1,037	932			3,420	2,827
Other Expenses	5,592	5,051	4,164	4,495			9,756	9,546
Share of Loss of Jointly Controlled Entity	464	542	-	-			464	542
Intersegment Expense	1,823	2,090	5,735	6,321	(7,558)	(8,411)	-	-
Total Expenses	48,447	46,237	57,910	45,636	(7,558)	(8,411)	98,798	83,461
Surplus/(Loss) Before Income Tax	4,779	1,204	(3,263)	982	-	-	1,516	2,186
Segment Assets (excluding intercompany debts)	36,554	35,927	39,684	39,702	-	-	76,238	75,629
Intercompany debts	10,563	6,540	-	-	(10,563)	(6,540)	-	-
<i>% on Total Group Assets (excluding Intercompany debts)</i>	<i>48%</i>	<i>48%</i>	<i>52%</i>	<i>52%</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Segment Liabilities (excluding intercompany debts)	43,284	37,177	15,829	25,739	-	-	59,113	62,915
Intercompany debts	-	-	10,563	6,540	(10,563)	(6,540)	-	-

[^] The George Institute for Global Health and the Research Entities it controlled for the financial year ended 30 June 2018

[#] George Health Enterprises and the Commercial Entities it controlled for the financial year ended 30 June 2018

^{*} Excluding Intersegment revenue and expense

^{**} Included in Employee Benefits Expenses in the Statement of Profit or Loss and further information in Note 23



NOTE 3

REVENUE AND OTHER INCOME

	Consolidated	
	2018	2017
	\$	\$
Operating Revenue		
<i>Revenue from government grants and other contract revenue</i>		
State/Federal government grants	30,406,026	31,561,554
Other organisations	65,519,368	50,637,044
Total Operating Revenue	95,925,394	82,198,598
Other Income		
Net foreign exchange gains (realised/unrealised)	152,172	-
Dividends received (including dividends reinvested)	222,071	306,368
Interest received	254,759	227,496
Gain on dilution/transfer of intellectual property	538,048	657,689
Gain on remeasurement of deferred consideration (Note 12)	1,148,699	-
Other	2,073,552	2,256,761
Total Other Income	4,389,301	3,448,314

NOTE 4

EXPENSES

	Consolidated	
	2018	2017
	\$	\$
Surplus for the year includes the following specific expenses:		
<i>Depreciation and Amortisation:</i>		
Furniture, fixture and equipment	1,272,931	1,078,841
Backlog	239,021	40,302
Non-Competition Agreements	62,829	12,784
Customer Relationships	266,650	44,960
	1,841,431	1,176,887
<i>Rental Expense:</i>		
Rental expense on operating leases	3,355,993	2,871,739
<i>Net Foreign Exchange Loss:</i>		
Net foreign exchange loss (realised and unrealised)	-	635,840
<i>Superannuation Expenses:</i>		
Defined contribution superannuation expense	2,380,489	2,230,088
<i>Share based payment expenses:</i>		
Share based payment expenses related to commercial entities*	3,061,302	-

*included in Employee Benefits Expenses in the Statement of Profit or Loss and further information in Note 23.



NOTE 5**CASH AND CASH EQUIVALENTS**

	Consolidated	
	2018	2017
	\$	\$
CURRENT		
Cash at bank	24,303,760	21,428,103
Cash on hand	4,939	5,027
	24,308,699	21,433,130

NOTE 6**TRADE AND OTHER RECEIVABLES**

	Consolidated	
	2018	2017
	\$	\$
CURRENT		
Trade receivables	16,639,679	21,221,067
Other receivables	120,230	2,002,113
	16,759,909	23,223,180

Credit Risk - Trade and Other Receivables

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

The following table details the Consolidated Entities' trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Consolidated Entity and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Consolidated Entity. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross amount	Past due and impaired	Past due but not impaired (days overdue)				Within initial trade terms
			< 30	31-60	61-90	> 90	
	\$	\$	\$	\$	\$	\$	\$
2018							
Trade receivables	16,639,679	-	3,772,679	245,497	1,138,533	-	11,482,970
Other receivables	120,230	-	-	-	-	-	120,230
Total	16,759,909	-	3,772,679	245,497	1,138,533	-	11,603,200
2017							
Trade receivables	21,221,067	-	5,768,271	649,900	509,438	-	14,293,458
Other receivables	2,002,113	-	-	-	-	-	2,002,113
Total	23,223,180	-	5,768,271	649,900	509,438	-	16,295,571

The Consolidated Entity does not have any trade and other receivables whose terms have been renegotiated, but which would otherwise be past due or impaired.



NOTE 7

OTHER ASSETS

	Consolidated	
	2018	2017
	\$	\$
CURRENT		
Prepayments	2,377,262	1,524,979
Deposits and bonds	1,179,859	1,379,963
Other receivables	11,395	-
Loan to Ellen Medical Pty Ltd	270,000	80,000
	3,838,516	2,984,942

NOTE 8

ACCRUED INCOME

	Consolidated	
	2018	2017
	\$	\$
CURRENT		
Accrued income - revenue recognised but unbilled	6,928,621	4,257,005

NOTE 9

INVESTMENTS

	Consolidated	
	2018	2017
	\$	\$
NON-CURRENT		
Available-for-sale financial assets comprise:		
Securities in listed corporations	6,295,905	5,367,264
Held-to-maturity Investments comprise:		
Term deposits/bank bills - maturity less than 12 months	1,249,792	1,544,822
	7,545,697	6,912,086

NOTE 10

INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

The Consolidated Entity accounts for investments in jointly controlled entities using the equity method. Investments are in companies incorporated in Australia unless otherwise specified.

Name	Principal place of business / Country of incorporation	Ownership interest	
		2018 %	2017 %
SmartGenRx Pty Ltd	Australia	62.11%	72.58%

The above 62.11% is representative of the B Share holding as of 30 June 2018, upon which the net result of the SmartGenRx Pty Ltd is allocated. Control is based on the holding of A shares, which are split 50% to each of the partners, which prevents the Consolidated Entity from having control.



NOTE 10: INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)
Summarised financial information;

	SmartGenRx Pty Ltd	
	2018	2017
	\$	\$
<i>Summarised statement of financial position</i>		
Current assets	1,039,805	691,169
Non-current assets	1,001,193	1,001,193
Total assets	2,040,998	1,692,362
Current liabilities	47,923	92,077
Non-current liabilities	-	-
Total liabilities	47,923	92,077
Net assets	1,993,075	1,600,285
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	-	-
Expenses	757,210	747,435
Loss before income tax	757,210	747,435
Income tax expense	-	-
Loss after income tax	757,210	747,435
Other comprehensive expense	-	-
Total comprehensive loss	757,210	747,435
<i>Reconciliation of the consolidated entity's carrying amount</i>		
Opening carrying amount	1,374,928	1,259,732
Equity contribution to jointly controlled entity	538,048	657,689
Share of loss after income tax	(463,598)	(542,493)
Closing carrying amount	1,449,378	1,374,928



NOTE 11

PLANT, FITTINGS AND EQUIPMENT

	Consolidated	
	2018	2017
	\$	\$
NON-CURRENT		
Furniture, Fixtures and Equipment		
At cost	14,311,133	12,873,077
Less accumulated depreciation	(8,174,030)	(6,907,354)
	6,137,103	5,965,723

Movements in Carrying Amounts

Movement in the carrying amounts for each class of Furniture, Fixtures and equipment between the beginning and the end of the current and last financial year:

	Consolidated	
	2018	2017
	\$	\$
Carrying amount at the beginning of the year	5,965,723	1,256,813
Additions at cost	1,364,431	5,725,358
Exchange differences	79,880	62,393
Depreciation expense	(1,272,931)	(1,078,841)
Carrying amount at the end of the year	6,137,103	5,965,723



NOTE 12

GOODWILL AND INTANGIBLE ASSETS

	Consolidated	
	2018 \$	2017 \$
NON-CURRENT		
Goodwill		
Vector Oncology	7,307,569	7,021,613
Intangible Assets		
Trademark - at cost	202,643	189,329
Backlog - at fair value	964,687	1,168,747
Non-Competition Agreements - at fair value	-	63,919
Customer Relationships - at fair value	795,449	1,034,083
	1,962,779	2,456,078

Movements in Carrying Amounts

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

	Goodwill	Trademark	Backlog	Non-Competition Agreements	Customer Relationships
	\$	\$	\$	\$	\$
2018					
Carrying amount at the beginning of the year	7,021,613	189,329	1,168,746	63,919	1,034,083
Acquisitions/Additions	-	13,313	-	-	-
Amortisation expense	-	-	(239,021)	(62,829)	(266,650)
Impairment	-	-	-	-	-
Exchange differences	285,957	-	34,962	(1,090)	28,016
Carrying amount at the end of the year	7,307,570	202,642	964,687	-	795,449

	Goodwill	Trademark	Backlog	Non-Competition Agreements	Customer Relationships
	\$	\$	\$	\$	\$
2017					
Carrying amount at the beginning of the year	-	167,229	-	-	-
Additions - Vector Oncology	7,021,613*	22,100	1,209,049	76,703	1,079,043
Amortisation expense	-	-	(40,302)	(12,784)	(44,960)
Impairment	-	-	-	-	-
Carrying amount at the end of the year	7,021,613	189,329	1,168,747	63,919	1,034,083



NOTE 12: GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

***Business combinations**

On 1 May 2017, George Clinical INC, a private company registered in Delaware, United States of America (USA) and a wholly owned subsidiary of George Clinical Pty Ltd, acquired the assets of the Pharmaceutical Services division of Vector Oncology Solutions, LLC for a total consideration transferred of USD5,687,250 (AUD7,393,721 - base purchase price of USD6m net of working capital adjustments) with a further two payments of USD1 million per year over two years as Earnout** contingent upon the business achieving minimum EBITDA targets. The Pharma Services business is a Phase 1-4 clinical Contract Research Organisation (CRO) focused on oncology clinical trials across the United States of America. The Pharma Services business has more than 40 employees operating out of two offices in Memphis (TN) and Kansas City (MO) in addition to home-based staff based in 17 states. The acquisition opens up a new therapeutic area and a new geographic presence for George Clinical Pty Ltd, those being oncology in the USA, the largest and fastest growing markets in the global CRO space.

Details of the acquisition are as follows;

	Fair value \$
Cash and cash equivalents	348,501
Trade receivables	1,951,780
Accrued income	1,036,302
Prepayments	613,838
Plant and equipment	37,790
Intangible asset - Backlog	1,209,049
Intangible asset - Non-competition agreements	76,703
Intangible asset - Customer relationship	1,079,043
Trade payable	(316,702)
Accruals	(428,519)
Deferred revenue	(2,916,951)
Net Assets acquired	2,690,834
Contingent consideration (Earn-out payment)**	(2,430,531)
Goodwill	7,021,613
Acquisition-date fair value of the total consideration transferred	<u>7,281,916</u>
Representing:	
Cash paid or payable to vendor	7,393,721
Less: Working capital adjustment (receivable)	(111,805)
	<u>7,281,916</u>
Acquisition costs expensed to profit or loss	<u>549,000</u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	7,393,721
Less: cash and cash equivalents	(348,501)
Net cash used	<u>7,045,220</u>

** There was a subsequent change in the fair value of the contingent consideration (second earn-out payment) classified as a liability in the last financial year which has been recognised in profit or loss (USD869,565: AUD1,148,699) in the period ending 30 June 2018.



NOTE 13

TRADE AND OTHER PAYABLES

	Consolidated	
	2018	2017
	\$	\$
CURRENT		
Trade payables	4,629,976	4,576,646
Other payables and accruals	4,686,869	7,247,032
	9,316,845	11,823,678

NOTE 14

DEFERRED INCOME

	Consolidated	
	2018	2017
	\$	\$
CURRENT		
Deferred income - unutilised amount of funding	36,294,468	36,098,898

NOTE 15

PROVISIONS

	Consolidated	
	2018	2017
	\$	\$
CURRENT		
Employee benefits - annual leave	2,554,882	2,348,303
Employee benefits - long service leave	1,244,294	1,154,465
Bonus provision	2,022,268	2,041,562
	5,821,444	5,544,330

	Bonus provision
	\$
Carrying amount at the beginning of the year	2,041,562
Utilised during the year	(2,041,562)
Additional provision recognised	2,022,268
Carrying amount at the end of the year	2,022,268



NOTE 16

BORROWINGS

	Consolidated	
	2018	2017
	\$	\$
CURRENT		
Bank Loan	1,500,000	1,500,000
NON-CURRENT		
Bank Loan	2,600,000	4,500,000
	4,100,000	6,000,000

NOTE 17

OTHER LIABILITIES

	Consolidated	
	2018	2017
	\$	\$
CURRENT		
1 King St Fit-Out	300,000	300,000
Hedge Liabilities Derivatives (OTM)	361,914	-
	661,914	300,000
NON-CURRENT		
1 King St Fit-Out	2,225,000	2,525,000
	2,225,000	2,525,000

NOTE 18

PROVISIONS

	Consolidated	
	2018	2017
	\$	\$
NON-CURRENT		
Employee benefits - long service leave	693,131	623,583

NOTE 19

CAPITAL AND LEASING COMMITMENTS

	Consolidated	
	2018	2017
	\$	\$
Operating Lease Commitments		
<i>Non-cancellable operating leases contracted for but not capitalised in the financial statements</i>		
<i>Payable - minimum lease payments</i>		
Less than one year	3,258,947	2,489,210
Between one and five years	9,761,127	9,698,947
More than five years	-	700,833
	13,020,074	12,888,990



NOTE 20

CONTINGENT LIABILITIES

There are no contingent liabilities or contingent assets at 30 June 2018 (30 June 2017: \$Nil)

NOTE 21

KEY MANAGEMENT PERSONNEL COMPENSATION

	Consolidated	
	2018	2017
	\$	\$
Total compensation	1,523,282	1,260,249

The aggregate compensation made to Directors and other members of key management personnel of the Company is set out above.

NOTE 22

RELATED PARTY DISCLOSURES

	2018	2017
	\$	\$
a) Key management personnel		
Disclosures relating to key management personnel are set out in note 20		
b) Loans to Related Parties		
George Institute for Global Health (India)	-	339,365
George Clinical Pty Ltd	5,202,744	3,580,661
George Clinical Asia Pacific Limited	-	63,301
George Clinical (UK) Limited	-	152,266
George Health Enterprises Pty Ltd	3,788,015	-
George Medicines Pty Ltd	741,560	-
George Health Technologies Pty Ltd	608,794	-
George Health Enterprises UK Ltd	88,747	-
The above loans eliminate on consolidation		
c) Loans from Related Parties		
Beijing George Medical Research Co. Ltd	(476,479)	(175,461)
George Institute for Global Health (India)	(159,526)	-
George Partners Limited	(29,157)	(97,949)
Academic Alliance for Clinical Trials LLP	(3,316,265)	(3,316,265)
The above loans eliminate on consolidation		



NOTE 23

SHARE-BASED PAYMENTS

A description of the SAR (Share Appreciation Rights) arrangements that were granted during the period, general terms and conditions of arrangements such as vesting requirements, grant date and valuation methodologies used for the award etc. is shown in the table below;

LTI Plan	Award type	Vesting/Performance condition	Grant Date(s)	Exercise Date	Valuation method	Expected life
George Health Enterprises Pty Ltd (GHE)	Share Appreciation Rights ('SARs')	Time based service Condition (non-market)	13 April 2018 1 May 2018	31 August 2021	Binomial tree	3.2 to 3.4 years
GHE Subsidiary - George Medicines Pty Ltd (GM)	Share Appreciation Rights ('SARs')	Time based service Condition (non-market)	26 March 2018	31 August 2021	Binomial tree	3.2 to 3.4 years
GHE Subsidiary - George Health Technologies Pty Ltd (GHT)	Share Appreciation Rights ('SARs')	Time based service Condition (non-market)	13 April 2018 1 May 2018	31 August 2021	Binomial tree	3.2 to 3.4 years
GHE Subsidiary - George Clinical Pty Ltd (GC)	Share Appreciation Rights ('SARs')	1. Equity value hurdle of GC (market) 2. Annual contribution to the George Institute for Global Health Ltd (non-market) 3. Time based service condition (non-market)	20 September 2017	31 August 2021	Monte-Carlo simulation	3.9 years

Total number of SARs granted during the period was 16 with a valuation of \$3,061,302 (2017: Nil). No SARs were forfeited or exercised during the period ending 30 June 2018. The Weighted Average Exercise price of the SARs as of 30 June 2018 is \$48.74 Million. The share based payment expense of the SAR transactions were determined by the fair value at the date when the grants were made using an appropriate valuation model as outlined above.

The share based payment expense was recognised within employee benefits expense (Note 4), together with a corresponding increase in equity (Share-based payment reserve), over the period in which the service and, where applicable, any performance conditions are fulfilled (the vesting period).

Allocation

The allocation is the percentage of the respective company value in excess of the exercise price, where applicable, that the SAR holder will be entitled to, if the SARs vest.

Volatility

The volatility assumption is representative of the level of uncertainty expected in the movements of the respective Company's valuation over the life of the award.

Expected life

For reasons including non-transferability, risk aversion, taxation and wealth diversification, holders of such awards often exercise their entitlements differently to how they might be expected to, ignoring these factors. AASB 2 requires the consideration of these factors, for instance by using an expected life for awards which is less than the contracted life.



NOTE 23: SHARE-BASED PAYMENTS (CONTINUED)

The SARs vest at the earlier of a liquidity event, change of control event or the end of the performance period. The Company has determined an estimated vesting date following the end of the performance period. Once vested the SARs also remain in force indefinitely and do not lapse.

SARs will have the highest value when exercised immediately upon vesting, as the holder becomes entitled to receive dividends upon exercise. Therefore, we assume that the SARs will be exercised at the first opportunity.

Risk free interest rate

The risk free interest rate is the rate of return that would be expected on a riskless investment with term to maturity equal to the expected life of the award. The risk free interest rate derived from the implied zero coupon yield from Australian government bonds. The risk free interest rate is expressed as a continually compoundable rate.

Dividends

George Health Enterprises Pty Ltd and its subsidiaries do not expect to pay dividends over the life of the SARs. Special dividends are payable to SAR holders at the end of the performance period, provided there has been no liquidity event or change of control and none is envisaged within the 24 months following the end of the performance period. In this circumstance, an annual dividend is payable to fully vested SARs holders based on the Company's dividend policy.

Impact of dilution

The consolidated entity expects the SARs to be settled with newly issued shares. As such, the dilution impact of the SARs awarded has been determined to be a materially impacting factor in the calculation of the value of the awards. Accordingly, the fair value of the SARs are adjusted for potential dilution.



NOTE 24

CASH FLOW INFORMATION

	Consolidated	
	2018	2017
	\$	\$
a. Reconciliation of cash and cash equivalents		
Cash at bank	24,303,760	21,428,103
Cash on hand	4,939	5,027
	24,308,699	21,433,130
b. Reconciliation of Cash flow from Operations with Surplus		
<i>Surplus after income tax</i>	1,039,030	1,235,405
<i>Non-cash flows:</i>		
Depreciation and amortisation	1,841,431	1,176,887
Non-cash employee benefits expense - share based payments	3,061,302	-
Gain on remeasurement of deferred consideration	(1,148,699)	-
(Gain) on disposal of available-for-sale financial assets	(3,515)	(70,989)
Dividends reinvested	(222,071)	(306,368)
Share of loss of jointly controlled entity	463,598	542,493
Net exchange differences	417,866	263,539
<i>Changes in assets and liabilities:</i>		
Decrease/(increase) in trade and other receivables	6,463,271	(9,197,953)
(Increase)/decrease in other assets	(853,574)	391,023
(Decrease)/increase in trade and other payables	(2,506,833)	4,743,040
(Decrease)/increase in deferred income	(2,476,046)	4,399,254
Increase in provisions	346,662	978,709
Increase in other liabilities	61,914	2,625,000
Net cash generated from operating activities	6,484,336	6,780,040



NOTE 25

PARENT ENTITY DISCLOSURES

Set out below is the supplementary information about the Parent Company.

	2018 \$	2017 \$
Results of parent entity		
Surplus/(Deficit) for the year	7,946,116	(180,304)
Other comprehensive income	376,075	569,306
Total comprehensive income for the year	8,322,191	389,002
Financial position of parent entity at year end		
Current assets	25,527,465	26,343,476
Total assets	58,915,684	54,935,893
Current liabilities	40,539,664	44,937,345
Total liabilities	43,757,354	48,085,928
Total equity of the parent entity comprising of:		
Accumulated surplus	14,024,244	6,078,128
Available-for-sale financial asset reserve	1,147,911	771,836
Cash Flow Hedge Reserve	(13,825)	-
Total equity	15,158,330	6,849,964



NOTE 26

SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1 (a);

Beijing George Medical Research Co. Ltd

Country of Incorporation: China
Percentage owned: 100% (2017: 100%)

George Institute for Global Health

Country of Incorporation: India
Percentage owned: 100% (2017: 100%)

The George Institute for Global Health (UK)

Country of Incorporation: United Kingdom
Percentage owned: 100% (2017: 100%)

The George Foundation for Global Health Limited

Country of Incorporation: Australia
Percentage owned: 100% (2017: 100%)

George Partners Limited

Country of Incorporation: United Kingdom
Percentage owned: 100% (2017: 100%)

Academic Alliance for Clinical Trials LLP

Country of Incorporation: United States of America
Percentage owned: 100% (2017: 100%)

George Health Enterprises Pty Limited

Country of Incorporation: Australia
Percentage owned: 100% (2017: 100%)

George Medicines Pty Limited

Country of Incorporation: Australia
Percentage owned: 100% (2017: 100%)

George Health Technologies Pty Ltd*

Country of Incorporation: Australia
Percentage owned: 100% (2017: 100%)

George Health Enterprises UK Limited

Country of Incorporation: Australia
Percentage owned: 100% (2017: 100%)

George Clinical Pty Ltd

Country of Incorporation: Australia
Percentage owned: 100% (2017: 100%)

George Clinical India Private Ltd

Country of Incorporation: India
Percentage owned: 100% (2017: 100%)

George Clinical Asia Pacific Limited

Country of Incorporation: Hong Kong
Percentage owned: 100% (2017: 100%)

George Clinical (UK) Limited

Country of Incorporation: United Kingdom
Percentage owned: 100% (2017: 100%)

George Clinical Inc.

Country of Incorporation: United States of America
Percentage owned: 100% (2017: 100%)

*Formerly known as George Care Pty Ltd




DIRECTORS' DECLARATION

In the Directors' opinion:

1. the financial statements and notes, as set out on pages 10 to 36, are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* including;
 - a) complying with Australian Accounting Standards - Reduced Disclosure Requirements;
 - b) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of the performance for the year ended on that date.
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Michael John Hawker (Director)

Dated this 31 day of August 2018



Stephen William MacMahon (Director)

Dated this 31 day of August 2018



INDEPENDENT AUDITOR'S REPORT

To the members of The George Institute for Global Health

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of The George Institute for Global Health and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of The George Institute for Global Health, is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards - Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other information

Those charged with governance are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Group's Directors' report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of responsible entities for the Financial Report

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

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

The directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

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

This description forms part of our auditor's report.

BDO East Coast Partnership



Paul Bull
Partner

Sydney, 31 August 2018