



## **Defence Health Foundation**

(ABN 46 779 527 729)

Trustee: Defence Health Foundation Pty Ltd (ACN 143 629 752)

### **Financial Statements for the year ended 30 June 2020**

#### **Contents**

Directors' Report	3
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	6
Notes Accompanying Financial Statements	7
Trustee's Declaration	12
Independent Auditor's Report	13

**Registered Office & Principal Place of Business**

Level 4 380 St Kilda Road  
Melbourne VICTORIA 3004

## Directors' Report for the year ended 30 June 2020

The Directors of Defence Health Foundation Pty Ltd as trustee of Defence Health Foundation (the "Directors") submit herewith the Financial Statements of Defence Health Foundation (the "Foundation") for the financial year ended 30 June 2020.

### Directors

The names and detail of the directors of Defence Health Foundation Pty Ltd who held office during the financial year are:

Name	Particulars
Ms Julie Anne Blackburn BNurs GradDip Midwifery GAICD	Appointed to the Board in Dec 2011 and as Chair in November 2013. Ms Blackburn retired in November 2019.
Major General Gerard Paul Fogarty AO (Ret'd) BBus GradDipMgmt MBA MSS(USA) GAICD	Appointed to the Board in May 2010. Retired as Chair in November 2013. Major General Fogarty is a Director of Members Own Health Funds Ltd, a Director of Private Healthcare Australia Ltd, a director of the Australian Health Services Alliance Ltd and the CEO of Defence Health Ltd.
Colonel Anthony Hambleton AM GAICD	Appointed to the Board in February 2014 and as Chairman in November 2019. Colonel Hambleton is a Director of Defence Health Ltd, a member of the Army Standby Reserve.
Air Vice-Marshal Christopher Geoffrey Spence AO BSc(Melb) FAIM FAICD	Appointed to the Board in May 2010 and is the Responsible Person. Air Vice-Marshal Spence is Chairman, Shrine of Remembrance Trustees, a Director of Aerospace Australia Ltd and is a member of the RAAF Active Reserve.

### Company Secretary

Mr Andrew Guerin LLB, BEc, FGIA was appointed Company Secretary in May 2010. Mr Guerin is also the Company Secretary of Defence Health Ltd and a Director of Rowing Australia Ltd.

### Directors' Meetings

During the financial year 3 meetings were held.

The number of Board meetings held during the financial year and the number of meetings attended by each Director, are shown below.

Board of Directors	Held	Attended
J Blackburn	2	2
G P Fogarty	3	3
A Hambleton*	3	2
C G Spence	3	1

\* Chair

**Principal Activities**

The principal activity of the Foundation is to fund medical research for the benefit of the Defence Community. There were no significant changes in the nature of the Foundation's activities during the financial year.

**Review of Operations**

During 2019-20, the Foundation approved funding for four new grants and announced to the medical research community that it invites expressions of interest for further grants.

The Foundation's net loss for the financial year ending 2020 is \$317,962 (2018: loss of \$138,972). The losses are in accordance with Board's agreed strategy and the company remains in a sound financial position.

The Foundation's total income was \$10,169 (2018: \$23,908), which is solely from investment income.

Effective from July 2016, Foundation staff costs were paid by Defence Health Limited, except the remuneration for the Responsible Person of the Foundation.

**Significant Changes in the state of affairs**

During 2019-20 there were no significant changes in the state of affairs of Defence Health Foundation.

**Subsequent Events**

There has not been any matter or circumstance occurring subsequent to the end of financial year that has significantly affected, or may significantly affect, the operations of the Foundation.

**Indemnification of Directors and Officers**

During the financial year, the Foundation held insurance in respect of covering each of the Directors and executive Officers of the Foundation against liabilities and expenses arising from any claim(s) made against them as a result of work performed in their respective capacities to the extent permitted by law.

.....  
Major General Gerard Paul Fogarty AO (Ret'd)

Director of the Trustee

8 September 2020

.....  
Colonel Anthony Hambleton

Director of the Trustee

8 September 2020

## Statement of profit or loss and other comprehensive income

for the financial year ended 30 June 2020

	2020 \$'000	2019 \$'000
<b>Income</b>		
Interest income	10	24
<b>Total income</b>	<b>10</b>	<b>24</b>
<b>Expenses</b>		
Administration	(41)	(33)
Research grants awarded	(287)	(130)
<b>Total expenses</b>	<b>(328)</b>	<b>(163)</b>
<b>Loss for the year</b>	<b>(318)</b>	<b>(139)</b>
Other comprehensive income	-	-
<b>Total comprehensive loss for the period</b>	<b>(318)</b>	<b>(139)</b>

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

## Statement of financial position

as at 30 June 2020

	Notes	2020 \$'000	2019 \$'000
<b>Current assets</b>			
Cash and cash equivalents	2	593	64
Trade and other receivables	3	50	36
Other financial assets	4	0	801
<b>Total current assets</b>		<b>643</b>	<b>901</b>
<b>Total assets</b>		<b>643</b>	<b>901</b>
<b>Current liabilities</b>			
Trade and other payables	5	379	319
<b>Total current liabilities</b>		<b>379</b>	<b>319</b>
<b>Total liabilities</b>		<b>379</b>	<b>319</b>
<b>Net assets</b>		<b>264</b>	<b>582</b>
<b>Equity</b>			
Retained earnings		264	582
<b>Total equity</b>		<b>264</b>	<b>582</b>

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

## Statement of changes in equity

for the financial year ended 30 June 2020

	Retained Earnings \$'000	Total Equity \$'000
Opening balance at 1 July 2018	721	721
Loss for the year	(139)	(139)
Balance at 1 July 2019	582	582
Loss for the year	(318)	(318)
Closing balance at 30 June 2020	264	264

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

## Statement of cash flows

for the financial year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Donations received		-	-
Grants paid		(233)	(205)
Payments to suppliers		(57)	(5)
<b>Net cash used in operating activities</b>	6	<b>(290)</b>	<b>(210)</b>
<b>Cash flows from investing activities</b>			
Purchase of investment securities		(2,836)	(1,251)
Proceeds on sale of investment securities		3,638	1,450
Interest received		17	29
<b>Net cash generated by investing activities</b>		<b>819</b>	<b>228</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>529</b>	<b>18</b>
Cash and cash equivalents at the beginning of the year		64	46
<b>Cash and cash equivalents as end of the year</b>	2	<b>593</b>	<b>64</b>

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

## **Note 1 – Summary of significant accounting policies**

Defence Health Foundation was established on the 26<sup>th</sup> of June 2010 under a Deed of Trust. The trustee of Defence Health Foundation (the "Foundation") is Defence Health Foundation Pty Ltd, incorporated and domiciled in Australia. The address of its registered office and principal place of business is Level 4, 380 St Kilda Road Melbourne Victoria 3004.

### **1.1 Statement of compliance**

The Trustee has determined that the Foundation is not a reporting entity and that these special purpose financial statements have been prepared to satisfy the reporting requirements under the Deed of Trust.

The financial statements have been prepared in accordance with the Deed of Trust, the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101 *Presentation of Financial Statements*, AASB 1054 *Australian Additional Disclosures*, AASB 107 *Cash Flow Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Foundation is a not-for-profit entity.

The financial statements were authorised for issue by the directors on 8 September 2020.

### **1.2 Basis of preparation**

These special purpose financial statements have been prepared on the basis of historical cost. All amounts are presented in Australian dollars, unless otherwise noted. The Foundation is a Foundation of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

### **1.3 Revenue recognition**

The Foundation is a charitable fund and its principal income source is donations and interest.

Donation income is measured at the fair value of the consideration received or receivable, where there is a reasonable assurance that monies will be received.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### **1.4 Receivables**

Trade and other receivables represent donations due to the Foundation where the Foundation has a contractual and enforceable right to receive the amounts recognised.

### **1.5 Payables**

These amounts represent research grants committed to by the Foundation prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of invoicing.

### **1.6 Cash and cash equivalents**

Cash and cash equivalents includes cash on hand and deposits at call readily convertible to cash on hand, subject to an insignificant risk of changes in value.

## 1.7 Income tax

The Foundation is a charitable fund and is exempt from income tax.

## 1.8 Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of an item of the expense. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

## 1.9 Financial instruments

### *Initial measurement*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial liabilities and financial assets other than trade receivables without a significant financing component are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial instruments are adjusted against fair value of the financial assets or financial liabilities, on initial recognition.

### *Subsequent measurement*

Financial assets are required to be subsequently measured at Amortised Cost, Fair Value Through Other Comprehensive Income ("FVTOCI") and Fair Value Through Profit and Loss ("FVTPL").

### *Amortised cost*

This includes financial assets managed under a business model to hold the assets in order to collect the contractual cash flows (CCFs) and those cash flows represent solely payments of principal and interest (SPPI).

The foundation financial assets are subsequently measured at amortised cost. There are no financial assets that are categorised at FVTOCI or FVTPL.

### *Derecognition of financial assets*

The foundation derecognises a financial asset when the contractual rights to cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

### **Impairment of financial assets**

The impairment requirements for financial assets are based on a forward-looking Expected Credit Loss ("ECL") model. The model applies to debt instruments measured at amortised cost or at FVTOCI.

### *Expected credit losses (ECL)*

Financial assets are required to determine the ECL to recognise the possible loss derived from the Financial Asset.

As the financial assets in question relate to term deposits and interest receivable from AA rated banks there is no expected credit loss likely to be incurred.



**1.10 Accounting standards issued but not yet effective**

The Foundation has adopted all new and revised standards and interpretations effective during the year in the preparation of the financial statements. The adoption of these standards have not affected the amounts reported in these financial statements, but have impacted the level of disclosure included in the notes to the financial statements.

At the date of authorisation of the financial report there were no new standards that were issued but not yet effective for the Foundation.

**Note 2 – Cash and cash equivalents**

	2020 \$'000	2019 \$'000
Cash at bank	593	64
<b>Total cash and cash equivalents</b>	<b>593</b>	<b>64</b>

**Note 3 – Trade and other receivables**

	2020 \$'000	2019 \$'000
Interest receivable	-	7
Other receivables	50	29
<b>Total trade and other receivables</b>	<b>50</b>	<b>36</b>

**Note 4 – Other financial assets**

	2020 \$'000	2019 \$'000
Term deposits (i)	-	801
<b>Total other financial assets</b>	<b>-</b>	<b>801</b>

(i) Investments held to maturity and carried at amortised cost

**Note 5 – Trade and other payables**

	2020 \$'000	2019 \$'000
Trade Payables	33	28
Research grants awarded	346	291
<b>Total trade and other payables</b>	<b>379</b>	<b>319</b>

Defence Health Foundation

ABN 46 779 527 729

**Note 6 – Notes to the statement of cash flows**

	2020 \$'000	2019 \$'000
Reconciliation of loss for the period to net cash flows from operating activities		
Net loss for the year	(318)	(139)
Interest income	(10)	(24)
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(22)	25
Increase in trade and other payables	60	(72)
<b>Net cash outflow from operating activities</b>	<b>(290)</b>	<b>(210)</b>

**Note 7 – Financial instruments**

The Foundation's principal financial instruments comprise cash and term deposits, all with AA rated institutions.

2020	Less than 1 month \$'000	1-3 months \$'000	3 months to 1 year \$'000	1 year to 5 years \$'000	Total \$'000
<b>Financial assets</b>					
Cash assets	593	-	-	-	593
Trade receivables	50	-	-	-	50
	643	-	-	-	643
<b>Financial liabilities</b>					
Trade payables	33	112	140	94	379
	33	112	140	94	379
<b>2019</b>	<b>Less than 1 month \$'000</b>	<b>1-3 months \$'000</b>	<b>3 months to 1 year \$'000</b>	<b>1 year to 5 years \$'000</b>	<b>Total \$'000</b>
<b>Financial assets</b>					
Cash assets	64	-	-	-	64
Trade receivables	30	6	-	-	36
Term Deposits	151	650	-	-	801
	245	656	-	-	901
<b>Financial liabilities</b>					
Trade payables	125	158	36	-	319
	125	158	36	-	319

**Note 8 – Auditor's remuneration**

	2020 \$'000	2019 \$'000
Remuneration for audit of the financial reports and regulatory reporting	6,800	6,800
<b>Total remuneration</b>	<b>6,800</b>	<b>6,800</b>

The auditor is Deloitte Touche Tohmatsu, who was also the auditor in the prior year.

**Note 9 – Commitments for expenditure**

	2020 \$'000	2019 \$'000
<b>Grant commitments</b>		
Within twelve months	112	255
Later than one year but not later than five years	234	36
	<b>346</b>	<b>291</b>

**Note 10 – Related party transactions**

Defence Health Limited paid the remuneration for the Foundation CEO and other relevant personnel totalling \$69,168 (2019 \$71,082). Defence Health Limited also paid \$44,215 (2019 \$52,402) in operating expenses which were reimbursed by Defence Health Foundation.

Defence Health Limited is the holding company of the Trustee of the Foundation.

**Note 11 – Remuneration of key management personnel**

Remuneration totalling 2020 \$11,587 (2019: \$11,264) was paid to the Responsible Person of the Trustee of the Foundation. Remuneration for CEO and other relevant personnel are being paid by Defence Health Limited (Note 10).

**Note 12 – Subsequent events**

There have not been any matters or circumstances occurring subsequent to the end of financial year that have significantly affected, or may significantly affect, the operations of the Foundation.

### Trustee's Declaration

The Directors of Defence Health Foundation Pty Ltd as trustee of Defence Health Foundation declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Foundation is able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Deed of Trust and other relevant regulations, including compliance with the accounting standards listed below and giving a true and fair view of the financial position and performance of the Foundation.
  - Accounting Standards AASB 101 *Presentation of Financial Statements*;
  - AASB 1054 *Australian Additional Disclosures*
  - AASB 107 *Cash Flow Statements*;
  - AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Signed in accordance with a resolution of the Directors of Defence Health Foundation Pty Ltd.

.....  
Major General Gerard Paul Fogarty AO (Ret'd)  
Director of the Trustee

8 September 2020

.....  
Colonel Anthony Hambleton  
Director of the Trustee

8 September 2020



Deloitte Touche Tohmatsu  
ABN 74 490 121 060

477 Collins Street  
Melbourne VIC 3000  
GPO Box 78  
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000  
Fax: +61 3 9671 7001  
www.deloitte.com.au

## Independent Auditor's Report to the Trustee of Defence Health Foundation

### *Opinion*

We have audited the financial report, being a special purpose financial report, of Defence Health Foundation (the "Foundation") which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and declaration by the Trustee as set out on pages 11 to 19.

In our opinion, the accompanying financial report presents fairly, in all material respects, the Foundation's financial position as at 30 June 2020 and of its financial performance and its cash flows for the year then ended in accordance with the Deed of Trust (dated 26 June 2010) and the accounting policies described in note 1.

### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Foundation in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### *Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use*

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist the Foundation to meet the financial reporting requirements of the Trustees under the Deed of Trust. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Trustee and should not be distributed or used by parties other than the Trustee. Our opinion is not modified in respect of this matter.

### *Other Information*

Management and the Trustee are responsible for the other information. The other information comprises the information included in Foundations annual report for the year ended 30 June 2020 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 we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of Management and the Trustee for the Financial Report*

Management of the Foundation is responsible for the preparation and fair presentation of the financial report and has determined that the basis of preparation and accounting policies described in Note 1 to the financial report is appropriate to meet the requirements of the Deed of Trust and is appropriate to meet the needs of the Trustee. Management's responsibility also includes such internal control as management determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the ability of the Foundation to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

The trustee is responsible for overseeing the Foundation'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.

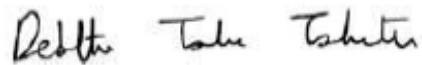
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

# Deloitte

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



DELOITTE TOUCHE TOHMATSU



Neil Brown  
Partner  
Chartered Accountants

Melbourne, 16 September 2020