

HCF Research Foundation

ABN 40 577 146 605

Special Purpose

Financial Report for the year ended

30 June 2020

Financial Statements

For the year ended 30 June 2020 - HCF Research Foundation

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Trustee Report

HCF Research Foundation Ltd (the 'Corporate Trustee') as the trustee of HCF Research Foundation (the 'Foundation') has pleasure in submitting its report for the year ended 30 June 2020.

The special purpose Financial Report of the Foundation was authorised for issue in accordance with a resolution of the Directors of the Corporate Trustee on 2 September 2020.

Directors

The names of the Directors of the Corporate Trustee in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

- Lisa M. McIntyre (Chair)
- John M. Barrington
- Claire L. Jackson
- Sheena G. Jack
- Helen Lapsley (retired 3 December 2019)
- Mary E Rummery (retired 3 December 2019)

Honorary Secretary

Nathan Francis held office as Honorary Secretary of the Foundation to the date of this report.

Principal activities

The principal activities of the Foundation within Australia during the financial year or up to the date of this report were to invest funds, and to provide research grants within the provisions of the Trust Deed.

Results and Dividends

Results

The net loss after income tax was \$448,103 (2019: profit of \$678,816).

Dividends

No dividends have been paid or declared since the end of the previous financial year, nor do the Directors recommend the declaration of a dividend.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Foundation during the financial year.

Trustee Report (continued)

Significant events after the balance date

There have been no significant events that occurred after the balance date which may affect either the Foundation's operations or results of those operations or the Foundation's state of affairs in future years.

As the impact of COVID-19 continues, there is heightened uncertainty in terms of the severity and duration of economic recession and volatility in the investment markets. The Foundation will continue to manage and respond to these risks presented.

Likely developments and expected results

The investment strategy of the Foundation will be maintained in accordance with the Foundation's Trust Deed. Future investment income will depend on the performance of investment markets in which the Foundation chooses to invest.

The Research Foundation Board have undertaken a review of the Strategic Direction of the Research Foundation and the recommendations include an extension of the grant programs and increased annual grant and management expense expenditure. Once the strategy is endorsed by the Research Foundation Board, formal approval will be requested of the HCF Board for drawdown on the corpus. The drawdown has had in principle agreement from the HCF Board during the strategy consultation process.

Environmental regulation and performance

The Foundation is not subject to any particular or significant environmental regulation under laws of the Commonwealth, State or Territory.

Auditor's Independence Declaration

To the Directors of the Corporate Trustee of the HCF Research Foundation.

We have received an independence declaration from our auditors, Ernst & Young, which is set out below and forms part of the Trustee Report for the year ended 30 June 2020.

Signed in accordance with a resolution of the Directors.



L.M. McIntyre
Chair

Sydney

2 September 2020



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Auditor's Independence Declaration to the Directors of the Trustee of the HCF Research Foundation

In relation to our audit of the financial report of the HCF Research Foundation for the financial year ended 30 June 2020, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Australian Charities and Not-for profits Commission Act 2012* or any applicable code of professional conduct.

Ernst & Young

David Jewell
Partner
2 September 2020

Trustee Declaration

In accordance with a resolution of the Directors of the Corporate Trustee of the Foundation, I state that:

In the opinion of the Directors:

- (a) the Foundation is not a reporting entity as defined in the Australian Accounting Standards;
- (b) the financial statements and notes of the Foundation are prepared in accordance with the Australian Charities and Not-for-Profits Commission Act 2012, including:
 - (i) present fairly the Foundation's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
 - (ii) comply with Australian Accounting Standards to the extent described in the notes to the financial statements and complying with the Australian Charities and Not-for-Profits Commission Regulation 2013;
- (c) there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



L.M. McIntyre
Chair

Sydney

2 September 2020

Financial Statements

Statement of Comprehensive Income

For the year ended 30 June 2020

		2020	2019
	Notes	\$	\$
Investment income	1	1,235,112	1,529,948
Movements in financial assets at fair value through profit or loss		(616,833)	425,017
Total income		618,279	1,954,965
Research grants		(865,630)	(1,141,037)
Administrative and other expenses	2	(200,752)	(135,112)
Total expenses		(1,066,382)	(1,276,149)
(Loss)/Profit before tax		(448,103)	678,816
Income tax expense		-	-
Net (loss)/profit after tax		(448,103)	678,816
Other comprehensive income		-	-
Total comprehensive (loss)/income after tax		(448,103)	678,816

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Research grants presented in the Statement of Comprehensive Income includes approved research grants of \$1,463,501 (2019: \$1,206,000) during the year, reduced by research grants returned of \$597,871 (2019: \$64,963).

Financial Statements

Statement of Financial Position

As at 30 June 2020

		2020	2019
	Notes	\$	\$
Assets			
Cash and cash equivalents	3(b)	666,716	777,966
Distribution receivables		818,461	883,282
Financial assets at fair value through profit or loss	4	48,456,220	49,073,053
GST receivables	5	53,676	22,344
Total assets		49,995,073	50,756,645
Liabilities			
Research grants payable	6	1,268,204	1,587,166
Trade and other payables	7	37,653	32,160
Total liabilities		1,305,857	1,619,326
Net Assets		48,689,216	49,137,319
Equity			
Trust capital		1,000	1,000
Retained earnings		48,688,216	49,136,319
Total equity		48,689,216	49,137,319

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Financial Statements

Statement of Cash Flows

For the year ended 30 June 2020

		2020	2019
	Notes	\$	\$
Cash flows from operating activities			
Interest received		3,894	13,383
Imputation tax refund received		59,979	38,552
GST received		84,893	129,456
Research grants paid		(1,282,073)	(1,417,109)
Payments to suppliers		(214,003)	(125,390)
Net cash flows used in operating activities	3(a)	(1,347,310)	(1,361,108)
Cash flows from investing activities			
Distributions received		1,236,060	1,342,775
Net cash flows from investing activities		1,236,060	1,342,775
Net decrease in cash and cash equivalents		(111,250)	(18,333)
Balance at start of period		777,966	796,299
Balance at end of period	3(b)	666,716	777,966

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Financial Statements

Statement of Changes in Equity

For the year ended 30 June 2020

	Issued capital	Retained earnings	Total equity
	\$	\$	\$
As at 1 July 2019	1,000	49,136,319	49,137,319
Net loss after income tax	-	(448,103)	(448,103)
Balance at end of period	1,000	48,688,216	48,689,216
<hr/>			
As at 1 July 2018	1,000	48,457,503	48,458,503
Net profit after income tax	-	678,816	678,816
Balance at end of period	1,000	49,136,319	49,137,319

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2020

The HCF Research Foundation was established on 29 June 2000 by the execution of a Trust Deed between The Hospitals Contribution Fund of Australia Limited and the Trustee of the Foundation. The Foundation is domiciled in Australia. The registered office is located at 403 George Street, Sydney, NSW, 2000.

The Financial Report is a special purpose financial report which:

- has been prepared to fulfil the Corporate Trustees financial reporting requirements under the Trust Deed;
- has been prepared on a historical cost basis, except financial assets which are measured at fair value;
- has been prepared on a going concern basis;
- the requirements of Accounting Standards and other financial reporting requirements in Australia do not have mandatory applicability to the Foundation because it is not classified as a 'reporting entity';
- is presented in Australian dollars;
- the accounting policies used in the preparation of this financial report, as described below, are consistent with the financial reporting requirements of the Trust Deed and with previous years, and are, in the opinion of the Directors of the Corporate Trustee, appropriate to meet the requirements of the Trust Deed; and
- the accounting policies adopted reflect the fiduciary nature of the Corporate Trustees' responsibility for the assets and liabilities of the Foundation.

The Directors have prepared the financial report in accordance with all Accounting Standards and other mandatory financial reporting requirements in Australia with the following exceptions:

- AASB 124 Related Party Disclosures
- AASB 132 Financial Instruments - Presentation
- AASB 7 Financial Instruments - Disclosures

Income tax

The Foundation is an Income Tax Exempt Charity. The Foundation has been registered under the provisions of *The Charitable Fundraising Act 1991* and in accordance with Subdivision 50-B of the *Income Tax Assessment Act 1997* is not liable for income tax.

Notes to the Financial Statements

For the year ended 30 June 2020

Notes

The notes include information which is required to understand the financial report and is material and relevant to the operations, financial position and performance of the Foundation. Information is considered material and relevant if:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Foundation;
- it helps to explain the impact of significant changes in the Foundation's business; and
- it relates to an aspect of the Foundation's operations that is important to its future performance.

The notes are organised into the following sections:

Key numbers: provides a breakdown of individual line items in the financial statements that the Directors consider most relevant and summarises the accounting policies, judgements and estimates relevant to understanding these line items;

Unrecognised items: provides information about items that are not recognised in the financial statements but could potentially have an impact on the Foundation's financial position and performance; and

Other: provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements however, are not considered critical in understanding the financial performance or position of the Foundation.

Notes to the Financial Statements

For the year ended 30 June 2020

1. Investment Income

	2020	2019
	\$	\$
Distribution income	1,171,239	1,478,013
Imputation tax refunds	59,979	38,552
Interest income	3,894	13,383
Total income	1,235,112	1,529,948

Recognition and measurement

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured.

(a) Distribution income

Distribution income is recognised when the Foundation's right to receive the income is established.

(b) Interest income

Interest income is recognised on an accrual basis.

Notes to the Financial Statements

For the year ended 30 June 2020

2. Expenses

	2020	2019
	\$	\$
Administrative charge from HCF	78,591	83,213
Consultancy	99,915	7,825
Travel expenses	12,709	20,253
Audit fees	5,500	5,500
Sundry expenses	668	2,478
Training	-	486
Printing	2,043	496
Advertising	1,228	14,543
Bank fees	98	318
Total expenses	200,752	135,112

Recognition and measurement

Administrative charge from HCF

During the past year, HCF supplied supporting services and other administrative functions to the Foundation on a cost recovery basis.

Notes to the Financial Statements

For the year ended 30 June 2020

3. Cash and Cash Equivalents

	2020	2019
	\$	\$
(a) Reconciliation of net profit after tax to the net cash flows from operations		
Net (loss)/profit after tax	(448,103)	678,816
Adjustments to reconcile profit before tax to net cash flows:		
Changes in fair value designated through profit or loss	616,833	(425,017)
Distribution income	(1,171,239)	(1,478,014)
Changes in assets and liabilities		
Decrease in research grants payable	(318,962)	(147,771)
Increase in receivables	(31,332)	(10,208)
Increase in payables	5,493	21,086
Net cash flows used in operating activities	(1,347,310)	(1,361,108)

(b) Reconciliation of cash and cash equivalents

Cash on hand	666,716	777,966
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Recognition and measurement

Cash at bank and on deposit

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term highly liquid investments with original maturities of three months or less that are readily converted to known amounts of cash and which are subject to insignificant risk of change in value and bank overdrafts.

Notes to the Financial Statements

For the year ended 30 June 2020

4. Financial Assets at Fair Value Through Profit or Loss

	2020	2019
	\$	\$
Holdings in unlisted unit trust:		
JANA Tailored Trust No.3 (i)	48,456,220	49,073,053
Total financial assets at fair value through profit or loss	48,456,220	49,073,053

(i) JANA Tailored Trust No.3 - Liquidity overview: Units in the trust are generally realisable for cash within 10 business days.

Recognition and measurement

Financial assets at fair value through profit or loss are financial assets designated as fair value through profit or loss at initial recognition.

The fair value of investments traded in financial markets are determined by reference to quoted market bid prices at the close of business on the Statement of Financial Position date. Unlisted unit trusts are recorded at fund managers' valuation. Other valuation techniques are used to determine the fair value for all other unlisted securities.

Notes to the Financial Statements

For the year ended 30 June 2020

5. GST Receivables

	2020	2019
	\$	\$
GST receivables	53,676	22,344
Total GST receivables	53,676	22,344

Recognition and measurement

GST receivables arising from acquisitions made by the Foundation are recognised in the Statement of Financial Position in the month the acquisition is made and received from the Australian Government within 30 days.

The Foundation applies a simplified approach in calculating expected credit losses (ECLs), therefore does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Foundation has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Debts that are known to be uncollectable are written off when identified. If an amount is subsequently recovered, it is credited against Statement of Comprehensive Income.

6. Research Grants Payable

	2020	2019
	\$	\$
Maturity analysis		
No longer than 12 months	982,204	1,395,166
Longer than 12 months but less than 5 years	286,000	192,000
Total research grants payable	1,268,204	1,587,166

Recognition and measurement

Research grant expenses/payables are recognised at the date the contract for the grant is signed. The research grant expenses/payables are released in accordance with payment schedule as specified in the contract.

Notes to the Financial Statements

For the year ended 30 June 2020

7. Trade and Other Payables

	2020	2019
	\$	\$
HCF administration services	37,653	32,160
Total trade and other payables	37,653	32,160

Recognition and measurement

Liabilities for trade and other payables are carried at amortised cost. Payables to related parties are carried at the principal amount.

8. Commitments

The Foundation has no contractual commitments.

9. Contingent Assets and Liabilities

There are no research grants approved by the Corporate Trustee of the Foundation not yet reflected in the financials. Any such grants are brought to account when research agreements are completed.

10. Events After the Reporting Period

There have been no significant events occurring after the balance date which may affect either the Foundation's operations or results of those operations or the Foundation's state of affairs.

11. Trustee Remuneration

Helen Lapsley, Director of the Corporate Trustee did not receive any income from the Foundation during 2020 (2019: \$7,775) for review and preparation of documentation of applications for HCF Research Foundation.

12. Auditor's Remuneration

The auditor of HCF Research Foundation is Ernst & Young. Fees for services rendered by the Foundation's auditor in relation to the statutory audit was \$5,500 (2019: \$5,500). There are no non-audit services provided by Ernst & Young.

Notes to the Financial Statements

For the year ended 30 June 2020

13. New Accounting Standards

All new and amended Australian Accounting Standards and interpretations mandatory as at 1 July 2019 to the Foundation have been adopted, with no material impact.



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Independent auditor's report to the Directors of the Trustee of the HCF Research Foundation

Opinion

We have audited the accompanying financial report, being a special purpose financial report of the HCF Research Foundation ('the Foundation'), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Foundation is in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

- a) giving a true and fair view of the Foundation's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards to the extent described in notes to the financial statements, and 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 Foundation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of Matter - Basis of Accounting

We draw attention to notes to the financial statements, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Australian Charities and Not-for-Profits Commission Act 2012*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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

The directors of the Trustee are responsible for the other information. The other information is the Trustee Report accompanying the financial report.

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

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

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

Responsibilities of the Trustee for the Financial Report

The directors of the Trustee are responsible for the preparation of the financial report that gives a true and fair view and has determined that the basis of preparation described in the notes to the financial statements is appropriate to meet the requirements of the *Australian Charities and Not-for-Profits Commission Act 2012* and is appropriate to meet the needs of the Trustee.

The directors' 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.

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

Auditor's responsibility for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation'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 Foundation'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 Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



David Jewell
Ernst & Young
Sydney
2 September 2020