Colonial Foundation

COLONIAL FOUNDATION TRUST

ABN: 42 062 119 572

Annual Report
30 June 2020

CONTENTS

ABOUT COLONIAL FOUNDATION

Our Vision

All Australians living a fair, healthy and fulfilling life.

Our Mission

We are committed to engendering positive social change in Australia by partnering with and assisting organisations that empower Australians to achieve the most out of life and develop a healthier, more innovative and more creative society.

Our Distinctive Approach

We apply a distinctive approach to granting that seeks to drive significant impact through a very limited number of high-value grants that extend over multiple years providing sustained support in building the capacity of the recipient organisation.

Our History

The Colonial Mutual Life Assurance Society Ltd ("CMLA") was established in 1873 by Thomas Jacques Martin. Historical records indicate that CMLA was established to provide protection for the widows and children of miners working in the Victorian gold rush.

In 1996, CMLA, after 123 years as a mutual life insurance society, demutualised and, in 1997, was listed on the Australian Stock Exchange as "Colonial Limited". As part of the demutualisation and to reflect in some way its origin as a mutual society, formed to provide a service to its members and the communities it served, the Colonial Foundation Trust was created.

Colonial Foundation Limited was formed to act as Trustee of the Trust.

Following the merger of Colonial Limited with the Commonwealth Bank of Australia in June 2000, Colonial Foundation Limited became fully independent, with the responsibility of carrying out the broadly defined charitable objectives of the Colonial Foundation Trust.

Since its establishment, the Colonial Foundation Trust has committed to donate more than $146 million of philanthropic grants to date, to over 75 charitable organisations.

ANNUAL REVIEW

I am pleased to present Colonial Foundation Trust's Annual Review for the financial year ended 30 June 2020.

COVID-19 Pandemic Impact

The COVID-19 pandemic has disrupted the lives of Australians in ways that few had imagined. The communities that we seek to support and the investment markets that we rely on to generate the funds we provide have been severely disrupted. Throughout this period, we have sought to address the impact on our grant partners by:

- Continuing to fulfill existing grant commitments,
- Actively engaging with our grant partners to understand the COVID-19 impact on their operations and the issues they face in addressing the impact,
- Adjusting project milestones where lockdowns necessitated a new approach to performing activities,
- Adopting more flexible reporting requirements,
- Being open and transparent and providing clear communication regarding the impact on our Foundation's capacity to fund,
- Sharing skills and expertise to assist with modifying business models in response to the changing environment, where possible, and
- Supporting grant partners by reallocating some of our funded resources to initiatives they have proposed to address the pandemic.

The COVID-19 pandemic impact on the Australian and global economies resulted in uncertain economic conditions and volatile investment markets. This led to a significant adverse impact on the Foundation's investment assets and investment income during the 2020 financial year (FY2020) and there are still unfolding COVID-19 developments and uncertainties. While we have continued to honour our existing multi-year grant commitments, this impact on the stability of our income has necessitated a slowdown in engaging new grant partnerships. This has seen a reduction in the value of grants made during FY2020 compared to the prior financial year.

With our office being based in Melbourne, the restrictions imposed on people movements has required changes to the way we operate in compliance with the restrictions. Fortunately, our technology has enabled operations to continue seamlessly while working from home. Throughout, we have ensured that the safety and well-being of our staff remained a high priority.

Granting

During FY2020, the Foundation conducted a review of its granting strategy, as is the case approximately every three years. As a result, the previous focus on achieving an impact in the areas of Youth Well-being, Healthy Ageing and Arts & Culture will transition to a new focus as outlined in the following table.

ANNUAL REVIEW (cont'd)

Targeted Impact

- ***Healthy Ageing***

  Easing the disabilities of ageing through:

  - **Supporting essential medical research to find solutions to neurodegenerative disorders**
  - **Supporting innovative or critical projects that improve the quality of healthcare for the Aged**

- ***Youth Opportunity***

  Empowering young Australians through:

  - **Supporting translational research that improves youth mental health**
  - **Supporting education that maximises their potential**
  - **Providing opportunities for them to discover and be inspired by the Arts**

- ***Rural & Regional Vitality***

  Supporting Rural and Regional communities through:

  - **Initiatives that improve local economic and social sustainability**
  - **Innovation that preserves or improves management of our natural resources**

In implementing this, we have continued to apply our distinctive approach to grant-making, characterised by:

- Large value grants;
- Continuing over multiple years; and
- Assisting in building the capacity of the recipient organisation.

Over the year to June 2020, the Foundation donated grants totalling $7.4 million to nine organisations. Except as noted below, all payments made during the year were part of current multi-year grants agreed to in prior years.

While one-off grants are not part of our usual approach to granting, the Foundation responded to the Bushfire disaster in early 2020 by providing one-off grants of $0.2 million in support of the Bushfire recovery.

ANNUAL REVIEW (cont'd)

In transitioning our grant strategy, longstanding partnerships with the following partners ended with final grant payments being made during the year:

- SANE Australia – a $1.1 million grant relationship over six years;
- Whitelion – a $2.1 million grant relationship over seven years; and
- Bangarra Dance Theatre – a $0.8 million grant relationship over six years.

Our current grant partnerships now comprise:

Healthy Ageing

The Walter & Eliza Hall Institute of Medical Research

Grant:	Colonial Foundation Healthy Ageing Centre
Targeted Impact:	Supporting essential medical research to find solutions to neurodegenerative disorders

During FY2019, in pursuit of our objective to support medical research designed to find solutions to the disabilities of ageing, Colonial Foundation committed to fund $15.0 million to Walter and Eliza Hall Research Institute over five years.

This grant enables a research program – led by researchers at the Walter and Eliza Hall Institute and The Royal Melbourne Hospital – to develop new diagnostic tests for the early detection of dementia.

Dementia is a major health challenge in Australia. Without breakthroughs in diagnostics and therapies, the number of dementia patients is expected to more than double by 2050. Early detection of the disease is crucial because by the time symptoms occur, most of the damage cannot be reversed.

The program of research takes place within the *Colonial Foundation Healthy Ageing Centre* located at the Institute in the heart of the world-renowned Melbourne Biomedical Precinct.

The Centre enables leading clinicians, pathologists and researchers to come together with the goal of developing diagnostic tests for the early detection of neurodegenerative conditions that could cause dementia in people as young as 40.

The research team, led by Associate Professor Andrew Webb, is establishing a biological model for healthy ageing, and profiling the molecular information of more than 20,000 patients recruited to the study. They aim to provide doctors across Australia with accredited tools and tests that make a positive difference to the quality of life for patients and their loved ones.

The FY2020 grant payment of $3.0 million is the second annual payment as part of a partnership agreement that extends to FY2024.

ANNUAL REVIEW (cont'd)

Osteoporosis Australia

Grant:	'Know Your Bones' Consumer Awareness Initiative
Targeted Impact:	Supporting innovative or critical projects that improve the quality of healthcare for the Aged

In FY2019, Colonial Foundation committed to support the *Know Your Bones* program with a $0.9 million grant over three years with the objective of helping Osteoporosis Australia reach many more Australians with the *Know Your Bones* prevention message.

Osteoporosis Australia is a national not-for-profit organisation aiming for stronger bones for a life without fractures. One of its key objectives is improving the diagnosis and active management of people at-risk.

Bone fractures are the most significant consequence of osteoporosis. There are effective treatment solutions available with proven evidence to reduce risk of fracture by 30-70%. However, early diagnosis of osteoporosis is essential.

The *Know Your Bones* Consumer Initiative is an Australian-first initiative for fracture prevention developed by Osteoporosis Australia and the Garvan Institute of Medical Research. It is an evidence-based, online consumer self-assessment tool to review risk factors for poor bone health. It summarises bone fracture risk for people aged 50 years and over with risk of fracture being assessed and reported. For users of any age the online assessment also investigates clinical and lifestyle risk factors as well as medication use. A summary report is then provided with personalised recommendations to further discuss with a general practitioner as required.

Osteoporosis Australia remains committed to driving many more Australians to the Know Your Bones tool to promote prevention and is seeking to broaden the reach of this important national initiative.

The FY2020 grant payment of $300,000 is the second annual payment as part of a partnership agreement that extends to FY2021.

Youth Opportunity

Orygen

Grant:	Capacity Building Funding
Targeted Impact:	Supporting translational research that improves youth mental health

In 2001, Colonial Foundation provided seed funding to catalyse Professor Patrick McGorry's team's initial work in early interventions for young people with mental ill-health.

ANNUAL REVIEW (cont'd)

This led to the establishment of Orygen, a unique collaborative partnership of a philanthropic organisation (Colonial Foundation), one of Australia's leading university (University of Melbourne) and a major healthcare organisation (Melbourne Health), acting in concert as members/owners of the organisation.

The Foundation has committed funding of $58.0 million over a twenty-year period in support of Orygen's operations focused on the development of a comprehensive research base and service platform in youth mental health, including headspace centres and early psychosis centres throughout Australia. Orygen has leveraged the Foundation's funding to generate nearly a billion dollars of Australian Government support for the youth mental health sector.

Orygen is now considered a world leader in youth mental health research and knowledge translation. Colonial Foundation, through its ongoing support, has enabled Orygen to build organisational capacity and to direct funding to where it is needed the most. With mental ill-health the leading cause of disability and death among Australians aged 15-24, the Foundation's support is having a profound impact on mental health services for young people across Australia. Our funding has enabled raising awareness of the issue and advocating for more and better funding to support youth affected by poor mental health. This has culminated in the Productivity Commission and Victorian Royal Commission reviews of the mental health system and funding, as well as the construction of a state-of-the-art new building for Orygen.

The FY2020 grant payment of $2.8 million is the fourth annual payment as part of a five-year partnership agreement.

Australian Youth Orchestra (AYO)

Grant:	Young Symphonists and Chamber Players Groups Training Programs
Targeted Impact:	Providing opportunities for young Australians to discover and be inspired by the Arts

Colonial's funding partnership began in 2007 and continues to support two of AYO's main training programs: The Young Symphonists and The Chamber Players Groups. Colonial's funding has also enabled the Orchestra to perform concerts in community settings with several free public performances staged in regional/rural Australia. In 2019, Colonial Foundation agreed to extend its funding of AYO by $0.6 million over 3 years, providing capacity-building support for an expansion of AYO's operations.

AYO is the country's leading orchestral training organisation. Since its inception in 1948, the AYO has fired the imaginations of 8,000 young musicians, while instilling a love of music and dedication to the highest standards of performance. Their unique training programs provide a catalyst for awakening talent, nurturing confidence and laying the foundation for a lifetime of achievement and endeavour in music.

The lockdown restrictions imposed as a result of COVID-19 has significantly impacted the performing arts sector with all live audience events being cancelled. AYO has not been immune from this.

The Foundation has continued its funding of AYO throughout the lockdown and will continue to support AYO by honouring its funding commitments.

ANNUAL REVIEW (cont'd)

The Australian Ballet

Grant:	'Out There in Schools' education program
Targeted Impact:	Providing opportunities for young Australians to discover and be inspired by the Arts

Colonial Foundation seed-funded the *Out There in Schools* program when it was piloted in 2006. Since that time, the program has grown to become one of Australia's leading dance education incursion (school-based) programs. The program, led by a troupe of highly skilled Australian Ballet dance teachers, involves learning around movement. Non-competitive dance learning highlights the value of listening, seeing, physical coordination and expressive skills. Sensory development aids all aspects of learning for children in their formative years. The program is delivered to primary school aged children attending schools deemed to be disadvantaged, whether it be socio economic disadvantage or because of the remoteness of location.

In 2014, Colonial renewed its support of the program and committed further funding, payable over the next six financial years, to support the program's expansion. On the expiry of this grant in FY2020 and based on its continued success, the Foundation agreed to further expand the program across all States and Territories of Australia with a grant of $1.2 million, payable over three years.

Melbourne Indigenous Transition School (MITS)

Grant:	Capacity Building Funding
Targeted Impact:	Supporting education that maximises the potential of young Australians

Colonial's funding partnership began in 2015 via a three-year grant. This was extended in 2019 with a grant of $1.4 million over three years.

MITS offers an innovative education model to enable young Indigenous students from remote and regional communities in Australia, access to Australia's best schools. The MITS model is the first of its kind and provides Year 7 students with a twelve-month intensive education in an environment that celebrates culture and learning, paving their way for a more successful transition into scholarship positions at high-performing Melbourne schools. MITS's unique model recognises the innate capabilities of many young Indigenous students, the strong desire of students and their families to receive an education outside of their home community and the willingness of Melbourne schools to offer scholarship opportunities to Indigenous students.

MITS have successfully leveraged this philanthropic support to obtain Federal Government funding for the construction of a new boarding school to provide accommodation for Indigenous girls while they complete their senior school studies. Colonial's funding has and will further enable the School to build capacity, particularly in the formative years of the School's establishment.

The FY2020 grant of $450,000 is the second annual payment as part of a partnership agreement that extends to FY2022.

ANNUAL REVIEW (cont'd)

Rural & Regional Vitality

National Independent Water & Catchment Policy Centre

Grant:	Capacity Building Funding
Targeted Impact:	Innovation that preserves or improves management of our natural resources

There is an urgent need to develop an effective and workable long-term water and catchment policy to safeguard Australia's freshwater water security and ensure sustainable management of these critical resources. Colonial Foundation has recently joined an initiative that seeks to address this by creating a new national and fully independent Water and Catchment Policy Centre.

The initiative acknowledges that there are a wide range of stakeholders affected by Australia's water policy and will seek to contribute to developing policy that is inclusive and developed with the input of all relevant stakeholders. The Centre will remain independent of any special interest and focus on helping communities and governments reset the water reform agenda by deploying proven models of participatory and deliberative policy co-design. The Centre will engage with a wide range of stakeholders, including policymakers, politicians, government agencies, academic experts, farmers, First Peoples, land and water managers, corporations, financiers and regional and urban communities in the collaborative design of water and catchment policy. In doing so, it is expected that innovative policy will be developed that engages collective intelligence and unifies all stakeholders in its implementation.

The Centre will be incubated at the Australian Academy of Science for a least the first five years of its operation, commencing during FY2021.

The Centre's establishment and operations are being funded by a collaboration of more than fifteen philanthropic organisations, collectively committing more than $30 million over ten years. The collaboration comprises some of Australia's leading philanthropic foundations.

The Myer Foundation, The Ian Potter Foundation and Colonial Foundation have each committed to funding $5 million over ten years.

ANNUAL REVIEW (cont'd)

Impact Investing

In 2012, Colonial Foundation commenced a partnership with the Bionics Institute to enable a more rapid progression of the development of an advanced deep brain stimulation (DBS) device to safely and effectively treat people who have severe and intractable neurological or psychiatric conditions. DBS delivers targeted electrical impulses to the brain through surgically implanted electrodes and has been an approved treatment to control debilitating tremor in people with advanced Parkinson's disease. Since 2012, total grant funding of $2.5 million from Colonial Foundation allowed the Institute to further the development of its DBS device, including clinical trials to develop and refine adaptive brain stimulation techniques, as well as studies to improve the design of deep brain electrodes.

During FY2020, the Bionics Institute formed a new entity, Deep Brain Stimulation Technologies Pty Ltd, with the object of completing and commercialising the development of its DBS device. As part of its investment portfolio, the Foundation invested $1.5 million as an equity stake in this venture. As an equity investor, the Foundation expects to derive a future investment return while simultaneously furthering its philanthropic interest in supporting innovative projects that improve the quality of healthcare for the Aged.

People

In November 2019, a longstanding Director of the Trustee Board, Professor Robert (Bob) Officer, retired from the Board. Bob joined the Board in 1997 and provided valued contributions to the Foundation's philanthropic activities during his tenure. In addition to his service as a Board member, Bob also served as a member of the Foundation's Investment Committee. Bob's contribution to the Foundation and its Purpose has been significant and highly regarded.

Operations

The investment market turmoil arising from the COVID-19 pandemic resulted in the total value of Trust Funds at 30 June 2020 falling to $227.4 million from $239.8 million at the end of the prior year. In line with this, there has been a commensurate fall in investment earnings during FY2020 compared to the prior year. Despite this, the Foundation has continued to honour its long-term grant commitments. The Foundation's Investment Committee heightened its attention to investment oversight during this period and ensured that the portfolio remained appropriately balanced for the current investment risks.

The Foundation has continued its track record of highly efficient operations with the operating expense ratio for the year at 0.35% of average total net assets.

Having reached the end of the lease for our office during the year, the Foundation relocated its operations to a new office located at 111 Collins Street, Melbourne.

In conclusion, I would like to thank my fellow directors and the executive team for their support on behalf of Colonial Foundation. I look forward to reporting on the further progress of the Foundation in the coming year.

Alan Beanland
Chairman

TRUSTEE DIRECTORS

Mr Alan Beanland - BSc, FAICD

Chairman

Alan Beanland joined the Board in October 2010. He has extensive international experience across four continents in roles as a Director, Senior Executive, Consultant and Business Developer within the Information Technology and Finance sectors. He has also advised major Australian and Asian Groups on their international business expansion activities.

Mr Beanland is the current Chairman of Orygen, a past Chairman of Credit Union Australia Limited and Superpartners Pty Limited; and was previously a Non-executive Director of Spotless Group Limited, Dragon Mountain Gold Limited, Albany Capital Pty Limited and Hancock Victorian Plantations Limited amongst other companies.

Professor Geoffrey Donnan AO – MBBS, MD, FRACP, FRCP (Edin), FAHMS

Professor Geoffrey Donnan joined the Board in June 2019. He is Professor of Neurology at The University of Melbourne and former Director of The Florey Institute of Neuroscience and Mental Health. He actively continues his research at the Royal Melbourne and Austin Hospitals where his major interests are in neuroimaging and clinical trials. He has made major contributions to the understanding of stroke including establishment of new risk factors, the duration and evolution of viable brain tissue after stroke, the ischaemic penumbra. More recently he has been co-chair of trials of thrombectomy in acute ischemic stroke with Professor Stephen Davis and the establishment of Australia's first mobile stroke ambulance.

Professor Donnan has previously served as a board member of the Stroke Foundation, Brain Foundation, Prince Henry's Institute of Medical Research, The Florey Institute of Neuroscience and Mental Health, Australian Clinical Trials Alliance (ACTA), Melbourne Academic Centre for Health (MACH), World Stroke Organization and World Neurology Foundation.

Mr Colin Galbraith AM - LL.B (Hons) and LL.M (University of Melbourne)

Colin Galbraith joined the Board in March 2013 and is a Special Advisor to Gresham Partners Limited. Mr Galbraith joined Gresham in 2006 after retiring from the partnership of the law firm Allens Arthur Robinson.

Mr Galbraith is the Chairman of CARE Australia and a Trustee of the Royal Melbourne Hospital Neuroscience Foundation. Formerly, he was a Director of the Commonwealth Bank of Australia, LatAm Autos Limited and the Australian Institute of Company Directors.

Mr Robert Garnsworthy – BEc (Monash University)

Robert Garnsworthy joined the Board in June 2015. He worked for 17 years with Shell Australia holding executive positions in Shell's Canadian and London offices. Mr Garnsworthy joined the Colonial Group of companies in 1994 and was Managing Director of Colonial's United Kingdom's office up to 1998, thereafter, Managing Director of Colonial International from 1998 through to 2000. Mr Garnsworthy was CEO of Norwich Union Australia from 2000 to 2003. Previous Board roles include Colonial First State, Portfolio Partners and CGU Insurance.

TRUSTEE DIRECTORS (cont'd)

Mrs Jane Harvey - BCom, MBA, FCA, FAICD

Jane Harvey joined the Board in July 2007. She is a former Partner of PricewaterhouseCoopers, having retired from the firm in 2002 and is currently a Non-Executive Director with Bupa Aust/New Zealand, various subsidiaries of IOOF Holdings Ltd, Orygen and The Marian and EH Flack Trust.

Mrs Harvey has previously served on a number of Boards including IOOF Holdings Ltd, DuluxGroup Limited, Medibank Private Limited, David Jones Limited, UGL Limited, Duet Finance Limited, Royal Melbourne Hospital, The Alfred Hospital and the Royal Flying Doctor Service.

Ms Andrea Waters – BCom, FCA, GAICD

Andrea Waters joined the Board in February 2018. She is a Fellow of Chartered Accountants Australia & New Zealand, a member and accredited facilitator of the Australian Institute of Company Directors and a former partner with KPMG (until 2012) specialising in Financial Services Audit.

For the past eight years Ms Waters has been a professional Non-Executive Director and is currently a director of MyState Limited (MYS), Genworth Mortgage Insurance Australia Limited (GMA), Grant Thornton Australia Limited, Bennelong Funds Management Group and Citywide Service Solutions Pty. Ltd. She was previously a Director of Cash Converters International Limited (CCV), CareSuper, The Lord Mayors Charitable Foundation, Chartered Accountants Australia & New Zealand and Cancer Council Victoria.

Mr Michael Fitzsimmons – BBus (Accounting), Grad Dip (Investments), SF FIN

Michael Fitzsimmons joined the Board in October 2020. He has had a successful career in institutional investing, with more than 30 years' of experience managing equity portfolios for some of Australia's largest investment institutions. In 1998, Michael co-founded JCP Investment Partners (JCP), in a joint venture with Jardine Fleming Asset Management (and later JP Morgan AM). He was JCP's Senior Portfolio Manager, Chief Investment Officer, and Managing Director from 1999 until 2018. Before this, Michael was the Head of Australian Equities at ANZ Funds Management. He is a Senior Fellow of the Financial Services Institute of Australasia (FINSIA).

Michael retired as an executive in 2018 and is currently studying for a Masters degree at Deakin University and managing his family farm and vineyard in Central Victoria.

TRUSTEE'S REPORT

The Trustee presents its report together with the financial report of Colonial Foundation Trust (the "Trust") for the financial year ended 30 June 2020 and the auditor's report thereon.

1. TRUSTEE DIRECTORS

The Trustee is Colonial Foundation Limited. The Directors of the Trustee at any time during or since the end of the financial year were:

Mr Alan Beanland	Director since 27 October 2010
Prof Geoffrey Donnan, AO	Director since 5 June 2019
Mr Colin Galbraith, AM	Director since 4 March 2013
Mr Robert Garnsworthy	Director since 23 February 2015
Mrs Jane Harvey	Director since 16 July 2007
Prof Robert Officer, AM	Director since 5 February 1997, retired 25 November 2019
Ms Andrea Waters	Director since 19 February 2018
Mr Michael Fitzsimmons	Director since 15 October 2020

2. TRUST MANAGEMENT

The Chief Executive Officer (Mr André Carstens) has responsibility for the operational management of the Trust in accordance with the strategies, policies and processes adopted by the Trustee Directors and operates under authorities delegated by the Trustee Directors.

3. PRINICIPAL ACTIVITIES

The principal activities of the Trust during the course of the financial year have been those of investing and philanthropic activities in accordance with the Trust Deed. There were no significant changes in the scope of the activities of the Trust during the year.

4. REVIEW AND RESULTS OF OPERATIONS

The net deficit of the Trust, before distributions, for the year ended 30 June 2020 was $4,983,000 (2019: surplus of $17,727,000). The deficit is primarily attributable to the economic impact of the COVID-19 pandemic. This has driven a substantial negative impact on the market value of the Trust's investments, as well as the Trust's investment returns for the year.

5. DISTRIBUTIONS

Distributions of $7,400,000 (2019: $8,806,000) were paid to philanthropic activities during the year.

TRUSTEE'S REPORT (cont'd)

6. LIKELY DEVELOPMENTS

The Trust will continue to operate in accordance with the terms of the Trust Deed, as amended.

7. EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Trustee, to significantly affect the operations of the Trust, the results of those operations, or the state of affairs of the Trust in future financial years.

8. ROUNDING OFF

Amounts in the financial report and Trustee's report have been rounded off to the nearest thousand dollars, unless otherwise stated.

9. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 14 and forms part of the Trustee's report for the financial year ended 30 June 2020.

This report is made with a resolution of the Trustee Directors:

Alan Beanland

Chairman

Dated at Melbourne this 30th day of 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 trustee of Colonial Foundation Trust

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

KPMG

Adrian Nathanielsz

Partner

Melbourne

30 November 2020

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Revenue			
Realised gains/(losses) on investments		39	813
Revenue distributions received		7,240	12,370
Capital distributions received		1,388	1,778
Interest		185	200
Other revenue		1,073	2,097
Net foreign exchange gain/(loss)		122	(217)
Total Revenue		**10,047**	**17,041**
Changes in fair value of investments			
Unrealised gains/(losses) on investments		(14,216)	1,421
Expenses			
Employee expenses		(298)	(299)
Audit and accounting fees		(88)	(76)
Rent and rental outgoings		(92)	(94)
Investment advisory fees		(206)	(209)
Depreciation expense		(52)	(15)
Finance costs		(15)	-
Other expenses from ordinary activities		(63)	(42)
Total expenses		**(814)**	**(735)**
(Deficit)/Surplus before income tax		**(4,983)**	**17,727**
Income tax expense	*3(e)*	-	-
(Deficit)/Surplus for the year before distribution		**(4,983)**	**17,727**
Distributions to philanthropic activities		**(7,400)**	**(8,806)**
(Deficit)/Surplus for the year after distributions		**(12,383)**	**8,921**
Other comprehensive income		**-**	**-**
Total comprehensive (loss)/income for the year		**(12,383)**	**8,921**

The above statement of surplus or deficit and other comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020 $'000	2019 $'000
ASSETS			
Cash and cash equivalents	*5*	22,329	8,708
Trade and other receivables	*6*	16,247	6,509
Other financial asset	*7*	2,300	-
Prepayments		11	24
Total current assets		**40,887**	**15,241**
Investments	*8*	186,486	224,624
Plant and equipment	*9*	164	30
Right-of-use assets	*10*	995	-
Other assets		-	25
Total non-current assets		**187,645**	**224,679**
Total assets		**228,532**	**239,920**
LIABILITIES			
Trade and other payables	*11*	88	107
Employee benefits	*12*	31	21
Lease liabilities	*10*	61	-
Total current liabilities		**180**	**128**
Lease liabilities	*10*	943	-
Total non-current liabilities		**943**	**-**
Total liabilities		**1,123**	**128**
Net assets		**227,409**	**239,792**
EQUITY/TRUST FUNDS			
Trust funds		227,409	239,792
Total equity/trust funds		**227,409**	**239,792**

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

STATEMENT OF CHANGES IN EQUITY/TRUST FUNDS FOR THE YEAR ENDED 30 JUNE 2020

2020 **$'000**	**Endowed Funds**	**Accumulated Surplus/(Deficit)**	**Total**
Opening balance at 1 July 2019	142,827	96,965	**239,792**
Deficit for the year, before distribution	-	(4,983)	**(4,983)**
Distributions to philanthropic activities	-	(7,400)	**(7,400)**
Other comprehensive income	-	-	-
Closing balance at 30 June 2020	**142,827**	**84,582**	**227,409**

2019 **$'000**	**Endowed Funds**	**Accumulated Surplus/(Deficit)**	**Total**
Opening balance at 1 July 2018	142,827	88,044	**230,871**
Surplus for the year, before distribution	-	17,727	**17,727**
Distributions to philanthropic activities	-	(8,806)	**(8,806)**
Other comprehensive income	-	-	-
Closing balance at 30 June 2019	**142,827**	**96,965**	**239,792**

The above statement of changes in equity/trust funds should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Imputation credits refunded		2,480	1,511
Distributions and fee rebates received		10,109	14,684
Interest received		212	192
Interest paid		(15)	-
Cash paid to suppliers and employees		(878)	(1,015)
Net cash from operating activities	*13*	**11,908**	**15,372**
Cash flows from investing activities			
Purchase of plant and equipment		(164)	-
Acquisition of other financial assets		(2,300)	-
Proceeds from sale of investments		85,362	16,058
Acquisition of investments		(73,760)	(23,604)
Net cash from/(used in) investing activities		**9,138**	**(7,546)**
Cash flows from financing activities			
Lease repayments	*10*	(25)	-
Distributions paid to philanthropic activities		(7,400)	(8,806)
Net cash used in financing activities		**(7,425)**	**(8,806)**
Net increase/(decrease) in cash and cash equivalents		13,621	(980)
Cash and cash equivalents at the beginning of the year		8,708	9,688
Cash and cash equivalents at the end of the year	*5*	**22,329**	**8,708**

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

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Colonial Foundation Trust (the "Trust") is a Trust domiciled in Australia. The Trust is a not-for-profit entity and primarily is involved in investing and philanthropic activities in accordance with the Trust Deed.

Colonial Foundation Trust is not a reporting entity as in the opinion of the Directors of the Trustee it is unlikely that users of the financial report exist, who are unable to command the preparation of reports tailored so as to satisfy, specifically, all their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the Directors of the Trustee's reporting requirements under the *Australian Charities and Not-for-Profits Commission Act (ACNC) 2012*.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1048 'Interpretation of Standards' and AASB 1054 'Australian Additional Disclosures' and in compliance with the *Australian Charities and Not-for-profits Commission Act 2012*.

This is the first set of the Trust's financial statements in which AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit entities* and AASB 16 *Leases* have been applied.

The financial statements do not comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Directors of the Trustee on 30th November 2020.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss which are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Trust's functional currency. Amounts in the financial report and Trustee's report have been rounded off to the nearest thousand dollars, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The valuation of private equity investments is considered a key estimate for the year. No other material estimates or judgements were applied in preparing the financial statements for the current year.

(e) Changes in significant accounting policies

Except for the change below, the Trust has consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

The Trust has initially applied AASB 15, AASB 1058 and AASB 16, including any consequential amendments to other standards, from 1 July 2019. A number of other new standards are also effective from 1 July 2019, but they do not have a material effect on the Trust's financial statements.

Due to the transition methods chosen by the Trust in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

i) AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities*

The Trust has adopted AASB15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities for the first time in the current year with an initial application date of 1 July 2019. The Trust has applied AASB 15 and AASB 1058 using the modified retrospective (cumulative catch-up method) which means the comparative information has not been restated and continues to be reported under AASB 118 Revenue and AASB 1004 Contributions and related interpretations. There was no impact to the Trust on adoption of AASB 15 and AASB 1058. Accordingly, no adjustments were taken to accumulated surplus at 1 July 2019.

ii) AASB 16 *Leases*

The Trust has initially applied AASB 16 Leases from 1 July 2019. The Trust applied AASB 16 using the modified retrospective approach. There were no adjustments to accumulated surplus at 1 July 2019. Accordingly, the comparative information presented for the year ended 30 June 2019 is not restated – i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in AASB 16 have not generally been applied to comparative information.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

(e) Changes in significant accounting policies (continued)

ii) AASB 16 *Leases* (continued)

a) Definition of a lease

Previously, the Trust determined at contract inception whether an arrangement was or contained a lease under AASB Interpretation 4 Determining whether an Arrangement contains a Lease. The Trust now assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to AASB 16, the Trust elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Trust applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and AASB Interpretation 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered or changed on or after 1 July 2019.

b) As a lessee

As a lessee, the Trust leases assets including property. The Trust previously classified leases as operating, or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Trust. Under AASB 16, the Trust recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Trust allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Trust has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

c) Leases classified as operating leases under AASB 117

Previously, the Trust classified property leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Trust's incremental borrowing rate as at 1 July 2019.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

(e) Changes in significant accounting policies (continued)

ii) AASB 16 Leases (continued)

c) Leases classified as operating leases under AASB 117 (continued)

The Trust used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. In particular, the Trust:

- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- did not recognise right-of-use assets and liabilities for which the lease term ends within 12 months of the date of initial application
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

d) Impact on transition

The Trust had a property lease (Level 9, 432 St Kilda Road, Melbourne VIC) with a lease term that ended within 12 months from 1 July 2019. Accordingly, the practical expedient was applied to not recognise a right-of-use asset and lease liability on transition date 1 July 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in the statement of surplus or deficit and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.
Any gains or losses on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Trust. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Items of plant and equipment are depreciated on a straight-line basis in the profit or loss over the estimated useful lives of each component.

Items of plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative periods are as follows:

	2020	**2019**
Plant and equipment	3 to 10 years	3 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(c) Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Employee benefits (continued)

(ii) Other long-term employee benefits

The Trust's net obligation in respect of long-term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Trust's obligations that have maturity dates approximately on the terms of the Trust's obligation and that are denominated in the same currency in which the benefit is to be paid. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(d) Revenue

Interest income is recognised as it accrues in the statement of surplus or deficit, using the effective interest method.

Dividend and distribution income is recognised in the statement of surplus or deficit on the date that the Trust's right to receive payment is established.

The Trust's revenue also includes:

- net gains or losses on the disposal of investments;
- net foreign currency gains or losses on financial assets.

Net gains or losses on financial assets at FVTPL are disclosed as Changes in Fair Value of Investments in the Statement of Surplus or Deficit and Other Comprehensive Income.

(e) Income tax

The Colonial Foundation Trust is exempt from paying income tax as it is endorsed by the Australian Taxation Office as an Income Tax Exempt Charity.

(f) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments

Financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets
Financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of Financial assets
Financial instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Trust may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Initial measurement of financial assets
Financial assets are classified according to their business model and the characteristics of their contractual cash flows. All financial assets are initially measured at fair value adjusted for transaction costs.

Subsequent measurement of financial assets
For the purpose of subsequent measurement, financial assets are classified into the following categories:

- Financial assets at amortised cost
- Financial assets at FVTPL
- Financial assets at FVOCI

Amortised cost and effective interest method
The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments (continued)

Financial assets at fair value through profit or loss (FVTPL)
Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

Financial assets at fair value through other comprehensive income (FVOCI)
Financial assets at FVOCI are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in other comprehensive income.

Impairment of financial assets
The Trust recognises a loss allowance for expected credit losses on trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Trade and other receivables and contract assets
The Trust makes use of a 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, the Trust uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Financial liabilities
Financial liabilities measured subsequently at amortised cost
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

(h) Leases

The Trust has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and AASB Interpretation 4. The details of accounting policies under AASB 117 and AASB Interpretation 4 are disclosed separately.

Policy applicable from 1 July 2019

As a lessee

At commencement or on modification of a contract that contains a lease component, the Trust allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Trust has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leases (continued)

As a lessee (continued)

The Trust recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Trust prior to the end of the lease term or the cost of the right-of-use asset reflects that the Trust will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Trust's incremental borrowing rate.

The Trust determines its incremental borrowing rate by obtaining interest rates from its bankers, based on the terms of the lease and type of asset leased.
Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- lease payments in an optional renewal period if the Trust is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Trust is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Trust's estimate of the amount expected to be payable under a residual value guarantee, if the Trust changes its assessment of whether it will exercise an extension or termination option or if there is a revised in substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or it is recorded in surplus or deficit if the carrying amount of the right-of-use asset has been reduced to zero.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leases (continued)

As a lessee (continued)

Short-term leases and leases of low-value assets

The Trust has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Trust recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception or on modification of a contract that contains a lease component, the Trust allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(i) New accounting standards for application in future periods

A number of new standards are effective for annual periods beginning after 1 July 2019 and earlier application is permitted; however the Trust has not early adopted the new or amended standards in preparing these financial statements.

The new standards are not expected to have a significant impact on the Trust's financial statements, apart from:

- AASB 2020-2 Amendments to Australian Accounting Standards — Removal of Special Purpose Financial Statements for Certain For Profit Private Sector Entities

- AASB 1060 General Purpose Financial Statements Disclosures for For-Profit and Not-for- Profit Tier 2 Entities.

These standards remove the ability of the Trust to prepare special purpose financial statements and will require the Trust to prepare general purpose financial statements - Tier 2; and apply the disclosures set out in AASB 1060.

As the Trust applies all the recognition and measurement requirements of all Australian Accounting Standards, there will be no impact on the amounts recognised in the financial statements. More disclosure will be required relating to related party transactions and financial instruments than is currently provided.

Both standards will apply to the Trust from the financial year beginning 1 July 2021; i.e. for the year ended 30 June 2022.

NOTES TO THE FINANCIAL STATEMENTS

	2020 $'000	2019 $'000

4. AUDITOR'S REMUNERATION

	2020 $'000	2019 $'000
Statutory audit services – KPMG (2019: Deloitte)	**29**	**23**

5. CASH AND CASH EQUIVALENTS

	2020 $'000	2019 $'000
Current		
Bank balances	22,329	5,105
Call deposits	-	3,603
	22,329	**8,708**

6. TRADE AND OTHER RECEIVABLES

	2020 $'000	2019 $'000
Current		
GST recoverable	36	34
Accrued interest	23	50
Accrued distributions	2,592	4,061
Unsettled sales of investments	12,471	-
Imputation credits refundable	1,125	2,364
	16,247	**6,509**

7. OTHER FINANICAL ASSET

	2020 $'000	2019 $'000
Current		
Fixed term deposits	**2,300**	**-**

8. INVESTMENTS

	2020 $'000	2019 $'000
Current		
Investments in equity and debt securities	179,275	218,519
Investments in private equity partnerships	7,211	6,105
	186,486	**224,624**

NOTES TO THE FINANCIAL STATEMENTS

9. PLANT AND EQUIPMENT

	2020 $'000	2019 $'000
Cost		
Balance at the beginning of the year	144	139
Additions	164	5
Disposals	(121)	-
Balance at the end of the year	**187**	**144**
Depreciation and impairment losses		
Balance at the beginning of the year	(114)	(100)
Depreciation for the year	(18)	(14)
Disposals	109	**-**
Balance at the end of the year	**(23)**	**(114)**
Carrying amount at the end of the year	**164**	**30**

10. LEASES

The Trust entered into a new lease during the year relating to the office property at Level 4, 111 Collins St Melbourne VIC which commenced from 1 March 2020. The lease has a non-cancellable lease period of 10 years with no options to extend at the end of the lease. For the transitional impact in adopting AASB 16 of the previous office property lease (Level 9, 432 St Kilda Road, Melbourne VIC) which ended during the year, refer to Note 2(e).

a) Right-of-use asset

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented separately on the balance sheet as part of the Right-of-use assets.

$'000	**Land and Buildings**	**Total**
Balance at 1 July 2019	-	-
Additions	1,029	1,029
Depreciation charge for the year	(34)	(34)
Balance at 30 June 2020	**995**	**995**

NOTES TO THE FINANCIAL STATEMENTS

10. LEASES (continued)

	2020 $'000	2019 $'000
b) Lease liabilities		
Current		
Lease liability	61	-
Non-Current		
Lease liability	943	-
	1,004	**-**

i) Amounts recognised in surplus or deficit

2020 – Leases under AASB 16	**2020 $'000**
Interest on lease liabilities	15
Expenses relating to short term leases	92
	107

2019 – Operating leases under AASB 117	**2019 $'000**
Lease expense	**94**

ii) Amounts recognised in cash flows	***2020 $'000***
Cash outflow for leases	**25**

11. TRADE AND OTHER PAYABLES

	2020 $'000	2019 $'000
Current		
Payables and accrued expenses	**88**	**107**

NOTES TO THE FINANCIAL STATEMENTS

12. EMPLOYEE BENEFITS

	2020 $'000	2019 $'000
Current		
Employee entitlements	**31**	**21**

13. RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES

	2020 $'000	2019 $'000
Cash flows from operating activities		
(Deficit)/ surplus for the year before distributions	(4,983)	17,727
Adjustments for:		
Depreciation	52	15
Losses on disposal of property, plant and equipment	13	-
Unrealised (gains)/losses on investments	14,216	(1,421)
Realised (gains)/losses on investments	(39)	(813)
Foreign exchange (gains)/losses	(122)	217
Management fees/(rebates) reinvested	(79)	(110)
Operating surplus before changes in working capital and provisions	**9,058**	**15,615**
Movement in trade and other receivables	2,807	(204)
Movement in prepayments	12	-
Movement in other assets	25	-
Movement in trade and other payables	(3)	(37)
Movement in employee benefits	9	(2)
Net cash from operating activities	**11,908**	**15,372**

14. COMMITMENTS

The Trust had the following commitments representing the uncalled elements in respect of the Trust's investments. The uncalled commitments relate to the Trust's private equity investments. Due to the nature of these investments, the exact timing of future capital calls is unknown.

	2020 $'000	2019 $'000
Goldman Sachs Private Equity Partners IX Private Equity Fund	1,813	1,775
Goldman Sachs Private Equity Partners X Private Equity Fund	1,606	1,563
	3,419	**3,338**

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL INSTRUMENTS

Overview

The Trust has exposure to the following risks arising from financial instruments:

- Market risk
- Currency risk

This note presents information about the Trust's exposure to each of the above risks, the Trust's objectives, policies and processes for measuring and managing risk.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Trust'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.

Currency risk

The Trust is exposed to currency risk on investments that are denominated in a currency other than the respective functional currencies of the Trust, primarily the Australian dollar (AUD), but also the United States dollar (USD). The currencies in which these transactions are primarily denominated are AUD and USD.

The Trust's exposure to foreign currency risk was as follows, based on notional amounts.

	AUD 2020	USD 2020	AUD 2019	USD 2019
	$'000		$'000	
Investments – Goldman Sachs Private Equity Partners	5,694	3,912	6,105	4,286
Net exposure	**5,694**	**3,912**	**6,105**	**4,286**

The following significant exchange rates applied during the year:

AUD/USD	**2020**	**2019**		**2020**	**2019**
July	0.6875	0.7409	January	0.6721	0.7245
August	0.6737	0.7262	February	0.6510	0.7141
September	0.6764	0.7231	March	0.6168	0.7097
October	0.6900	0.7105	April	0.6545	0.7058
November	0.6765	0.7318	May	0.6667	0.6913
December	0.6995	0.7045	June	0.6871	0.7021

NOTES TO THE FINANCIAL STATEMENTS

16. SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Trustee, to significantly affect the operations of the Trust, the results of those operations, or the state of affairs of the Trust in future financial years.

TRUSTEE'S DECLARATION

In the opinion of the Directors of Colonial Foundation Limited ("the Trustee"):

(a) The Trust is not a reporting entity. The financial report has been prepared as a special purpose financial report in accordance with the accounting policies described in Note 2 and Note 3 to the financial statements;

(b) In accordance with the *Australian Charities and Not-for-profits Commission Act 2012* the financial statements and notes set out on pages 15 to 34 are drawn up so as to give a true and fair view of the results and cash flows of the Trust for the year ended 30 June 2020 and the state of affairs at 30 June 2020 of the Trust;

(c) The financial statements and notes have been made out in accordance with Australian Accounting Standards, to the extent described in Note 2(a) to the financial statements; and the Trust Deed dated 20 September 1996, as amended;

(d) The Trust has operated during the year ended 30 June 2020 in accordance with the provisions of the Trust Deed dated 20 September 1996, as amended; and

(e) At the date of this statement there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they fall due.

Signed in accordance with a resolution of the Directors of the Trustee made pursuant to s. 60-15 of the Australian Charities and Not-for-profit Commission Regulation 2013.

Alan Beanland
Chairman

Dated at Melbourne this 30th day of November 2020

Independent Auditor's Report

To the Trustee of Colonial Foundation Trust

Opinion

We have audited the ***Financial Report***, of the Colonial Foundation Trust (the Trust).

In our opinion, the accompanying Financial Report of the Trust 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 Trust'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

ii. complying with *Australian Accounting Standards* to the extent described in Note 2 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 Surplus or Deficit and Other Comprehensive Income, Statement of Changes in Equity/Trust Funds, and Statement of Cash Flows for the year then ended.

iii. Notes including a summary of significant accounting policies.

iv. Trustee's declaration of the Trust.

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 Trust 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.

Emphasis of matter – basis of preparation and restriction on use

We draw attention to Note 2 to the Financial Report, which describes the basis of preparation.

The Financial Report has been prepared for the purpose of fulfilling the Trustee's financial reporting responsibilities under the *ACNC Act 2012*. As a result, the Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the Trustee of the Trust and ACNC and should not be used by any other party. We disclaim any assumption of responsibility for any reliance on this Auditor's Report, or on the Financial Report to which it relates to any person other than the Trustee of the Trust and ACNC.

Other information

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

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 Trustee for the Financial Report

The Trustee is responsible for:

i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC.

ii. Determining that the basis of preparation described in Note 2 to the Financial Report is appropriate to meet the requirements of the ACNC. The basis of preparation is also appropriate to meet the needs of the Trustee.

iii. 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.

iv. Assessing the Trust'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 Trust 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 Group's internal control.

iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee.

iv. Conclude on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the registered Trust'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 Trust 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 Trustee of the registered Trust 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

KPMG

Adrian Nathanielsz

Partner

Melbourne

30 November 2020