The George Institute for Global Health

20 years 1999 - 2019

DEDICATED TO IMPROVING THE HEALTH OF MILLIONS OF PEOPLE WORLDWIDE

Annual Financial Report

FOR THE YEAR ENDED 30 JUNE 2019

THE GEORGE INSTITUTE FOR GLOBAL HEALTH AND CONTROLLED ENTITIE

A PUBLIC COMPANY LIMITED BY GUARANTE

DIRECTORS' REPORT

The Directors present this report on the Consolidated Entity consisting of The George Institute for Global Health (the "Company") and the entities it controlled for the financial year ended 30 June 2019. The Consolidated Entity comprises: a group of "not for profit" subsidiaries ("Research Segment"); and a group of "for profit" subsidiaries ("Commercial Segment"), with the lead subsidiary being George Institute Ventures Pty Limited.

Directors

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

Michael John Hawker AM (Chair) (resigned 31 March 2019)
David Hugh Armstrong (Interim-Chair - effective 31 March 2019)
David Zalmon Baffsky AO
Eric Paul McClintock AO
Gina Nancy McGregor Anderson
Meena Thuraisingham
Melinda Blanton Conrad
Rodney Ernest Phillips
Russell Anthony Aboud (resigned 16 August 2018)
Srinivas Akkaraju
Yasmin Anita Allen
Robyn Ngaire Norton AO
Stephen William MacMahon AO

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

Company Secretary

Leanne Maree Ralph held the position of Company Secretary until 30 November 2018. Erin McMullen held the position of Company Secretary from 1 December 2018 to 9 May 2019 when Rebecca Lillington become the Company Secretary, and has remained as such to the date of this Report.

Short and Long-Term Objectives

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

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

Strategy for Achieving Objectives

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

Principal Activities

The Research Segment's purpose is to undertake clinical, epidemiological and health systems research, especially focused on reducing the burden of chronic diseases and injuries. The Commercial Segment's purpose is to generate commercial returns in order to supplement the funding requirements of the Research Segment. No significant changes in the nature of the activity occurred during the financial year.

How Principal Activities Contributed to Objectives

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

Performance Measurement

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

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

Operating Results

The loss of the Consolidated Entity for the financial year ended 30 June 2019 amounted to $7,079,647 (2018: Surplus $1,039,030).

Dividends Paid or Recommended

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

Review of Operations

Overall external revenue decreased by 1.2% from the previous year. The net result for the consolidated entity was a loss of $7,079,647 (2018: surplus of $1,039,030). The loss in the current year occurred for a number of reasons:

Within the Commercial Segment:

- Despite a 4.6% reduction in external revenue and consequent reduction in profit, the Contract Research Organisation continued to invest in business development, marketing and promotion increasing their forward order book by more than 100% in comparison with the prior year. As a consequence of these factors no donation was made to the Research Segment in the year (prior year $4,100,000)
- The pre-revenue entities within the Commercial Segment further increased their planned development expenditure by $3.3m adversely affecting profit over the prior year as they progressed their products towards commercialisation.

Within the Research Segment:

- The operating revenue from research activities increased by 4.0% over the prior year which was exceeded by a 5.9% increase in research expenses
- The Research Segment however recorded a loss primarily due to the shortfall in donation from the Commercial Segment.

Significant Changes in State of Affairs

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

After Balance Date Events

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

Future Developments

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

Environmental Issues

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

Options

One new option over through the employee share plan was granted during the year, none have been granted since the end of the financial year. During the financial year, a Founders Plan was put in place for the two founders in George Institute Ventures Pty Ltd (GIV) and its subsidiaries. Details are included in the Share Based Payment note in the financial statements.

INFORMATION ON DIRECTORS

Michael John Hawker AM	Chair / Non-Executive Director (resigned 31 March 2019)
Qualifications	BSc (Syd), FAICD, FAIM, SF Fin
Experience	Non-Executive Director - Aviva Plc Group (UK) Non-Executive Director - Macquarie Group Limited and Macquarie Bank Limited Non-Executive Director - Washington H. Soul Pattinson and Company Limited Chair - Australian Business and Community Network (ABCN) Foundation Non-Executive Director - Rugby World Cup Limited (RWC) Former Chair - Australian Rugby Union Former CEO / Managing Director - Insurance Australia Group Former President - Insurance Council of Australia Former Chair - Australian Financial Markets Association Former Board Member - Geneva Association Former Member - Financial Sector Advisory Council

David Hugh Armstrong	Interim-Chair (effective 31 March 2019) / Non-Executive Director
Qualifications	BBus (UTS), FCA, MAICD
Experience	Non-Executive Director - National Australia Bank Chair - National Australia Bank Audit Committee Chair - National Australia Bank Risk Committee Director - Opera Australia Capital Fund Limited President - Australian Museum Trust Trustee of Lizard Island Reef Research Foundation Former Partner - PricewaterhouseCoopers

David Zalmon Baffsky AO	Non-Executive Director
Qualifications	LLB (Sydney University)
Experience	Chairman - Investa Property Group Chairman - Ariadne Australia Limited Honorary Chairman - Accor Asia Pacific Board Member - Sydney Olympic Park Authority Board Member - Destination NSW Board Member - Australian Brandenburg Orchestra Board Member - Executive Health Solution Limited Former Chairman - Accor Asia Pacific Former Director - SATS Limited Former Trustee - Art Gallery of NSW Chevalier in the Order of National Légion d'Honneur of France

Eric Paul McClintock AO	Non-Executive Director
Qualifications	BA LLB (USYD)
Experience	Chairman of NSW Ports Chairman of I-MED Network Chairman of Broadspectrum Pty Limited Chairman of Committee for Economic Development of Australia Chair of Sydney Health Partners Deputy Chair of St Vincent's Health Australia Limited Former Secretary to Cabinet and Head of the Cabinet Policy Unit reporting directly to the Prime Minister as Chairman of Cabinet Former Chair - Medibank Private Limited, Thales Australia, COAG Reform Council, Expert Panel of the Low Emissions Technology Demonstration Fund, Intoll Management Limited, Symbion Health, Affinity Health, Ashton Mining, Plutonic Resources, and the Woolcock Institute of Medical Research Former Director of the Australian Strategic Policy Institute and Perpetual Limited Former Commissioner of the Health Insurance Commission Former Member - Australia-Malaysia Institute Executive Committee. Honorary Fellow of the Faculty of Medicine of the University of Sydney Life Governor of the Woolcock Institute of Medical Research

Gina Nancy McGregor Anderson	Non-Executive Director
Qualifications	BA, GAICD
Experience	Chair - The George Foundation for Global Health Limited Chair - GDI Property Group and GDI Funds Management Ltd Former Founding Advisory Board Member - Australian Charities and Not-for-profits Commission (ACNC) Co-Founder and Former Chair - Women's Community Shelters Limited Philanthropy Fellow - Centre for Social Impact, University of New South Wales Former Executive Director and Chief Executive - Philanthropy Australia

Meena Thuraisingham	Non-Executive Director
Qualifications	PhD, GAICD, MAPS
Experience	Founder & Principal, BoardQ Founder & Principal, TalentInvest Member, International Women's Forum Former Senior Executive, ANZ Banking Group

Melinda Blanton Conrad	Non-Executive Director
Qualifications	BA (Wellesley), MBA (Harvard), FAICD
Experience	Non-Executive Director - Stockland Group Limited Non-Executive Director - ASX Limited Non-Executive Director - Caltex Australia Limited Non-Executive Director - The Centre for Independent Studies Member - ASIC Director Advisory Panel Member - AICD Corporate Governance Council Former Non-Executive Director - OFX Group Limited Former Non-Executive Director - David Jones Limited Former Non-Executive Director - APN News & Media Limited Former Non-Executive Director - NSW Clinical Excellence Commission Former Non-Executive Director - NSW Agency for Clinical Innovation Former Non-Executive Director - Garvan Medical Research Institute Foundation

Rodney Ernest Phillips	Non-Executive Director
Qualifications	MBBS (Melb), FRACP, MD (Melb), MA (Oxon), FRCP (London), FAMS, FAHMS
Experience	Dean of Medicine, UNSW Medicine, UNSW Sydney Director - Garvan Institute of Medical Research Director - Kinghorn Cancer Centre Director - Ingham Health Research Institute Director - Neuroscience Research Australia Member of the Medical Deans Australia & New Zealand Honorary Fellow - Pembroke College, Oxford Former Professor - Clinical Medicine University of Oxford Former Director - Peter Medawar Building for Pathogen Research Former Chair - Research Assessment Exercise Working Group, Oxford Former Chair - Appointments Committee, Division of Medical Sciences Former Chair - Oxford Cancer Radiobiology Steering Committee Former Co-Director - Institute for Emerging Infections, James Martin 21st Century School, Oxford Former Chair - Biomedical and Neuroscience Institute, Oxford Former Adjunct Professor - Medicine, Duke University, USA

Russell Anthony Aboud	Non-Executive Director (resigned 16 August 2018)
Qualifications	MBBS (USYD)
Experience	Executive Chair / Founding Partner - Manikay Partners (New York) Non-Executive Director - George Health Enterprises Pty Limited Advisory board member - Adamantem Capital Former Non-Executive Director - Australian Securities Exchange Limited, and Former Member of its Clearing Board Former Chairman - Ord Minnett (Australia) Former Senior Advisor to JP Morgan Australia Former Member - Advisory Board UBS O'Connor Former Global Head of European Equities for UBS London, and former Board member of UBS Investment Bank (London)

Srinivas Akkaraju	Non-Executive Director
Qualifications	MD, PhD
Experience	Managing General Partner - Samsara BioCapital Director - Seattle Genetics Director - Syros Pharmaceuticals Director - Intercept Pharmaceuticals Inc. Director - Aravive Inc. Former Member - Principia Biopharma Former Director - aTyr Pharma, Inc. Former Director - ZS Pharma, Inc. Former Director - Eyetech Pharmaceuticals, Inc. Former Director - Synageva Biopharma Corp. Former Director - Barrier Therapeutics, Inc. Former Director - Amarin Corporation plc Former General Partner - Sofinnova Ventures Former Managing Director - New Leaf Venture Partners Former Co-Founder and Managing Director - Panorama Capital, LLC Former Manager - Genentech, Inc. Former Partner - JP Morgan Partners

Yasmin Anita Allen	Non-Executive Director
Qualifications	BCom, FAICD
Experience	Non-Executive Director - ASX Limited Non-Executive Director - Cochlear Limited Non-Executive Director - Santos Limited Board Member - George Health Enterprises Pty Limited Member - ASX Limited Clearing and Settlement Board and Audit Committee Director - National Portrait Gallery, Canberra Acting President - Federal Government's Takeovers Panel Former Non-Executive Director - Insurance Australia Group Limited (IAG) Former National Director - Australian Institute of Company Directors Former Chair - Macquarie Global Infrastructure Funds Former Board Member - Export Finance and Insurance Corporation (EFIC) Former Board Member - Film Australia Limited Former Board Member - Red Cross Blood Service Former Member - Salvation Army Advisory Board Former Director of ANZ Investment Bank, Sydney Former Vice President of Deutsche Bank Former Associate Director of HSBC, London

Robyn Ngaire Norton AO	Executive Director
Qualifications	BA, MA (Canterbury), MPH, PhD (Syd), FAHMS
Experience	Principal Director - The George Institute for Global Health Executive Director - The George Foundation for Global Health Limited (AUS) Executive Director / Trustee - George Partners Limited (UK) Executive Director - George Health Enterprises Pty Ltd (AUS) Acting Executive Director - The George Institute for Global Health, UK Professor of Global Health and Oxford Martin Senior Fellow, University of Oxford (UK) Professor of Public Health, UNSW Sydney (AUS) Honorary Professor, Peking University Health Science Center (China)

Stephen William MacMahon AO	Executive Director
Qualifications	BSc, MA (Canterbury), MPH (USYD), PhD (UNSW), DSc (UNSW), FAA, FMedSci, FACC, FAHA, FCSANZ, FAHMS
Experience	Principal Director - The George Institute for Global Health Executive Director - The George Foundation for Global Health Limited (AUS) Executive Director - George Clinical Pty Ltd (AUS) Executive Director - George Health Enterprises Pty Ltd (AUS) Executive Director - SmartGenRx Pty Ltd (AUS) Executive Director / Trustee - George Partners Limited (UK) Professor of Medicine and Oxford Martin Senior Fellow, University of Oxford (UK) Professor of Cardiovascular Medicine, UNSW, Sydney

MEETINGS OF DIRECTORS

During the financial year, 23 meetings of Directors (including committee meetings) were held. Attendances by each Director are listed below.

	Board Meeting		Research Committee+		Remuneration Committee-		Nominations Committee		Finance, Risk and Audit Committee^		Audit Committee		Risk Committee	
	eligible to attend	attended	eligible to attend	attended	eligible to attend	attended	eligible to attend	attended	eligible to attend	attended	eligible to attend	attended	eligible to attend	attended
Michael Hawker	5	5	3	3	1	1	-	-	-	-	-	-	-	-
David Armstrong	6	6	1	1	1	1	-	-	4	4	2	2	1	1
Gina Anderson	6	6	-	-	-	-	-	-	-	-	-	-	1	1
Paul McClintock	6	6	-	-	-	-	4	3	-	-	-	-	-	-
Russell Aboud	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yasmin Allen	6	5	-	-	-	-	4	4	-	-	-	-	-	-
Robyn Norton	6	5	4	3	1	1	4	4	4	4	2	1	-	-
Stephen MacMahon	6	6	4	3	1	1	4	3	-	-	-	-	-	-
Melinda Conrad	6	4	-	-	-	-	4	4	-	-	2	2	1	1
Srinivas Akkaraju	6	6	-	-	-	-	-	-	-	-	-	-	-	-
David Baffsky	6	4	-	-	-	-	-	-	-	-	-	-	-	-
Rodney Phllips	6	3	3	3	-	-	-	-	-	-	-	-	-	-
Meena Thuraisingham	6	5	-	-	2	2	-	-	-	-	-	-	-	-

+ The membership of the Research Committee includes senior managers of the Company, as approved by The National Health and Research Medical Council (NHMRC), and Directors are invited to attend.
- The Remuneration Committee was renamed the People Committee with effect from 22 February 2019.
^ The membership of the Finance, Risk and Audit Committee includes an independent professional, Mr David Clark. The Finance, Risk and Audit Committee was disbanded on 22 February 2019 and replaced with the Audit Committee and Risk Committee.

Insurance of Officers

During the year, the Company paid a premium of $69,852 or Management Liability Policy. Part of this premium is to insure Directors and officers (each an "Officer") of the Company and its controlled entities. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against an Officer in their capacity as Officer of an entity within the Consolidated Entity, and any other payments arising from liabilities incurred by an Officer in connection with such proceedings.

Agreement to Indemnify Officers

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

Members Guarantee

The Company is incorporated under the *Corporations Act 2001 (Cth)* and is a Company limited by guarantee. If the Company is wound up, the Constitution states that each member is required to contribute $10 towards meeting any outstanding obligations of the Company. As at 30 June 2019 the number of members was eleven.

Proceedings on Behalf of the Company

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

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

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

David Armstrong (Director)

Dated this 30 day of AUGUST 2019

Stephen William MacMahon (Director)

Dated this 30 day of AUGUST 2019

STATEMENT OF PROFIT OR LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated 2019	Consolidated 2018
		$	$
Revenue	3	94,738,312	95,925,394
Other Income	4	7,830,419	4,389,301
		102,568,731	**100,314,695**
Employee Benefits Expense		(67,150,573)	(61,185,252)
Depreciation and Amortisation Expense	4	(1,992,870)	(1,841,431)
Rental Expense		(3,700,916)	(3,355,993)
Administration Expense		(4,710,218)	(3,816,662)
Study Contract Fee		(8,173,738)	(9,912,675)
Patient Recruitment Expense		(2,067,550)	(1,121,956)
Consultants and Sub-Contractors Fee		(5,753,207)	(3,924,313)
Travel/Accommodation Costs		(3,908,800)	(3,419,917)
Other Expenses		(11,716,617)	(9,756,468)
Share of Loss of Jointly Controlled Entity	10	(237,063)	(463,598)
(Loss)/Surplus before Income Tax		**(6,842,821)**	**1,516,430**
Income Tax		(236,826)	(477,400)
(Loss)/Surplus after Income Tax		**(7,079,647)**	**1,039,030**
(Loss)/Surplus for the Year is attributable to:			
Owners of The George Institute for Global Health Limited		(6,751,027)	1,039,030
Non-controlling interest		(328,620)	-
		(7,079,647)	1,039,030
Items that may be reclassified subsequently to surplus or deficit:			
Exchange Differences on Translation of Foreign Operations		492,843	222,235
Changes in the Fair Value of Available-for-sale Financial Assets		280,630	376,075
Cash Flow Hedges		149,715	(286,369)
Total Other Comprehensive Income for the Year		**923,188**	**311,941**
Total Comprehensive (Loss)/Surplus for the Year		**(6,156,459)**	**1,350,971**
Total Comprehensive (Loss)/Surplus for the Year is attributable to:			
Owners of George Institute for Global Health Limited		(5,827,839)	1,350,971
Non-controlling interest		(328,620)	-
		(6,156,459)	1,350,971

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	24,073,763	23,097,699
Trade and other receivables	6	9,616,715	16,759,909
Other assets	7	1,161,276	1,461,254
Prepayments	8	1,527,966	2,377,262
Accrued Income	3	17,100,676	6,928,621
TOTAL CURRENT ASSETS		**53,480,396**	**50,624,745**
NON-CURRENT ASSETS			
Other assets	7	1,190,000	1,211,000
Other Financial Assets	9	8,168,676	7,545,697
Investments accounted for using equity method	10	-	1,449,378
Furniture, fixtures and equipment	11	5,845,077	6,137,103
Goodwill	12	11,562,811	7,307,569
Intangible assets	12	15,380,024	1,962,779
TOTAL NON-CURRENT ASSETS		**42,146,588**	**25,613,526**
TOTAL ASSETS		**95,626,984**	**76,238,271**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	9,550,118	9,316,845
Deferred Income	3	38,867,342	36,294,468
Provisions	14	5,641,957	5,821,444
Borrowings	15	1,500,000	1,500,000
Other Liabilities	16	14,907,508	661,914
TOTAL CURRENT LIABILITIES		**70,466,925**	**53,594,671**
NON-CURRENT LIABILITIES			
Provisions	14	800,690	693,131
Borrowings	15	2,600,000	2,600,000
Other Liabilities	16	2,425,000	2,225,000
Deferred tax liability	17	3,861,333	-
TOTAL NON-CURRENT LIABILITIES		**9,687,023**	**5,518,131**
TOTAL LIABILITIES		**80,153,948**	**59,112,802**
NET ASSETS		**15,473,036**	**17,125,469**
EQUITY			
Foreign currency translation reserve		(34,920)	(527,763)
Available-for-sale financial asset reserve		1,428,541	1,147,911
Cash flow hedge reserve		(136,654)	(286,369)
Share based payment reserve		6,855,614	3,061,302
Non-controlling interest		381,094	-
Accumulated surplus		6,979,361	13,730,388
TOTAL EQUITY		15,473,036	17,125,469

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

Consolidated	Accumulated Surplus	Available-for-sale Financial Asset Reserve*	Foreign Currency Translation Reserve#	Cash Flow Hedge Reserve^	Non-controlling Interest	Share Based Payment Reserve**	Total Equity
	$	$	$	$		$	$
Balance at 1 July 2017	12,691,333	771,836	(749,998)	-	-	-	12,713,196
Transaction with shareholders of for profit subsidiaries							
Share based payment expense	-	-	-	-	-	3,061,302	3,061,302
Comprehensive income for the year							
Surplus for the year	1,039,030	-	-	-	-	-	1,039,030
Other comprehensive transactions in the year	-	376,075	222,235	(286,369)	-	-	311,941
Total comprehensive income for the year	1,039,030	376,075	222,235	(286,369)	-	-	1,350,971
Balance at 30 June 2018	**13,730,388**	**1,147,911**	**(527,763)**	**(286,369)**	**-**	**3,061,302**	**17,125,469**
Transaction with shareholders of for profit subsidiaries							
Non-controlling interest on acquisition	-	-	-	-	709,714	-	709,714
Share based payment expenses	-	-	-	-	-	3,794,312	3,794,312
Total transactions with shareholders of for profit entities	-	-	-	-	709,714	3,794,312	4,504,026
Comprehensive income for the year							
Loss for the year	(6,751,027)	-	-	-	(328,621)	-	(7,079,647)
Other comprehensive transactions in the year	-	280,630	492,843	149,715	-	-	923,188
Total comprehensive income for the year	(6,751,027)	280,630	492,843	149,715	(328,621)	-	(6,156,459)
Balance at 30 June 2019	**6,979,361**	**1,428,541**	**(34,920)**	**(136,654)**	**381,094**	**6,855,614**	**15,473,036**

* Financial assets reserve
From 1 July 2018, the reserve is used to recognize increments and decrements in the fair value of the Investments in listed entities that are accounted for as financial assets at fair value through other comprehensive income. Previously the reserve represented changes in fair value arising from available-for-sale financial assets. Amounts recognized in the reserve are not subsequently recognized in surplus or deficit, including when the investments are sold or impaired.

Foreign currency translation reserve
Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity (foreign currency translation reserve). On disposal the reserve is recognised in the profit or loss.

^ Cash flow hedge reserve
Used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income. Amounts are reclassified to profit or loss when the transaction affects profit or loss.

** Share-based payment reserve
The share-based payments reserve is used to recognize the value of SARs (Share Application Rights) share based payments provided to a small number of employees (including senior executives)in the Consolidated Entity's commercial business, George Health Enterprises Pty Ltd and its subsidiaries, as part of their remuneration, refer to Notes 19 for further details of these plans, and the Founders Plan.

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
CASH FLOW FROM OPERATING ACTIVITIES			
Receipt of grants and contract revenue		105,477,411	116,725,908
Payments to suppliers and employees		(113,837,418)	(110,229,127)
Dividends received		327,200	210,196
Interest received		224,254	254,759
Income tax paid		(236,826)	(477,400)
Net cash generated from operating activities	20b	**(8,045,379)**	**6,484,336**
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(1,144,082)	(1,364,431)
Payment for Intangibles		(11,067)	(13,313)
Net cash on business acquisition		2,330,531	-
Proceeds from sale of investments in listed shares		-	491,118
Payment for investments		(762,349)	(1,040,175)
Receipt of held-to-maturity investments		-	2,050,000
Payment for other financial assets		-	(1,852,470)
Net cash used in investing activities		**413,033**	**(1,729,271)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from other loans		7,430,000	-
Repayment of bank borrowing		(1,500,000)	(1,900,000)
Receipt of bank loan		1,500,000	-
Net cash generated from/(used in) financing activities		**7,430,000**	**(1,900,000)**
Net increase in cash and cash equivalents held		(202,346)	2,855,065
Effect of exchange rate fluctuations on cash and cash equivalents		(32,590)	20,504
Cash and cash equivalents at the beginning of the financial year		24,308,699	21,433,130
Cash and cash equivalents at the end of the financial year	5	**24,073,763**	**24,308,699**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements were authorised for issue in accordance with a resolution of the Company's Directors on 30 August 2019.

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

Basis of Preparation

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

Historical cost convention

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

Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of The George Institute for Global Health (the "Company)" as at 30 June 2019 and the results of all the subsidiaries for the year ended 30 June 2019. The Company and its subsidiaries are referred to in these financial statements as the "Consolidated Entity".

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

i. *Jointly controlled entities*

Jointly controlled entities are those entities over whose activities the Consolidated Entity has joint control, established by contractual agreement. In the consolidated financial statements, jointly controlled entities are accounted for using the equity method of accounting.

Where the equity method is applied, the consolidated financial statements include the Consolidated Entity's share of the total recognised gains and losses of jointly controlled entities on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

ii. *Business combinations*

The acquisition method of accounting is used to account for business combinations by the Consolidated Entity. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Consolidated Entity. The consideration transferred also includes the fair value of any pre-existing equity interest in the subsidiary.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) **Parent Entity Information**

In accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in note 17.

c) **Foreign Currency Translation**

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

Foreign operations

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

d) **Income Tax**

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

A tax consolidated group was established in prior years for the 100% owned Australian subsidiaries. George Health Enterprises Pty Limited is the parent entity of a tax consolidated group. Historically the group has had a breakeven or tax loss position, as the for profit entities provide a tax deductible donation to The George Institute of Global Health Limited a not-for profit entity. Within the tax group if one entity has a tax profit and another incurs a tax loss, the tax loss is shared without re-imbursement.

No deferred tax assets have been recognised, on the basis of, probability of future deduction.

This year a deferred tax liability has been recognised, as there were two business acquisitions (note 19). When a fair value uplift is recognised on acquired assets, the fair value adjustment requires a corresponding recognition for future tax that will be paid. The deferred tax liability will be reduced on disposal.

e) **Goods and Services Tax (GST)**

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

f) **Significant Accounting Estimates and Judgements**

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

The information on significant estimates and judgements has been disclosed in the relevant note.

g) Changes in accounting policy

i. Financial instruments:

The Consolidated Entity has adopted AASB 9 *Financial Instruments* on 1 July 2018.

AASB 9 replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement* and includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss approach to be used for calculating impairment on financial assets. It also carries forward the guidance on recognition and derecognition of financial liabilities from AASB 139, and refines the application of hedge accounting.

The Consolidated Entity has not adjusted comparative information on the adoption of AASB 9.

There is no adjustment the accumulated surplus on transition to AASB 9 on 1 July 2018.

The adoption of AASB 9 resulted in changes in accounting policies as follows:

Classification

From 1 July 2018, the Consolidated Entity classifies financial assets as either:

- Those measured at fair value, with adjustments to fair value recorded through Other Comprehensive Income (FVOCI) or through profit or loss (FVTPL), and
- Those measured at amortised cost.

The Consolidated Entity's trade and other receivables were previously classified as loans and receivables under AASB 139. Under AASB 9, the Consolidated Entity has assessed these assets to be held within a business model whose objective is to collect the contractual cash flows and have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Therefore, they are measured at amortised cost under AASB 9, which is consistent with their treatment as loans and receivables in prior years.

The Consolidated Entity has made an irrevocable election to classify its listed equity investments as equity instruments measured at FVOCI. These investments were accounted for as available for sale investments under AASB 139. There has been no measurement adjustment arising from this classification change on the date of transition.

Held-to-maturity term deposits/bank bills are now classified at amortised cost.

There has been no change in the classification of the Consolidated Entity's other receivables, deposits and bonds, trade payables, cash and cash equivalents, borrowings and other liabilities on transition.

Impairment

The Consolidated Entity's trade and other receivables (including contract assets) and other financial assets are subject to AASB 9's new expected credit loss approach for recognising and measuring impairment of financial assets.

Under AASB 139, an impairment adjustment was only recognised against these receivable when there was objective evidence of impairment, which often resulted in losses being recognised too late. AASB 9 seeks to address this by requiring loss allowances to be recognised before loss events become evident.

The Consolidated Entity has adopted the simplified approach under AASB 9 for calculating the loss allowance which is based on the historical default percentage and adjusted for other current observable and forward-looking information as a means to estimate the lifetime expected credit losses for the assets.

The general approach is applied against all other financial assets.

h) **New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The two significant standards are AASB 15 Revenue and AASB 16 Leasing. The Consolidated entity has assessed that the for-profit components will have no material change to how revenue is measured. The Consolidated entity is still assessing the impact of the impact of revenue for the not-for-profit entity, and the leasing standard for all entities.

NOTE 2

SEGMENT REPORTING

The Consolidated Entity has two operating segments: the Research Segment and the Commercial Segment. In identifying its operating segments, management followed the Group's organisational structure, which represents the main distinguished services provided and its internal financial reporting system which provide the best evidence of the predominant source of risks and returns of the segments for the purpose of segment reporting.

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

The measurement policies the consolidated entity uses for segment reporting under AASB 8 are the same as those used in its financial statements. There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

Major Segments ('000)

	Research Segment		Commercial Segment		Eliminations		Consolidated Entity	
	2019	2018	2019	2018	2019	2018	2019	2018
Segment Revenue								
Operating income	47,595	45,846	47,143	50,079	-	-	94,738	95,925
Other income	1,048	1,644	6,782	2,745	-	-	7,830	4,389
Intersegment donation	-	4,100	-	-	-	(4,100)	-	-
Intersegment revenue	2,434	1,635	1,742	1,823	(4,176)	(3,458)	-	-
	51,077	53,226	55,667	54,647	(4,176)	(7,558)	102,568	100,315
Segment Expenses								
Employee benefits	35,040	29,708	28,317	28,416	-	-	63,357	58,124
Share based payment	-	-	3,794	3,061	-	-	3,794	3,061
Depreciation and amortisation	1,010	1,011	983	830	-	-	1,993	1,841
Rental	2,154	1,970	1,547	1,386	-	-	3,701	3,356
Administration	2,396	2,172	2,314	1,645	-	-	4,710	3,817
Study contract fee	872	596	7,302	9,317	-	-	8,174	9,913
Patient recruitment	2,068	1,122	-	-	-	-	2,067	1,122
Consultants/sub-contractors	1,871	1,606	3,882	2,318	-	-	5,753	3,924
Travel/accommodation	2,662	2,383	1,247	1,037	-	-	3,909	3,420
Other	5,941	5,592	5,775	4,164	-	-	11,716	9,756
Share of loss of jointly controlled entity	-	464	237	-	-	-	237	464
Intersegment donation	-	-	-	4,100	-	(4,100)	-	-
Intersegment expenses	1,742	1,823	2,433	1,635	(4,176)	(3,458)	-	-
Total Expenses	55,756	48,447	57,832	57,910	(4,176)	(7,558)	109,407	98,798
Surplus/(loss) before income tax	(4,679)	4,779	(2,165)	(3,263)	-	-	(6,844)	1,516

NOTE 3

SEGMENT REPORTING Continued

	Research Segment		Commercial Segment		Eliminations		Consolidated Entity	
	2019	2018	2019	2018	2019	2018	2019	2018
Segment assets (excluding intercompany debts)	32,162	36,554	81,826	39,684	(21,362)	-	95,626	76,238
Intercompany debts	14,221	10,563	-	-	(14,221)	(10,563)	-	-
% on Total group assets (excluding intercompany debts)	37%	48%	63%	52%	-	-	-	-
Segment Liabilities (excluding intercompany debts)	73,183	43,284	6,971	15,829	-	-	80,154	59,113
Intercompany Debts	-	-	14,221	10,563	(14,221)	(10,563)	-	-
Segment assets (excluding intercompany debts)	32,162	36,554	81,826	39,684	(21,362)	-	95,626	76,238
Intercompany debts	14,221	10,563	-	-	(14,221)	(10,563)	-	-

NOTE 4

A. REVENUE

The consolidated entity derives revenue from the receipt of grants, and from the transfer of goods and services over time.

	Consolidated	
	2019	2018
	$	$
Operating Revenue		
Revenue from government grants and other contract revenue		
Other organisations	60,597,773	65,519,368
State/Federal government grants	34,140,539	30,406,026
Total Operating Revenue	94,738,312	95,925,394

Accounting Policy for Revenue:

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

Donations and bequests are recognised as revenue when received.

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

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

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

B. ACCRUED AND DEFERRED INCOME

The group has recognised the following assets and liabilities that relate to revenue generation.

	Consolidated	
	2019	2018
	$	$
Accrued income	17,100,676	6,928,621
Deferred income	38,867,342	36,294,468

Accounting Policy - Accrued and Deferred income

Accrued Income is the revenue recognised in relation to research grants and contracts in excess of amounts billed. Accrued income has increased in the FY19 year due to a change in the customer profile, whereby the timing of billing is after milestone completions, rather than as contracts are completed.

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

NOTE 5

OTHER INCOME AND EXPENSES

This note provides a breakdown of the items included in other income and expenses that are specifically required to be disclosed in the financial statements.

	Consolidated	
	2019	2018
	$	$
Other Income		
Net foreign exchange gains (realised/unrealised)	-	152,172
Dividends received (including dividends reinvested)	327,200	222,071
Interest received	224,254	254,759
Gain on deemed disposal of joint venture- note 10	591,989	538,048
Gain on remeasurement of deferred consideration	-	1,148,699
Gain on disposal of available-for-sale financial assets	-	3,515
Gain on revaluation of investment in joint ventures - note 10	5,394,906	-
Other	1,292,070	2,070,037
Total Other Income	**7,830,419**	**4,389,301**

	Consolidated	
	2019	2018
	$	$
Surplus for the year includes the following specific expenses:		
Depreciation and Amortisation:		
Furniture, fixture and equipment	1,144,826	1,272,931
Backlog	559,050	239,021
Non-competition agreements	-	62,829
Customer relationships	288,994	266,650
	1,992,870	**1,841,431**
Rental Expense:		
Rental expense on operating leases	3,700,916	3,355,993
Net Foreign Exchange Loss:		
Net foreign exchange loss (realised and unrealised)	164,675	-
Superannuation Expenses:		
Defined contribution superannuation expense	3,313,322	2,380,489
Share based payment Expenses:		
Share payment expenses related to commercial entities*	3,794,312	3,061,302

NOTE 6

CASH AND CASH EQUIVALENTS

	Consolidated	
	2019	2018
	$	$
CURRENT		
Cash at bank	24,070,237	23,092,760
Cash on hand	3,526	4,939
	24,073,763	23,097,699

Accounting Policy for Cash and cash equivalents

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

NOTE 7

TRADE AND OTHER RECEIVABLES

	Consolidated	
	2019	2018
	$	$
CURRENT		
Trade receivables	9,557,442	16,639,679
Other receivables	59,273	120,230
	9,616,715	16,759,909

Accounting Policy for 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 allowance for expected credit losses. Trade receivables are generally due within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent invoicing experience and historical collection rates.

The consolidated entity does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

There are no balances within trade and other receivables that contain assets that are impaired and are past due. It is expected that these balances will be received when due.

NOTE 8

OTHER FINANCIAL ASSETS

	Consolidated	
	2019	2018
	$	$
CURRENT		
Deposits and bonds	1,154,748	1,179,859
Other receivables	6,528	11,395
Loan to Ellen Medical Pty Ltd - related party	-	270,000
	1,161,276	1,461,254
NON-CURRENT		
Funds in term deposits - rental and cash flow hedges	1,190,000	1,211,000

Accounting Policy for Other Assets

Other financial assets are recognised at amortised cost, less any allowance for expected credit losses. These amounts generally arise from transactions outside the usual operating activities, interest may be charged.

NOTE 9

PREPAYMENTS

	Consolidated	
	2019	2018
	$	$
CURRENT		
Prepayments	1,527,966	2,377,262
	1,527,966	2,377,262

Accounting Policy for Prepayments

Prepayments are recognised at amortised cost. They relate to payments made for future goods or services.

NOTE 10

INVESTMENTS

	Consolidated	
	2019	2018
	$	$
NON-CURRENT		
Financial assets at fair value through other comprehensive income (prior year available-for-sale financial assets in listed corporations	7,341,467	6,295,905
Term deposits/bank bills - maturity less than 12 months	827,209	1,249,792
	8,168,676	7,545,697

The following un-realised gains/losses were recognized in other comprehensive income in the year;

Unrealised revaluation gains/(losses)	388,788	-
Realised loss on disposal of investments	(108,158)	-

Accounting Policy for Investments

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

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. Such assets are subsequently measured at fair value, using the closing bid price on the relevant stock exchange.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

On disposal, any related balance within the FVOCI reserve is reclassified to retained earnings.

NOTE 11

INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

		Ownership interest	
Name	Principal place of business / Country of incorporation	2019 %	2018 %
SmartGenRx Pty Ltd	*Australia*	*n/a*	*62.11%*

The above 62.22% is representative of the B Share holding as of 30 June 2018, upon which the net result of the SmartGenRx Pty Ltd is allocated. Control is based on the holding of A shares, which are split 50% to each of the joint venture partners, which prevents the Consolidated Entity from having control.

On 31 August 2018, SmartGenRx (Pty) Ltd's equity was increased by a capital contribution from the joint partner. The Consolidated Entity did not participate in this transaction and, as a result, the Consolidated Entity's ownership interest decreased by 11.22% to 50%. The Consolidated Entity has accounted for this decrease in ownership interest as a deemed disposal.

On 31 August 2018, George Medicines Pty Ltd acquired the remaining 50% of the ordinary shares of SmartGenRx Pty Ltd (SGRx). The Consolidated Entity's 50% investment in SmartGenRx Pty Ltd immediately prior to the acquisition of the controlling interest has been revalued to fair value before being applied as part of the consideration for the acquisition of 100% of SmartGenRx Pty Ltd.

These transactions are reflected as follows:

NON-CURRENT	$
Investment in SmartGenRx equity method - Opening balance	1,912,976
Share of loss for full year - 2018	(463,598)
Closing balance at 30 June 2018	1,449,378
Share of loss up to 31 August 2018	(236,306)
Gain on deemed disposal	591,989
Fair value adjustment	5,394,939
Contribution as part consideration for business combination - Note 21	(7,200,000)
Investment in SmartGenRx equity method - Closing balance	-

NOTE 12

FURNITURE, FIXTURES AND EQUIPMENT

	Consolidated 2019 $	2018 $
NON-CURRENT		
Furniture, fixtures and equipment		
At cost	12,769,963	14,311,133
Less accumulated depreciation	(6,924,886)	(8,174,030)
	5,845,077	**6,137,103**

Movements in Carrying Amounts

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

	2019	2018
Carrying amount at the beginning of the year	6,137,103	5,965,723
Additions from acquisitions	16,377	-
Additions at cost	1,144,082	1,364,431
Disposal	(53,850)	-
Exchange differences	25,552	79,880
Depreciation expense	(1,424,187)	(1,272,931)
Carrying amount at the end of the year	**5,845,077**	**6,137,103**

Accounting Policy for Furniture, fixtures and equipment

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

Depreciation

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

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

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

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

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

NOTE 13

GOODWILL AND INTANGIBLE ASSETS

	Consolidated	
	2019	2018
	$	$
NON-CURRENT		
Goodwill		
Vector Oncology	7,701,447	7,307,569
Peritoneal dialysis system	419,514	-
Polypill	3,441,850	-
	11,562,811	**7,307,569**
Intangible Assets		
Trademark - at cost	213,709	202,643
Backlog - at fair value	751,462	964,687
Customer relationships - at fair value	542,445	795,449
Polypill - Intellectual Property	12,474,028	-
Peritoneal dialysis system - Intellectual Property	1,398,380	-
	15,380,024	**1,962,779**

Movements in Carrying Amounts

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

	Goodwill	Trademark	Backlog	Polypill/ Dialysis Development	Customer Relationships
	$	$	$	$	$
2019					
Carrying amount at the beginning of the year	7,307,569	202,642	964,687	-	795,449
Acquisitions through business combination	3,861,364	-	-	13,872,408	
Additions	-	11,067	-		
Amortisation expense	-	-	(265,222)	-	(295,879)
Impairment	-	-	-	-	-
Exchange differences	393,878	-	51,997	-	42,875
Carrying amount at the end of the year	**11,562,811**	**213,709**	**751,462**	**13,872,408**	**542,445**

	Goodwill	Trademark	Backlog	Non-Competition Agreements	Customer Relationships
	$	$	$	$	$
2018					
Carrying amount at the beginning of the year	7,021,613	189,329	1,168,746	63,919	1,034,083
Acquisitions/Additions	-	13,313	-	-	-
Amortisation expense	-	-	(239,021)	(62,829)	(266,650)
Impairment	-	-	-	-	-
Exchange differences	285,957	-	34,962	(1,091)	28,016
Carrying amount at the end of the year	**7,307,570**	**202,642**	**964,687**	**-**	**795,449**

Accounting Policy for Goodwill and Intangible Assets

Goodwill

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

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

Judgements and Estimates

The calculation for impairment assessment requires the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Trademark

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

Intellectual Property

The Polypill and Peritoneal dialysis system intellectual property on acquisition by the Group has been assessed as having an infinite life, carried at fair value on acquisition less any accumulated amortisation and impairment losses.
The infinite life will be re-assessed each year. Assets with an infinite life are assessed for impairment each year using a value in use calculation for the cash generating unit or a fair value measurement.

Backlog

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

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

Non-Competition Agreements

The value of the Non-Competition Agreements is represented by the present value of the cash flows that would be lost if competition occurs, adjusted for the effective probability that they would compete, and compete successfully.

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

Customer Relationships

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

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

Judgements and estimates - Intellectual Property
The impairment assessment has been based on the fair value of the assets, with reference to transactions being negotiated with parent entity investors.

NOTE 14

TRADE AND OTHER PAYABLES

	Consolidated	
	2019	2018
	$	$
CURRENT		
Trade payables	2,974,101	4,629,976
Other payables and accruals	6,576,017	4,686,869
	9,550,118	9,316,845

Accounting Policy for Trade & Other payables

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

NOTE 15

PROVISIONS

	Consolidated	
	2019	2018
	$	$
CURRENT		
Employee benefits - annual leave	2,124,702	2,554,882
Employee benefits - long service leave	1,321,527	1,244,294
Other employee liabilities	2,195,728	2,022,268
	5,641,957	5,821,444

	Consolidated	
	2019	2018
	$	$
NON-CURRENT		
Employee benefits - long service leave	800,690	693,131

	Other employee liabilities Bonus provision	
	$	$
Carrying amount at the beginning of the year	2,022,268	2,041,562
Utilised during the year	(2,106,268)	(2,041,562)
Additional provision recognised	2,279,729	2,022,268
Carrying amount at the end of the year	2,195,729	2,022,268

Accounting Policy for Employee Provisions

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

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

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

Accounting Policy for Other employee liabilities

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

Judgement and estimates

The provision for long service involves judgement and estimates. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.

The bonus provision is based on contracts which incorporate key performance indicators that are established each year and approved by the remuneration committee.

NOTE 16

BORROWINGS

	Consolidated	
	2019	2018
	$	$
CURRENT		
Bank loan	1,500,000	1,500,000
Convertible notes		
NON-CURRENT		
Bank loan	2,600,000	2,600,000
	4,100,000	4,100,000

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time until 30 April 2021. The facility limit is $6,000,000. Unused facility is $1,900,000. The security is provided over the assets of George Clinical Pty Limited.

Accounting Policy for Borrowing

Borrowings are initially recognised at fair value, net of any transaction costs directly attributable to the issue of the instrument. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability.

NOTE 17

OTHER FINANCIAL LIABILITIES

	Consolidated	
	2019	2018
	$	$
CURRENT		
1 King St Fit out (v)	300,000	300,000
Hedge liabilities derivatives (OTM)	201,666	361,914
Convertible note derivatives (iii)	7,200,000	-
Convertible note derivative (iv)	5,000,000	-
Loan - funding agreement (i)	2,205,842	-
	14,907,508	661,914
NON-CURRENT		
Convertible note (ii)	500,000	-
1 King St Fit-Out (v)	1,925,000	2,225,000
	2,425,000	2,225,000

(i) Loan - funding agreement

During the year, the company entered a funding agreement with the Health Administration Corporation for the purpose of supporting the project for the ongoing development of the company's portable dialysis machine.

Financial repayment will begin in the financial year when the company achieves commercial success from the project as measured by the achievement of certain benchmarks in earnings and royalty cash flows.

Interest is accrued and capitalised to the loan at a current rate of CPI.

The loan has been classified as current as there is no unconditional right to defer for at least 12 months after the reporting period.

In the event that the Company does not achieve commercial success from the project as measured by the achievement of certain benchmarks in earnings and royalty cash flows the company will have no obligation to repay and the loan will lapse.

(ii) Convertible notes

During the year the year the company entered an agreement with Paul Ramsay Holdings Pty Limited to invest up to $2,170,000 by way of a non-interest bearing convertible note. The company can draw down under the arrangement in tranches of $500,000. Only $500,000 has been drawn down in the 2019 financial year, leaving an unused facility at year-end of $1,670,000.

The terms of the convertible note include:

- Interest does not accrue and is not payable,
- The instrument is non-recourse and is not redeemable or otherwise payable except in the event of default by the company, and
- Conversion is on the achievement of milestones and a conversion trigger. A conversion trigger is either:
    - The issue of additional equity to external investors (which will not include existing shareholders), in which case the note holder is entitled to convert the face value of the note at a discount of 20%, unless the note holder waives the discount entitlement, or

- The company and the note holder mutually agree to convert at a price that both parties negotiate in good faith, or as determined by an independent valuer.

In the event that the milestone or conversion trigger is not met the Company will have no obligation to repay and the convertible note will lapse.

(iii) Convertible notes

During the year the company issued a convertible note to BUPA with a face value of $14,500,000 for the 50% acquisition of SmartGenRx (SGRx Note). The fair value of this note was $7,200,000.

The terms of the convertible note include:

- Conversion to shares if a future planned capital raise is not successful by 31 December 2019.
- The conversion value of the note will be negotiated in good faith between BUPA and George Health Enterprises Pty Ltd

(iv) Convertible notes

During the year the company issued a convertible note to BUPA with a face value of $6,250,000 for $5,000,000 of cash received by GHE under the GHE Convertible Note (GHE Note). The fair value of this note was $5,000,000.

The terms of the GHE note include:

- Conversion to shares if a future planned capital raise is not successful by 31 December 2019.
- The conversion value of the note will be negotiated in good faith between BUPA and George Health Enterprises Pty Ltd

(v) Fit-out

The Group on entering into the lease at 1 King Street Newtown received a contribution to the fit-out of $3,000,000. This was capitalised in furniture and fittings with a corresponding liability. The liability is amortised over the life of the lease. The balance at the end of the reporting period was $2,225,000.

Accounting Policy -for Loans and convertible notes

Borrowings are initially recognised at fair value, net of any transaction costs directly attributable to the issue of the instrument. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability.

Convertible notes that are settled by issuing a variable number of equity instruments are accounted for as a financial liability. The debt host component of convertible notes is treated as a borrowing to be accounted for at amortised cost.

Derivative contracts (including those embedded in debt host contracts that are not closely related to the debt agreement) are separately accounted for at fair value with adjustments to profit or loss.

Accounting Policy for Derivative Financial Instruments, Hedge Accounting

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

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

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

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

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

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

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

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

As at 30 June 2019, the Consolidated Entity holds derivative financial instruments carried at fair value of $201,666 (2018: $346,664). No ineffective portion of the hedge was recognized in the profit or loss (2018 Nil). The period in which the cash flows expect to affect the profit or loss is between 1 July 2018 to 30 January 2020.

<u>Judgement and estimates</u>

The repayment of the loan is capped at the originally received from the lender. At initial recognition, the loan's fair value on initial recognition is deemed to be equal to the capped amount, which represents the net settlement amount of the loan.

The convertible note fair values on initial recognition is equal to the amount of cash raised in the draw down transaction and the agreed valuation for SGRx1 and is deemed to represent the debt host component of the instrument. Until the milestone is achieved, the amount of the draw down will be reflected in the Statement of Financial Position in full. The embedded derivative features that are not closely related to the host component have been assessed as non-genuine or having an immaterial fair value at 30 June 2019.

As the convertible note with Paul Ramsey Holdings Pty Ltd will only ever be paid in shares it is classified as a non-current liability.

NOTE 18

PARENT ENTITY DISCLOSURES

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

	2019 $	2018 $
Results of parent entity		
Surplus/(deficit) for the year	(4,759,505)	7,946,116
Other comprehensive income	(286,708)	376,075
Total comprehensive income for the year	**(5,046,213)**	**8,322,191**
Financial position of parent entity at year end		
Current assets	21,914,229	25,527,465
Total assets	58,542,142	58,915,684
Current liabilities	45,206,707	40,539,664
Total liabilities	47,856,610	43,757,354
Total equity of the parent entity comprising of:		
Accumulated surplus	9,264,738	14,024,244
Available-for-sale financial asset reserve	1,428,541	1,147,911
Cash flow hedge reserve	(7,747)	(13,825)
Total equity	**10,685,533**	**15,158,330**

The parent entity had no contingent liabilities or capital commitments as at 30 June 2019 or 30 June 2018.

NOTE 19

RELATED PARTY DISCLOSURES

	2019	2018
	$	$
a) **Key management personnel**		
Total compensation	2,980,028	1,523,282

2019 includes the expense related to the granting of the Founders Equity Plan.

b) Subsidiaries

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

Company	Principal place of business and incorporation	Ownership interest 2019 %	Ownership interest 2018 %
George Clinical Pty Ltd	Australia	100	100
The George Foundation for Global Health Limited	Australia	100	100
George Institute Ventures Pty Limited	Australia	100	-
The George Institute for Global Health (UK)	United Kingdom	100	100
George Partners Limited	United Kingdom	100	100
Academic Alliance for Clinical Trials LLP	United States of America	100	100
Beijing George Medical Research Co. Ltd	China	100	100
George Institute for Global Health	India	100	100
George Health Technologies Pty Ltd*	Australia	100	100
George Health Enterprises UK Limited	United Kingdom	100	100
George Health Enterprises Pty Limited	Australia	100	100
George Medicines Pty Limited	Australia	100	100
George (Beijing) Clinical Research Co. Ltd	China	100	100
George Clinical India Private Ltd	India	100	100
George Clinical Asia Pacific Limited	Hong Kong	100	100
George Clinical (UK) Limited	United Kingdom	100	100
George Clinical Inc.	United States of America	100	100
George Clinical Singapore Pte. Ltd	Singapore	100	100
George Clinical Netherlands BV	Netherlands	100	-
SmartGenRx Pty Ltd	Australia	100	50
Ellen Medical Devices Pty Ltd	Australia	55	20

**Formerly known as George Care Pty Ltd*

	2019	2018
	$	$
c) Loans to related parties		
George Clinical Pty Ltd	4,981,175	5,202,744
George Clinical Asia Pacific Limited	752,784	-
George Health Enterprises Pty Ltd	3,633	3,788,015
George Health Technologies Pty Ltd	10,427	741,559
George Medicines Pty Ltd	134,120	608,793
George Health Enterprises UK Ltd	-	88,746
George Institute Ventures Pty Ltd	1	-
The George Foundation for Global Health Trust	1,000	-

The above loans eliminate on consolidation.

	2019	2018
d) Loans from related parties		
Beijing George Medical Research Co. Ltd	-	(476,479)
George Institute for Global Health (India)	(379,577)	(159,526)
George Partners Limited	-	(29,157)
Academic Alliance for Clinical Trials LLP	(3,316,265)	(3,316,265)
Ellen Medical Pty Ltd	(13,685)	-
George Partners Limited	(193,219)	-

The above loans eliminate on consolidation.

NOTE 20

SHARE BASED PAYMENTS

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

The estimation of the fair value of share based payment awards such as SARs requires judgement with respect to the appropriate valuation methodology. The choice of valuation methodology is determined by the structure of the awards, particularly the vesting conditions.

A description of the general terms and conditions of the SAR arrangements that were granted during the period or granted in prior years and not lapsed, covering vesting requirements, grant date and valuation methodologies used for the award etc. is shown in table below;

LTI Plan	Award type	Vesting/Performance condition	Grant Date(s)	Exercise Date	Average Exercise Price	Valuation method	Expected Remaining Life
George Health Enterprises Pty ltd (GHE)	Share Appreciation Right ('SARs')	Time based service condition (non-market)	13 April 2018 1 May 2018	31 August 2021	$124.2m or $42m	Binomial tree	2.2 to 2.4 years
GHE Subsidiary George Medicines Pty Ltd (GM)	Share Appreciation Right ('SARs')	Time based service condition (non-market)	26 March 2018	31 August 2021	$35.8m	Binomial tree	2.2 to 2.4 years
GHE Subsidiary George Health technologies Pty Ltd (GHT)	Share Appreciation Right ('SARs')	Time based service condition (non-market)	13 April 2018 1 May 2018	31 August 2021	$9.9m	Binomial tree	2.2 to 2.4 years
GHE Subsidiary George Clinical Pty Ltd (GC)	Share Appreciation Right ('SARs')	1. Equity value hurdle of GS (market) 2. Annual contribution to the George institute for Global Health Ltd (non-market). 3. Time based service condition (non-market)	20 September 2017	31 August 2021	$43.4m	Binomial tree	2.9 years

Total number of SARs granted during the period was 1 (2018: 16). The total value for the new SAR granted was $250,000. The expense in the year from new and previously issued SARs was $2,366,822 (2018: $3,061,302). One SAR in George Clincial Pty Limited had the unvested portion forfeited. No other SARs were forfeited or exercised during the period ending 30 June 2019.

The share based payment expense of the SAR transaction were determined by the fair value at the date when the grants were made using an appropriate valuation model as outlined above.

Founders Equity Plan

The founders of George Health Enterprises Pty Ltd, through George Institute Ventures Pty Ltd were granted Founder Notional Shares (FNS) in George Institute Ventures Pty Ltd. Each notional share represents an entitlement to receive one ordinary share in the company, or cash equivalent. The notional shares equate to 6% interest each in the company.

The estimation of the fair value of the FNS's requires judgement with respect to the appropriate valuation methodology. The choice of valuation methodology is determined by the structure of the awards, particularly the vesting conditions.

A description of the general terms and conditions of the FNS arrangement that was granted during the period, covering vesting requirements, grant date and valuation methodologies used for the award etc. is shown in table below;

LTI Plan	Award type	Vesting/Performance condition	Grant Date(s)	Exercise Date	Average Exercise Price	Valuation method	Expected Remaining Life
George Institute Ventures Pty Ltd (GIV)	Founders Equity Plan	Time based service condition (non-market)	24 January 2019	30 June 2021	$100m	Binomial tree	2 years

The expense of $1,427,490 has been recognised within employee benefits expenses and set out in (Note 4), together with a corresponding increase in equity (Share based payment reserve), over the period in which the service and, where applicable, any performance conditions are fulfilled (the vesting period).

Judgements and Estimates relevant for SARs and FNS

Allocation

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

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

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

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

The FNS vest if the value of The George Institute for Global Health's stake in the George Institute Ventures Pty Limited is at least equal to AU$100m at the end of the vesting period, or if George Institute Ventures Pty Ltd and is consolidated entities has made a contribution of at least AU$100m to The George Institute for Global Health.

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

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

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

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

NOTE 21

CASH FLOW INFORMATION

	Consolidated	
	2019	2018
	$	$
a. Reconciliation of cash and cash equivalents		
Cash at bank	24,070,237	23,092,760
Cash on hand	3,526	4,939
	24,073,763	**23,097,699**
b. Reconciliation of cash flow from operations with loss		
(Loss)/Surplus after income tax	(7,079,647)	1,039,030
Non-cash flows:		
Depreciation and amortisation	1,985,288	1,841,431
Non-cash employee benefits expense - share based payments	3,794,312	3,061,302
(Gain) on joint venture	(5,986,895)	-
(Gain)/Loss on disposal of available-for-sale financial assets	-	(1,148,699)
Dividend re-investment	-	(222,071)
Share of loss of jointly controlled entity	237,063	463,598
Net exchange differences	4,300	417,866
Loss on disposal	53,850	-
Changes in assets and liabilities:		
Decrease/(increase) in trade and other receivables	6,253,172	6,463,271
(Increase)/decrease in other assets	(9,301,759)	(853,574)
(Decrease)/increase in trade and other payables	(185,010)	(2,506,833)
(Decrease)/increase in deferred income	2,572,874	(2,476,046)
Increase in provisions	(71,927)	346,662
Increase in other liabilities	(321,000)	61,914
Net cash generated from operating activities	(8,045,379)	6,484,336

NOTE 22

BUSINESS COMBINATIONS

On 31 December 2018, George Health Enterprise, a subsidiary of the Group, acquired an additional 35% of the ordinary shares of Ellen Medical Devices Pty Ltd (EMD) for the total consideration of $690,000. The main business of EMD is research and development of its Peritoneal dialysis system.

Set out below is the information on the step up of the business combination for EMD.

	Fair value
	$
Cash and cash equivalents	354,191
Intellectual property	1,398,380
Plant and equipment	16,377
Trade payables	(367,915)
Deferred tax liability	(419,514)
Loans	(500,599)
Net assets acquired	**480,920**
Non-controlling interest	(210,434)
Goodwill	419,514
Acquisition date fair value of the total consideration transferred, mix of cash and loan forgiven	**690,000**

On 31 August 2018, George Medicines Pty Ltd, acquired the remaining 50% of the ordinary shares of SmartGenRx Pty Ltd (SGRx). The main business of SGRx is research and development of the Polypill.

The business combination has been accounted for on a provisional basis. Any adjustments to the fair value of assets acquired and liabilities assumed will be accounted for retrospectively, where applicable, once the business combination accounting is finalised.

Set out below is the information on the step up of the business combination for SGRx.

	Fair value - 100%
	$
Cash and cash equivalents	1,976,340
Intellectual property	12,474,028
Other assets	10,548
Liabilities	(60,916)
Deferred tax liability	(3,441,850)
Net assets of 100% of entity	10,958,150
Goodwill	3,441,850
Acquisition date fair value of the total consideration transferred	14,400,000

	Representing
Exchange of existing 50% investment in joint venture - Note 10	7,200,000
Consideration paid via GHE issuing SGRx1 convertible note	7,200,000
	14,400,000

NOTE 23

CAPITAL AND LEASING COMMITMENTS

	Consolidated	
	2019	2018
	$	$
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
Less than one year	2,970,624	3,258,947
Between one and five years	8,237,770	9,761,127
More than five years	146,721	-
	11,355,155	13,020,074
Capital Commitments	-	-

The operating lease commitments include contracted amounts for various offices and plant and equipment under non-cancellable operating leases expiring within one to five years. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

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

Capital commitments are obligations entered into prior to year-end that have not been spent, which relate to items that will be recognised in the balance sheet in future years.

NOTE 24

CONTINGENT LIABILITIES

There are no contingent assets or contingent liabilities at 30 June 2019 (30 June 2018: $Nil)

NOTE 25

EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

NOTE 26

ADDITIONAL COMPANY INFORMATION

The registered office of the George Health Enterprises Pty Ltd and its principal place of business is:

Registered office:	Principal place of business:
Level 5,	Level 5,
1 King Street,	1 King Street,
Sydney, NSW 2042	Sydney, NSW 2042
Australia.	Australia.

DIRECTORS' DECLARATION

In the Directors' opinion:

1. the financial statements and notes, as set out on pages 12 to 42, are in accordance with the Corporations Act 2001, and the *Australian Charities and Not-for-profits Commission Act 2012* including;

    a) complying with Australian Accounting Standards - Reduced Disclosure Requirements;

    b) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of the performance for the year ended on that date.

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

David Armstrong (Director)

Dated this 30 day of AUGUST 2019

Stephen William MacMahon (Director)

Dated this 30 day of AUGUST 2019

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DECLARATION OF INDEPENDENCE BY LEAH RUSSELL TO THE DIRECTORS OF THE GEORGE INSTITUTE FOR GLOBAL HEALTH

As lead auditor of The George Institute for Global Health for the year ended 30 June 2019, I declare No contraventions of the auditor independence requirements of the Australian Charities and Not-for-profits Commission *Act 2012* in relation to the audit; and

1. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of The George Institute for Global Health and the entities it controlled during the year.

Leah Russell
Partner

BDO East Coast Partnership

Sydney, 30 August 2019

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of The George Institute for Global Health

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of The George Institute for Global Health (the registered entity) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the responsible entities' declaration.

In our opinion the accompanying financial report of The George Institute for Global Health, is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(ii) Complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for opinion

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

Other information

Those charged with governance are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the The George Institute for Global Health's annual report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of responsible entities for the Financial Report

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

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

Those charged with governance are responsible for overseeing the registered entity's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

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

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

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

This description forms part of our auditor's report.

BDO East Coast Partnership

BDO

L Russell

Leah Russell
Director/Partner

Sydney, 30 August 2019