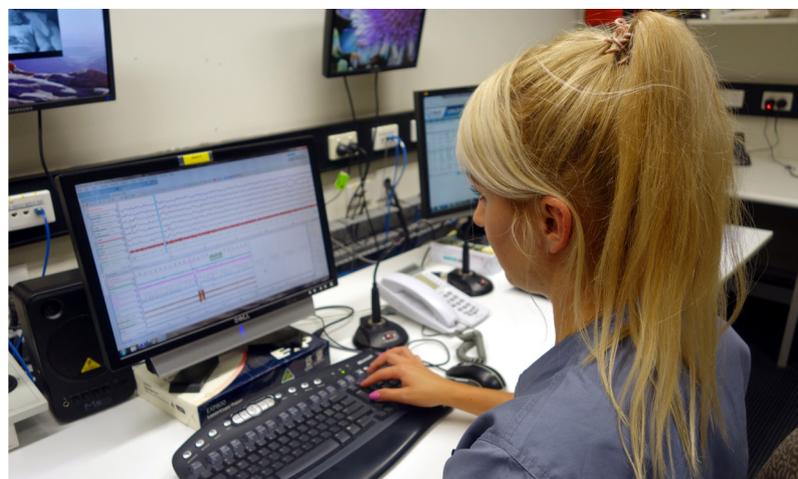


Woolcock Institute of Medical Research

FINANCIAL REPORT

2016



Our work makes a difference to people's lives

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The Woolcock Institute of Medical Research aims to improve respiratory and sleep health through excellence in research, clinical management and education.

Photos on front page by Tom Psomotragos

Mission Statement

The Woolcock Institute of Medical Research aims to improve respiratory and sleep health through excellence in research, clinical management and education.

The Institute does this by providing a dynamic environment where over 200 medical researchers are uncovering the causes of disease, finding better treatments and translating these into practice. The Woolcock Institute is recognised as one of the world's leading respiratory and sleep research organisations.

The Woolcock applies an integrated approach to disease; from conducting fundamental research on the mechanisms of disease, to discovering new ways to prevent, treat and provide effective management. Our researchers and doctors are determined to translate the development of new and best practice treatments for sleep and breathing disorders into improved health for individual patients and the entire community. The Woolcock is committed to improving people's lives through conducting and applying world-class medical research. This dedication to improving patient wellbeing is the focus of what we do.

Affiliations

The Woolcock is a not-for profit organisation limited by guarantee and has an Affiliation Agreement with The University of Sydney. We are a member of Sydney Research - an alliance of Medical Research Institutes, Sydney Local Health District and The University of Sydney.

We also have close relationships with University of Technology Sydney and University of New South Wales.



THE UNIVERSITY OF SYDNEY



CHAIRMAN'S REPORT



Robert Estcourt
Chairman

I would like to begin my remarks by reminding everyone of the Institute's vision, why it exists.

Our vision is for a better quality of life for people with sleep, breathing and lung disorders and their families.

It is the success of our work in these areas that we should be measured on.

In recent years the Woolcock has become a happy, collaborative and supportive workplace that people want to be associated

with. This culture makes us the "go to" place that we want to be and this is vital for our success. Examples of this are our invitation to the Australian Respiratory Council to move their offices here during the year and our establishment of a Woolcock NeuroSleep Clinic at the Brain and Mind Centre at The University of Sydney.

I am pleased to report on a very active and successful year:

- We inaugurated the Woolcock Emphysema Centre funded by private grants.
- Our new areas of research mean we now have almost 200 researchers working out of this building.
- We continue to promote and mentor the next generation of researchers. The number of post graduate students working here has risen 150% in four years. Last year we received a grant from a generous supporter to fund a PhD student for the next three years.
- We received grants from the corporate and government sectors, other organisations and individuals who support specific research work.
- We continue to win NHMRC grants.
- The growth in research activities has gone hand in glove with the growth in the translation of our work into the wider community. In 2016 the Clinic had almost 2,800 sleep studies and more than 9,000 billable items. Paediatric sleep studies reached over 300 and support for the paediatric allergy clinic continues to grow.

The high level of translational activity provides a rich source of research ideas and subjects, as well as demonstrating that the Woolcock is not an ivory tower, but an integral part of the community. We are determined to see that our work has a beneficial impact on society. An example is the initiative to set up an asthma network for Optimal Patient Care.

Late last year work commenced on fitting out new laboratories to accommodate the Centre for Lung Cancer Research. With the help of the State Government's \$3m grant and the support of The University of Sydney, we expect to launch the Centre and its associated Network in the second half of 2017.

The increased level of activity in the operational and fundraising space has improved our financial position and enabled us to plan for the future. The challenge remains greatest in terms of the support costs of research. However with budgets at all levels of government and many corporates under stress, we need the Institute to increasingly self-finance all its activities. We need financial strength to ensure that the Institute reaches its potential, cements its position internationally as Australia's premier research institute

for respiratory disease and sleep disorders and ensure the optimal use of all the Institute's facilities, resources and expertise. So while the Institute is in a better financial state than for a number of years and is moving in the right direction, it continues to face major challenges.

I must make mention of the multi-dimensional support the Woolcock receives from The University of Sydney, the Sydney Local Health District, especially the Royal Prince Alfred Hospital, as well as the key financial contributions from the State government. In this regard I particularly thank The University of Sydney for taking such a positive attitude towards our housing needs over the next few years. I would also like to sincerely thank those benefactors and donors who already provide support to the Institute.

It is impossible to mention all the other universities and research institutions, locally and internationally, that we have relationships with and who support us, but I would like to make special mention of two others here in Sydney - University of Technology Sydney and University of New South Wales. Our collaborative relationships with these institutions are important for the Woolcock's success. Finally I must thank Sydney Research, who support us in many ways.

There are a large number of people that I owe thanks to for the work and progress of the last year. To be frank it is invidious to mention names with the exception of Professor Carol Armour. The Institute has benefitted enormously from her enthusiasm, drive, energy and leadership. Supported by her able management team she has been able to energetically pursue a program of change and renewal without compromising the Institute's continuing research success.

I must express my sincere thanks to my colleagues on the Board. It has been another busy year and the exceptional voluntary service and dedication they bring to the Institute is of great value. All have shown exceptional dedication to the job required and have my thanks.

Sadly during the year two of our Board members have stepped down, Oliver Frankel and Mike Wallace. They both made a major contribution over the past few years. Oliver led our work in updating our governance and management documents and procedures; while Mike was instrumental in us gaining support from NSW Health department and the Area Health District.

At the Annual General Meeting in May Professor Iven Young also stood down from the Board. Iven has been on the Board for 26 years. He has lived through all the success and vicissitudes of those times and has lived to see the Institute grow into the thriving operation it is today. The knowledge, wise counsel, advice, hard work and enthusiasm of all three of these directors will be impossible to replace. We would not be where we are without their unstinting support and work.

On the other hand we have been very fortunate in gaining three new members in Jayne Shaw, Carmel Tebutt and Fiona Campbell. They bring a wide range of expertise to the Board in a number of different areas. In particular they ensure we have access to directors who have commercial and legal expertise and experience of the health sector. My thanks to them for joining us.

Lastly I extend my thanks to the team at the Woolcock. They are an outstanding group of dedicated researchers. My regard for them is enormous, it is a privilege to be associated with them. I, the Board and the community cannot thank them enough for their dedication and work.

EXECUTIVE DIRECTOR'S REPORT 4



Professor Carol Armour
Executive Director

The last 12 months have been busy ones for the Woolcock and I would like to thank everyone - the Board, members of the Woolcock, staff and affiliates of the Institute and friends - for your contribution to our success.

I would like to touch on 3 areas of research success although we all realise that these are examples among many more.

Firstly our Emphysema Centre which was created with donations from a private

foundation and a donor. The evolution and growth of this Centre in the past 12 months has been outstanding. Emphysema or COPD research has traditionally been underfunded for historical reasons and also because of biases about what causes the disease. The funding we receive has enabled many of the groups within the Woolcock to expand their research into areas that they feel will really make a difference to those people who already suffer with the disease. In addition the research program is working towards finding ways to diagnose early signs of the disease so that younger people with less severe lung damage can be found and offered an opportunity to halt the progress of COPD. The Director of the Centre, Professor Alaina Ammit, and the investigators involved in the Centre, have ensured that the program of research is leading edge and moving at a fast pace. We have also reached out to other research groups in Australia and internationally to make sure that all discoveries are shared for the benefit of the community.

Secondly, the Centre for Lung Cancer Research will have its new state of the art laboratories completed mid-2017. We are so excited about this new venture. NSW Health has granted us \$3 million for these laboratories and thanks to the investigative powers of Professor Paul Young, we are building a modular laboratory which can be moved to another location in future. This new innovation uses cutting edge technology to build laboratories that are of a higher quality and standard than any typical modern laboratory for research. With the completion of these new laboratories and the activation of the Lung Cancer Research Network which has now enrolled 26 groups working in lung cancer, we will be at the forefront of research into what causes lung cancer and how it can be treated.

The third area I would like to mention is our increasing research profile and success in Vietnam. Professor Guy Marks and Dr Greg Fox have been extremely successful in obtaining national competitive funding to undertake large epidemiological and clinical trials. This special research area is supported by the Woolcock team in Sydney but also our colleagues in Vietnam led by Dr Thu Anh Nguyen.

Our next generation of researchers (postdoctoral fellows and PhD students) are leaping ahead and using all opportunities to develop their career. We support them at every opportunity and they respond to this encouragement by being successful and taking the lead in their research. Our next generation is in good shape.

And now some highlights:

- The Sleep Group, led by Professor Ron Grunstein and the Epidemiology Group led by Professor Guy Marks, have had major success in securing a grant from the NHMRC for the Targeted Call on Windfarms and Health with \$1.9m for research to be conducted on the effects of infrasound.
- Drs Angela D'Rozario and Camilla Hoyos won Dementia Fellowships from the NHMRC to investigate links between sleep and neuro degeneration.
- Professors Daniela Traini and Paul Young continue their success in securing ARC Linkage grants (\$500,000) with a targeted industry partnership to develop biofilms and nanotechnologies - the respiratory devices of the future.
- Professor Marks was awarded a Centre of Research Excellence in Energy transitions, air pollution and health in Australia (\$2.5m); and
- The Vietnam team led by Professors Marks and Dr Fox and assisted by Dr Thu Anh Nguyen received a NHMRC Global Alliance for Chronic Diseases (\$1.9m) to investigate an integrated health sector strategy to combat COPD and asthma.

I would like to thank our partners who make our research possible. Our affiliated university, The University of Sydney; our partner universities, the University of Technology Sydney and UNSW; Sydney Central Health District and Sydney Research; and our friends and the organisations who support us in so many ways.

All of our great work is made possible by the excellent research support we have in the Woolcock, the Finance, HR and IT teams all work with us to achieve these outcomes and the Clinic and Commercial staff support our engagement with the community. I am supported by an executive management committee who work hard on behalf of the whole of the Woolcock. They are all invaluable to our ongoing success. My management team of Joanne Elliot (operations), Kerstin Baas (commercial) and Sinthia Bosnic-Anticevich (development and fundraising) as well as our Deputy Director (Paul Young) have given me enormous support and the Woolcock success depends on them. Thank you to you all for working as a team and making us the success we are today.

Company Performance

The significant improvement in our financial performance in 2016 is as a result of the consolidation of the financial improvements over the last 2 years and is an indication of the maturing of the organisation. Processes and systems are in place to make the management of the organisation more efficient and a new level of fiscal responsibility has been achieved through attention to detail. This has meant we have been able to fine tune our expenditure and continue to make savings on operational matters without compromising the quality of our administration or our research.

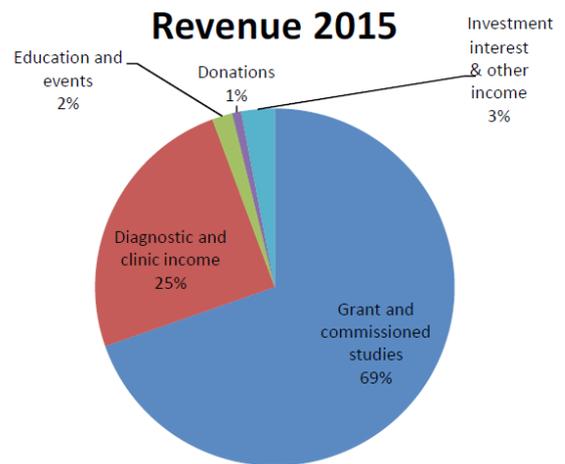
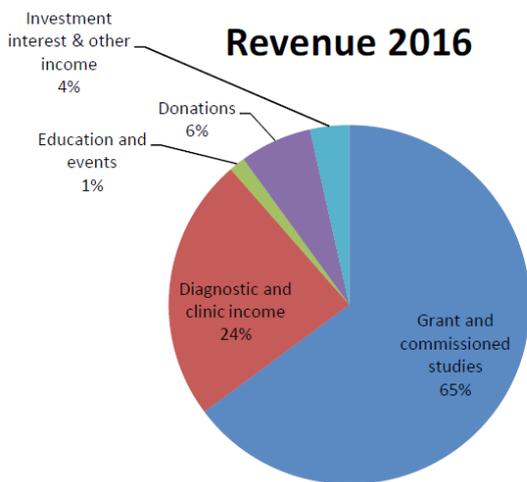
Several large research projects commenced in 2016 as well as a significant building project so these have contributed significantly to our cash flow. The research

productivity from these activities will become evident in our research reporting over the next few years.

Fundraising is working to the strategic plan that has been developed in 2016. The team has built relationships in the last 2 years that will provide sound foundations for the future and this has seen a modest increase in donations which we expect will build into something more substantial in the future.

The Woolcock Clinic continues to consolidate its financial performance with prudent staff management and improved processes which have led to improved customer service and higher level of support for the research.

Revenue



Expenditure

The breakdown of our 2016 expenditure displays a similar pattern to that reported in previous years. As always the largest component of expenditure was personnel costs at 46%, slightly lower than 2015 (49%). Expenditure on

research materials grew slightly (24% in 2016 compared with 23% in 2015) and other expenses which comprise items such as insurance and office administration have grown slightly (15% in 2016 compared with 13% in 2015).

Statement of income

	\$	\$
REVENUE	2016	2015
Revenue	14,957,781	12,552,025
Total revenue	14,957,781	12,552,025
EXPENSES	2016	2015
Personnel expenses	(6,597,601)	(6,462,931)
Depreciation expenses	(1,181,720)	(1,180,521)
Occupancy expenses	(952,680)	(725,487)
Research equipment and materials	(3,410,910)	(3,076,197)
Office administration and materials	(402,244)	(471,117)
Other expenses	(1,785,201)	(1,238,645)
Total Expenditure	(14,330,356)	(13,154,898)
Surplus/(deficit) from operating activities	627,425	(602,873)

Balance Sheet

	\$	\$
ASSETS	2016	2015
Cash and cash equivalents	11,258,777	7,048,150
Trade and other receivables	1,496,340	1,462,635
Other financial assets	1,448,545	1,068,764
Other assets	152,283	128,695
Total current assets	14,355,945	9,708,244
Property, plant and equipment	3,180,915	3,332,983
Total non current assets	3,180,915	3,332,983
Total assets	17,536,860	13,041,227
LIABILITIES	2016	2015
Trade and other payables	554,730	605,030
Provisions	369,773	397,736
Other liabilities	8,202,983	4,224,719
Total current liabilities	9,127,486	5,227,485
Provisions	210,996	242,789
Total non current liabilities	210,996	242,789
Total liabilities	9,338,482	5,470,274
Net assets	8,198,378	7,570,953
EQUITY	2016	2015
Accumulated funds	8,198,378	7,570,953
Total current liabilities	8,198,378	7,570,953

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