



DEDICATED TO IMPROVING THE HEALTH OF MILLIONS OF PEOPLE WORLDWIDE

Annual Financial Report

FOR THE YEAR ENDED 30 JUNE 2017

THE GEORGE INSTITUTE FOR GLOBAL HEALTH AND CONTROLLED ENTITIES
A PUBLIC COMPANY LIMITED BY GUARANTEE
ABN: 90 085 953 331

DIRECTORS' REPORT

The Directors present this report on Consolidated Entity consisting of The George Institute for Global Health (the "Company") and the entities it controlled for the financial year ended 30 June 2017.

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)
David Hugh Armstrong
Catherine Brigid Livingstone AO
Eric Paul McClintock AO
Gina Nancy McGregor Anderson
Jason Yat-sen Li (resigned 26 August 2016)
Melinda Blanton Conrad
Russell Anthony Aboud
Srinivas Akkaraju
Yasmin Anita Allen
Robyn Ngaire Norton AO
Stephen William MacMahon AO
David Zalmon Baffsky AO (appointed 26 August 2016)
Rodney Ernest Phillips (appointed 26 May 2017)

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 during the financial year and 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 principal activity of the Consolidated Entity during the financial year was to undertake clinical, epidemiological and health systems research, especially focused on reducing the burden of chronic diseases and injuries. 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
- The development of new health enterprises to generate 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 surplus of the Consolidated Entity for the financial year ended 30 June 2017 amounted to \$1,235,405 (2016: Surplus \$170,719).

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.

Review of Operations

This year has been one of strong growth globally with careful management of expenses. The net result was a surplus of \$1,235,405 (2016: Surplus \$170,719). Revenue increased by 22% from the previous year with both the Institute and George Clinical winning new work and increasing activity on existing and new projects. As a result, total net assets increased by 14% during the financial year to \$12,713,196.

Significant Changes in State of Affairs

The Company has entered a new strategic partnership with the University of New South Wales (UNSW Sydney) to boost medical research in Australia and overseas. Further, George Clinical Pty Ltd, a 100% owned subsidiary of the Company, acquired a Contract Research Organisation in the United States of America.

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

It is anticipated that the Consolidated Entity's commercial enterprises will establish a Long-Term Incentive Plan which will have a non-cash impact in the financial year ending 30 June 2018.

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

No options over issued shares or interests in the Consolidated Entity were granted during or since the end of the financial year, and there were no options outstanding at the date of this report.



INFORMATION ON DIRECTORS

Michael John Hawker AM Chair / Non-Executive Director	
Qualifications	BSc (Syd), FAICD, FAIM, SF Fin
Experience	<p>Non-Executive Director - Aviva Plc Group (UK)</p> <p>Non-Executive Director - Macquarie Group Limited and Macquarie Bank Limited</p> <p>Non-Executive Director - Washington H. Soul Pattinson and Company Limited</p> <p>Chair - Australian Business and Community Network (ABCN) Foundation</p> <p>Non-Executive Director - Rugby World Cup Limited (RWC)</p> <p>Former Chair - Australian Rugby Union</p> <p>Former CEO / Managing Director - Insurance Australia Group</p> <p>Former President - Insurance Council of Australia</p> <p>Former Chair - Australian Financial Markets Association</p> <p>Former Board Member - Geneva Association</p> <p>Former Member - Financial Sector Advisory Council</p>
David Hugh Armstrong Non-Executive Director	
Qualifications	BBus (UTS), FCA, MAICD
Experience	<p>Non-Executive Director - National Australia Bank</p> <p>Chair - National Australia Bank Audit Committee</p> <p>Member - National Australia Bank Risk Committee</p> <p>Director - Opera Australia Capital Fund Limited</p> <p>Trustee of the Australian Museum</p> <p>Trustee of Lizard Island Reef Research Foundation</p>
Catherine Brigid Livingstone AO Non-Executive Director	
Qualifications	BA (Hons)(MQ), Hon.DBus (MQ), Hon.DSc (MU), Hon.DLitt (USYD), Hon.DBus (UTS), Hon.DSc (UW) FCA, FTSE, FAICD, FAA
Experience	<p>Chairman - Commonwealth Bank of Australia</p> <p>Non-Executive Director - Worley Parsons Limited</p> <p>Non-Executive Director - Saluda Medical Pty Ltd</p> <p>Chancellor - University of Technology Sydney</p> <p>President - Australian Museum Trust</p> <p>Member - The Commonwealth Science Council, and the Industry Growth Centres Advisory Committee</p> <p>Former President - Business Council of Australia</p> <p>Former Chairman - Telstra Corporation Limited</p> <p>Former Non-Executive Director - Macquarie Group Limited and Macquarie Bank Limited</p> <p>Former Member - New South Wales Innovation and Productivity Council</p>



Eric Paul McClintock AO Non-Executive Director	
Qualifications	BA LLB (USYD)
Experience	<p>Chairman of Myer Holdings Limited 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 Director 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</p>
Gina Nancy McGregor Anderson Non-Executive Director	
Qualifications	BA, GAICD
Experience	<p>Chair - The George Foundation for Global Health Limited Non-Executive Director - GDI Property Group and GDI Funds Management Ltd 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</p>
Jason Yat-Sen Li Non-Executive Director (resigned 26 August 2016)	
Qualifications	BA, LLB (Syd), LLM (NYU)
Experience	<p>Chairman, Vantage Asia Holdings Limited Non-Executive Director - Ontario Mining Corporation Limited Member - Global Agenda Council on China, World Economic Forum Former Director - China Australia Chamber of Commerce Former Governing Member - The Smith Family Former Head of China Strategy, Insurance Australia Group Previously a Solicitor of Corrs Chambers Westgarth Previously a Lawyer of the United Nations International Criminal Tribunal for the former Yugoslavia</p>



Russell Anthony Aboud Non-Executive Director	
Qualifications	MBBS (USYD)
Experience	Executive Chair / Founding Partner - Manikay Partners (New York) Non-Executive Director - George Health Enterprises Pty Limited 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)
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 Member - 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
Melinda Blanton Conrad Non-Executive Director	
Qualifications	BA (Wellesley), MBA (Harvard), FAICD
Experience	Non-Executive Director - ASX Limited Non-Executive Director - Caltex Australia Limited Non-Executive Director - OFX Group Limited Non-Executive Director - The Centre for Independent Studies Member - ASIC Director Advisory Panel Member - AICD Corporate Governance Council 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



Srinivas Akkaraju Non-Executive Director	
Qualifications	M.D., Ph.D.
Experience	<p>Managing General Partner - Samsara BioCapital Director - Seattle Genetics Director - Syros Pharmaceuticals Director - Intercept Pharmaceuticals Inc. Director - Versartis Inc. 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 - J.P. Morgan Partners</p>
David Zalmon Baffsky AO Non-Executive Director (appointed 26 August 2016)	
Qualifications	LLB (Sydney University)
Experience	<p>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 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</p>
Rodney Ernest Phillips Non-Executive Director (appointed 26 May 2017)	
Qualifications	MBBS (Melb), FRACP, MD (Melb), MA (Oxon), FRCP (London), FAMS, FAHMS
Experience	<p>Dean of Medicine, UNSW Medicine, UNSW Australia Director - Garvan Institute of Medical Research Director - Kinghorn Cancer Centre Director - Ingham Health Research Institute Director - Neuroscience Research Australia Director - UNSW Innovations Director - Children's Cancer Institute Deputy Chair - Group of 8 Medical Deans Member of the Medical Deans Australia & New Zealand Member of the Academic Council, International Medical University, Kuala Lumpur, Malaysia 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 Former Adjunct Professor - Medicine, Duke University, USA Former Chair - Infection and Immunity (IIB), Medical Research Council of the United Kingdom</p>



Robyn Ngaire Norton AO Executive Director	
Qualifications	BA, MA (Canterbury), MPH, PhD (Syd)
Experience	Principal Director - The George Institute for Global Health Executive Director - The George Foundation for Global Health Limited (AUS) and Beijing George Medical Research Co Ltd (China) Executive Director / Trustee - George Partners Limited (UK) Professor of Global Health and Oxford Martin Senior Fellow, University of Oxford (UK) Professor of Public Health, UNSW Sydney (AUS) Honorary Consultant Epidemiologist, Royal Prince Alfred Hospital (AUS) Honorary Professor, Peking University Health Science Center (China) Last item removed.
Stephen William MacMahon AO Executive Director	
Qualifications	BSc, MA (Canterbury), MPH, PhD (Syd), DSc (UNSW), FAA, FMedSci, FACC, FAHA, FCSANZ
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 & SmartGenRx Pty Ltd (AUS) Non-Executive Director - Oxford Health Alliance (UK) 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 Honorary Consultant Epidemiologist, Royal Prince Alfred Hospital (AUS) Honorary Professor, Peking University Health Science Center (China)



MEETINGS OF DIRECTORS

During the financial year, 25 meetings of Directors (including committee meetings) were held. Attendances by each Director are listed below.

	Board Meeting		Special Board Meeting [#]		Remuneration Committee		Nominations Committee		Development Committee		Finance, Risk and Audit Committee [^]		Research 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	4	4	6	6	2	2	-	-	-	-	-	-	4	4
David Armstrong	4	4	6	6	-	-	-	-	-	-	5	5	-	-
Catherine Livingstone	4	4	6	4	2	2	-	-	-	-	-	-	4	4
Gina Anderson	4	4	6	6	-	-	-	-	4	4	-	-	-	-
Jason Yat-sen Li	1	1	-	-	-	-	-	-	4	2	-	-	-	-
Paul McClintock	2	2	-	-	-	-	-	-	-	-	-	-	-	-
Russell Aboud	4	3	6	3	-	-	-	-	-	-	-	-	-	-
Yasmin Allen	4	3	6	3	-	-	-	-	-	-	-	-	-	-
Robyn Norton	4	3	6	6	-	-	-	-	-	-	5	5	4	3
Stephen MacMahon	4	4	6	6	-	-	-	-	4	4	-	-	4	4
Melinda Conrad	4	4	6	4	-	-	-	-	4	3	-	-	-	-
Srinivas Akkaraju	4	2	6	3	-	-	-	-	-	-	-	-	-	-
David Baffsky	4	4	6	6	-	-	-	-	-	-	-	-	-	-
Rodney Phillips	-	-	-	-	-	-	-	-	-	-	-	-	-	-

[^] The membership of the Finance, Risk and Audit Committee includes an independent professional, Mr David Clark.

⁺ 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.

[#] Special Board meeting were held during the financial year for the change of affiliation to University of New South Wales (UNSW).



Insurance of Officers

During the year, the Company paid a premium of \$29,049 for 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 2017 the number of members was thirteen.

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.



Michael John Hawker (Director)

25

day of

August

2017

Dated this



Stephen William MacMahon (Director)

25

day of

August

2017

Dated this



STATEMENT OF PROFIT OR LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated	
		2017	2016
		\$	\$
Operating Revenue	2	82,198,598	67,205,528
Other Income	2	3,448,314	2,937,757
Employee Benefits Expense	3	(45,595,660)	(40,009,834)
Depreciation and Amortisation Expense	3	(1,176,887)	(925,430)
Rental Expense	3	(2,871,739)	(2,739,421)
Administration Expense		(2,845,481)	(2,533,520)
Study Contract Fee		(9,874,005)	(6,824,798)
Patient Recruitment Expense		(1,707,152)	(2,115,177)
Consultants and Sub-Contractors Fee		(6,474,804)	(4,724,452)
Travel/Accommodation Costs		(2,826,583)	(2,511,469)
Other Expenses	3	(9,546,165)	(7,036,116)
Share of Loss of Jointly Controlled Entity	9	(542,493)	(297,306)
Realised Loss on Disposal of Financial Assets		-	(1,903)
Surplus before Income Tax		2,185,943	423,859
Income Tax		(950,538)	(253,062)
Surplus after Income Tax		1,235,405	170,797
Other Comprehensive Income/(Loss)			
Items which will be reclassified subsequently to surplus or deficit when specific conditions are met:			
Exchange Differences on Translation of Foreign Operations		(273,383)	(191,762)
Changes in the Fair Value of Available-for-sale Financial Assets		569,306	(443,251)
Total Other Comprehensive Income/(Loss) for the Year		295,923	(635,013)
Total Comprehensive Income/(Loss) for the Year		1,531,328	(464,216)

The accompanying notes form part of these financial statements.



STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	Consolidated	
		2017	2016
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	4	21,433,130	19,029,429
Trade and Other Receivables	5	23,223,180	12,073,447
Other Assets	6	2,984,942	1,459,246
Accrued Income	7	4,257,005	4,523,584
TOTAL CURRENT ASSETS		51,898,257	37,085,706
NON-CURRENT ASSETS			
Other Financial Assets	8	6,912,086	8,538,633
Investments Accounted for using Equity Method	9	1,374,928	1,259,732
Furniture, Fittings and Equipment	10	5,965,723	1,256,813
Goodwill	11	7,021,613	-
Intangible Assets	11	2,456,078	167,229
TOTAL NON-CURRENT ASSETS		23,730,428	11,222,407
TOTAL ASSETS		75,628,685	48,308,113
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	12	11,823,678	2,954,347
Deferred Income	13	36,098,898	28,782,694
Provisions	14	5,544,330	4,409,505
Borrowings	15	1,500,000	-
Other Liabilities	16	300,000	200,000
TOTAL CURRENT LIABILITIES		55,266,906	36,346,546
NON-CURRENT LIABILITIES			
Provisions	17	623,583	779,698
Borrowings	15	4,500,000	-
Other Liabilities	16	2,525,000	-
TOTAL NON-CURRENT LIABILITIES		7,648,583	779,698
TOTAL LIABILITIES		62,915,489	37,126,244
NET ASSETS		12,713,196	11,181,869
EQUITY			
Foreign Currency Translation Reserve		(749,998)	(476,615)
Available-for-sale Financial Asset Reserve		771,836	202,530
Accumulated Surplus		12,691,358	11,455,954
TOTAL EQUITY		12,713,196	11,181,869

The accompanying notes form part of these financial statements.



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

Consolidated	Accumulated Surplus	Available- for-sale Financial Asset Reserve*	Foreign Currency Translation Reserve#	Total equity
	\$	\$	\$	\$
Balance at 1 July 2015	11,285,157	645,781	(284,853)	11,646,085
Surplus for the year	170,797	-	-	170,797
Other comprehensive income for the year	-	(443,251)	(191,762)	(635,013)
Total comprehensive income for the year	170,797	(443,251)	(191,762)	(464,216)
Balance at 30 June 2016	11,455,954	202,530	(476,615)	11,181,869
Surplus for the year	1,235,405	-	-	1,235,405
Other comprehensive income for the year	-	569,306	(273,383)	295,923
Total comprehensive income for the year	1,235,405	569,306	(273,383)	1,531,328
Balance at 30 June 2017	12,691,358	771,836	(749,998)	12,713,196

*** Available-for-sale financial asset reserve**

Changes in the fair value arising on translation of investments, such as securities in listed corporations, classified as available-for-sale financial assets, are recognised in other comprehensive income and accumulated in a separate reserve within equity (available-for-sale financial asset reserve). Amounts are recognised in surplus or deficit when the associated 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). The reserve is recognised in surplus or deficit when the net investment is disposed of.

The accompanying notes form part of these financial statements.



STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated	
		2017	2016
		\$	\$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipt of grants and contract revenue		98,814,927	77,082,630
Payments to suppliers and employees		(92,465,003)	(72,559,574)
Dividends received		303,870	315,239
Interest received		126,246	58,547
Net cash generated from operating activities	22b	6,780,040	4,896,842
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for furniture, fittings and equipment		(5,725,358)	(677,832)
Payment for Intangibles		(29,209)	(80,322)
Proceeds from sale of available-for-sale investments		3,954,751	668,516
Payment for available-for-sale investments		(2,085,621)	(1,088,026)
Receipt of held-to-maturity investments		2,395,500	1,950,000
Payment for held-to-maturity investments		(1,750,000)	(2,150,000)
Acquisition of a business, net of cash acquired	11	(7,045,220)	-
Net cash used in investing activities		(10,285,157)	(1,377,664)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipt of bank loan		6,000,000	-
Net cash generated from financing activities		6,000,000	-
Net increase in cash and cash equivalents held		2,494,884	3,519,178
Effect of exchange rate fluctuations on cash and cash equivalents		(91,183)	(118,883)
Cash and cash equivalents at the beginning of the financial year		19,029,429	15,629,134
Cash and cash equivalents at the end of the financial year	4	21,433,130	19,029,429

The accompanying notes form part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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 25 August 2017.

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 2017 and the results of all the subsidiaries for the year ended 30 June 2017. 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. Then the Consolidated Entity's share of losses exceeds its interest in the jointly controlled entity, the Consolidated Entity's carrying amount is reduced to \$nil the recognition of further losses is discontinued except to the extent that the Consolidated Entity has incurred obligations or made payments on behalf of the jointly controlled entity. Intercompany transactions, balances and unrealised gains or losses on transactions between entities in the Consolidated Entity are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

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 contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Principles of Consolidation (continued)

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. Refer to the paragraph k "Goodwill" for the subsequent accounting policy on goodwill. Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss.

(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 22.

(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.

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. The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

(d) 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).

(e) 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.

(f) 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.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Trade Receivables

Trade receivables, which consists of the amount due to third parties are recognised and carried at original invoiced amount less any uncollectable amount. Trade receivables are generally due within 30 days. The carrying amount of receivables is deemed to reflect the fair value. Allowance for doubtful debt is made within the objective evidence shows that the consolidated entity will not be able to collect the debt. Bad debts were written off when identified.

(h) Accrued Income

Accrued Income is the revenue recognised in relation to research grants and contracts in excess of amounts billed.

(i) Investments and Financial Assets

Initial recognition and measurement

Financial assets are recognised when the consolidated entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the consolidated entity commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted). Financial assets are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial assets are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- i. the amount at which the financial asset is measured at initial recognition;
- ii. less principal repayments;
- iii. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- iv. less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Consolidated Entity classifies its financial assets in the following categories (where applicable):

i. *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking, where they are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

ii. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investments and Financial Assets (continued)

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

iii. *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the consolidated entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

iv. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after the end of the reporting period.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the consolidated entity assesses whether there is objective evidence that a financial asset has been impaired. In the case of available-for-sale financial assets, a prolonged decline in the value of the asset is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of profit or loss.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the consolidated entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

(j) Furniture, Fittings 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:

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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Furniture, Fittings and Equipment (continued)

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.

(k) 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.

(l) Intangible Assets

Development Cost

Polypill Development Costs are carried in the accounts of SmartGenRx Pty Ltd and recorded at cost. Polypill Development Costs have a finite life and are carried at cost less any accumulated amortisation and impairment losses. They have an estimated useful life of 20 years. They are assessed annually for impairment.

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.

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.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Intangible Assets (continued)

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.

(m) Impairment of Non-Financial Assets

At the end of each reporting period, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the consolidated entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an assets' class, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

(n) Trade and 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.

(o) Deferred Income

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.

(p) Provisions

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.

(q) Employee Benefits

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.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) **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.

(s) **Leases**

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.

(t) **Comparative Figures**

Where required by Australian Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When an entity applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period must be disclosed.

(u) **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.

Key judgements

Revenue from reciprocal grants and contracts

Revenue from reciprocal grants and contracts is recognised as revenue when services are performed or conditions fulfilled under the terms of the grant or contract. The recognition of revenue in relation to these grants and contracts requires the use of judgement in assessing the stage of completion, such as number of patients recruited and/or budgeted costs to complete.

Employee benefits estimation

A provision has been recognised for employee benefits relating to long service leave. 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.

Business combinations

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

(v) **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. There are no material impacts on the consolidated entity's results coming from these standards.



NOTE 2

REVENUE AND OTHER INCOME

	Consolidated	
	2017	2016
	\$	\$
Operating Revenue		
<i>Revenue from government grants and other contract revenue</i>		
State/Federal government grants	31,561,554	30,977,614
Other organisations	50,637,044	36,227,914
Total Operating Revenue	82,198,598	67,205,528
Other Income		
Net foreign exchange gains (realised/unrealised)	-	255,507
Dividends received (including dividends reinvested)	306,368	316,352
Interest received	227,496	187,694
Gain on Dilution/Transfer of Intellectual Property	657,689	555,845
Other	2,256,761	1,622,359
Total Other Income	3,448,314	2,937,757
Total Operating Revenue and Other Income	85,646,912	70,143,285

NOTE 3

EXPENSES

	Consolidated	
	2017	2016
	\$	\$
Surplus for the year includes the following specific expenses:		
<i>Depreciation and Amortisation:</i>		
Furniture, fixture and equipment	1,078,841	925,430
Backlog	40,302	-
Non-Competition Agreements	12,784	-
Customer Relationships	44,960	-
	1,176,887	925,430
<i>Rental Expense:</i>		
Rental expense on operating leases	2,871,739	2,739,421
<i>Net Foreign Exchange Loss:</i>		
Net foreign exchange loss (realised and unrealised)	635,840	-
<i>Superannuation Expenses:</i>		
Defined contribution superannuation expense	2,230,088	1,902,381



NOTE 4

CASH AND CASH EQUIVALENTS

	Consolidated	
	2017	2016
	\$	\$
CURRENT		
Cash at bank	21,428,103	19,024,074
Cash on hand	5,027	5,355
	21,433,130	19,029,429

NOTE 5

TRADE AND OTHER RECEIVABLES

	Consolidated	
	2017	2016
	\$	\$
CURRENT		
Trade receivables	21,221,067	10,936,519
Other receivables	2,002,113	1,136,928
	23,223,180	12,073,447

Credit Risk - Trade and Other Receivables

The Consolidated Entity does not have any material credit risk exposure to any single receivable or group of receivables.

The following table details the Consolidated Entities' trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Consolidated Entity and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Consolidated Entity. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross amount	Past due and impaired	Past due but not impaired (days overdue)				Within initial trade terms
			< 30	31-60	61-90	> 90	
	\$	\$	\$	\$	\$	\$	\$
2017							
Trade receivables	21,221,067	-	5,768,271	649,900	509,438	-	14,293,458
Other receivables	2,002,113	-	-	-	-	-	2,002,113
Total	23,223,180	-	5,768,271	649,900	509,438	-	16,295,571
2016							
Trade receivables	10,936,519	-	2,542,719	1,349,299	639,235	-	6,405,266
Other receivables	1,136,928	-	-	-	-	-	1,136,928
Total	12,073,447	-	2,542,719	1,349,299	639,235	-	7,542,194

The Consolidated Entity does not have any trade and other receivables whose terms have been renegotiated, but which would otherwise be past due or impaired.



NOTE 6

OTHER ASSETS

	Consolidated	
	2017	2016
	\$	\$
CURRENT		
Prepayments	1,524,979	491,018
Deposits and bonds	1,379,963	851,729
Other receivables	-	116,499
Loan to Ellen Medical Pty Ltd	80,000	-
	2,984,942	1,459,246

NOTE 7

ACCRUED INCOME

	Consolidated	
	2017	2016
	\$	\$
CURRENT		
Accrued income - revenue recognised but unbilled	4,257,005	4,523,584

NOTE 8

INVESTMENTS

	Consolidated	
	2017	2016
	\$	\$
NON-CURRENT		
Available-for-sale financial assets comprise:		
Securities in listed corporations	5,367,264	6,691,464
Held-to-maturity Investments comprise:		
Term deposits/bank bills - maturity less than 12 months	1,544,822	1,847,169
	6,912,086	8,538,633

NOTE 9

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.

Name	Principal place of business / Country of incorporation	Ownership interest	
		2017 %	2016 %
SmartGenRx Pty Ltd	Australia	72.58%	84.11%

The above 72.58% is representative of the B Share holding as of 30 June 2017, 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 partners, which prevents the Consolidated Entity from having control.



NOTE 9: INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

Summarised financial information;

	SmartGenRx Pty Ltd	
	2017	2016
	\$	\$
<i>Summarised statement of financial position</i>		
Current assets	691,169	498,500
Non-current assets	1,001,193	1,001,193
Total assets	1,692,362	1,499,693
Current liabilities	92,077	1,973
Non-current liabilities	-	-
Total liabilities	92,077	1,973
Net assets	1,600,285	1,497,720
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	-	-
Expenses	747,435	353,473
Loss before income tax	747,435	353,473
Income tax expense	-	-
Loss after income tax	747,435	353,473
Other comprehensive expense	-	-
Total comprehensive loss	747,435	353,473
<i>Reconciliation of the consolidated entity's carrying amount</i>		
Opening carrying amount	1,259,732	-
Equity contribution to jointly controlled entity	657,689	1,557,038
Share of loss after income tax	(542,493)	(297,306)
Closing carrying amount	1,374,928	1,259,732

Contingent liabilities

	Consolidated	
	2017	2016
	\$	\$
Share of bank guarantees	-	-

Commitments

	Consolidated	
	2017	2016
	\$	\$
Committed at the reporting date but not recognised as liabilities, payable:	-	-
Share of capital commitments	-	-



NOTE 10

FURNITURE, FITTINGS AND EQUIPMENT

	Consolidated	
	2017	2016
	\$	\$
NON-CURRENT		
Furniture, Fittings and Equipment		
At cost	12,873,077	7,388,652
Less accumulated depreciation	(6,907,354)	(6,131,839)
	5,965,723	1,256,813

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:

	Consolidated	
	Furniture, Fixtures and Equipment	Total
	\$	\$
2017		
Carrying amount at the beginning of the year	1,256,813	1,256,813
Additions at cost	5,725,358	5,725,358
Exchange differences	62,393	62,393
Depreciation expense	(1,078,841)	(1,078,841)
Carrying amount at the end of the year	5,965,723	5,965,723



NOTE 11

GOODWILL AND INTANGIBLE ASSETS

	Consolidated	
	2017	2016
	\$	\$
NON-CURRENT		
Goodwill	7,021,613	-
Intangible Assets		
Trademark - at cost	189,329	167,229
Backlog - at fair value	1,168,747	-
Non-Competition Agreements - at fair value	63,919	-
Customer Relationships - at fair value	1,034,083	-
	2,456,078	167,229

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	Non-Competition Agreements	Customer Relationships
	\$	\$	\$	\$	\$
2017					
Carrying amount at the beginning of the year	-	167,229	-	-	-
Additions - Vector Oncology	7,021,613*	22,100	1,209,049	76,703	1,079,043
Amortisation expense	-	-	(40,302)	(12,784)	(44,960)
Impairment	-	-	-	-	-
Carrying amount at the end of the year	7,021,613	189,329	1,167,747	63,919	1,034,083

***Business combinations**

On 1 May 2017, George Clinical INC, a private company registered in Delaware, United States of America (USA) and a wholly owned subsidiary of George Clinical Pty Ltd, acquired the assets of the Pharmaceutical Services division of Vector Oncology Solutions, LLC for a total consideration transferred of USD5,687,250 (AUD7,393,721 - base purchase price of USD6m net of working capital adjustments) with a further two payments of USD1 million per year over two years as Earnout contingent upon the business achieving minimum EBITDA targets. The Pharma Services business is a Phase 1-4 clinical Contract Research Organisation (CRO) focused on oncology clinical trials across the United States of America. The Pharma Services business has more than 40 employees operating out of two offices in Memphis (TN) and Kansas City (MO) in addition to home-based staff based in 17 states. The acquisition opens up a new therapeutic area and a new geographic presence for George Clinical Pty Ltd, those being oncology in the USA, the largest and fastest growing markets in the global CRO space.



NOTE 11: GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

Details of the acquisition are as follows;

	Fair value
	\$
Cash and cash equivalents	348,501
Trade receivables	1,951,780
Accrued income	1,036,302
Prepayments	613,838
Plant and equipment	37,790
Intangible asset - Backlog	1,209,049
Intangible asset - Non-competition agreements	76,703
Intangible asset - Customer relationship	1,079,043
Trade payable	(316,702)
Accruals	(428,519)
Deferred revenue	(2,916,951)
Net Assets acquired	2,690,834
Contingent consideration (Earn-out payment)	(2,430,531)
*Goodwill	7,021,613
Acquisition-date fair value of the total consideration transferred	7,281,916
Representing:	
Cash paid or payable to vendor	7,393,721
Less: Working capital adjustment (receivable)	(111,805)
	7,281,916
Acquisition costs expensed to profit or loss	549,000
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	7,393,721
Less: cash and cash equivalents	(348,501)
Net cash used	7,045,220



NOTE 12

TRADE AND OTHER PAYABLES

	Consolidated	
	2017	2016
	\$	\$
CURRENT		
Trade payables	4,576,646	719,348
Other payables and accruals	7,247,032	2,234,999
	11,823,678	2,954,347

NOTE 13

DEFERRED INCOME

	Consolidated	
	2017	2016
	\$	\$
CURRENT		
Deferred income - unutilised amount of funding	36,098,898	28,782,694

NOTE 14

PROVISIONS

	Consolidated	
	2017	2016
	\$	\$
CURRENT		
Employee benefits - annual leave	2,348,303	2,064,343
Employee benefits - long service leave	1,154,465	706,162
Bonus provision	2,041,562	1,639,000
	5,544,330	4,609,505

	Bonus provision
	\$
Carrying amount at the beginning of the year	1,639,000
Utilised during the year	(1,639,000)
Additional provision recognised	2,041,562
Carrying amount at the end of the year	2,041,562



NOTE 15

BORROWINGS

	Consolidated	
	2017	2016
	\$	\$
CURRENT		
Bank Loan	1,500,000	-
NON-CURRENT		
Bank Loan	4,500,000	-
	6,000,000	-

NOTE 16

OTHER LIABILITIES

	Consolidated	
	2017	2016
	\$	\$
CURRENT		
1 King St Fit-Out	300,000	200,000
NON-CURRENT		
1 King St Fit-Out	2,525,000	-
	2,825,000	200,000

NOTE 17

PROVISIONS

	Consolidated	
	2017	2016
	\$	\$
NON-CURRENT		
Employee benefits - long service leave	623,583	779,698

NOTE 18

CAPITAL AND LEASING COMMITMENTS

	Consolidated	
	2017	2016
	\$	\$
Operating Lease Commitments		
<i>Non-cancellable operating leases contracted for but not capitalised in the financial statements</i>		
<i>Payable - minimum lease payments</i>		
Less than one year	2,489,210	2,371,050
Between one and five years	9,698,947	987,388
More than five years	700,833	-
	12,888,990	3,358,438



NOTE 19

CONTINGENT LIABILITIES

There are no contingent liabilities or contingent assets at 30 June 2017 (30 June 2016: \$Nil)

NOTE 20

KEY MANAGEMENT PERSONNEL COMPENSATION

	Consolidated	
	2017	2016
	\$	\$
Total compensation	1,260,249	1,218,827

The aggregate compensation made to Directors and other members of key management personnel of the Company is set out above.

NOTE 21

RELATED PARTY DISCLOSURES

	2017	2016
	\$	\$
a) Key management personnel		
Disclosures relating to key management personnel are set out in note 20		
b) Loans to Related parties		
George Institute for Global Health (India)	339,365	-
George Clinical Pty Ltd	3,580,661	13,626,856
George Clinical Asia Pacific Limited	63,301	66,374
George Clinical (UK) Limited	152,266	57,001
The above loans eliminate on consolidation		
c) Loans from Related parties		
Beijing George Medical Research Co. Ltd	(175,461)	(269,052)
George Institute for Global Health (India)	-	(158,341)
George Partners Limited	(97,949)	(92,389)
Academic Alliance for Clinical Trials LLP	(3,316,265)	(3,316,265)
The above loans eliminate on consolidation		



NOTE 22

CASH FLOW INFORMATION

	Consolidated	
	2017	2016
	\$	\$
a. Reconciliation of cash and cash equivalents		
Cash at bank	21,428,103	19,024,074
Cash on hand	5,027	5,355
	21,433,130	19,029,429
b. Reconciliation of Cash flow from Operations with Surplus		
Surplus after income tax	1,235,405	170,797
<i>Non-cash flows:</i>		
Depreciation and amortisation	1,176,887	925,430
(Gain)/loss on disposal of available-for-sale financial assets	(70,989)	1,903
Dividends reinvested	(306,368)	(316,352)
Share of loss of jointly controlled entity	542,493	297,306
Net exchange differences	263,539	(23,240)
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(9,197,953)	4,255,152
Decrease/(Increase) in other assets	391,023	(230,737)
Increase/(decrease) in trade and other payables	4,743,040	(470,236)
Increase/(decrease) in deferred income	4,399,254	(214,125)
Increase in provisions	978,709	300,944
Increase in other liabilities	2,625,000	200,000
Net cash generated from operating activities	6,780,040	4,896,842



NOTE 23

PARENT ENTITY DISCLOSURES

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

	2017	2016
	\$	\$
Results of parent entity		
Surplus/(deficit) for the year	(180,304)	(1,179,001)
Other comprehensive income	569,306	(443,251)
Total comprehensive income for the year	389,002	(1,622,252)
Financial position of parent entity at year end		
Current assets	26,343,476	30,136,579
Total assets	54,935,893	40,387,314
Current liabilities	44,937,345	33,146,303
Total liabilities	48,085,928	33,926,351
Total equity of the parent entity comprising of:		
Accumulated surplus	6,078,128	6,258,432
Available-for-sale financial asset reserve	771,836	202,530
Total equity	6,849,964	6,460,962



NOTE 24

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)

George Clinical Pty Ltd
Country of Incorporation: Australia
Percentage owned: 100% (2016: 100%)

George (Beijing) Clinical Research Co. Ltd
Country of Incorporation: China
Percentage owned: 100% (2016: 100%)

The George Foundation for Global Health Limited
Country of Incorporation: Australia
Percentage owned: 100% (2016: 100%)

George Clinical India Private Ltd
Country of Incorporation: India
Percentage owned: 100% (2016: 100%)

The George Institute for Global Health (UK)
Country of Incorporation: United Kingdom
Percentage owned: 100% (2016: 100%)

George Clinical Asia Pacific Limited
Country of Incorporation: Hong Kong
Percentage owned: 100% (2016: 100%)

George Partners Limited
Country of Incorporation: United Kingdom
Percentage owned: 100% (2016: 100%)

George Clinical (UK) Limited
Country of Incorporation: United Kingdom
Percentage owned: 100% (2016: 100%)

Academic Alliance for Clinical Trials LLP
Country of Incorporation: United States of America
Percentage owned: 100% (2016: 100%)

George Clinical Inc.
Country of Incorporation: United States of America
Percentage owned: 100% (2016: 100%)

Beijing George Medical Research Co. Ltd
Country of Incorporation: China
Percentage owned: 100% (2016: 100%)

George Institute for Global Health
Country of Incorporation: India
Percentage owned: 100% (2016: 100%)

George Health Enterprises Pty Limited
Country of Incorporation: Australia
Percentage owned: 100% (2016: 100%)

George Medicines Pty Limited
Country of Incorporation: Australia
Percentage owned: 100% (2016: 100%)

George Care Pty Ltd
Country of Incorporation: Australia
Percentage owned: 100% (2016: N/A)

George Health Enterprises UK Limited
Country of Incorporation: Australia
Percentage owned: 100% (2016: N/A)

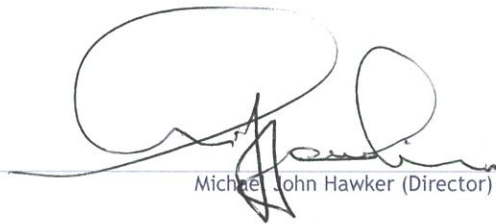


DIRECTORS' DECLARATION

In the Directors' opinion:

1. the financial statements and notes, as set out on pages 10 to 33, are in accordance with 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 2017 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.



Michael John Hawker (Director)

Dated this 25 day of August 2017



Stephen William MacMahon (Director)

Dated this 25 day of August 2017



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 and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2017, 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 report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of The George Institute for Global Health has been prepared 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 2017 and of its financial performance for the year ended on that date; 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 *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

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

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

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

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

Responsibilities of the directors for the Financial Report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the ACNC Act and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the 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 directors either intend to liquidate the group or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the group'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_files/ar3.pdf.

This description forms part of our auditor's report.

BDO East Coast Partnership



Paul Bull
Partner

Sydney, 25 August 2017