

Lions Eye Institute Limited

ACN 106 521 439

General Purpose Financial Statements

For the Year Ended 31 December 2021

Lions Eye Institute Limited
ACN 106 521 439
31 December 2021
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Lions Eye Institute Limited

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Director's Report

The directors present their report together with the financial report of Lions Eye Institute Limited ("the Company") for the financial year ended 31 December 2021 and the auditor's report thereon.

i. Directors

The name of the directors in office at any time during or since the end of the year are:

- 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

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

Peter Forbes FCA, FAICD - Chair

Peter Forbes joined the Board of the Lions Eye Institute Limited in 2014 and was elected Chairman in 2017. He is a Fellow of the Institute 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 Limited 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 Limited 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 Limited's McCusker Glaucoma Centre.

Rudolf Brunovs MBA, FAICD

Rudolf Brunovs is a Fellow of the Institute of Chartered Accountants Australia and New Zealand and a Fellow of the Australian Institute of Company Directors and holds a Master of Business Administration. He retired as a partner of the chartered accounting firm Ernst & Young 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 Limited in 2005.

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

Professor Ian McAllister joined the Board of the Lions Eye Institute Limited in 2010. He is a consultant ophthalmologist at the Lions Eye Institute Limited 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.

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

Tony Joyner joined the Board of the Lions Eye Institute Limited 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 Limited 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 Limited 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 Limited 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 Limited 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.

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ii. Meetings of Directors

	Held	Attended
R Alder	8	8
R Brunovs	8	6
M Crowley	8	7
P Forbes	8	8
A Joyner	8	6
W Morgan	8	8
I McAllister	8	4
E Smyth	8	8
G Waterer	8	5
J D Hollander	8	8

iii. Review of operations

The Company's operations for the financial year resulted in a deficit of \$561,734 (2020: surplus \$4,134,602)

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. As at 31 December 2021 the collective liability of members was \$470 (2020: \$490).

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

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Director's Report

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 have arisen since the end of the financial year 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.

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 premiums

The Company maintains insurance cover for directors and officers. During the year, the cost of premiums for this insurance was \$10,412 (2020: \$8,485).

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 year.

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 28.

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

Peter Forbes

P M Forbes
Chairman

Dated: 20 May 2022

W H Morgan

W H Morgan
Managing Director

Dated: 20 May 2022

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Statement of profit or loss and other comprehensive income
For the year ended 31 December 2021

	Note	2021 \$	2020 \$
Revenue			
Revenue from ordinary activities	4	34,186,359	31,451,527
Other income	5	4,814,689	5,433,163
Expenses			
Materials, supplies and consumables		(5,067,742)	(3,759,772)
Direct operating expenses		(17,119,743)	(14,093,522)
Fundraising expenses		(269,446)	(203,850)
Research and development		(8,012,486)	(6,914,457)
Occupancy costs		(1,540,581)	(1,779,704)
Finance cost on lease liability		(72,478)	(23,682)
Administrative expenses		(7,480,306)	(5,975,101)
(Deficit)/surplus for the year		(561,734)	4,134,602
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		(561,734)	4,134,602

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

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Statement of financial position
As at 31 December 2021

		2021	2020
	Note	\$	\$
Assets			
Current assets			
Cash and cash equivalents	6	22,272,872	28,277,526
Trade and other receivables	7	5,393,709	6,079,229
Inventories	8	55,518	71,091
Other financial assets	9	2,850,567	-
Other current assets	10	261,830	175,214
Total current assets		30,834,496	34,603,060
Non-current assets			
Financial assets at fair value through profit and loss	11	28,500,483	26,109,753
Property, plant and equipment	12	13,248,263	12,264,973
Right-of-use assets	13	2,021,736	1,073,031
Total non-current assets		43,770,482	39,447,757
Total assets		74,604,978	74,050,817
Liabilities			
Current liabilities			
Trade and other payables	14	11,656,568	11,770,307
Lease liabilities	13	454,345	297,617
Employee provisions	15	2,324,868	1,936,807
Total current liabilities		14,435,781	14,004,731
Non-current liabilities			
Lease liabilities	13	1,732,292	947,054
Employee provisions	15	766,622	867,015
Total non-current liabilities		2,498,914	1,814,069
Total liabilities		16,934,695	15,818,800
Net assets		57,670,283	58,232,017
Equity			
Retained earnings		57,670,283	58,232,017
Total equity		57,670,283	58,232,017

The above statement of financial position should be read in conjunction with the accompanying notes.

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Statement of changes in equity
For the year ended 31 December 2021

	Retained earnings	Total
	\$	\$
Balance as at 1 January 2021	58,232,017	58,232,017
Deficit for the year	(561,734)	(561,734)
Total comprehensive loss for the year	(561,734)	(561,734)
Balance as at 31 December 2021	57,670,283	57,670,283

	Retained earnings	Total
	\$	\$
Balance as at 1 January 2020	54,097,415	54,097,415
Surplus for the year	4,134,602	4,134,602
Total comprehensive income for the year	4,134,602	4,134,602
Balance as at 31 December 2020	58,232,017	58,232,017

The above statement of changes in equity should be read in conjunction with the accompanying notes.

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Statement of cash flows

For the year ended 31 December 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers, donors and grantors		38,729,025	35,350,655
Payments to suppliers and employees		(34,865,610)	(29,046,608)
Net cash provided by operating activities		3,863,415	6,304,047
Cash flows from investing activities			
Interest received		78,245	65,483
Dividends received		879,297	1,352,140
Re-investments in securities, net of proceeds from sale of investment securities		(2,850,567)	3,128,500
Investment in term deposit		(2,390,730)	–
Purchase of property, plant and equipment		(5,180,834)	(2,500,895)
Net cash (used in)/provided by investing activities		(9,464,589)	2,045,228
Cash flows from financing activities			
Repayment of lease interest		(72,478)	(23,682)
Repayment of lease liabilities		(331,002)	(128,703)
Net cash used in financing activities		(403,480)	(152,385)
Net (decrease)/increase in cash and cash equivalents		(6,004,654)	8,196,890
Cash and cash equivalents at beginning of year		28,277,526	20,080,636
Cash and cash equivalents at end of year	6	22,272,872	28,277,526

The above statement of cash flows should be read in conjunction with the accompanying notes.

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Notes to the financial statements

For the year ended 31 December 2021

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.

The financial statements of the Company for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 20 May 2022.

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 opted to adopt AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* ("AASB 1060") in the prior financial year ahead of its mandatory effective date of 1 July 2021.

The financial statements have been prepared on a historical cost basis, unless disclosed otherwise. The accounting policies that have been adopted in the preparation of this report are appropriate to meet the needs of the members. The financial report is presented in Australian dollars and all values are rounded to the nearest dollar (\$).

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 deficit of \$561,734 in the current year (2020: surplus \$4,134,602). Current assets exceed current liabilities by \$16,398,715 (2020: \$20,598,329). Management has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

2.2 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) a 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. All other liabilities are classified as non-current.

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Notes to the financial statements

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2 Significant Accounting Policies (continued)

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 Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is 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 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 at least annually.

2.5 Changes in accounting policies and disclosures

The new and amended Australian Accounting Standards and Interpretations that apply for the first time in 2021 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. The Company intends to adopt the new or amended standards or interpretations when they become effective.

2.6 Comparatives

Certain comparative figures in the statement of profit or loss and other comprehensive income have been reclassified for consistency with current year presentation.

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.

Notes to the financial statements
For the year ended 31 December 2021

3 Significant accounting judgements, estimates and assumptions (continued)

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 the 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.

Impairment of non-financial assets

The Company determines whether non-financial assets are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the non-current assets are allocated. The Company's accounting policy with regards to impairment of non-financial assets is discussed in Note 12.

Annual leave

Liabilities for annual leave expected to be settled within twelve months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using the maturity rates of corporate bonds and inflated using a long-term rate.

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Notes to the financial statements
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4 Revenue from ordinary activities

	2021	2020
	\$	\$
Sale of goods and services revenue	18,008,145	18,914,972
Grants (including research)	11,314,032	10,253,150
Donations and bequests	3,193,349	1,679,366
Other ancillary income	1,670,833	604,039
	34,186,359	31,451,527
Point in time recognition	22,872,327	21,198,377
Over time recognition	11,314,032	10,253,150
	34,186,359	31,451,527

All revenue is derived in Australia.

Revenue recognition policy

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 a customer and excludes amounts collected on behalf of third parties.

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 and other ancillary income

Revenue from sale of goods and services and other ancillary income are 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.

Grants (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.

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Notes to the financial statements

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4 Revenue from ordinary activities (continued)

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.

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).

5 Other income

	2021	2020
	\$	\$
Government assistance and subsidies	981,450	3,936,486
Interest income	78,245	65,483
Dividend income	879,297	1,352,140
Net fair value gains on financial assets at fair value	2,875,697	77,291
Other income	-	1,763
	4,814,689	5,433,163

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 and cash flow boosts as part of the Government's response to COVID-19. The related amounts paid to employees are recognised as employee benefit expenses.

Interest income

Interest income 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.

Dividend income

Dividend income is earned from the investments in equity funds and shares, which are classified as financial assets at fair value through profit or loss.

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

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Notes to the financial statements
For the year ended 31 December 2021

6 Cash and cash equivalents

	2021	2020
	\$	\$
Cash at bank and on hand	1,046,768	451,009
Short-term deposits	11,241,530	14,927,655
Total unrestricted cash and cash equivalents	12,288,298	15,378,664
Restricted cash deposit - Ian Constable Chair in Discovery and Translational Ophthalmic Science	7,474,044	7,449,775
Research Grants and Other Funds held on behalf of others (Note 14)	2,510,530	2,603,103
Restricted cash deposit - Joyce Henderson bequest	-	2,845,984
Total restricted cash	9,984,574	12,898,862
Total cash and cash equivalents	22,272,872	28,277,526

Cash and cash equivalents in the statement of financial position comprises 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.

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

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

Restricted cash deposit – Ian Constable Chair in Discovery and Translational Ophthalmic Science

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.

Restricted cash deposit – Joyce Henderson bequest

The Company manages the Joyce Henderson Bequest Fund for Children's Eye Research, which was established in December 2011. The fund is used to fund in perpetuity a full-time Paediatric Ophthalmology Fellowship position based at the Company and Princess Margaret Hospital. This has been designated by the Company as restricted cash.

Research Grant and Other Funds held on behalf of others

Research grant and other funds held on behalf of others represent funds received for research purposes and on behalf of researchers with the Company as the research institution.

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6 Cash and cash equivalents (continued)

The general cash available is as follows:

	2021	2020
	\$	\$
Short term cash at bank and at call deposits	22,272,872	28,277,526
Research Grant and Other Funds held on behalf of others	(2,510,530)	(2,603,103)
Restricted cash deposit - Ian Constable Chair in Discovery and Translational Ophthalmic Science	(7,474,044)	(7,449,775)
Restricted cash deposit - Joyce Henderson bequest	-	(2,845,984)
General cash available	12,288,298	15,378,664

7 Trade and other receivables

	2021	2020
	\$	\$
Trade and other receivables	5,686,530	6,406,973
Provision for expected credit losses (ECL)	(292,821)	(327,744)
	5,393,709	6,079,229

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

Recognition and measurement

Trade and other receivables are initially recognised at the fair value of the consideration receivable including directly attributable 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.

Subsequent measurement

Considering that trade and other receivables are settled within the short term, the Company does not consider the effect of time value of money to be material. Trade and other receivables are therefore subsequently measured at cost and considered for impairment in line with the ECL model as described below.

Impairment

The Company recognises an allowance for ECL 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 Company 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.

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Notes to the financial statements
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8 Inventories

	2021	2020
	\$	\$
Finished goods	55,518	71,091

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

Cost of inventories sold to customers amounting to \$62,533, was recognised as an expense during the year (2020: \$32,362).

9 Other financial assets

	2021	2020
	\$	\$
Other financial assets	2,850,567	-

Other financial assets consist of term deposits with original maturity greater than three months and less than twelve months. The term deposits are restricted cash and tied to specific expenditure.

10 Other current assets

	2021	2020
	\$	\$
Prepayments	261,830	175,214

Prepayments include prepaid insurance and other prepayments.

11 Financial assets at fair value through profit or loss

	2021	2020
	\$	\$
Investments in equity funds and shares	28,500,483	26,109,753

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

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 other comprehensive income. 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.

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Notes to the financial statements
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12 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 improve- ments \$	Plant and equipment \$	Capital works in progress \$	Total \$
Cost						
Balance at 1 January 2021	1,350,000	7,120,735	5,673,706	12,983,577	1,430,571	28,558,589
Additions	-	1,672,368	-	1,166,749	2,341,717	5,180,834
Disposals	-	-	-	(34,495)	-	(34,495)
Transfers	-	-	-	-	(2,839,118)	(2,839,118)
Balance at 31 December 2021	1,350,000	8,793,103	5,673,706	14,115,831	933,170	30,865,810
Accumulated depreciation						
Balance at 1 January 2021	-	4,280,136	1,550,394	10,463,086	-	16,293,616
Depreciation	-	149,131	330,208	872,188	-	1,351,527
Disposals	-	-	-	(27,596)	-	(27,596)
Balance at 31 December 2021	-	4,429,267	1,880,602	11,307,678	-	17,617,547
Carrying amounts						
At 31 December 2021	1,350,000	4,363,836	3,793,104	2,808,153	933,170	13,248,263
At 31 December 2020	1,350,000	2,840,599	4,123,312	2,520,491	1,430,571	12,264,973

Recognition and measurement

Property, plant and equipment is initially recognised at acquisition cost, including any costs directly attributable to bringing the assets into the location and condition necessary for it to be capable of operating in the manner intended by the management. Property, plant and equipment that has been contributed at no cost, or for nominal cost, is valued and recognised at the fair value of the asset at the date acquisition. Capital work 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.

Subsequent measurement

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

Depreciation

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. Land is not depreciated.

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Notes to the financial statements
For the year ended 31 December 2021

12 Property, plant and equipment (continued)

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

	2021	2020
	%	%
Class of property, plant and equipment		
Buildings	2 - 4	2 - 4
Building improvements	5-20	5-20
Plant and equipment	5-25	5-25

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

Impairment

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.

Derecognition

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.

13 Leases

Right-of-use assets

	2021	2020
	\$	\$
At cost	2,789,800	1,516,831
Less accumulated depreciation	(768,064)	(443,800)
	2,021,736	1,073,031

	2021	2020
	\$	\$
At 1 January 2021	1,073,031	1,409,869
Additions	863,796	-
Depreciation	(324,263)	(264,359)
Others	409,172	(72,479)
At 31 December 2021	2,021,736	1,073,031

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13 Leases (continued)

Lease liabilities

	2021	2020
	\$	\$
At 1 January 2021	1,244,671	1,445,853
Additions	863,796	-
Payments	(403,480)	(152,385)
Accretion of interest	72,478	23,682
Others	409,172	(72,479)
At 31 December 2021	2,186,637	1,244,671

	2021	2020
	\$	\$
Liabilities disclosed as follows:		
Current	454,345	297,617
Non-current	1,732,292	947,054

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.

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. Depreciation expense has been included in direct operating expense and administration expenses. The Company also assesses the right-of-use asset for impairment when impairment 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 where the rate implicit in the lease is not readily determinable. 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.

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Notes to the financial statements

For the year ended 31 December 2021

13 Leases (continued)

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.

The Company's leases are both commercial leases and peppercorn leases, but the values 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:

	2021	2020
	\$	\$
Within 1 year	548,600	356,020
Later than 1 year but not more than 5 years	1,924,475	1,021,738
	<u>2,473,075</u>	<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 2021 is \$145,759 (2020: \$286,955).

14 Trade and other payables

	2021	2020
	\$	\$
Trade creditors and accruals	3,969,075	4,381,344
Deferred income	2,519,408	1,716,430
Deferred capital grants	2,657,555	3,069,430
Unspent research grant funds (Note 6)	2,510,530	2,603,103
	<u>11,656,568</u>	<u>11,770,307</u>

Recognition and measurement

Trade and other payables are initially measured at fair value including transaction costs.

Subsequent measurement

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

Terms and conditions

Trade payables are non-interest bearing and are normally settled on 60-day terms.

Deferred income represents unspent grant funds for unfulfilled performance obligation.

Deferred capital grants are funds received for the constructions of the Broome North West Hub.

Unspent research grant funds represent funds received for research purposes and on behalf of researchers with the Company as the research institution.

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For the year ended 31 December 2021

15 Employee provisions

	2021	2020
	\$	\$
Current		
Annual leave	1,571,300	1,226,184
Long service leave	753,568	710,623
	<u>2,324,868</u>	<u>1,936,807</u>
Non-current		
Long service leave	766,622	867,015
	<u>766,622</u>	<u>867,015</u>
Total employee provisions	<u>3,091,490</u>	<u>2,803,822</u>

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.

16 Commitments and contingencies

Capital commitments

Capital commitments in relation to contracts for property, plant and equipment at the reporting date but not recognised as liabilities amount to \$2,928,469 (2020: \$954,766).

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 in future financial years.

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For the year ended 31 December 2021

19 Members' guarantee

The Company 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 obligations of the Company. At 31 December 2021 the number of members is 47 (2020: 49).

20 Transactions with related parties

Compensation of key management personnel

Compensation expense of key management personnel amounted to \$1,510,267 for the year ended 31 December 2021 (2020: \$1,154,530).

21 Auditor's remuneration

The auditor of the Company is Ernst & Young Australia.

	2021	2020
	\$	\$
Audit services	78,000	81,500
Other services	12,000	15,000
	90,000	96,500

Lions Eye Institute Limited
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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 2021 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:

Peter Forbes

P M Forbes
Chairman



W H Morgan
Managing Director

Signed at Perth this 20th day of May 2022

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 2021, 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 2021 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

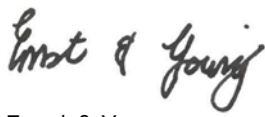
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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.

- 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.



Ernst & Young



Pierre Dreyer
Partner
Perth
20 May 2022

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

In relation to our audit of the financial report of Lions Eye Institute Limited for the financial year ended 31 December 2021, 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:

- a. No contraventions of the auditor independence requirements of any applicable code of professional conduct; and
- b. No non-audit services provided that contravene any applicable code of professional conduct.



Ernst & Young



Pierre Dreyer
Partner
20 May 2022