

Financial year ended 30 June 2017

Sax Institute Financial Statements

The Sax Institute

ABN 68 095 542 886

Financial Statements for the Year Ended - 30 June 2017

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2017.

Directors

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Dr Irene **Moss** (Chair)
Professor Selina **Redman** (Chief Executive Officer and Managing Director)
Professor Lesley **Barclay** (Resigned 30 November 2016)
Professor Julie **Byles**
Dr Kerry **Chant**
Professor Robert **Cumming**
Professor Stephen **Jan** (Appointed 30 November 2016)
Dr George **Jessup**
Mr Michael **Lambert**
Mr Christopher **Paxton**
Professor Nicholas **Talley**
Professor Peter **Smith**
Professor Johanna **Westbrook** (Appointed 30 November 2016)

Ms Jane **Stanton** (Audit & Risk Management Committee: non-Director)
Professor Judith **Whitworth** (Research Governance Committee: non-Director)

Objectives

Our Mission:

To improve health and wellbeing by driving the use of research in policies, program and services.

Our Vision:

The Sax Institute is a national and international centre of excellence in embedding research into the fabric of policy, program and service delivery decisions

Short and long-term objectives:

The Sax Institute's strategic plan has two stated objectives. By June 2022, we aim to:

1) *Have a greater impact on health and wellbeing and on the use of research in policies, programs and services.*

Our goal is to be more effective in achieving our mission. Specifically, we aim to have:

- a) More examples of our work having a significant impact;
- b) A significant impact on more agencies across Australia and beyond health; and
- c) More effective programs and services

2) *Achieve greater financial sustainability.*

By 2022, we will have greater financial capacity to withstand changes in our environment and to invest in innovation and business development. Specifically, we aim to have:

- a) Greater reserves;
- b) Increased income;
- c) Increased annual surplus;
- d) More diverse sources of untied income;
- e) Increased investment in innovation and business development; and
- f) Stronger business process

Strategy for achieving the objectives:

We will achieve our impact and financial sustainability targets through seven interlinked strategies. The Institute will:

1. Deliver cutting edge programs and services by augmenting our internal/external skills and our external engagement and by strengthening our systems
2. Build long term, significant and more diverse partnerships by strengthening our relationships and ways of working with existing and potential partners and members.
3. Grow our national and international profile by strengthening our thought leadership and by targeting new audiences.
4. Strengthen our long term financial capacity by making more strategic decisions about business opportunities, developing new sources of revenue and improving internal processes.
5. Strategically position our research platforms to ensure that they remain valuable in a rapidly changing environment.
6. Significantly expand our capacity, programs and services to better provide new intelligence that helps our partners address challenges in policy, program and service delivery.
7. Strengthen our existing and develop new approaches to provide an internationally leading capability in connecting decision makers with what is known from research.

Performance measures

The following measures are used within the Institute to monitor performance:

- Number of brokered reviews completed;
- Number of collaborative research projects commenced using the Institute's services;
- Number of early career research posts established;
- Examples of research using the Institute's services making a significant contribution to policy development;
- Number of meetings, seminars or workshops to facilitate exchange between researchers, policy makers & practitioners;
- At least \$30 million of additional competitive population health or health services research funds allocated to NSW as a result of the Institute's services;
- Number of policy relevant deliverables (e.g. policy briefing, policy relevant reports) produced using the Institute's services;
- Number of papers using the Institute's services published in peer reviewed journals.

**The Sax Institute
Directors' report
30 June 2017**

Information on directors

Name: Irene **Moss**
Title: Dr
Qualifications: AO, Hon. LLD, BA, LLB, LLM
Experience and expertise: Formerly Commissioner, Independent Commission Against Corruption and NSW Ombudsman
Special responsibilities: Chair of the Board of Directors, Member of the Research Governance Committee

Name: Selina **Redman**
Title: Professor
Qualifications: AO, BA (Psych), BA (Hons) (Psych), PhD
Experience and expertise: Chair: Australian Women's Longitudinal Study on Women's Health. Chair, Research Committee, National Heart Foundation. Member, Board of the National Breast Cancer Foundation (NBCF) and Chair, Research Advisory Committee. Member, Strategic Research Committee, The Australian Red Cross Blood Service
Special responsibilities: Chief Executive Officer

Name: Julie **Byles**
Title: Professor
Qualifications: PhD, Bachelor of Medicine
Experience and expertise: Director, Research Centre for Gender, Health and Ageing, Faculty of Health and Medicine, The University of Newcastle

Name: Kerry **Chant**
Title: Dr
Qualifications: MBBS, FAFPHM, MHA, MPH
Experience and expertise: Chief Health Officer and Deputy Secretary, Population and Public Health, NSW Health

Name: Robert **Cumming**
Title: Professor
Qualifications: MBBS, MPH, PhD
Experience and expertise: Professor of Epidemiology, Sydney School of Public Health, The University of Sydney

Name: Stephen **Jan**
Title: Professor
Qualifications: PhD, Masters of Economics, Bachelor of Economic
Experience and expertise: Professor of Health Economics, Sydney Medical School, The University of Sydney

Name: George **Jessup**
Title: Dr
Qualifications: MBBS, MBiomedEng, MBA
Experience and expertise: Director, Start-up Australia Ventures Pty Ltd. Director, Blue Jay Ventures Pty Ltd
Special responsibilities: Member, Audit and Risk Management Committee

Name: Michael **Lambert**
Title: Mr
Qualifications: BEc (Hons), MEc, MA (Phil), GAICD
Experience and expertise: Consultant
Special responsibilities: Chair, Audit and Risk Management Committee

Name: Christopher **Paxton**
Title: Mr
Qualifications: BA (Hons) in Economics (UK), MBA (UK)
Experience and expertise: Partner, PwC PricewaterhouseCoopers Australia
Special responsibilities: Member, Audit and Risk Management Committee

**The Sax Institute
Directors' report
30 June 2017**

Name: Peter **Smith**
 Title: Professor
 Qualifications: RFD, MD, FRACP, FRCPA, FAICD
 Experience and expertise: Former Dean of Medicine, UNSW and University of Auckland. Non-Executive Director, St Vincent's Health Australia
 Special responsibilities: Chair, Research Governance Committee

Name: Nicholas **Talley**
 Title: Professor
 Qualifications: Doctor of Medicine, The University of New South Wales. Master of Medical Science (Clinical Epidemiologist), The University of Newcastle; PhD, The University of Sydney; MBBS, The University of New South Wales
 Experience and expertise: Pro Vice-Chancellor, Faculty of Health, The University of Newcastle, and Professor of Medicine

Name: Johanna **Westbrook**
 Title: Professor
 Qualifications: BAppSc, With Distinction, The University of Sydney. MHA, University of New South Wales. Grad Dip App Epidemiology. PhD, The University of Sydney.
 Experience and expertise: Professor of Health Informatics and Director, Centre for Health Systems and Safety Research, Australian Institute of Health Innovation, Macquarie University. Board Member, Australian Digital Health Agency. Chair, Advisory Board, Deeble Institute for Health Policy Research, Australian Healthcare and Hospitals Association.

Company secretary

The following person held the position of Company Secretary at the end of the financial year: Mr Norman Pack (B.Comm; MBA; FCPA; GAICD) has been the Company Secretary since July 2016. He has held a number of independent and executive board directorship roles, and has over 30 years of senior finance experience.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2017, and the number of meetings attended by each director were:

	Board		Audit and Risk Management Committee		Research Governance Committee	
	A	B	A	B	A	B
Irene Moss	4	5	1	1	2	2
Selina Redman	5	5	4	4	-	-
Julie Byles	2	5	-	-	-	-
Lesley Barclay	2	2	-	-	-	-
Kerry Chant	3	5	-	-	-	-
Robert Cumming	4	5	-	-	-	-
Stephen Jan	2	3	-	-	-	-
George Jessup	5	5	4	4	-	-
Michael Lambert	4	5	4	4	-	-
Christopher Paxton	5	5	4	4	-	-
Peter Smith	3	5	-	-	2	2
Nicholas Talley	2	5	-	-	-	-
Johanna Westbrook	3	3	-	-	-	-
Jane Stanton (non-Director)	-	-	3	3	-	-
Judith Whitworth (non-Director)	-	-	-	-	1	2

A – Number of meetings attended.

B – Number of meetings eligible to attend.

**The Sax Institute
Directors' report
30 June 2017**

Contributions on winding up

The Sax Institute is a company limited by guarantee. In the event of and for the purpose of, winding up of the Company, the amount capable of being called up from each member and any person or association who ceased to be a member in the year prior to the winding up is limited to \$10 for members that are corporations and \$10 for all other members, subject to the provisions of the Institute's constitution.

At 30 June 2017 the collective liability of members was \$480 (2016: \$460).

This report is made in accordance with a resolution of directors on this 13th day of September 2017.

On behalf of the Board of Directors



Dr Irene Moss

Chair of Board of Directors



Professor Selina Redman

Executive Director

The Sax Institute
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The Sax Institute
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Revenue	4	14,657,300	15,937,600
Other income	5	205,800	334,500
Expenses			
Project specific costs		(5,740,900)	(7,271,800)
Employee benefits expense		(8,186,900)	(7,529,800)
Depreciation and amortisation expense		(574,800)	(620,000)
Administration expenses		(996,800)	(768,500)
Other expenses		(61,000)	(14,700)
Surplus/(deficit) before income tax expense		(697,300)	67,300
Income tax expense	2	-	-
Surplus/(deficit) after income tax expense for the year attributable to the members of The Sax Institute	17	(697,300)	67,300
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the members of The Sax Institute		<u>(697,300)</u>	<u>67,300</u>

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

The Sax Institute
Statement of financial position
As at 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	6	16,201,800	7,795,000
Trade and other receivables	7	2,028,400	1,976,100
Available-for-sale financial assets	8	513,600	523,900
Other	9	652,000	1,080,800
Total current assets		<u>19,395,800</u>	<u>11,375,800</u>
Non-current assets			
Property, plant and equipment	10	1,088,500	1,010,200
Other	11	239,700	235,000
Total non-current assets		<u>1,328,200</u>	<u>1,245,200</u>
Total assets		<u>20,724,000</u>	<u>12,621,000</u>
Liabilities			
Current liabilities			
Trade and other payables	12	2,466,000	2,772,700
Employee benefits	13	519,700	505,400
Other	14	7,980,700	6,639,500
Total current liabilities		<u>10,966,400</u>	<u>9,917,600</u>
Non-current liabilities			
Employee benefits	15	162,800	81,400
Other	16	8,252,200	582,100
Total non-current liabilities		<u>8,415,000</u>	<u>663,500</u>
Total liabilities		<u>19,381,400</u>	<u>10,581,100</u>
Net assets		<u>1,342,600</u>	<u>2,039,900</u>
Equity			
Retained surpluses	17	1,342,600	2,039,900
Total equity		<u>1,342,600</u>	<u>2,039,900</u>

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

The Sax Institute
Statement of changes in equity
For the year ended 30 June 2017

	Retained surplus \$	Total equity \$
Balance at 1 July 2015	1,972,600	1,972,600
Surplus after income tax expense for the year	67,300	67,300
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	<u>67,300</u>	<u>67,300</u>
Balance at 30 June 2016	<u>2,039,900</u>	<u>2,039,900</u>
	Retained surplus \$	Total equity \$
Balance at 1 July 2016	2,039,900	2,039,900
Deficit after income tax expense for the year	(697,300)	(697,300)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	<u>(697,300)</u>	<u>(697,300)</u>
Balance at 30 June 2017	<u>1,342,600</u>	<u>1,342,600</u>

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

The Sax Institute
Statement of cash flows
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from grants		24,061,800	14,531,200
Payments to suppliers and employees		(15,184,500)	(14,158,500)
Donations received		50,000	60,000
Interest received		122,400	201,200
		<u>9,049,700</u>	<u>633,900</u>
Net cash from operating activities			
Cash flows from investing activities			
Proceeds from available-for-sale investments		1,540,000	1,662,000
Purchase of property, plant and equipment		(653,100)	(76,600)
Purchase of available-for-sale investments		(1,529,800)	(1,621,400)
Proceeds from disposal of property, plant and equipment		-	7,700
		<u>(642,900)</u>	<u>(28,300)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Net cash from financing activities		<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents		8,406,800	605,600
Cash and cash equivalents at the beginning of the financial year		<u>7,795,000</u>	<u>7,189,400</u>
Cash and cash equivalents at the end of the financial year	6	<u><u>16,201,800</u></u>	<u><u>7,795,000</u></u>

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

Note 1. General information

The financial statements cover The Sax Institute as an individual entity. The financial statements are presented in Australian dollars, rounded to the nearest 100 dollars, which is The Sax Institute 's functional and presentation currency.

The Sax Institute is a not-for-profit unlisted public company limited by guarantee.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 21 November 2017. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB'), the Australian Charities and Not-for-profits Commission Act 2012, as appropriate for not-for profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Grant revenue

Grant revenue is recognised in the statement of profit or loss and other comprehensive income when the entity obtains control of the grant, it is probable that the economic benefits gained from the grant will flow to the entity, and the amount of the grant can be measured reliably.

If conditions are attached to the grant that must be satisfied before it is eligible to receive the contribution, the recognition of the grant will be deferred until those conditions are met.

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the grantor, otherwise the grant is recognised as income on receipt. In instances where the grant revenue exceeds the cost of the economic value provided, the surplus funds are deferred and guidance is sought from the grantor for the application of surplus funds.

Donations

Donations and bequests are recognised as revenue when received.

Note 2. Significant accounting policies (continued)

Interest

Interest revenue is recognised as interest accrues using the effective interest 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 effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

During the financial year 30 June 2017, The Sax Institute amended its revenue recognition policy in relation to Licenced Data, Sub-Studies and Sponsored Questions revenue. Revenue is recognised 50% on execution of contract with the customer and the remainder on delivery of services. This is reflective of the costs incurred during the process of delivering services to customers at the time of recognising revenue. The amended policy had no material effect on the amounts reported for the current or prior financial years.

Income tax

As the company is a charitable institution in terms of subsection 50-5 of the Income Tax Assessment Act 1997, as amended, it is exempt from paying income tax.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

Cash and cash equivalents

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

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any provision for impairment.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

Note 2. Significant accounting policies (continued)

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Property, plant and equipment

Classes of property, plant and equipment are measured using the cost or revaluation model as specified below. Where the cost model is used, the asset is carried at cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs, and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Plant and equipment that have been contributed at no cost, or for nominal cost, are re-valued and recognised at the fair value of the asset at the date it is acquired.

Depreciation for all property, plant and equipment excluding freehold land is calculated using a reducing balance method from the date that management determines the asset is available for use. The Depreciation rates used for each class of depreciable assets are shown below:

Furniture fixtures and fittings	5%-7.5%
Office equipment	10%-40%
Computer equipment	33.33%
Leasehold improvements	20%-25%

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

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter. Management has decided to depreciate leasehold improvements to end of June 2021 on the basis that the current contract which expires 30 June 2019 is likely to be renewed.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 2. Significant accounting policies (continued)

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of property, plant and equipment

The company assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Deferred expenses from prior year

The Institute discontinued its accounting practice where expenses equivalent to 68% of deferred income for data licence and SURE access were deferred until revenue is recognised. This is in line with the matching principle. Management has decided to discontinue this practice during the 2017 financial year. The financial impact is \$236,000. Accounting standards require this adjustment to be applied retrospectively. The full adjustment was recorded as expenses in the 2017 financial year as it is deemed immaterial.

Note 4. Revenue

	2017	2016
	\$	\$
Grant revenue	10,256,400	12,102,100
Non-grant revenue	4,400,900	3,835,500
Total revenue	<u>14,657,300</u>	<u>15,937,600</u>

Note 5. Other income

	2017	2016
	\$	\$
TCorp distributions	9,100	9,400
Finance income	122,400	201,200
Donations	50,000	60,000
Other income	24,300	63,900
Other income	<u>205,800</u>	<u>334,500</u>

Note 6. Current assets - cash and cash equivalents

	2017	2016
	\$	\$
Cash on hand	600	500
Cash at bank	13,700,900	1,612,100
Cash on deposit	2,500,300	6,182,400
	<u>16,201,800</u>	<u>7,795,000</u>

The short-term bank deposits have a maturity date ranging from 30 to 90 days. The interest earned on these deposits ranges from 2.60 to 3.10 per cent.

The Sax Institute
Notes to the financial statements
30 June 2017

Note 7. Current assets - trade and other receivables

	2017	2016
	\$	\$
Trade receivables	1,898,400	1,597,500
Prepayments	122,300	357,900
Deposits	1,700	1,700
Interest receivable	6,000	19,000
	<u>2,028,400</u>	<u>1,976,100</u>

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

Note 8. Current assets - available-for-sale financial assets

	2017	2016
	\$	\$
Available for sale financial assets	<u>513,600</u>	<u>523,900</u>

Available for sale financial assets comprise of investments in various TCorp funds. There are no fixed returns or fixed maturity dates attached to these investments.

Note 9. Current assets - other

	2017	2016
	\$	\$
Accrued revenue	<u>652,000</u>	<u>1,080,800</u>

The Sax Institute
Notes to the financial statements
30 June 2017

Note 10. Non-current assets - property, plant and equipment

	2017	2016
	\$	\$
Leasehold improvements - at cost	816,700	554,500
Less: Accumulated depreciation	<u>(281,600)</u>	<u>(213,200)</u>
	<u>535,100</u>	<u>341,300</u>
Fixtures and fittings - at cost	341,400	219,500
Less: Accumulated depreciation	<u>(155,300)</u>	<u>(89,000)</u>
	<u>186,100</u>	<u>130,500</u>
Computer equipment - at cost	1,055,300	1,645,700
Less: Accumulated depreciation	<u>(904,100)</u>	<u>(1,221,800)</u>
	<u>151,200</u>	<u>423,900</u>
Office equipment - at cost	826,500	610,100
Less: Accumulated depreciation	<u>(610,400)</u>	<u>(495,600)</u>
	<u>216,100</u>	<u>114,500</u>
	<u><u>1,088,500</u></u>	<u><u>1,010,200</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Leasehold improvements	Furniture fixtures and fittings	Computer equipment	Office equipment	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2016	341,300	130,500	423,900	114,500	1,010,200
Additions	262,100	122,000	15,400	253,600	653,100
Depreciation expense	<u>(68,300)</u>	<u>(66,400)</u>	<u>(288,100)</u>	<u>(152,000)</u>	<u>(574,800)</u>
Balance at 30 June 2017	<u><u>535,100</u></u>	<u><u>186,100</u></u>	<u><u>151,200</u></u>	<u><u>216,100</u></u>	<u><u>1,088,500</u></u>

Note 11. Non-current assets - other

	2017	2016
	\$	\$
Rental bond	<u>239,700</u>	<u>235,000</u>

Note 12. Current liabilities - trade and other payables

	2017	2016
	\$	\$
Trade payables	731,900	2,034,700
Payroll liabilities	79,800	174,100
GST payable	1,126,100	1,400
Accrued expenses	<u>528,200</u>	<u>562,500</u>
	<u><u>2,466,000</u></u>	<u><u>2,772,700</u></u>

The Sax Institute
Notes to the financial statements
30 June 2017

Note 13. Current liabilities - employee benefits

	2017	2016
	\$	\$
Annual leave	431,100	393,100
Long service leave	81,900	108,300
Other employee benefits	6,700	4,000
	<u>519,700</u>	<u>505,400</u>

Note 14. Current liabilities - other

	2017	2016
	\$	\$
Grants received in advance	<u>7,980,700</u>	<u>6,639,500</u>

If conditions are attached to the grant that must be satisfied before it is eligible to receive the contribution, the recognition of the grant will be deferred until those conditions are met.

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the grantor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the grantor, otherwise the grant revenue exceeds the cost of the economic value provided, the surplus funds are deferred and guidance is sought from the grantor for the application of surplus funds.

Note 15. Non-current liabilities - employee benefits

	2017	2016
	\$	\$
Long service leave	<u>162,800</u>	<u>81,400</u>

Note 16. Non-current liabilities - other

	2017	2016
	\$	\$
Grants received in advance	<u>8,252,200</u>	<u>582,100</u>

Disclosures relating to grants received in advance are set out in note 14.

Note 17. Equity - retained surpluses

	2017	2016
	\$	\$
Retained surpluses at the beginning of the financial year	2,039,900	1,972,600
Surplus/(deficit) after income tax expense for the year	<u>(697,300)</u>	<u>67,300</u>
Retained surpluses at the end of the financial year	<u>1,342,600</u>	<u>2,039,900</u>

Note 18. Financial risk management

The main risks the Institute is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk.

The Institute's financial instruments consist mainly of deposits within banks, short-term investments, and accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements are as follows:

	2017	2016
	\$	\$
Financial Assets		
Cash and cash equivalents	16,201,800	7,795,000
Other assets and receivables	2,028,400	1,976,100
Available for sale financial assets	<u>513,600</u>	<u>523,900</u>
Total financial assets	<u><u>18,743,800</u></u>	<u><u>10,295,000</u></u>
	2017	2016
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	<u>2,466,000</u>	<u>2,272,200</u>

The Institute's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The Institute does not speculate in financial assets.

The most significant financial risks to which the Institute is exposed are described below:

Specific risks;

- Interest rate risk
- Credit risk
- Liquidity risk.

The principal categories of financial instrument used by the Institute are:

- Trade receivables
- Cash at bank and short-term deposits
- Trade and other payables.

Objectives, policies and processes:

Risk management is carried out by the Board of Directors with recommendations from the Audit and Risk Management Committee. Management has primary responsibility for the development of relevant policies and procedures to mitigate the risk exposure of the Institute. These policies and procedures are then recommended by the Audit and Risk Management Committee and tabled at the Board meeting for their approval.

Recommendations by the Audit and Risk Management Committee are presented at Board meetings regarding the implementation of these policies and any risk exposure which the Committee believes the Board should be aware of.

Specific information regarding the mitigation of each financial risk to which the Institute is exposed is provided below.

The Institute's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, and leases. The main purpose of non-derivative financial instruments is to raise finance for group operations. The Sax Institute does not have any derivative financial instruments at 30 June 2017.

Note 18. Financial risk management (continued)

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date, whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The Sax Institute has an investment with TCorp, which is a low-risk, at call account and is guaranteed by the Government. At 30 June 2017, the Company has no interest-bearing debt.

Liquidity Risk

The Institute manages liquidity risk by monitoring forecasted cash flows and ensuring that adequate unutilised borrowing facilities are maintained. As at 30 June 2017, the Institute has an overdraft of \$Nil (2016: \$Nil).

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Institute does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Institute.

Net fair values

Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value estimation

Fair values derived may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Note 19. Members' guarantee

The Institute is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the Institute 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 institute. At 30 June 2017 the number of members was 48 (2016: 46).

The Sax Institute
Notes to the financial statements
30 June 2017

Note 20. Key management personnel disclosures

Executive Director	Position
Selina Redman	Chief Executive Officer
Executives	Position
Kellie Bisset	Division Head - Communications
Martin McNamara	Division Head – Research Assets
Norman Pack	Chief Operating Officer
Sian Rudge	Division Head – Knowledge Exchange
Sonia Wutzke	Division Head – Analysis and Evaluation

Compensation

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	2017 \$	2016 \$
Aggregate compensation	<u>1,231,300</u>	<u>1,122,800</u>

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2017 \$	2016 \$
Related party transactions		
Key management personnel		
Donation made to the Institute	<u>50,000</u>	<u>60,000</u>

Note 21. Contingent liabilities

As at 30 June 2017 the Institute has outstanding \$600,000 (2016: \$600,000) as a guarantee for an autopay facility and \$239,689 (2016: \$230,218) as a guarantee provided by the bank for the lease of office space.

Note 22. Commitments

	2017 \$	2016 \$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	531,500	515,000
One to five years	<u>599,500</u>	<u>1,133,600</u>
	<u>1,131,000</u>	<u>1,648,600</u>

The property lease is a non-cancellable lease on a three (3) year term with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that the minimum lease repayments shall be increased by 4% per annum. The contingent liabilities are for lease commitments beyond balance date and hence are not reflected in current year financials. The amounts disclosed are rentals for the current office site.

Note 23. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 20.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 24. Economic dependency

The Sax Institute is dependent on the NSW Ministry of Health (the 'Ministry') for a significant contribution to fund corporate costs. The Ministry provides funding on a cash basis. It is anticipated that adequate funding will be provided to enable the Institute to pay its debts when they fall due. Funding agreements are entered into for five year periods with the current agreement in effect from 1 July 2013 to 30 June 2018.

Note 25. Events after the reporting period

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

**The Sax Institute
Directors' declaration
30 June 2017**

In the Directors' opinion:

- the attached financial statements and notes comply with the Australian Accounting Standards - Reduced Disclosure Requirements, the Australian Charities and Not-for-profits Commission Act 2012 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
- 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 a resolution of the Board of Directors on this 13th day of September 2017.

On behalf of the Board of Directors



Dr Irene Moss

Chair of Board of Directors



Professor Selina Redman

Executive Director

The Sax Institute

Independent auditor's report to members

Report on the Audit of the Financial Statements

Opinion

We have audited the financial report of The Sax Institute. (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the financial report of The Sax Institute has been prepared in accordance with Division 60 of 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 30 June 2017 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards – Reduced Disclosure Regime and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.

Basis for Opinion

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

CHARTERED ACCOUNTANTS & ADVISORS

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Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed, 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 – Reduced Disclosure Regime and the ACNC Act 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 related 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 has no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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 judgement 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.

A handwritten signature in black ink that reads 'William Buck'.

William Buck
Chartered Accountants
ABN 16 021 300 521

A handwritten signature in black ink that reads 'L.E. Tutt'.

L.E. Tutt
Partner

Dated this 13th day of September, 2017