

LIONS EYE INSTITUTE LIMITED

ACN 106 521 439

GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

LIONS EYE INSTITUTE LIMITED
ACN 106 521 439

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LIONS EYE INSTITUTE LIMITED
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DIRECTORS' REPORT

The Directors present their report together with the financial report of Lions Eye Institute Limited ("the Company") for the year ended 31 December 2020 and the auditor's report thereon.

(i) DIRECTORS

The following persons were directors during the financial year and until the date of this report:

| | |
|--------------------|-----------------------------|
| Peter Forbes | (Chair) |
| Margaret Crowley | (Deputy Chair) |
| William Morgan | (Managing Director) |
| Rudolf Brunovs | |
| Ian McAllister | |
| Anthony Joyner | |
| Richard Alder | |
| Grant Waterer | |
| Erica Smyth | |
| Jane den Hollander | (Appointed 19 October 2020) |

Peter Forbes FCA, FAICD - Chair

Peter Forbes joined the Board of the Lions Eye Institute in 2014 and was elected Chairman in 2017. He is a Fellow of Chartered Accountants Australia and New Zealand and a Fellow of the Australian Institute of Company Directors. He is board member of the East Metropolitan Health Service, Chair of the Local Government Indemnity Scheme, and external member of the Law Society of WA's Professional Indemnity Insurance Management Committee.

Margaret Crowley BA, Dip.Ed., M.Ed.St, PhD, GAICD - Deputy Chair

Dr Margaret Crowley joined the Board of the Lions Eye Institute in 2016. She is an experienced Chief Executive Officer and Board Director and a graduate of the Australian Institute of Company Directors. She has held senior executive positions in state and national governments, universities and the not-for-profit sector - including 15 years as Chief Executive Officer of the Association for the Blind of WA Inc. She has served on state and Federal health boards and regulatory authorities over the last five years.

William Morgan, MBBS, FRANZCO, FRACS, PhD - Managing Director

Professor William (Bill) Morgan has been an ophthalmologist at the Lions Eye Institute for 25 years and was appointed Managing Director in July 2019 after joining the Board in 2018. He is a consultant ophthalmologist at Royal Perth and Perth Children's Hospitals, Director of the Centre for Ophthalmology and Visual Science at UWA, a visiting professor at the University of Udayana, Indonesia and Co-Director of the Lions Eye Institute's McCusker Glaucoma Centre.

Rudolf Brunovs MBA, FAICD

Rudolf Brunovs is a Fellow of the Institute of Chartered Accountants and the Australian Institute of Company Directors and holds a Masters of Business Administration. He retired as a partner of the chartered accounting firm Ernst & Young (now EY) after 27 years in a number of their offices. He is currently a Director and the Principal of Mainstay Consulting Pty Ltd and Non-Executive Director of Deep Yellow Limited. He joined the Board of the Lions Eye Institute in 2005.

Ian McAllister, DM (Ph.D.), MBBS, FRANZCO, FRACS

Professor Ian McAllister joined the Board of the Lions Eye Institute in 2010. He is a consultant ophthalmologist at the Lions Eye Institute and the Royal Perth Hospital. He is actively involved in research for cures for vitreoretinal disorders, especially retinal vascular disorders. He has been involved for many years in state-wide diabetic retinopathy screening and treatment and was vice-chairman of the Ophthalmic Research Institute of Australia and chairman of the Research Board.

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Anthony (Tony) Joyner, B. Juris (Hons), LLB

Tony Joyner joined the Board of the Lions Eye Institute in 2013. He has more than 30 years' experience as a commercial and corporate lawyer and for nine years was the Managing Partner of the Perth office of international law firm Herbert Smith Freehills, where he is currently employed as a partner and Global Head of Technology. He sat on the global board of the firm for nine years, and chaired its Risk Management and Audit Committee. He is also a board member of the WA Chamber of Commerce and Industry.

Richard Alder, A Fin, FAICD

Richard Alder joined the Board of the Lions Eye Institute in 2017. Richard is a Fellow of the Australian Institute of Company Directors and has worked in the securities industry since 1965. He was employed by JBWere for 31 years, consulted to Australia's largest ASX-listed investment company, Australian Foundation Investment Company, and was Employer Director on the Government Employees Superannuation Board.

Grant Waterer, MBBS, FRACP, FCCP, PhD, MBA

Professor Grant Waterer joined the Board of the Lions Eye Institute in 2018. He is a Fellow of the Royal Australasian College of Physicians and the American College of Chest Physicians. He is Professor of Medicine at UWA and Director of Clinical Services at Royal Perth Bentley Group. He holds a PhD focused on pneumonia and a Master of Business Administration.

Erica Smyth AC, FTSE, FAICD

Dr Erica Smyth AC joined the Board of the Lions Eye Institute in 2019. She is a Fellow of both the Australian Institute of Company Directors and the Academy of Technological Science and Engineering. She has 45 years' experience in the mineral and petroleum industries. She is currently a non executive Director of the MinEx Co-operative Research Centre and is a member of the Advisory Board of the UWA Oceans Institute Foundation.

Jane den Hollander AO

Professor Jane den Hollander joined the Board of the Lions Eye Institute in 2020. She received an Order of Australia for her distinguished service to tertiary education in the 2017 Australia Day Honours. She is currently a Director and Trustee of UniSuper Limited and Chair of its Remuneration Committee. She is also Chair of the Australian Global Health Alliance Board, Chair of the Centre for Stories Board and a Director of the Breakthrough Victoria Pty Ltd Board.

(ii) MEETINGS OF DIRECTORS

| | Held | Attended |
|---------------|-------------|-----------------|
| R Alder | 10 | 9 |
| R Brunovs | 10 | 10 |
| M Crowley | 10 | 10 |
| P Forbes | 10 | 10 |
| A Joyner | 10 | 8 |
| W Morgan | 10 | 10 |
| I McAllister | 10 | 10 |
| E Smyth | 10 | 8 |
| G Waterer | 10 | 10 |
| J D Hollander | 2 | 2 |

(iii) REVIEW OF OPERATIONS

The Company's operations for the financial year resulted in a surplus of \$4,134,602 (2019: \$8,482,757).

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(iv) PRINCIPAL ACTIVITIES

The Company's purpose is to prevent and cure blindness and eye disease. It aspires to better vision for all.

It seeks to achieve leadership in scientific research and clinical practice in the prevention of blindness and eye disease through:

- global leadership in scientific research
- translation of research into community outcomes
- a commitment to growing the reach of our research capabilities and clinical services
- development and training of outstanding eye care professionals and researchers
- community engagement and education to build awareness, maintain a high reputation, and increase funding

by:

- delivering excellent eye care
- conducting ongoing research, collaborating and pursuing national and international scientific linkages with other world class research and clinical groups to prevent blindness
- integrating and expanding clinical services and research activities, including in remote and regional areas
- teaching and training new ophthalmologists through the University of Western Australia and other international bodies
- providing strategic advice to state, national and international bodies on the prevention of blindness

(v) COMPANY INFORMATION

The Company is incorporated under the Corporations Act 2001 and is a public company limited by guarantee. If the Company is wound up, each member is required to contribute a maximum of \$10 each towards meeting any outstanding obligations of the entity. At 31 December 2020 the collective liability of members was \$490 (2019: \$490).

The Company's constitution does not permit dividends to be paid and thus no dividends were paid or are recommended to be paid.

(vi) ENVIRONMENTAL REGULATIONS

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

(vii) SUBSEQUENT EVENTS

No matters or circumstances that have arisen since the end of the financial period that have significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future years.

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(viii) INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

The Company has agreed to indemnify the current directors and officers of the Company against all liabilities in defending proceedings against them that may arise from their position as directors and officers of the Company unless the liability arises out of conduct involving a lack of good faith.

Insurance

The Company maintains insurance cover for directors and officers. During the year, the cost of premiums for this insurance was \$8,485 (2019: \$8,080).

(ix) INDEMNIFICATION AND INSURANCE OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during the financial period.

(x) AUDITOR'S INDEPENDENCE DECLARATION

A copy of auditor's independence declaration as required by Subdivision 60-C of the *Australian Charities and Not-for-Profits Commission Act 2012* is set out on page 5.

Signed in accordance with the resolution of the Board of Directors



P M Forbes
Chairman

Perth 18 August 2021



W H Morgan

Managing Director

Perth 18 August 2021



**Building a better
working world**

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Auditor's independence declaration to the directors of Lions Eye Institute Limited

As lead auditor for the audit of the financial report of Lions Eye Institute Limited for the financial year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of Subdivision 60-C of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- b. No contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Robert A Kirkby
Partner
18 August 2021

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DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Lions Eye Institute Limited ("the Company"), we state that in the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the *Australian Charities and Not-For-Profits Commission Act 2012*, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards – Simplified Disclosures and the *Australian Charities and Not-For-Profits Commission Regulation 2013*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



P M Forbes
Chairman

Perth 18 August 2021



W H Morgan
Managing Director

Perth 18 August 2021

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STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

| | Note | 2020 | 2019 |
|-------------------------------------|------|------------------|------------------|
| | | \$ | \$ |
| Revenue | | | |
| Revenue from ordinary activities | 4 | 31,451,527 | 31,333,959 |
| Other income | 5 | 5,433,163 | 7,362,758 |
| Expenses | | | |
| Materials, supplies and consumables | | (3,759,772) | (3,999,361) |
| Direct operating expenses | | (13,747,640) | (12,078,063) |
| Marketing expenses | | (441,220) | (441,326) |
| Research and development | | (6,914,457) | (6,472,825) |
| Occupancy costs | | (1,610,457) | (1,515,983) |
| Finance cost on lease liability | | (23,682) | (51,379) |
| Administrative expenses | | (6,252,860) | (5,655,023) |
| | | 4,134,602 | 8,482,757 |
| Surplus for the year | | 4,134,602 | 8,482,757 |
| Other comprehensive income | | - | - |
| Total comprehensive income | | 4,134,602 | 8,482,757 |

The accompanying notes form part of these financial statements.

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STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

| | Note | 2020 \$ | 2019 \$ |
|--|------|-------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 6 | 28,277,526 | 20,080,636 |
| Trade and other receivables | 7 | 6,079,229 | 4,280,602 |
| Inventories | 8 | 71,091 | 48,750 |
| Other current assets | 9 | 175,214 | 195,305 |
| TOTAL CURRENT ASSETS | | 34,603,060 | 24,605,293 |
| NON-CURRENT ASSETS | | | |
| Financial assets at fair value through profit and loss | 10 | 26,109,753 | 28,855,356 |
| Property, plant and equipment | 11 | 12,264,973 | 9,621,876 |
| Right-of-use assets | 12 | 1,073,031 | 1,409,869 |
| TOTAL NON-CURRENT ASSETS | | 39,447,757 | 39,887,101 |
| TOTAL ASSETS | | 74,050,817 | 64,492,394 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 11,770,307 | 6,538,538 |
| Lease liabilities | 14 | 297,617 | 198,791 |
| Employee provisions | 15 | 1,936,807 | 1,883,588 |
| TOTAL CURRENT LIABILITIES | | 14,004,731 | 8,620,917 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | 14 | 947,054 | 1,247,062 |
| Employee provisions | 15 | 867,015 | 527,000 |
| TOTAL NON-CURRENT LIABILITIES | | 1,814,069 | 1,774,062 |
| TOTAL LIABILITIES | | 15,818,800 | 10,394,979 |
| NET ASSETS | | 58,232,017 | 54,097,415 |
| EQUITY | | | |
| Retained earnings | | 58,232,017 | 54,097,415 |
| TOTAL EQUITY | | 58,232,017 | 54,097,415 |

The accompanying notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

| | Retained Earnings | Total |
|------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Balance at 1 January 2019 | 45,614,658 | 45,614,658 |
| Surplus for the year | 8,482,757 | 8,482,757 |
| Total comprehensive income | 8,482,757 | 8,482,757 |
| Balance 31 December 2019 | 54,097,415 | 54,097,415 |
| Surplus for the year | 4,134,602 | 4,134,602 |
| Total comprehensive income | 4,134,602 | 4,134,602 |
| Balance at 31 December 2020 | 58,232,017 | 58,232,017 |

The accompanying notes from part of these financial statements.

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STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

| | Note | 2020 | 2019 |
|--|------|--------------------------|--------------------------|
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Receipts from customers, donors and grantors | | 35,350,655 | 32,025,142 |
| Payments to suppliers and employees | | (29,046,608) | (30,532,953) |
| Net cash provided by operating activities | | <u>6,304,047</u> | <u>1,492,189</u> |
| Cash flows from investing activities | | | |
| Interest received | | 65,483 | 117,013 |
| Dividends received | | 1,352,140 | 1,270,928 |
| Proceeds from sale of investment securities | | 5,665,633 | 7,989,038 |
| Payments for investment securities | | (2,537,133) | (3,702,366) |
| Payments for property, plant and equipment | | (2,500,895) | (665,090) |
| Net cash provided by investing activities | | <u>2,045,228</u> | <u>5,009,523</u> |
| Cash flows from financing activities | | | |
| Repayment of lease interest | | (23,682) | (51,379) |
| Repayment of lease liabilities | | (128,703) | (145,721) |
| Net cash used in financing activities | | <u>(152,385)</u> | <u>(197,100)</u> |
| Net increase in cash and cash equivalents | | 8,196,890 | 6,304,612 |
| Cash and cash equivalents at 1 January | | 20,080,636 | 13,776,024 |
| Cash and cash equivalents at 31 December | 6 | <u><u>28,277,526</u></u> | <u><u>20,080,636</u></u> |

The accompanying notes form part of these financial statements

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. CORPORATE INFORMATION

Lions Eye Institute Limited is a not for profit company limited by guarantee incorporated on 1 October 2003 and domiciled in Australia. Its registered office and principal place of business is 2 Verdun Street, Nedlands WA 6009.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Statement of compliance

These general purpose financial statements have been prepared in compliance with the requirements of the *Australian Charities and Not-for-Profits Commission Act 2012* and *Australian Accounting Standards – Simplified Disclosures*.

The Company has opted to adopt AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (“AASB 1060”) ahead of its mandatory effective date of 1 July 2021. Other than the change in disclosure requirements, the adoption of AASB 1060 has no significant impact on the financial statements because the Company’s previous financial statements were prepared in full compliance with the recognition and measurement requirements of Australian Accounting Standards. As permitted by the amended AASB 1053 ‘Application of Tiers of Australian Accounting Standards’, comparative information is not provided for those disclosures that the Company had not previously made in the notes of its financial statements.

The financial statements have been prepared on a historical costs basis unless otherwise stated in the notes. The accounting policies that have been adopted in the preparation of this report are appropriate to meet the needs of the members.

Going concern

The financial statements have been prepared on a going concern basis which assumes the Company will be able to realise its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company had a net surplus of \$4,134,602 in the current year (2019: \$8,482,757). Current assets exceed current liabilities by \$20,598,329 (2019: \$15,984,376). Management has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

2.2 Revenue recognition

The Company recognises revenue under AASB 15 *Revenue from contracts with customers* (“AASB 15”) or AASB 1058 *Income for not-for-profit entities* (“AASB 1058”), where appropriate. In cases where there is an enforceable contract with a customer with sufficiently specific performance obligations, the transaction is accounted under AASB 15 where income is recognised when the performance obligations are satisfied. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with customer and excludes amounts collected on behalf of third parties.

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AASB 1058 applies when a not-for-profit entity enters into a transaction where the consideration paid to acquire an asset is significantly less than the fair value of the asset acquired principally to enable the Company to further its objectives. Any excess over the carrying amount of the asset acquired is recognised in profit or loss as income. Income is recognised when the Company obtains control of the asset.

Revenue from sale of goods and services

Revenue from sale of goods and services is recognised at the point in time when either control of the good sold is transferred to the customer or service is rendered. This is reflective of the transfer of control of the good or service to the customer.

Grant (including research)

The Company receives various grants for purposes of funding specific research and other activities. Revenue is measured at the amount of consideration to which the Company expects to be entitled to in exchange for the provision of the various milestones. Revenue is recognised over time as the services are provided with reference to the input method over the period during which the milestones are achieved. When there are conditions attached to funds received for specific purposes it is recognised in the Statement of Financial Position as a contract liability until such conditions are met or services provided.

The Company also receives grants to be used for its principal activities with no restrictions. As there are no sufficiently specific performance obligations under the arrangement, grant revenue is recognised at the point in time when the amount is received by the Company or when the Company becomes entitled to the amount.

For capital grants such as grants received to acquire or construct an asset, income is recognised when or as the obligations of the capital grants are met which will be when the asset is acquired or over the construction period.

Donations and bequests

The Company receives donations with no restrictions to enable the Company to further its objectives. Donation income is measured at the fair value of the consideration or asset received. Donation income is recognised at the point in time when the Company obtains control over the asset.

Government assistance and subsidies (including JobKeeper payments)

The Company accounts for government assistance and subsidies as income from the government as they are payments to enable the Company to further its objectives by continuing to employ its existing staff during the COVID-19 pandemic. These are mainly JobKeeper payments. The related amounts paid to employees are recognised as employee benefit expenses.

Interest income

Interest revenue is recognised as interest accrues using the effective interest rate (EIR) method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the EIR.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

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2.3 Income tax

The Company is a charitable and/or public benevolent institution as described under Section 50-5 of the Income Tax Assessment Act 1997, and is therefore exempt from income tax.

2.4 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is: i) expected to be realised or intended to be sold or consumed in the normal operating cycle, ii) held primarily for the purpose of trading, iii) Expected to be realised within twelve months after the reporting period or iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when i) it is expected to be settled in the normal operating cycle, ii) it is held primarily for the purpose of trading, iii) it is due to be settled within twelve months after the reporting period or iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The Group classifies all other liabilities as non-current.

2.5 Inventories

Inventories are measured at the lower of cost or net realisable value. Costs are assigned on a first-in first-out basis.

2.6 Property, plant and equipment

Property, plant and equipment is initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the management. Property, plant and equipment that have been contributed at no cost, or for nominal cost, are valued and recognized at the fair value of the asset at the date acquisition. Capital works in progress is stated at cost, net of accumulated impairment losses, if any. Depreciation of the asset begins when construction is complete and the asset is available for use.

Property, plant and equipment is subsequent measured using the cost model, less accumulated depreciation and impairment losses.

Depreciation is calculated on a straight line basis over the useful lives of the assets, commencing from the time the asset is held ready for use.

The useful lives of the assets are determined on an individual basis but in general the depreciation rates used for each class of depreciable assets are:

| Class of Fixed Assets | 2020 | 2019 |
|------------------------------|-------------|-------------|
| | % | % |
| Buildings | 2 - 4 | 2 - 4 |
| Building improvements | 5-20 | 5-20 |
| Plant & Equipment | 5-25 | 5-25 |
| Low Value | 100 | 100 |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

2.7 Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in profit or loss. During the period of development, the asset is tested for impairment annually.

2.8 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet.

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Where the company has a number of leases that have significantly below-market terms and conditions these are also recognised at cost. Further details on these are disclosed in the lease liability note 14.

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

The Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the incremental borrowing rate.

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Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

2.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient are measured at the original transaction price. Refer to the accounting policies in 2.2 Revenue recognition.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes cash and short-term deposits and trade and other receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

Impairment

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade and other receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company 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.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

ii) Financial liabilities

Initial recognition and subsequent measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

After initial recognition, trade and other payables are subsequently measured at amortised cost using the EIR method.

2.10 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Restricted cash represents funds earmarked for specific purposes that are spent at the discretion of the Company.

2.11 Employee benefits

Provision for employee benefits arising from services rendered by employees have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other 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.

2.12 Other income

Dividend revenue is recognised when the Company has established that it has a right to receive a dividend.

2.13 Changes in accounting policies and disclosures

Amendments and interpretations have been applied for the first time in 2020, but do not have an impact on the Company's financial statements.

Other than the early adoption of AASB 1060, as detailed in Note 2.1, the Company has not early adopted any standards, interpretations or amendments that has been issued but is not yet effective.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses (ECLs)

The Company uses a provision matrix to calculate ECLs for trade and other receivables and cash balances. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade and other receivables is disclosed in Note 7.

Revenue from contracts with customers

Key judgements include determining whether the contract is enforceable, whether the performance obligations are sufficiently specific, the timing of revenue from contracts with customers in terms of timing of satisfaction of performance obligations and determining the transaction price and the amounts allocated to performance obligations. The information about the revenue from contracts with customers is disclosed in Note 4.

Income for not-for-profit entities

Key judgements include determining whether funds are restricted and whether there is an obligation to repay unspent funds. The information about other income is disclosed in Note 5.

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4. REVENUE FROM ORDINARY ACTIVITIES

| | 2020 | 2019 |
|------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Sale of goods and services revenue | 18,914,972 | 20,848,603 |
| Grants (including research) | 10,253,150 | 7,704,565 |
| Donations and bequests | 1,679,366 | 2,455,161 |
| Other ancillary income | 604,039 | 325,630 |
| | <u>31,451,527</u> | <u>31,333,959</u> |
| | | |
| Point in time recognition | 21,198,377 | 23,629,394 |
| Over time recognition | 10,253,150 | 7,704,565 |
| | <u>31,451,527</u> | <u>31,333,959</u> |

All revenue is derived in Australia.

5. OTHER INCOME

| | 2020 | 2019 |
|--|------------------|------------------|
| | \$ | \$ |
| Government assistance and subsidies (i) | 3,936,486 | - |
| Dividends (ii) | 1,352,140 | 1,270,928 |
| Interest | 65,483 | 117,013 |
| Net fair value gains on financial assets at fair value | 77,291 | 5,974,817 |
| Other income | 1,763 | - |
| | <u>5,433,163</u> | <u>7,362,758</u> |

- (i) Government assistance and subsidies pertain to JobKeeper payment and cash flow boosts as part of the Government's response to COVID-19.
- (ii) Dividends are earned from the investments in equity funds and shares, which are classified as financial assets at fair value through profit or loss.

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6. CASH AND CASH EQUIVALENTS

| | 2020 | 2019 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Cash at bank and on hand | 451,009 | 592,773 |
| Short-term deposits | 14,975,615 | 8,710,323 |
| Total unrestricted cash and cash equivalents (i) | 15,426,624 | 9,303,096 |
| | | |
| Restricted cash deposit – Ian Constable Chair in Discovery and Translational Ophthalmic Science (ii) | 7,397,230 | 6,845,273 |
| Restricted cash deposit– Joyce Henderson bequest (iii) | 2,850,569 | 2,848,711 |
| Research Grant and Other Funds held on behalf of others (iv) | 2,603,103 | 1,083,556 |
| Total restricted cash | 12,850,902 | 10,777,540 |
| Total cash and cash equivalents | 28,277,526 | 20,080,636 |

- (i) Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.
- (ii) Donations received in response to a fundraising campaign to endow the Ian Constable Chair in Discovery and Translational Ophthalmic Science at the University of Western Australia have been designated by the Company as restricted cash.
- (iii) The Joyce Henderson Bequest Fund for Children's Eye Research and is managed by the Lions Eye Institute was established in December 2011. The fund is used to fund in perpetuity a full-time Paediatric Ophthalmology Fellowship position based at the Lions Eye Institute and Princess Margaret Hospital. This has been designed by the Company as restricted cash.
- (iv) Research grant and other funds held on behalf of others represent funds received for research purposes and on behalf of researchers with the Lions Eye Institute as the research institution.

The carrying amounts of cash and cash equivalents approximate their fair value.

The general cash available is as follows:

| | 2020 | 2019 |
|---|-------------------|------------------|
| | \$ | \$ |
| Short term cash at bank and at call deposits | 28,277,526 | 20,080,636 |
| Research Grant and Other Funds held on behalf of others | (2,603,103) | (1,083,556) |
| Restricted Cash – Ian Constable Chair in Discovery and Translational Ophthalmic Science | (7,397,230) | (6,845,273) |
| Restricted Cash – Joyce Henderson bequest | (2,850,569) | (2,848,711) |
| General cash available | 15,426,624 | 9,303,096 |

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7. TRADE AND OTHER RECEIVABLES

| | 2020 | 2019 |
|--------------------------------------|-------------|-------------|
| | \$ | \$ |
| Trade and other receivables | 6,406,973 | 4,350,602 |
| Provision for expected credit losses | (327,744) | (70,000) |
| | 6,079,229 | 4,280,602 |

Trade and other receivables are non-interest bearing and are generally on terms of 30 to 90 days.

ECL are recognised and measured in accordance with Note 2.9(i). ECL recognised amounted to \$257,744 during the year ended 31 December 2020 (2019: \$40,000).

8. INVENTORIES

| | 2020 | 2019 |
|--------------------------|-------------|-------------|
| | \$ | \$ |
| Finished goods – at cost | 71,091 | 48,750 |
| | 71,091 | 48,750 |

Cost of inventories sold to customers amounting to \$32,362, was recognised as an expense during the year (2019: \$52,511).

9. OTHER ASSETS

| | 2020 | 2019 |
|-------------|-------------|-------------|
| | \$ | \$ |
| Prepayments | 175,214 | 195,305 |
| | 175,214 | 195,305 |

Prepayments include prepaid insurance and other prepayments.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2020 | 2019 |
|--|-------------|-------------|
| | \$ | \$ |
| Investments in equity funds and shares | 26,109,753 | 28,855,356 |
| | 26,109,753 | 28,855,356 |

Fair values of these investments are determined by reference to published prices of the respective funds.

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11. PROPERTY, PLANT AND EQUIPMENT

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year were as follows.

| | Land | Buildings | Building Improvements | Plant and equipment | Capital Works in Progress | Total |
|-----------------------|------------------|------------------|--------------------------|------------------------|---------------------------------|-------------------|
| 2020 | | | | | | |
| Cost | | | | | | |
| At 1 January 2020 | - | 7,120,735 | 5,643,451 | 13,291,785 | 306,686 | 26,362,657 |
| Additions | 1,350,000 | - | 30,255 | 1,536,158 | 1,123,885 | 4,040,298 |
| Disposals | - | - | - | (1,844,366) | - | (1,844,366) |
| At 31 December 2020 | <u>1,350,000</u> | <u>7,120,735</u> | <u>5,673,706</u> | <u>12,983,577</u> | <u>1,430,571</u> | <u>28,558,589</u> |
| Depreciation | | | | | | |
| At 1 January 2020 | - | 4,139,916 | 1,208,042 | 11,392,823 | - | 16,740,781 |
| Depreciation | - | 140,220 | 342,352 | 863,777 | - | 1,346,349 |
| Disposals | - | - | - | (1,793,514) | - | (1,793,514) |
| At 31 December 2020 | <u>-</u> | <u>4,280,136</u> | <u>1,550,394</u> | <u>10,463,086</u> | <u>-</u> | <u>16,293,616</u> |
| Net book value | | | | | | |
| At 31 December 2020 | <u>1,350,000</u> | <u>2,840,599</u> | <u>4,123,312</u> | <u>2,520,491</u> | <u>1,430,571</u> | <u>12,264,973</u> |
| At 31 December 2019 | <u>-</u> | <u>2,980,819</u> | <u>4,435,409</u> | <u>1,898,962</u> | <u>306,686</u> | <u>9,621,876</u> |

Depreciation expense has been included in directing operating expense, administration expenses and research and development.

12. RIGHT-OF-USE ASSETS

| | 2020 \$ | 2019 \$ |
|-------------------------------|------------------|------------------|
| Office space | | |
| At cost | 1,516,831 | 1,591,574 |
| Less accumulated depreciation | (443,800) | (181,705) |
| | <u>1,073,031</u> | <u>1,409,869</u> |
| At 1 January | 1,409,869 | 561,948 |
| Additions | - | 1,029,626 |
| Depreciation | (264,359) | (181,705) |
| Lease remeasurements | (72,479) | - |
| At 31 December | <u>1,073,031</u> | <u>1,409,869</u> |

Depreciation expense has been included in directing operating expense and administration expenses.

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13. TRADE AND OTHER PAYABLES

| | 2020 | 2019 |
|-----------------------------------|-------------------|------------------|
| | \$ | \$ |
| Trade creditors and accruals (i) | 4,381,344 | 3,576,760 |
| Deferred income (ii) | 1,716,430 | 1,007,961 |
| Deferred capital grants (iii) | 3,069,430 | - |
| Unspent research grant funds (iv) | 2,603,103 | 1,953,817 |
| | <u>11,770,307</u> | <u>6,538,538</u> |

Terms and conditions of the above financial liabilities:

- (i) Trade payables are non-interest bearing and are normally settled on 60-day terms.
- (ii) Deferred income represents unspent grant funds for unfulfilled performance obligations.
- (iii) Deferred capital grants are funds received for the constructions of the Broome North West Hub.
- (iv) Unspent research grant funds represent funds received for research purposes and on behalf of researchers with the Company as the research institution.

14. LEASE LIABILITIES

| | 2020 | 2019 |
|-----------------------|------------------|------------------|
| | \$ | \$ |
| At 1 January | 1,445,853 | 561,948 |
| Additions | - | 1,029,626 |
| Payments | (152,385) | (197,100) |
| Accretion of interest | 23,682 | 51,379 |
| Lease remeasurements | (72,479) | - |
| At 31 December | <u>1,244,671</u> | <u>1,445,853</u> |
| Current | <u>297,617</u> | <u>198,791</u> |
| Noncurrent | <u>947,054</u> | <u>1,247,062</u> |

The Company's leases are both commercial leases and peppercorn leases, but the values as above do not contain any component of the peppercorn leases. Management has opted to use the cost approach to the accounting treatment of both peppercorn leases of which the values were \$0 and \$1 and therefore any values of those leases are not recognised in the financial statements.

Presented below is a maturity analysis of future lease payments:

| | 2020 |
|--|------------------|
| | \$ |
| - within 1 year | 356,020 |
| - later than 1 year but not later than 5 years | 1,021,738 |
| | <u>1,377,758</u> |

The amount of expense relating to short-term leases and leases of low-value assets recognised in profit or loss for the year ended 31 December 2020 is \$286,955 (2019: \$412,713).

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15. EMPLOYEE PROVISIONS

| | 2020 | 2019 |
|---------------------------|-------------|-------------|
| | \$ | \$ |
| Current | | |
| Annual leave | 1,226,184 | 972,834 |
| Long service leave | 710,623 | 910,754 |
| | 1,936,807 | 1,883,588 |
| | | |
| Non-current | | |
| Long service leave | 867,015 | 527,000 |
| | 867,015 | 527,000 |
| | | |
| Total employee provisions | 2,803,822 | 2,410,588 |

16. CAPITAL COMMITMENTS

Capital commitments in relation to contracts for property, plant and equipment at the reporting date but not recognised as liabilities amount to \$954,766 (2019: \$1,421,119).

17. CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain member and creditor confidence and to sustain future development of the research and business activities. The Company manages its capital to ensure that it will be able to continue as a going concern through the optimisation of its cash flow and working capital.

There were no changes in the Company's approach to capital management during the year.

18. SUBSEQUENT EVENTS

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

19. MEMBERS' GUARANTEE

The entity is incorporated under the Corporations Act 2001 and is a public company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstanding and obligations of the Company. At 31 December 2020 the number of members was 49 (2019: 49).

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20. RELATED PARTY DISCLOSURES

Compensation of key management personnel

Compensation expense of key management personal amounted to \$1,154,530 for the year ended 31 December 2020.

21. AUDITOR'S REMUNERATION

The auditor of the Company is Ernst & Young Australia in 2020 (2019: Grant Thornton).

| | 2020 | 2019 |
|--------------------|-------------|-------------|
| | \$ | \$ |
| For audit services | 100,000 | 55,000 |



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Independent auditor's report to the members of Lions Eye Institute Limited

Opinion

We have audited the financial report of Lions Eye Institute Limited (the Company), which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other 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 Company is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- a. Giving a true and fair view of the Company's financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards - Simplified Disclosures 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 Company 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.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information is the directors' 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 directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Simplified Disclosures and the *Australian Charities and Not-for-profits Commission Act 2012* and for 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 Company'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 Company or to cease operations, or have no realistic alternative but to do so.

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.

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 Company'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 Company'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 Company to cease to continue as a going concern.



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- ▶ 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.

A handwritten signature in black ink, appearing to read 'Ernst & Young', with a long horizontal stroke extending to the right.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Robert A Kirkby', with a long horizontal stroke extending to the right.

Robert A Kirkby
Partner
Perth
18 August 2021