



**Annual Financial Report**

**For the year ended 30 June 2020**

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## **Corporate Information**

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Directors	The Hon. Alex Chernov AC QC (Chairman)  Ms Carol Austin  Dr Andrew Cuthbertson AO  Ms Geraldine Doogue AO  Mr Chris Eccles AO Retired 26 October 2020  Ms Kathryn Fagg AO  Mr Geoff Healy  Prof Duncan Maskell  Ms Jillian Segal AO  Mr Ian Marshman AM  Dr Ian Watt AC
Registered office and principal place of business	8 Malvina Place Carlton Victoria 3053 Australia
Australian Business Number	17 134 323 756
Bankers	National Australia Bank
Auditors	KPMG

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## Directors' Report for the Year Ended 30 June 2020

Your directors present this report to the members of Grattan Institute (the "Company") for the financial year ended 30 June 2020.

### Directors

The names of each person who has been a director over the financial year and until the date of this report are listed in the below table. The table also details the number of directors' meetings held (including meetings of Board committees) and number of meetings attended by each of the Directors of Grattan Institute during the year.

Director	Service Period	Board Meetings		Risk & Audit Committee <sup>1</sup>		Investment Committee		Public Policy Committee	
		Number of Meetings	Number Attended	Number of Meetings	Number Attended	Number of Meetings	Number Attended	Number of Meetings	Number Attended
Mr Alex Chernov	Full year	5	5	2	2	4	4	5	1
Ms Carol Austin	Full year	5	5	2	1	4	4	-	-
Dr Andrew Cuthbertson	Full year	5	4	-	-	-	-	-	1
Ms Geraldine Doogue	Full year	5	5	-	-	-	-	-	-
Mr Chris Eccles	Full year	5	1	-	-	-	-	-	-
Ms Kathryn Fagg	Full year	5	4	2	2	4	4	-	2
Mr Geoff Healy	Full year	5	3	-	-	-	-	-	-
Mr Ian Marshman	Appointed 27 Aug 2019	4	3	-	-	-	-	-	1
Prof Duncan Maskell	Ful year	5	3	-	-	-	-	-	-
Ms Jillian Segal	Full year	5	4	-	-	4	4	-	2
Mr Ian Watt	Full year	5	5	-	-	-	-	5	5

Note:

*Number of Meetings* indicates the number of meetings of the Board or Board Committee that were held during the period the Director was a member of the Board or Committee.

*Number Attended* indicates the number of meetings of the Board or Board Committee attended by the Board Member.

Details of the directors' qualifications, experience and special responsibilities can be found on pages 7 to 9 of this report.

### Company Secretary

Mr Andrew McDonald BEc MPA has been Company Secretary since 5 October 2009. Previously, Mr McDonald was Chief Financial Officer for the Victorian Government Department of Sustainability and Environment.

<sup>1</sup> The Risk & Audit Committee also comprises an external member, Mr Brett Croft.

## Directors' Benefits

No Director has received or become entitled to receive a benefit because of a contract between Grattan Institute and the Director or a firm of which the Director is a member or an entity in which the Director has a substantial financial interest.

## Principal Activities

Grattan Institute's principal activities during the year were:

- The conduct of systematic research and analysis in Australian public policy in the fields of social, environmental and economic policy.
- The discussion of this research with senior decision makers and in public forums.
- The raising of funds for these research activities through government grants, donations and in-kind contributions.

There were no significant changes in the nature of Grattan Institute's activities during the financial year.

## Short and Long-term Objectives

Grattan Institute's long-term objectives are to:

- undertake systematic research and analysis in the fields of social, environmental and economic policy; and
- disseminate and discuss the research and analysis

for the public benefit to improve the basis for informed debate and assessment by the public and its leaders on public policy for Australia as a liberal democracy in a globalised economy. Grattan Institute's current programs include Australian Perspectives, Budget Policy and Institutional Reform, Household Finances, Energy, Health, Transport and Cities, School Education, Economic Growth and Higher Education.

Grattan Institute's strategy in each of these Programs is to conduct independent and rigorous analysis to contribute practical proposals to improve Australian public policy. It then distributes the results of this research through the media and online and through presentations to opinion leaders and decision-makers.

Grattan Institute measures its performance by:

- Monitoring the immediate outputs in terms of research papers and opinion pieces published, public seminars and private forums held and presentations made;
- Reporting on the intermediate impact of this work through media mentions and website pages viewed; and
- Considering qualitative evaluation of the ultimate impact of Grattan Institute's influence on opinion leaders and decision makers.

## Operating Results and Review of Operations

The operating result for the year was a loss of \$4,409,000 (2019: loss of \$1,683,000). Grattan Institute is exempt from income tax.

Comparative operating results from the last seven years are set below. The analysis is provided separately for endowment income and operating results.

	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000
<b>Endowment Income</b>							
Interests and Dividends Realised	2,136	2,913	2,797	2,585	2,600	1,748	1,325
Gains (Losses) from the Sale of Investments	389	(19)	(473)	1,085	1,409	(472)	138
Movement in the Market Value of Investments	3,745	1,999	(2,211)	894	647	1,074	(1,624)
Less: Investment Management Fees	(139)	(142)	(140)	(165)	(119)	(143)	(152)
<b>Total Interest and Investment Income</b>	<b>6,131</b>	<b>4,751</b>	<b>(27)</b>	<b>4,399</b>	<b>4,537</b>	<b>2,207</b>	<b>(313)</b>
<i>Additions to the Endowment</i>							
Other Donations	73	183	290	484	591	763	728
<b>Total Additions to the Endowment</b>	<b>73</b>	<b>183</b>	<b>290</b>	<b>484</b>	<b>591</b>	<b>763</b>	<b>728</b>
<b>Total Endowment Income</b>	<b>6,204</b>	<b>4,934</b>	<b>263</b>	<b>4,883</b>	<b>5,128</b>	<b>2,970</b>	<b>415</b>
<b>Operating Result</b>							
Other Income	1,766	1,161	806	1,051	963	886	714
Operating Expenditure	4,833	5,025	5,270	5,383	5,517	5,539	5,538
<b>Total Entity Profit (Loss)</b>	<b>3,137</b>	<b>1,070</b>	<b>(4,201)</b>	<b>551</b>	<b>574</b>	<b>(1,683)</b>	<b>(4,409)</b>

## Significant Changes in the State of Affairs

In the opinion of the directors, there were no significant changes in the state of affairs of Grattan Institute during the financial year that are not otherwise disclosed in this report.

## After Balance Date Events

There has not arisen in the interval between the end of the financial year and the date of the report any item, transaction or event of a material and unusual nature that in the opinion of the directors is likely to materially affect the operations of Grattan Institute, the results of those operations, or Grattan Institute's state of affairs in future financial years.

Since the introduction of COVID-19 restrictions in Melbourne all of Grattan Institute's staff have been working remotely. This has had no material impact on the Institute's outputs.

## Future Developments

Grattan Institute will continue to carry on the principal activities noted above. There are no likely developments in the activities in future years which will affect the results and therefore require disclosure.

## Environmental Regulations

The directors have not received notification nor are they aware of any breaches of environmental laws by Grattan Institute.

## Auditor's Independence

The auditor's declaration of independence appears on page 11 and forms part of the Directors' report for the year ended 30 June 2020.

## Rounding

Pursuant to the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 Grattan Institute has rounded off amounts in this report and the accompanying financial report to the nearest thousand dollars, except where indicated.

## Indemnification and Insurance of Directors, Officers and Auditors

During the financial year, Grattan Institute has paid insurance premiums in respect of directors' and officers' liability for current and former directors and officers, including senior executives of Grattan Institute.

The insurance premiums relate to:

- Costs and expenses incurred by the relevant officers in defending proceedings whether civil or criminal and whatever the outcome.
- Other liabilities that may arise from their position, with the exception of conduct involving wilful breach of duty or improper use of information or position to gain a personal advantage.

Premiums totalling \$16,606 were paid in respect of the current directors named in this report and an independent member of the Risk & Audit Committee. Grattan Institute has not otherwise indemnified or agreed to indemnify an officer or auditor of Grattan Institute against a liability incurred by such an officer or auditor.

## Directors' Qualifications, Experience and Special Responsibilities

### **The Hon. Alex Chernov AC QC**

Chairman of Grattan Institute since 15 February 2016 and is a member of the Risk and Audit Committee, Investment Committee and Public Policy Committee Committee.

Mr Chernov is a Governor of The Ian Potter Foundation and other organisations. He practices in alternative dispute resolutions both locally and internationally.

Mr Chernov practised as a barrister for over 30 years in commercial law and equity and was appointed Queen's Counsel in 1980. He has also taught law, co-authored a legal text and was an Honorary Consultant to the Australian Law Reform Commission. He became Chairman of the Victorian Bar, Vice President of the Australian Bar Association and, later, President of the Law Council of Australia and Vice President of LawAsia. In 1997 Mr Chernov was appointed to the Trial Division of the Supreme Court of Victoria and, in the following year, to its Court of Appeal. He was also Deputy Chancellor of The University of Melbourne and in 2009 was elected as its Chancellor. He was appointed an Officer of the Order of Australia in 2008 and a Companion of the Order in 2012. Mr Chernov was sworn in as Victoria's 28th Governor in April 2011 and, in September, 2014 as deputy to the Governor-General.

He holds degrees from The University of Melbourne B.Com, LL.B (Hons) and Honorary LL.D from Melbourne, Monash and Amity Universities.

### **Ms Carol Austin**

Director appointed 4 April 2016. Chairman of the Investment Committee.

Ms Austin is a director of HSBC Bank Australia and StateSuper, Chairman of the ACT Investment Advisory Board and a member of the General Sir John Monash Investment, Audit and Risk Committee. She is a former Commissioner with the Independent Planning Commission and former director of the Future Fund, the Tasmanian Public Finance Corporation and the AOFM Advisory Board. Her executive career included senior roles with Contango Asset Management, Rothschild Australia Asset Management, BHP and the Reserve Bank of Australia. Ms Austin holds a B.Sc from Monash University, a B.Ec (Hons) from the Australian National University and Dip Ed from the University of Papua New Guinea.

### **Dr Andrew Cuthbertson AO**

Director appointed 27 November 2018

After completing medical training at the University of Melbourne and Ph.D in Immunology at the Walter and Eliza Hall Institute in Australia, Andrew Cuthbertson spent five years doing molecular biology research as a staff member at the Howard Florey Institute in Melbourne and the National Institutes of Health in the United States. He then spent seven years at Genentech Inc. in San Francisco, working on anti-VEGF therapy for age-related macular degeneration. Andrew was recruited to CSL Limited in 1997 and served as the R&D Director and Chief Scientific Officer. He is now the Senior Advisor to the CEO (since 2020) of CSL Limited and an Executive Director (since 2018) on the CSL Limited board. In 2016, he was made an Enterprise Professor, Faculty of Medicine, Dentistry and Health Sciences, University of Melbourne and an Officer of the Order of Australia for his services to medical research. Andrew is on the board of the Centre for Eye Research Australia (CERA) and the Council of the University of Melbourne. Dr Cuthbertson holds BMedSci, MB BS and a PhD.



**Ms Geraldine Doogue AO**

Director appointed 24 February 2014.

Ms Geraldine Doogue is an award winning journalist and broadcaster. She is currently the presenter of the ABC Radio National's Saturday Extra program on the ABC. Ms Doogue is a member of the Telstra Foundation Board, the Sydney Youth Orchestra Board and Patron of the Family Action Centre at The University of Newcastle. Ms Doogue holds a Bachelor of Arts from The University of Western Australia. She also holds a Honorary Doctorate of Letters from The University of Western Australia, Macquarie University, The University of Newcastle and the University of Sydney.

**Mr Chris Eccles AO**

Director appointed 19 January 2015. Retired 26 October 2020.

Mr Chris Eccles was previously Secretary of the Department of Premier and Cabinet (VIC). Prior to this he was Director-General of the New South Wales Department of Premier and Cabinet from 2011 to 2014, and Chief Executive of the South Australian Department of the Premier and Cabinet from 2009 to 2011. Mr Eccles holds a Bachelor of Arts and a Bachelor of Laws from the Australian National University.

**Ms Kathryn Fagg AO**

Director appointed 1 July 2018. Chairman of the Risk and Audit Committee and member of the Investment Committee.

Ms Fagg is Chairman of Boral Limited, Deputy Chairman of CSIRO, and is on the boards of listed companies National Australia Bank Limited and Djerriwarrh Investments Limited. She is the Chair of the Breast Cancer Network Australia (BCNA), as well as being a board member of The Myer Foundation and the Male Champions of Change. Ms Fagg is a former member of the board of the Reserve Bank of Australia. She also served as President of Chief Executive Women and Chair of the Melbourne Recital Centre. Ms Fagg is an experienced senior executive, having worked across a range of industries in Australia and Asia, including logistics, manufacturing, resources, banking and professional services. She was previously President of Corporate Development with the Linfox Logistics Group and prior to that she held executive roles at BlueScope Steel and ANZ and consulted for McKinsey and Co. In addition to her engineering degree, she holds an Honorary Doctorate of Business and a Master of Commerce in Organisation Behaviour from UNSW, and an Honorary Doctorate in Chemical Engineering from the University of Queensland.

**Mr Geoff Healy**

Appointed Director on 28 November 2017

Mr Healy, was until 1 November 2020, the Chief External Affairs Officer at BHP with global accountability for BHP's risk and reputation, including sustainability and public policy, compliance, health & safety, government relations, communications and internal audit. Mr Healy joined BHP as Chief Legal Counsel in June 2013 and assumed his current role in March 2016. Geoff also leads the Group's engagement with the BHP Foundation, a charitable organisation funded by BHP, that focuses on improving natural resource governance, education outcomes and environmental resilience. Prior to BHP, Geoff was a partner at Herbert Smith Freehills (HSF) for 17 years, with a broad practice across its network of Australian and international offices. His work at HSF spanned corporate and regulatory advisory work, risk management, investigations and disputes. Geoff holds a Bachelor of Laws and a Bachelor of Economics from the University of Sydney.

**Mr Ian Marshman AM**

Appointed Director on 27 August 2019.

Ian Marshman is a Honorary Fellow at the Melbourne Centre for Study of Higher Education. As a part-time Senior Adviser to the Vice Chancellor (up to 2018), chaired the Buxton Gallery and the Melbourne Conservatorium of Music Project Steering Committees through to project commencement and continue to serve on the Melbourne School of Engineering's 2025 Strategy Board. Mr Marshman holds BA(Hons) from The University of Melbourne, LLB from the Australian National University and LLD (Honorary) from The University of Melbourne.

**Prof Duncan Maskell**

Appointed Director on 27 November 2018

Professor Duncan Maskell became the 20th Vice-Chancellor of the University of Melbourne on 1 October 2018. Prior to this, Professor Maskell was Senior Pro-Vice-Chancellor at the University of Cambridge, responsible for overall planning and resources for the globally recognised institution with an annual turnover of approximately £2 billion. He also worked at the heart of one of Europe's largest academic development programs, spearheading an array of productivity initiatives. A Cambridge graduate and research specialist in infectious diseases, Professor Maskell's career also includes the University of Oxford, Imperial College London, and Wellcome Biotech. Professor Maskell holds a Master of Arts and a Doctor of Philosophy from the University of Cambridge.

**Ms Jillian Segal AO**

Director appointed 22 February 2017. Member of the Investment Committee.

In addition to her role on the Board of Grattan Institute, Ms Jillian Segal is the Chairman of the General Sir John Monash Foundation, Chairman of the Australia-Israel Chamber of Commerce (NSW), Chair of the Independent Parliamentary Expenses Authority (IPEA), a Director of the Garvan Institute of Medical Research, a Trustee of the Sydney Opera House Trust, a Director of Rabobank Australia Limited and a Member of the Order of Australia Council Board. Jillian holds a BA, LL.B from UNSW and a Master of Laws from Harvard Law School.

**Dr Ian Watt AC**

Director appointed 24 December 2013. Chairman of the Public Policy Committee.

Dr Ian J Watt AC has had a long career as one of Australia's most distinguished public servants, with nearly 20 years at the highest levels of the public service. His most recent and most senior appointment was as Secretary of the Department of the Prime Minister and Cabinet and head of the Australian Public Service, a position he held from 2011 until the end of 2014. Prior to that, he was Secretary of the Departments of Defence; Finance; and Communications, Information Technology and the Arts between 2001 and 2011. Before that, he was Deputy Secretary of the Department of the Prime Minister and Cabinet. Dr Watt is Chair of the International Centre for Democratic Partnerships and Chair of the ADC Advisory Council. He is also the recently retired Chair of the Australian Governance and Ethical Index Fund Advisory Board and former Chair of BAE Systems Australia. He serves on the Boards of Citibank Pty Ltd, Smartgroup Corporation Ltd, the Grattan Institute (University of Melbourne), O'Connell Street Associates Pty Ltd, the Committee for Economic Development of Australia, and Enviropacific, and is a Member of the Australian National Maritime Museum Council. Dr Watt is also a Member of the Male Champions of Change, a Member of the Melbourne School of Government Advisory Board at the University of Melbourne, a Fellow of ANZSOG, and Senior Adviser to Flagstaff Partners. He also has an Honorary Doctorate of Letters from the University of Technology Sydney and the University of Wollongong.

**Annual Financial Report  
For the Year Ended 30 June 2020**

Signed in accordance with a resolution of the directors made pursuant to s298(2) of the Corporations Act 2001 on behalf of the directors:



The Hon Alex Chernov AC QC  
Melbourne, 4 November 2020



# Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the Directors of Grattan Institute

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Gordon Sangster  
Partner  
Melbourne  
4 November 2020

**Statement of Profit and Loss and Other Comprehensive Income  
For the Year Ended 30 June 2020**

	Notes	2020 \$'000	2019* \$'000
<b>Operating Revenue</b>			
Interest and Investment Income	3	(161)	2,350
Endowment Funds and Donations	3	728	763
Other Income	4	714	886
<b>Total Operating Revenue</b>		<b>1,281</b>	<b>3,999</b>
<b>Operating Expenses</b>			
Employee Expenses	5	4,948	4,784
Audit Fees	5, 17	12	10
Investment Expenses	3	152	143
Other Expenses	5	578	745
<b>Total Operating Expenses</b>		<b>5,690</b>	<b>5,682</b>
<b>Profit (Loss) before Tax</b>		<b>(4,409)</b>	<b>(1,683)</b>
Income Tax Expense	2(j)	-	-
<b>Profit (Loss) for the Year</b>		<b>(4,409)</b>	<b>(1,683)</b>
<b>Other Comprehensive Income</b>		<b>-</b>	<b>-</b>
<b>Total Comprehensive Income (Loss)</b>		<b>(4,409)</b>	<b>(1,683)</b>

\* The Company has initially applied AASB 15, AASB 1058 and AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated (refer to note 3 (m)).

The Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out on pages 16 to 35.

**Statement of Financial Position  
As at 30 June 2020**

	Notes	2020 \$'000	2019* \$'000
<b>Current Assets</b>			
Cash and Cash Equivalents	6	7,687	4,979
Financial Assets	8	527	2,529
Trade and Other Receivables	7	613	1,121
<b>Total Current Assets</b>		<b>8,827</b>	<b>8,629</b>
<b>Non-current Assets</b>			
Financial Assets	8	24,408	29,390
Property, Plant and Equipment	9	9	8
<b>Total Non-current Assets</b>		<b>24,417</b>	<b>29,398</b>
<b>Total Assets</b>		<b>33,244</b>	<b>38,027</b>
<b>Current Liabilities</b>			
Trade and Other Payables	10	1,146	1,614
Employee Entitlements	11	526	503
<b>Total Current Liabilities</b>		<b>1,672</b>	<b>2,117</b>
<b>Non-current Liabilities</b>			
Employee Entitlements	11	185	114
<b>Total Non-current Liabilities</b>		<b>185</b>	<b>114</b>
<b>Total Liabilities</b>		<b>1,857</b>	<b>2,231</b>
<b>Net Assets</b>		<b>31,387</b>	<b>35,796</b>
<b>Equity</b>			
Retained Profits	12	31,387	35,796
<b>Total Equity</b>		<b>31,387</b>	<b>35,796</b>

\* The Company has initially applied AASB 15, AASB 1058 and AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated (refer to note 3 (m)).

The Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements set out on pages 16 to 35.

Statement of Changes in Equity  
For the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
<b>Retained Profits</b>			
Opening Balance*		35,796	37,479
Profit (Loss) for the year	12	(4,409)	(1,683)
Closing Balance		31,387	35,796
<b>Total Equity</b>		<b>31,387</b>	<b>35,796</b>

\* The Company has initially applied AASB 15, AASB 1058 and AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated (refer to note 3 (m)).

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 16 to 35.

**Statement of Cash Flows  
For the Year Ended 30 June 2020**

	Notes	2020 \$'000	2019* \$'000
<b>Cash Flows from Operating Activities</b>			
Cash Receipts from Donations, Endowments and Other Income		1,616	1,265
Interest and Investment Income Received		1,353	2,356
Cash Payments in the Course of Operations		(5,753)	(4,288)
Net Cash Used In Operating Activities	13	(2,784)	(667)
<b>Cash Flows from Investing Activities</b>			
Sales of Investments		17,894	21,126
Purchases of Investments		(12,396)	(18,260)
Payments for Property, Plant and Equipment		(6)	(1)
Net Cash From Investing Activities		5,492	2,865
Net Increase /Decrease) in Cash and Cash Equivalents		2,708	2,198
Cash and Cash Equivalents at Beginning of the Year		4,979	2,781
<b>Cash and Cash Equivalents at the End of the Year</b>	6	<b>7,687</b>	<b>4,979</b>

\* The Company has initially applied AASB 15, AASB 1058 and AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated (refer to note 3 (m)).

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 16 to 35.



## **Notes to the Financial Statements**

### **Note 1 Basis of Preparation**

(a) Reporting Entity

Grattan Institute is domiciled in Australia. The address of Grattan Institute's registered office is 8 Malvina Place Carlton Victoria.

Grattan Institute was incorporated under the Corporations Act 2001 on 25 November 2008 and is a not-for-profit Company limited by guarantee.

(b) Statement of compliance

The Financial Report is a general-purpose financial report which has been prepared in accordance with:

Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), the Corporations Act 2001 and the Australian Charities and Not-For-Profits Commission Act 2012 and Regulations.

The financial statements were approved by the Board of Directors on 4 November 2020.

(c) Basis of preparation

The Financial Report is prepared in accordance with the historical cost convention, except for investments that are stated at fair value through profit and loss.

The preparation of the Financial Report in conformity with Australian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by Grattan Institute.

Since the introduction of COVID-19 restrictions in Melbourne all of Grattan Institute's staff have been working remotely. This has had no impact on the Institute's operations.

The directors believe that it remains appropriate to prepare the financial statements on a going concern basis and have a reasonable expectation that Grattan Institute will be able to meet all liabilities during the next twelve months.

(d) Functional and Presentation Currency

The Financial Report is presented in Australian dollars, which is Grattan Institute's functional currency. Grattan Institute is of a kind referred to in ASIC Corporations Instrument 2016/191 and in accordance with that Corporations Instrument; all financial information presented has been rounded to the nearest thousand dollars unless otherwise stated.

## **Note 2 Statement of Significant Accounting Policies**

The accounting policies set out below have been applied in preparing the financial report for the year ended 30 June 2020.

### (a) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and in banks and investments in money market instruments.

### (b) Receivables

Grattan Institute makes use of the simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, Grattan Institute uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

### (c) Financial Instruments

#### **Non-derivative Financial Assets**

Grattan Institute has the following non-derivative financial assets: financial assets at fair value through profit or loss, and receivables.

##### *Financial Assets at Fair Value Through Profit or Loss*

A financial asset is classified as fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss where Grattan Institute manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Grattan Institute's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise investments in equity and debt securities.

##### *Receivables*

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method, less any impairment losses.

A financial instrument is recognised if Grattan Institute becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if Grattan Institute's contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by Grattan Institute is recognised as a separate asset or liability.

### **Non-derivative Financial Liabilities**

Grattan Institute has the following non-derivative financial liabilities: trade and other payables.

Payables are initially recognised at cost and then subsequently carried at amortised cost. They represent liabilities for goods and services provided to Grattan Institute prior to the end of the financial year that are unpaid and arise when Grattan Institute becomes obliged to make future payments in respect of the purchase of these goods and services. Grattan Institute derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, Grattan Institute has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **(d) Property, Plant and Equipment**

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and any accumulated impairment losses (see below).

#### **(e) Depreciation**

Assets with a cost in excess of \$1,000 are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost over their estimated useful lives using the straight-line method. Estimates of the remaining useful lives, residual values and depreciation method for all assets are reviewed at least annually.

The following table indicates the expected useful lives of non-current assets on which the depreciation charges are based.

	2020	2019
Plant and Equipment	3 Years	3 Years
Furniture and Fittings	10 Years	10 Years
Leasehold Improvements	10 Years	10 Years

#### **(f) Goods and Services Tax**

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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

(g) Employee Benefits

Liabilities for salaries and annual leave are expected to be settled within 12 months of the reporting date and are recognised in the provision for employee benefits in respect of employees' services up to the reporting date. These are classified as current liabilities and measured at nominal values.

Liabilities for long service leave are measured at the present value of expected future payments to be made resulting from services provided and are classified as non-current liabilities except where it is expected to make a payment within the following twelve months. In this case, the expected amount of the payment is classified as a current liability.

Liabilities for long service leave entitlements that are not expected to be paid or settled within twelve months are discounted using current corporate bond rates with similar maturity terms.

(h) Revenue Recognition

*Contributions, sponsorships and donations*

Where a contribution, sponsorship, program support or donation does not meet the enforceability and the 'sufficiently specific' criteria under AASB 15 it is recognised as income once the Company controlled the relevant assets (assuming no other related amounts are applicable) under AASB 1058. Contributions and donations are recognised in profit and loss and measured at the cost value of the contribution received or receivable.

*Program Support*

Under AASB 15, the Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

*JobKeeper and other government support*

Australian Federal Government COVID-19 financial support is recognised when Grattan Institute becomes entitled to receive the financial support.

*Volunteers and other resources provided and received free of charge or for nominal consideration*

Volunteer services and other resources received free of charge or for nominal consideration are recognised as follows:

- Volunteer intern services are not recognised as the fair value of those services cannot be reliably measured and these services would not have been purchased if they were not donated.
- In-kind services provided by The University of Melbourne are recognised at fair value when the services are provided. The total estimated fair value of these services in 2019-20 was \$154,000 (2018-19 \$393,000).
- The University of Melbourne provides Grattan Institute with office premises at 8 Malvina Place, Carlton and desktop computers without charge. Grattan Institute has elected to recognise these right-of-use assets at cost, which for 2019-02 was zero (see note (l) Leases).

*Interest and investment income*

Interest and investment income comprises interest and dividends. Interest income is recognised as it accrues, using the effective interest method. Dividends from listed entities are recognised when the right to receive a dividend has been established.

*Unrealised gains or losses on investments*

Movements in the market value of investments are recognised as items of income or expenditure when they occur.

(i) Expenses

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

(j) Income Tax

Grattan Institute is a charitable institution for the purpose of Australian taxation legislation and is therefore exempt from income tax. The exemption has been confirmed by the Australian Taxation Office. Grattan Institute holds deductible gift recipient status.

(k) Fund Accounting

Grattan Institute operates on a fund accounting basis and maintains three funds: Commonwealth, Public and General Funds. The purposes of each of these Funds are:

- The Commonwealth Fund – To hold and account for the funds contributed by the Commonwealth of Australia and any fund earnings less approved distributions used in the operations of Grattan Institute.
- The Public Fund – To hold and account for the funds contributed by the public and any fund earnings less approved distributions used in the operations of Grattan Institute.
- The General Fund – To hold and account for the funds contributed by the State of Victoria, general payments to Grattan Institute and any fund earnings less approved distributions used in the operations of Grattan Institute.

(l) Leases

Grattan Institute leases 8 Malvina Place, Carlton and desktop computers from the University of Melbourne with significant below-market terms and conditions principally to enable it to further its objectives.

The Company is dependent on this lease to further its objective as it utilises the building and desktop computers to run its operations to deliver its services. The Company is restricted on the use of the building as agreed with the University of Melbourne and may not utilise it for other purposes including sub-leasing to other entities. The right-of-use assets are provided under a five-year agreement with the University of Melbourne which is due to expire on 2 January 2024.

Grattan Institute has elected to measure the right-of-use assets at cost.

(m) Changes in Significant Accounting Policies

*Application of new and revised accounting standards and interpretations*

*New standards and interpretations adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning 1 July 2019, and have been applied in preparing these financial statements. None of these have had a significant effect on the financial statements of Grattan Institute. Those adopted by Grattan Institute are set out below.

**AASB 15 Revenue from Contracts with Customers**

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 Revenue. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control requires judgement. Grattan Institute has adopted AASB 15 using the modified retrospective approach, meaning the cumulative impact is recognised in retained earnings as at transition date. Accordingly, the information presented for 2019 has not been restated – i.e. it is presented, as previously reported, under AASB 118 and related interpretations.

**AASB 1058 Income of Not-for-Profit Entities**

The Company has adopted AASB 1058 from 1 July 2019 using the modified retrospective approach. The standard replaces AASB 1004 Contributions in respect of income recognition requirements for not-for-profit entities. The standard applies to (a) transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives and (b) the receipt of volunteer services.

Donations and affiliate support has been recognized under this standard. Corporate affiliate revenue is recognised when payment is received under this Standard. This differs from previous periods where the revenue was recognised on an accrual basis and allocated between financial years in line with the duration for each affiliate payment.

Grattan Institute has elected not to recognise the value of volunteer services.

**AASB 16 Leases**

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 replaces existing lease guidance including AASB 117 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions involving the legal form of a lease.

Grattan Institute has applied this standard from 1 July 2019 using the modified retrospective approach.

Grattan Institute did not apply the practical expedient under AASB 16.C3 to grandfather the definition of leases on transition and assessed the definition of leases under AASB 16 and determined that the agreement with The University of Melbourne is or contains a lease.

Under AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets for Not-for-Profit Entities, Grattan has elected to measure the right-of-use asset arising from AASB 16 at cost. Therefore, the right-of-use assets and lease liability are zero on transition. In the prior year the value of these right-of-use assets were recognised as in-kind services.

(n) Standards issued not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however the Company has not early adopted the new or amended standards in preparing these financial statements. These amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

### Note 3 Endowment Income

	Notes	2020 \$'000	2019 \$'000
<b>Interest and Investment Income</b>			
Interest and Dividends		1,325	1,748
Realised Gains (Losses) from the Sale of Financial Assets		138	(472)
Movement in the Market Value of Financial Assets		(1,624)	1,074
Less: Investment Management Fees		(152)	(143)
<b>Total Interest and Investment Income</b>		<b>(313)</b>	<b>2,207</b>
<b>Endowment Funds and Donations</b>			
Donations		728	763
<b>Total Endowment Funds and Donations</b>	14	<b>728</b>	<b>763</b>
<b>Total Endowment Income</b>		<b>415</b>	<b>2,970</b>

### Note 4 Other Income

	Notes	2020 \$'000	2019 \$'000
In-kind Services Provided by the University of Melbourne		154	393
Affiliate Fees		266	389
Program Support		100	-
COVID-19 Government Support		134	-
Other Income		60	104
<b>Total Other Income</b>		<b>714</b>	<b>886</b>

## Note 5 Operating Expenses

	Notes	2020 \$'000	2019 \$'000
Employee Expenses		4,948	4,784
Audit Fees	17	12	10
<i>Other Expenses</i>			
Event Expenses		35	32
Insurance		21	20
Travel Expenses		118	121
Other Expenses		250	179
Expenses for In-kind Services		154	393
Total Other Expenses		578	745
<b>Total Expenses</b>		<b>5,538</b>	<b>5,539</b>

## Note 6 Cash and Cash Equivalents

	Notes	2020 \$'000	2019 \$'000
Bank Balances		7,687	4,979
<b>Total Cash and Cash Equivalents</b>		<b>7,687</b>	<b>4,979</b>

## Note 7 Trade and Other Receivables

	Notes	2020 \$'000	2019 \$'000
Trade Receivables		15	424
Other Receivables		598	697
<b>Total Trade and Other Receivables</b>		<b>613</b>	<b>1,121</b>

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.



**Note 8 Financial Assets**

	Notes	2020 \$'000	2019 \$'000
<b>Current</b>			
Financial Assets at Fair Value Through Profit and Loss		527	2,529
<b>Total Current Investments</b>		<b>527</b>	<b>2,529</b>
<b>Non-current</b>			
<b>Financial Assets at Fair Value Through Profit and Loss</b>			
Fixed Term Bonds, Preference Shares and Commercial Notes		4,118	3,914
Listed Australian Equities		12,621	14,211
Listed Foreign Equities		5,927	9,405
Other Financial Assets		1,742	1,860
<b>Total Non-current Investments</b>		<b>24,408</b>	<b>29,390</b>
<b>Total Investments</b>		<b>24,935</b>	<b>31,919</b>

The investment of funds is split across direct securities and unit trusts.

All investments are categorised as either Level 1 or 2 within the fair value hierarchy and are valued using market observable rates, being quoted ASX stock prices for listed Australian instruments, respective stock exchange quoted prices for Foreign listed instruments or reported by fund managers which is based on observable market data. Refer to Note 16 for further information regarding financial assets.

**Note 9 Property, Plant and Equipment**

	Notes	2020 \$'000	2019 \$'000
<b>Leasehold Improvements</b>			
At cost		1	1
Less accumulated depreciation		(1)	(1)
Total Leasehold Improvements		-	-
<b>Plant and Equipment</b>			
At cost		63	57
Less accumulated depreciation		(56)	(52)
Total Plant and Equipment		7	5
<b>Furniture and Fittings</b>			
At cost		11	11
Less accumulated depreciation		(9)	(8)
Total Furniture and Fittings		2	3
<b>Total Property, Plant and Equipment</b>		<b>9</b>	<b>8</b>

**Movements in Carrying Amounts**

<b>Leasehold Improvements</b>			
Balance at beginning of the year		-	-
Additions		-	-
Depreciation expense		-	-
Carrying amount at end of the year		-	-
<b>Plant and Equipment</b>			
Balance at beginning of the year		5	8
Additions		6	1
Depreciation expense		(4)	(4)
Carrying amount at end of the year		7	5
<b>Furniture and Fittings</b>			
Balance at beginning of the year		3	4
Additions		-	-
Depreciation expense		(1)	(1)
Carrying amount at end of the year		2	3
<b>Total Property, Plant and Equipment</b>		<b>9</b>	<b>8</b>

## Note 10 Trade and Other Payables

	Notes	2020 \$'000	2019 \$'000
Trade Payables		34	-
Other Payables and Accruals		1,112	1,614
<b>Total Trade and Other Payables</b>		<b>1,146</b>	<b>1,614</b>

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

## Note 11 Employee Entitlements

	Notes	2020 \$'000	2019 \$'000
<b>Current</b>			
Annual Leave		319	246
Long Service Leave		207	257
Total Current Employee Entitlements		526	503
<b>Non-current</b>			
Long Service Leave		185	114
Total Non-current Employee Entitlements		185	114
<b>Total Employee Entitlements</b>		<b>711</b>	<b>617</b>

## Note 12 Retained Profits

	Notes	2020 \$'000	2019 \$'000
Retained Profits at the Beginning of the Year		35,796	37,479
Profit (Loss) for the Year		(4,409)	(1,683)
<b>Retained Profits at the End of the Year</b>		<b>31,387</b>	<b>35,796</b>
<b>Reconciliation of Retained Profits</b>			
Retained Profits from Endowment Funds	14	31,387	35,796
<b>Total Retained Profits</b>		<b>31,387</b>	<b>35,796</b>

**Note 13 Reconciliation of Operating Result with Cash Flow from Operations**

	Notes	2020 \$'000	2019 \$'000
<b>Profit (loss) for the year</b>		<b>(4,409)</b>	<b>(1,683)</b>
Depreciation charge in accounts		5	5
Decrease/(Increase) in the fair value of financial assets both held at the end of the financial year and sold during the year		1,486	(602)
Increase/(Decrease) in trade and other payables		(468)	806
Increase in employee benefits		94	47
Decrease in trade and other receivables		508	760
<b>Net Cash Flow from Operating Activities</b>		<b>(2,784)</b>	<b>(667)</b>

**Note 14 Endowment Funds**

	Notes	2020 \$'000	2019 \$'000
<b>Commonwealth Fund</b>			
Opening balance at beginning of the year		14,886	15,879
Contributions during the year		-	-
Fund income for the year		(141)	977
Less: Contributions made to operating costs		(2,003)	(1,970)
Closing balance at end of the year		12,742	14,886
<b>General Fund</b>			
Opening balance at beginning of the year		14,990	15,958
Contributions during the year		-	-
Fund income for the year		(145)	1,012
Less: Contributions made to operating costs		(2,017)	(1,980)
Closing balance at end of the year		12,828	14,990
<b>Public Fund</b>			
Opening balance at beginning of the year		5,920	5,642
Contributions during the year		728	763
Fund income for the year		(34)	217
Less: Contributions made to operating costs		(797)	(702)
Closing balance at end of the year		5,817	5,920
<b>Total Endowment Funds</b>		<b>31,387</b>	<b>35,796</b>
<b>Represented in Equity by:</b>			
Retained Profits		31,387	37,479

## **Note 15 Financial Risk Management**

Grattan Institute's principal financial instruments comprise cash, funds on deposits with banks and other financial organisations, commercial notes and bonds, and listed Australian and foreign equities held either directly or through trusts.

### Overview

Grattan Institute has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about Grattan Institute's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout this Financial Report.

The Board oversees how management monitors compliance with Grattan Institute's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by Grattan Institute.

### Credit risk

Credit risk is the risk of financial loss to Grattan Institute if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Grattan Institute's cash and cash equivalents, receivables from customers and investment securities.

### Investments

Grattan Institute limits its exposure to credit risk by adherence to an approved Investment Policy, overseen by Grattan Institute's Investment Committee, and only investing in liquid securities and only with counterparties that have a solid credit rating in consultation with advisors. Management does not expect any counterparty to fail to meet its obligations.

### Liquidity risk

Liquidity risk is the vulnerability of portfolio cash flow management to compromise or failure. In particular, it is the risk that insufficient at-call liquidity is available to meet the Grattan Institute's liabilities and obligations as they fall due. Grattan Institute's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Grattan Institute's reputation.

Management monitor cash flow requirements on a daily basis to optimise its cash return on investments. Typically Grattan Institute ensures that it has sufficient cash and short term deposits on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations without the need to draw down from its investments; although this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect Grattan Institute's income or the value of its holdings of

financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Grattan Institute may enter into derivatives in order to manage market risks in consultation with the Board and other advisors.

Grattan Institute's management monitors the mix of equity securities in its investment portfolio based on market indices. The Investment Committee oversees the management of the investment portfolio.

In this context, the primary goal of Grattan Institute's investment strategy is to maximise investment returns to an acceptable level of risk consistent with the agreed investment policy. All investments are designated at fair value through profit or loss, and their performance is actively monitored and they are managed on a fair value basis.

## Note 16 Financial Instruments

### Credit Risk

#### Exposure to Credit Risk

The carrying amount of Grattan Institute's financial assets represents the maximum credit exposure. The Grattan Institute's maximum exposure to credit risk at the reporting date was:

	Notes	2020 \$'000	2019 \$'000
<b>Carrying Amount</b>			
Cash and Cash Equivalents	6	7,687	4,979
Receivables	7	613	1,121
Fixed Term Bonds, Preference Shares and Commercial Notes	8	4,645	6,443
Listed Australian Equities	8	12,621	14,211
Listed Foreign Equities	8	5,927	9,405
Other Financial Assets	8	1,742	1,860
<b>Total Carrying Amount</b>		<b>33,235</b>	<b>38,019</b>

### Impairment Loss

The aging of Grattan Institute's trade and other receivables at the reporting date was:

	Notes	2020 \$'000	2019 \$'000
<b>Carrying Amount</b>			
Not past due		613	1,092
Past due 0-30 days		-	6
Past due 31-60 days		-	1
More than 60 days past due		-	22
Less Allowance for doubtful debts		-	-
<b>Total Carrying Amount</b>	7	<b>613</b>	<b>1,121</b>

#### Impairment of Financial assets

The impairment model under AASB 9 applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The Company considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1');
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2'); and
- financial instruments that have objective evidence of actual impairment at the reporting date ('Stage 3').

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

As at balance sheet date no provision was considered necessary.

### Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

<b>30 June 2020</b>	Carrying Amount	Contractual Cash Flows	6 Months of Less	6-12 Months	1-2 Years	2-5 Years	More than 5 Years
Trade Payables	34	34	34	-	-	-	-
Other Payables and Accruals	1,112	1,112	1,112	-	-	-	-
	<b>1,146</b>	<b>1,146</b>	<b>1,146</b>	-	-	-	-
<b>30 June 2019</b>	Carrying Amount	Contractual Cash Flows	6 Months of Less	6-12 Months	1-2 Years	2-5 Years	More than 5 Years
Trade Payables	-	-	-	-	-	-	-
Other Payables and Accruals	1,614	1,614	1,614	-	-	-	-
	<b>1,614</b>	<b>1,614</b>	<b>1,614</b>	-	-	-	-



**Interest Rate Risk**

The following summarises interest rate risk for Grattan Institute together with effective interest rates as at balance date.

	Weighted Average Effective Interest Rate	Variable Interest Rate	Fixed Interest Rate	Non-interest Bearing
	2020 %	2020 \$'000s	2020 \$'000s	2020 \$'000s
<b>Financial Assets:</b>				
Cash and Cash Equivalents	0.45%	7,687	-	-
Financial Instruments Receivables	3.48%	900	3,745	-
	-	-	-	613
<b>Total Financial Assets</b>		<b>8,587</b>	<b>3,745</b>	<b>613</b>
<b>Financial Liabilities:</b>				
Trade and Sundry Creditors	-	-	-	1,221
<b>Total Financial Liabilities</b>	-	-	-	<b>1,221</b>

  

	Weighted Average Effective Interest Rate	Variable Interest Rate	Fixed Interest Rate	Non-interest Bearing
	2019 %	2019 \$'000s	2019 \$'000s	2019 \$'000s
<b>Financial Assets:</b>				
Cash and Cash Equivalents	1.91%	4,979	-	-
Financial Instruments Receivables	4.79%	6,443	-	-
	-	-	-	1,121
<b>Total Financial Assets</b>		<b>11,422</b>	<b>-</b>	<b>1,121</b>
<b>Financial Liabilities:</b>				
Trade and Sundry Creditors	-	-	-	1,614
<b>Total Financial Liabilities</b>	-	-	-	<b>1,614</b>

*Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

	Profit or Loss		Equity	
	100bp Increase \$'000s	100bp Decrease \$'000s	100bp Increase \$'000s	100bp Decrease \$'000s
<b>30 June 2020</b>				
Variable Rate Instruments	9	(9)	9	(9)
Fixed Rate Instruments	(877)	1,650	(877)	1,650
<b>30 June 2019</b>				
Variable Rate Instruments	64	(64)	64	(64)
Fixed Rate Instruments	-	-	-	-

**Market Risk**

A change of 1% of the value of investments at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2019.

	Profit or Loss		Equity	
	1% Increase \$'000s	1% Decrease \$'000s	1% Increase \$'000s	1% Decrease \$'000s
<b>30 June 2020</b>				
Investments	250	(250)	250	(250)
<b>30 June 2019</b>				
Investments	319	(319)	319	(319)

**Foreign Exchange Risk**

A change of 1% of the relative value of the Australian dollar against the currencies in which foreign investment funds are held at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2019.

	Profit or Loss		Equity	
	1% Increase \$'000s	1% Decrease \$'000s	1% Increase \$'000s	1% Decrease \$'000s
<b>30 June 2020</b>				
Investments	(47)	48	(47)	48
<b>30 June 2019</b>				
Investments	(93)	95	(93)	95

### Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability.
- Level 3: inputs for the asset or liability that are not based on observable market data.

	Level 1 \$'000s	Level 2 \$'000s	Level 3 \$'000s	Total \$'000s
<b>Financial Assets</b>				
<b>30 June 2020</b>				
Financial assets designated at fair value through profit and loss	20,280	4,655	-	24,935
<b>Total Financial Assets</b>	<b>20,280</b>	<b>4,655</b>	<b>-</b>	<b>24,935</b>
<b>30 June 2019</b>				
Financial assets designated at fair value through profit and loss	30,002	1,917	-	31,919
<b>Total Financial Assets</b>	<b>30,002</b>	<b>1,917</b>	<b>-</b>	<b>31,919</b>

### Note 17 Auditor's Remuneration

	Notes	2020 \$	2019 \$
<b>KPMG Australia</b>			
Audit and review of financial reports		11,500	9,750
<b>Total Auditor's Remuneration</b>		<b>11,500</b>	<b>9,750</b>

### Note 18 Segment Reporting

Grattan Institute is a not-for-profit organisation whose principle activity is public policy research. Grattan Institute operates within a single business segment.

### **Note 19 Key Management Personnel**

The key management personnel compensation included in employee expenses are as follows:

	2020 \$	2019 \$
Current employee benefits	667,279	598,373
<b>Total Benefits</b>	<b>667,279</b>	<b>582,002</b>

### **Note 20 Related Party Transactions**

There were no related party transactions during the financial year.

### **Note 21 Subsequent Events**

Since the end of the year, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, that has significantly or may significantly affect the operations of Grattan Institute, the results of those operations or the state of affairs of Grattan Institute in subsequent years.

Since the introduction of COVID-19 restrictions in Melbourne all of Grattan Institute's staff have been working remotely. This has had no material impact on the Institute's outputs. COVID continues to be widespread, causing uncertainty in global markets and possibly affecting our investment returns and philanthropic support.

## **Directors' Declaration**

In the opinion of the Directors of Grattan Institute:

- (a) the Financial Statements and Notes, set out on pages 12 to 34, are in accordance with the Corporations Act 2001 and the Australian Charities and Not-For-Profits Commission Act 2012, including:
  - (i) giving a true and fair view of the financial position of Grattan Institute at 30 June 2020 and its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and the Australian Charities and Not-For-Profits Commission Act 2012; and
- (b) there are reasonable grounds to believe that Grattan Institute will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 4<sup>th</sup> day of November 2020.



The Hon. Alex Chernov AC QC  
Director



Kathryn Fagg  
Director



# Independent Auditor's Report

To the Directors of Grattan Institute

## Report on the audit of the Financial Report

### Opinion

We have audited the **Financial Report**, of the Grattan Institute (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

- i. giving a true and fair view of the Company's financial position as at 30 June 2020, and of its financial performance and its cash flows for the year ended on that date; and
- i. complying with *Australian Accounting Standards* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- i. Statement of financial position as at 30 June 2020.
- ii. Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.
- iii. Notes including a summary of significant accounting policies.
- iv. Directors' declaration of the Company.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

## Other information

Other Information is financial and non-financial information in Grattan Institute's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- i. Preparing the Financial Report that gives a true and fair in accordance with Australian Accounting Standards and the ACNC.
- ii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- iii. Assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- ii. 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 *Australian Auditing Standards*, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:



- i. 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.
- ii. 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 registered Company's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- iv. Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the registered Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the registered Company to cease to continue as a going concern.
- v. Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the registered Company 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.

KPMG

Gordon Sangster

*Partner*

Melbourne

4 November 2020