



Hunter Medical Research Institute

ABN: 27 081 436 919

Financial report

For the year ended 31 December 2019

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HUNTER MEDICAL RESEARCH INSTITUTE

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DIRECTORS' REPORT

The directors present their report together with the financial report of Hunter Medical Research Institute for the year ended 31 December 2019 and auditor's report thereon.

Directors names

The names of the directors in office at any time during or since the end of the year are:

T Walley	Institute Director, appointed 1 November 2018
K Loades	Chairman, appointed 8 December 2016
M DiRienzo	
A Zelinsky	
R J Aitken	Resigned 31 December 2019
M Cohen	
D A Magin	Resigned 2 April 2020
K Hall	
K Molloy	
K Mulley	
S Walkom	
J Wiggers	
L Sullivan	Appointed 13 February 2020

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

Company Secretary

R Howard resigned as Company Secretary of the company in May 2019.

C Drelincourt was appointed as the Company Secretary of the company in May 2019.

Review of operations

The company continued to engage in its principal activities, which are set out on page 2 of this report, the results of which are disclosed in the attached financial statements.

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DIRECTORS' REPORT

Principal activities

The principal activities in the course of the year were to act as a charitable institution that's raises funds for, and co-ordinates the activities of, health and medical research with the Hunter New England Local Health District and the University of Newcastle.

There were no significant changes in the nature of the activities of the company during the year.

After balance date events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Likely developments

The company expects to maintain the present status and level of operations.

Information on directors

T Walley

Qualifications

Experience

Institute Director - appointed 1 November 2018

CBE, MD, FRCP (Lon), F Med Sci

Professor Tom Walley is a highly experienced physician, pharmacologist and administrator with a broad understanding of translational research through his leadership of the UK's Health Technology Assessment Program at the National Institute for Health Research (NIHR). The program grew almost sevenfold to become the largest funding stream for clinical research in Britain.

Prior to joining HMRI, Professor Walley headed the Institute of Psychology, Health and Society at the University of Liverpool. He received a CBE (Commander of the Most Excellent Order of the British Empire) in 2008 and is a Fellow of both the Academy of Medical Sciences and the British Pharmacological Society.

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DIRECTORS' REPORT

Information on directors (Continued)

K Loades	Chair, HMRI Board and Non-Executive Director – HMRI (community)
Qualifications	FAICD
Experience	<p>Kyle is a non-executive Director of Credit Union Australia, Chairman of Local Government Super and Australian Transformation and Turnaround Association and a corporate advisor.</p> <p>Kyle successfully established, grew and ran Auto Advantage, an independent car broking business that disrupted the motor vehicle retail industry. After almost 15 years of successful growth, the business was purchased in August 2015 by a listed company and integrated into their larger operations.</p> <p>He is a former Chairman of the HMRI Foundation, a former Chairman & non-executive Director of NRMA, a former Director and President of Hunter Business Chamber, a former Board Member of Hunter Tourism and a Life Member, past President of Nobbys Surf Life Saving Club and former director of the Hunter Region SLSA Helicopter Rescue Service Limited.</p>
Special responsibilities	Chair of HMRI's Board Development Committee
Other current directorships in public and significant companies and institutions	Director, CUA Chairman, LG Super Chairman, Australian Transformation and Turnaround Association Director, Convergence 1440 Pty Limited Professor of Practice, University of Newcastle

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DIRECTORS' REPORT

Information on directors (Continued)

M DiRienzo

Non-Executive Director - HMRI (HNELHD)

Qualifications

BComm

Experience

Mr Michael DiRienzo, Chief Executive of Hunter New England Health, is responsible for all services across the district from small rural community health centres to major tertiary referral hospitals. With 17,000 staff and an expenditure budget in excess of \$2.5 billion per annum, Hunter New England Health provides services to a community of more than 920,370 people across an area of 130,000 square kilometres.

Following a career in Finance, Supply and Logistics in the manufacturing industry, Mr DiRienzo joined Hunter New England Health in 1999. He has since held various Executive Director positions throughout the Health Service.

Mr DiRienzo is a Board Director of the Hunter New England Central Coast Primary Health Network. Mr DiRienzo is the Chair of the Governing Board NSW Regional Health Partners.

As Chief Executive of Hunter New England Health, Mr DiRienzo has led the implementation of a range of initiatives that support staff to put patients at the centre of everything they do, provide patient-centred care and build a positive workplace culture.

Mr DiRienzo holds a Bachelor of Commerce from the University of Newcastle.

Special responsibilities

Member of HMRI's Board Development Committee

Other current directorships in public and significant companies and institutions

Board member – Hunter New England and Central Coast Primary Health Network

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DIRECTORS' REPORT

Information on directors (Continued)

A Zelinsky	Non-Executive Director - HMRI (University of Newcastle)
Qualifications	BMathSC(Hons), Hon DSc, PhD(UOW), GradDip(AICD), FTSE, FIEEE, Hon FIEAust, FAICD
Experience	Professor Alex Zelinsky AO is Vice-Chancellor and President of the University of Newcastle.

Prior to joining the University, Professor Zelinsky was Chief Defence Scientist, leading Defence Science and Technology. Prior to this, Professor Zelinsky was Group Executive for Information Sciences at CSIRO and was CEO and co-founder of Seeing Machines, a technology company focused on computer vision. Seeing Machines was a startup from ANU where he was a Professor of Systems Engineering.

Professor Zelinsky's career spans innovation, science and technology, research and commercial start-ups and education.

Professor Zelinsky has a Bachelor of Mathematical Sciences (Honours), Doctor of Philosophy and Honorary Doctor of Science from the University of Wollongong, is a Graduate of the Australian Institute of Company Directors and has completed the Advanced Management Program from Harvard University.

Professor Zelinsky has received numerous national and international awards, including being appointed an Officer in the Order of Australia (AO) in 2017. He is a Fellow of the Institute of Electrical and Electronics Engineers, the Australian Academy of Technology and Engineering, the Institute of Engineers Australia and the Australian Institute of Company Directors. In May 2019 he was elected as a Fellow of the Australian Academy of Science.

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DIRECTORS' REPORT

Information on directors (Continued)

R J Aitken	Non-Executive Director - HMRI (University of Newcastle) – resigned 31 December 2019
Qualifications	BSc, MSc, PhD, DSc
Experience	<p>John Aitken is the Pro Vice-Chancellor for the Faculty of Health and Medicine, a Laureate Professor of Biological Sciences and Co-Director of the Priority Research Centre in Reproductive Science at the University of Newcastle.</p> <p>His area of specialisation is gamete biology with particular emphasis on the differentiation and function of spermatozoa and oocytes. He has published over 500 research articles which have received over 40,000 citations, generating an h-index of 106. John is Past-President of the International Society of Andrology and a Fellow of both the Royal Society of Edinburgh and the Australian Academy of Science. In 2012 he was named as the New South Wales Scientist of the Year.</p> <p>John received his PhD from the University of Cambridge. In 1992, he was awarded an Honorary Professorship by the University of Edinburgh while in 1998 he received an ScD degree from the University of Cambridge in light of his contributions to reproductive science.</p>
M Cohen	Non-Executive Director - HMRI (HNEH)
Qualifications	PhD, MBBS, FRANZCP
Experience	<p>Conjoint A/Prof Martin Cohen completed his training in medicine at The University of Sydney in 1996 and became a Fellow of the Royal Australian and New Zealand College of Psychiatrists in 2002. Martin was a senior staff specialist and Director of Specialist Training, in 2012 he was appointed as an Executive Director for Hunter New England Health, subsequently leaving that role for the corporate sector, but remained committed to serving the District and he now sits on the District Health Board. He is Deputy Commissioner for the New South Wales Mental Health Commission, joint Managing Director of Asclepius Health, Senior Consulting Psychiatrist at Procure and a Conjoint Associate Professor at the University of Newcastle. He has over 15 years research experience in the fields of medical education, neuroimaging, epidemiological, and clinical research.</p>
Other current directorships in public and significant companies and institutions	Director of Cullerton Nominees Pty Ltd Director of Asclepius Health Director of Hunter New England Local Health District

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DIRECTORS' REPORT

Information on directors (Continued)

D A Magin	Non-Executive Director - HMRI (Community) - resigned 2 April 2020
Qualifications	BMath, Grad Dip Mgt, MAICD
Experience	<p>Don Magin was the Chief Executive Officer of the Greater Bank until his retirement on 22nd August 2014. He has over 27 years' experience in the financial sector, having started with the Greater in late 1986 as the Information Technology Manager. He also managed the Marketing Department for over 10 years and led the team which instituted the highly successful free holiday home loan campaign. One of his first initiatives as CEO was to engage Jerry Seinfeld to successfully lift the profile of the Greater.</p> <p>Don has a degree in Mathematics and a Graduate Diploma in Management from The University of Newcastle. He is a member of the Australian Institute of Company Directors. Don is a Director of Hunter United Credit Union. Don is also a consultant offering advice across a number of organisations in the areas of strategy and business improvement.</p>
Special responsibilities	Chair of HMRI's Audit and Risk Management Committee

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DIRECTORS' REPORT

Information on directors (Continued)

K Hall

Non-Executive Director - HMRI (University of Newcastle)

Qualifications

BSc (Hons), MSc, PhD

Experience

Professor Kevin Hall has had a distinguished academic career holding senior academic leadership roles in universities in Australia and Canada, most recently as the Senior Deputy Vice Chancellor (Research and Innovation) at the University of Newcastle and formerly as the Vice-President for Research and External Partnerships at the University of Guelph in Ontario. Professor Hall studied a Bachelor of Science and Master of Science at Queen's University in Canada and completed his PhD in Civil Engineering at the University of New South Wales, Australia.

He has held senior academic leadership positions at Queen's University Canada including founder and Executive Director of the Centre for Water and the Environment, and Head of the Department of Civil Engineering and was a Natural Sciences and Engineering Research Council of Canada University Research Fellow. Professor Hall carries out trans-disciplinary research across a number of major themes including water quality modelling, development of environmental monitoring and pathogen detection systems, syndromic surveillance, and water and health in marginalized communities. Professor Hall holds a number of international patents and has developed associated start-ups. His research has been incorporated into Engineering Design Manuals both nationally and internationally.

Professor Hall has been a board member for the Sydney School of Entrepreneurship, Intersect (Australia), Newcastle Innovation (Australia), Hunter Medical Research Institute (Australia), Newcastle Institute for Energy and Resources (Australia), Cooperative Research Centre - Contamination Assessment and Remediation of the Environment, Cooperative Research Centre High Performance Soils, Bioconversion Network; TRIUMF (Canada's national laboratory for particle and nuclear physics), C4 Network (Technology transfer consortium), Canadian Bovine Mastitis Network, Guelph-Waterloo Biotechnology Partnership, the Accelerator Centre, SHARCNET (high performance computing network), Allergen (Canadian Centre of Excellence), Pathogen Detection Systems (spin-off company) and the Lifestyle Research Network.

Special responsibilities

Member of HMRI's Board Development Committee

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DIRECTORS' REPORT

Information on directors (Continued)

K Molloy	Non-Executive Director – HMRI (Community)
Qualifications	BSc (Hons)/ PhD, MBA, GAICD
Experience	<p>Dr Kirsten Molloy has been the Chief Executive Officer of the Hunter Valley Coal Chain Coordinator (HVCCC) for seven years. HVCCC is a unique, complex, collaborative industry-funded entity that coordinates the movement of coal from mine to ship through an extensive network of mines, track, rail, terminals and port, with a goal to deliver the most efficient and effective logistics outcomes for the industry. Kirsten has chosen to focus on her career as a non-executive Director and increasing her focus on her work in leadership and diversity, transitioning from HVCCC in April 2020. Her leadership extends to being on a number of boards including HMRI, and most recently joining the NRMA board in 2019. This adds to her portfolio of directorships, which include HunterH2O and Regional Development Australia Hunter. Kirsten is also the Director of Verity Leadership, which has a mission to increase diversity in leadership by adding value to individuals and businesses on leadership, culture and change. Kirsten Chairs the Equal Futures Project which raises awareness and funds to support diversity, equity and inclusion.</p> <p>Kirsten has a PhD in Chemistry from the University of Newcastle and an MBA from Deakin University, and is a passionate advocate of STEM careers.</p>
Special responsibilities	Member of HMRI's Board Development Committee
Other current directorships in public and significant companies and institutions	Director of NRMA Director of Hunter H2O Director of RDA Hunter
K Mulley	Non-Executive Director – HMRI (Community)
Qualifications	BA, MPP
Experience	<p>Kirsten Mulley is a public policy, government relations and communications professional with more than two decades' experience. She is the Managing Partner, Public Affairs at leading national advisory firm GRACosway where she works across a range of industry sectors with a focus on health. She has also worked in senior advisory roles to NSW Deputy Premier John Watkins and Premier Morris Iemma. She previously worked in communications roles at the NSW Department of Health, Hunter New England Health, and the NSW Minister for Health.</p> <p>Kirsten has a long-standing association with HMRI. In 1999 she helped establish the "PULSE" committee, raising funds for early career medical researchers. She is also a founding member of the HMRI Sydney Foundation.</p>
Other current directorships in public and significant companies and institutions	Director of GRACosway Pty Ltd Director of GRC Partners Ltd Director of Clemenger Group Ltd

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DIRECTORS' REPORT

Information on directors (Continued)

S Walkom	Non-Executive Director – HMRI (Community) and Chair, HMRI Foundation
Qualifications	CPA, MBA, BCom
Experience	Scott Walkom is Principal, Walkom Real Estate, and has a background in accounting, finance and property, with qualifications including a Master of Business Administration (MBA) and Bachelor of Commerce (B.Com). He joined HMRI in 2015, following in the path of his late mother, Sonia, who was an original member of the Foundation from 1998 and a HMRI Exceptional Service Medal recipient. Scott sits on the Salvation Army Advisory Board (Newcastle) and is a member of the Property Council of NSW, CPA Australia, Real Estate Institute of NSW and Newcastle Club. Having managed Walkom Real Estate for the past 25 years, Scott has a wealth of commercial experience and many strong and loyal networking connections in the Hunter business community and beyond. He has a passion for medical research and deep understanding of HMRI's value to community wellbeing.
Special responsibilities	Chair of HMRI Foundation.
Other current directorships in public and significant companies and institutions	Director of The Salvation Army, Newcastle Newcastle Director of Walkom Real Estate

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DIRECTORS' REPORT

Information on directors (Continued)

J Wiggers

Non-Executive Director - HMRI (HNELHD)

Qualifications

BA (Hons), PhD

Experience

Professor Wiggers is the Director, Health Research and Translation and Population Health, Hunter New England Local Health District, responsible for enhancing health service research and research translation by health service providers and the provision of Population Health services.

In his Health Research and Translation role Professor Wiggers is responsible for building the systems and processes within the Hunter New England Local Health District to enhance the conduct of health services research and the translation of research findings for the benefit of patients and clients.

In his Population Health service delivery role Professor Wiggers is a health services researcher and practitioner with a focus on the prevention of obesity, smoking and alcohol-related harms, and the promotion of physical activity and healthy nutrition. This work has a primary focus on identifying strategies to increase the delivery of care addressing such risks by health care and other professionals as part of routine service delivery.

Professor Wiggers is also the Director of the University of Newcastle Priority Research Centre for Health Behaviour, and Co-Director of the Hunter Institute of Medical Research Public Health Program, and Director, World Health Organisation (WHO) Collaborating centre for Evidence-Based NCD Program Implementation.

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DIRECTORS' REPORT

Information on directors (Continued)

L Sullivan

Qualifications

Experience

Non-Executive Director – HMRI (University of Newcastle) - appointed 13 February 2020

MBBS MPH MMed MD FAFPHM

Elizabeth Sullivan is a Professor of Public Health and Acting Pro Vice Chancellor, Faculty of Health and Medicine at the University of Newcastle and Research Leader of Custodial Health at the Justice Health and Forensic Mental Health Network.

Her previous appointments include Assistant Deputy Vice Chancellor Research and Distinguished Professor Public Health at the University of Technology Sydney and Professor Perinatal and Reproductive Health and Director AIHW National Perinatal Statistics and Epidemiology Unit at the University of New South Wales.

Liz is a public health physician and epidemiologist whose population health research program focuses on vulnerable reproductive populations. She is the principal investigator of a NHMRC funded program of research on justice health and has been awarded > \$21 million in research and contract funding and authored > 240 peer-reviewed publications, AIHW and WHO reports.

She is a former council member of the National Health and Medical Research Council. She has a strong commitment to gender equity and led UTS to an Athena Swan Bronze award and is active in mentoring the next generation of female researchers.

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DIRECTORS' REPORT**Meetings of directors**

Directors	Directors' meetings		Audit and Risk Management Committee meetings		Board Development Committee (incorporating Corporate Governance)	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
T Walley	6	6	-	-	4	4
K Loades	6	6	-	-	4	4
M DiRienzo	6	4	-	-	4	4
A Zelinsky	6	5	-	-	-	-
R J Aitken	6	6	-	-	-	-
M Cohen	6	4	-	-	-	-
D A Magin	6	6	5	5	-	-
K Hall	6	4	-	-	4	3
K Molloy	6	6	-	-	4	4
K Mulley	6	6	-	-	-	-
S Walkom	6	6	-	-	-	-
J Wiggers	6	4	-	-	-	-

Members guarantee

The company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute to a maximum of \$20 each towards meeting any outstanding obligations of the company. At 31 December 2019 the number of members was 12. The combined total amount that members of the company are liable to contribute if the company is wound up is \$240.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 60-40 of the *Australian Charities and Not-for-Profit Commission (ACNC) Act 2012* is set out on page 15 and forms part of the Directors' report.

Proceedings on behalf of the company

No person has applied to the Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

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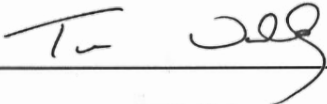
DIRECTORS' REPORT

Insurance of officers

During the financial period, the company paid a premium to insure any director, secretary, executive officer or employee of the company. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the nature of liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the policy.

Signed on behalf of the board of directors.

Director: 
K Loades

Director: 
T Walley

Dated this 2nd day of APRIL 2020



Pitcher Partners Newcastle & Hunter

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Michael Minter
Scott Edden
Wayne Russell

**HUNTER MEDICAL RESEARCH INSTITUTE
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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF HUNTER MEDICAL RESEARCH INSTITUTE**

In relation to the independent audit for the year ended 31 December 2019, to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor independence requirements of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*; and

(ii) no contraventions of the *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is signed in accordance with Subdivision 60-C of the *Australian Charities and Not-for-Profits Commission Act 2012*.

WAYNE RUSSELL

PARTNER

PITCHER PARTNERS

NEWCASTLE

2 April 2020

HUNTER MEDICAL RESEARCH INSTITUTE
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
Revenue and other income			
Operating revenue	2	29,080,740	26,663,866
Other income	3	<u>1,139,866</u>	<u>417,846</u>
		<u>30,220,606</u>	<u>27,081,712</u>
Less: expenses			
Fundraising expenses		(2,375,122)	(1,823,568)
Research grant expenses		(11,241,792)	(10,323,135)
Operations expenses		(9,275,099)	(7,978,556)
Facility expenses		(5,640,938)	(5,525,878)
Other expenses	5	<u>-</u>	<u>(1,914,562)</u>
		<u>(28,532,951)</u>	<u>(27,565,699)</u>
Surplus / (deficit) for the year		1,687,655	(483,987)
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>1,687,655</u></u>	<u><u>(483,987)</u></u>

The accompanying notes form part of these financial statements.

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STATEMENT OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2019

	Note	2019	2018
Current assets			
Cash and cash equivalents	6	10,021,229	9,883,305
Receivables	7	330,122	334,744
Inventories	8	4,517	4,517
Other assets	9	683,315	592,852
Other financial assets	10	<u>13,750,000</u>	<u>10,750,000</u>
Total current assets		<u>24,789,183</u>	<u>21,565,418</u>
Non-current assets			
Other financial assets	10	10,813,289	7,619,004
Property, plant and equipment	11	<u>75,678,034</u>	<u>78,855,498</u>
Total non-current assets		<u>86,491,323</u>	<u>86,474,502</u>
Total assets		<u>111,280,506</u>	<u>108,039,920</u>
Current liabilities			
Payables	12	3,096,694	1,414,454
Provisions	13	5,760,866	5,020,500
Other liabilities	14	<u>1,872,599</u>	<u>1,377,357</u>
Total current liabilities		<u>10,730,159</u>	<u>7,812,311</u>
Non-current liabilities			
Provisions	13	<u>654,452</u>	<u>2,019,369</u>
Total non-current liabilities		<u>654,452</u>	<u>2,019,369</u>
Total liabilities		<u>11,384,611</u>	<u>9,831,680</u>
Net assets		<u>99,895,895</u>	<u>98,208,240</u>
Equity			
Retained earnings	15	<u>99,895,895</u>	<u>98,208,240</u>
Total equity		<u>99,895,895</u>	<u>98,208,240</u>

The accompanying notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
Retained earnings		
Balance at beginning of the year	98,208,240	98,692,227
Surplus / (deficit) for the year	<u>1,687,655</u>	<u>(483,987)</u>
Balance at the end of the year	<u>99,895,895</u>	<u>98,208,240</u>

The accompanying notes form part of these financial statements.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
Cash flow from operating activities		
Receipts from customers	29,669,056	27,336,785
Payments to affiliated researchers, partners, suppliers and employees	(23,847,711)	(19,637,434)
Dividends received	340,831	212,943
Interest received	399,379	490,908
Payment of uncommitted MHF funds	<u>-</u>	<u>(1,238,398)</u>
Net cash provided by operating activities	<u>6,561,555</u>	<u>7,164,804</u>
Cash flow from investing activities		
Net proceeds / (payments) from / for term deposits	(3,000,000)	1,250,000
Payment for property, plant and equipment	(589,549)	(451,839)
Net cash outflow from purchase and sale of investments	<u>(2,834,082)</u>	<u>(4,792,022)</u>
Net cash used in investing activities	<u>(6,423,631)</u>	<u>(3,993,861)</u>
Reconciliation of cash		
Cash at beginning of the financial year	9,883,305	6,712,362
Net increase in cash held	<u>137,924</u>	<u>3,170,943</u>
Cash at end of financial year	<u>10,021,229</u>	<u>9,883,305</u>

The accompanying notes form part of these financial statements.

HUNTER MEDICAL RESEARCH INSTITUTE
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general-purpose financial report that has been prepared in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations of the Australian Accounting Standards Board.

The financial report covers Hunter Medical Research Institute as an individual entity. Hunter Medical Research Institute is a company limited by guarantee, incorporated and domiciled in Australia. Hunter Medical Research Institute is a not-for-profit entity for the purpose of preparing the financial statements.

The financial report was approved by the directors as at the date of the directors' report.

The following are the significant accounting policies adopted by the company in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

(b) Income tax

No provision for income tax has been raised as the company is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(d) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the assets (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transactions costs, except where the instrument is classified as fair value through profit or loss, in which case the transaction costs are immediately recognised as expenses in profit or loss.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

Classification of financial assets

Financial assets recognised by the company are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the company irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

- (a) the company's business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

Classification of financial liabilities

Financial liabilities classified as held-for-trading, contingent consideration payable by the company for the acquisition of a business, and financial liabilities designated at FVtPL, are subsequently measured at fair value.

All other financial liabilities recognised by the company are subsequently measured at amortised cost.

Trade and other receivables

Trade and other receivables arise from the company's transactions with its customers and are normally settled within 30 days.

Consistent with both the company's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

The company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables are grouped together based on shared credit risk characteristics and days past due. Any receivables that are known to be uncollectible are written off.

Impairment of financial assets

For financial assets carried at cost because a fair value cannot be reliably measured, impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Impairment of non-financial assets

For impairment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash-generating unit level.

Assets are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease in accordance with the applicable Standard. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the asset's employment and subsequent disposal. The expected net cash flows are discounted to present values in determining recoverable amounts.

(f) Property, plant and equipment

Each class of property, plant and equipment is measured at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment

Property, plant and equipment is measured on the cost basis.

Depreciation

The depreciable amount of property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

Class of fixed asset	Useful lives	Depreciation basis
Buildings at cost	40 years	Straight line
Plant and equipment at cost	2 to 40 years	Straight line
Improvements at cost	4 to 40 years	Straight line
Office furniture, equipment, fixtures and fittings at cost	2 to 20 years	Straight line
Computer equipment at cost	3 to 10 years	Straight line

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the company prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

(h) Research grant provision

Research grant provisions represent research grants payable once a constructive obligation exists, usually in the form of a commitment to a research project for the funding. These are not recognised as a payable as the timing of the amount is often uncertain as it is dependent on milestones being met which are not wholly controlled by the company.

(i) Deferred income

Deferred income is recognised where the company has received payment for services prior to the provision of those services.

(j) Goods and services tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(k) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(l) New and revised accounting standards effective at 31 December 2019

The company has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 January 2019, including AASB 16 *Leases* (AASB 16), AASB 1058 *Income of Not-for-Profit Entities* (AASB 1058) and AASB 15: *Revenue from Contracts with Customers* (AASB 15).

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) New and revised accounting standards effective at 31 December 2019 (Continued)

AASB 16: Leases

AASB 16 replaces AASB 117 Leases and introduces a single lessee accounting model that requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- (a) right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
 - i. investment property, the lessee applies the fair value model in AASB 140 Investment Property to the right-of-use asset; or
 - ii. property, plant or equipment, the lessee applies the revaluation model in AASB 116 Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- (b) lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

However, amending standard AASB 2018-8 provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirement to right-of-use assets arising under leases with significantly below-market terms and conditions. This enables not-for-profit entities to elect to initially measure such right-of-use assets at cost rather than fair value, which has the corresponding effect of reducing the amount of income recognised under AASB 1058. (Refer to note 1(m)).

AASB 16 substantially carries forward the lessor accounting requirements of the predecessor standard, AASB 117. Accordingly, under AASB 16 a lessor continues to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and accounts for each type of lease in a manner consistent with the current approach under AASB 117.

AASB 1058: Income for not-for-profit entities and AASB 15: Revenue from contracts with customers

AASB 1058 replaces the income recognition requirements in AASB 1004: *Contributions* applicable to private sector not-for-profit entities with a model based on the principles of AASB 15: *Revenue from Contracts with Customers*. Consequently, AASB 1058 requires private sector not-for-profit entities to recognise all revenue from contracts with customers when the related performance obligations are satisfied, irrespective of whether the ultimate beneficiary of the goods or services provided by the not-for-profit entity is the grantor of the funds or another entity. An agreement involving a not-for-profit entity would be classified as a contract with a customer (and therefore accounted for under AASB 15) if the agreement:

- (a) creates enforceable rights and obligations between the parties; and
- (b) includes a promise by the not-for-profit entity to transfer a good or service that is sufficiently specific for the entity to determine when the obligation is satisfied.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) New and revised accounting standards effective at 31 December 2019 (Continued)

For contracts with customers that comprise a donation component, AASB 1058 requires such components to be treated as part of the performance obligation(s) unless the entity can demonstrate that component is not related to the promised goods or services.

When an arrangement does not meet the criteria for a contract with a customer under AASB 15, the arrangement is accounted for in accordance with AASB 1058, which requires:

- (a) the asset received by the not-for-profit entity to be accounted for in accordance with the applicable Australian Accounting Standard, which in most circumstances requires the asset to be initially measured at its fair value;
- (b) any related amounts (such as contributions from owners, financial liabilities, contract liabilities, lease liabilities and provisions) to be accounted for in accordance with the applicable Australian Accounting Standard; and
- (c) any difference between the consideration given for the asset and its fair value, after recognising any related amounts (such as contributions from owners, financial liabilities, contract liabilities, lease liabilities and provisions), is recognised as income.

AASB 1058 also permits a not-for-profit entity to recognise volunteer services as an asset or expense (as applicable) and any related contributions by owners or revenue as an accounting policy choice, provided that the fair value of the services can be measured reliably.

AASB 1058 also has specific recognition criteria in relation to transfers to enable an entity to acquire or construct a recognisable non-financial asset to be controlled by the entity. The obligation to acquire or construct the non-financial asset is accounted for similarly to a performance obligation under AASB 15.

In accordance with the transition requirements of AASB 1058 and AASB 15, the company has elected to apply AASB 1058 and AASB 15 retrospectively. The application of AASB 1058 and AASB 15 has not materially impacted the recognition and measurement of income or revenue from contracts with customers.

Further details of the company's accounting policy in relation to accounting for income under AASB 1058 and revenue from contracts with customers under AASB 15 are contained in Note 1(n), Note 1(o) and Note 1(p).

(m) Leases

Accounting policy applied to the information presented for the current year under AASB 16 Leases:

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the company recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leases (Continued)

Lease assets

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the company, and an estimate of costs to be incurred by the company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Right-of-use lease assets under leases with significantly below-market terms and conditions (e.g. peppercorn-type arrangements) are measured at cost.

During the year the company entered into a lease with significantly below-market terms and conditions with Hunter New England Local Health District. The terms of the lease are:

Term - 40 years

Lease payments - \$572,000 per annum

As part of the lease agreement Hunter New England Local Health District provides the company with a Market Rental Assistance Grant equal to the lease payments, reducing the company's lease/rental payment to nil.

The company has elected to measure the right-of-use asset under the lease with significantly below market terms and conditions at cost rather than fair value in accordance with amending standard AASB 2018-8. As the cost of the lease is nil no right-of-use asset or corresponding lease liability has been recognised.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

Lease liabilities

Lease liabilities are initially recognised at the present value of the future lease payments (i.e., the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the company's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leases (Continued)

Leases of 12-months or less and leases of low value assets

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

Accounting policy applied to the information presented for the prior period under AASB 117 Leases:

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Each lease is classified as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Finance leases

Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the company are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the fair value or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease, if this is practicable to determine; if not, the company's incremental borrowing rate is used. Interest expense on finance leases is included in finance costs in the statement of profit or loss and other comprehensive income. Lease assets are depreciated on a straight line basis over their estimated useful lives where it is likely the company will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period in accordance with the effective interest method.

Operating leases

Lease payments for operating leases are recognised as an expense on a straight-line basis over the term of the lease. Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(n) Revenue from contracts with customers

The company derives revenue from the provision of services and sale of goods. Revenue is recognised as, or when, goods or services are transferred to the customer, and is measured at an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services.

Revenue from the provision of services

The company provides various services to customers in respect of statistical research and facilities occupation. Revenue from the provision of services is recognised over time, as the services are provided to the customer. Customers are generally invoiced as services are rendered, and outstanding invoices are due for payment within 30 days of the invoice.

Revenue from the sale of goods

The company operates a cafe in the Clinical Research Centre building. Revenue is recognised at the time the goods are purchased by customers from the cafe. Customers are required to pay in full for all goods purchased at the time of purchase.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Grant and fundraising revenue

Revenue from government and private sector grants, donations, bequests, fundraising events and other fundraising revenue is recognised upon receipt.

(p) Other income

Dividends

Dividend revenue is recognised when the right to receive a dividend or other distribution has been established.

Interest

Interest revenue is measured in accordance with the effective interest method.

All revenue is measured net of the amount of goods and services tax (GST).

	2019	2018
	\$	\$
NOTE 2: REVENUE		
Revenue from contracts with customers		
Building occupancy	4,940,201	4,599,265
Cafe	371,331	368,517
Parking	196,347	180,880
Statistical and health economic research	1,311,035	1,215,615
Laboratory services	172,359	83,678
Other	65,840	16,815
	<u>7,057,113</u>	<u>6,464,770</u>
Grant and fundraising revenue		
Government grants	9,487,501	9,347,308
Private sector grants	656,237	145,553
Donations	8,469,154	6,545,121
Bequests	2,444,076	3,128,542
Events	966,659	1,032,572
	<u>22,023,627</u>	<u>20,199,096</u>
	<u>29,080,740</u>	<u>26,663,866</u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	\$	\$
NOTE 3: OTHER INCOME		
Dividends	340,831	212,943
Realised fair value gains/(losses)	(55,358)	(32,336)
Unrealised fair value gains/(losses)	415,561	(192,803)
Fundraising interest	202,795	104,293
Interest income	<u>236,037</u>	<u>325,749</u>
	<u><u>1,139,866</u></u>	<u><u>417,846</u></u>

NOTE 4: EXPENSES

Salaries and wages	5,957,065	5,177,716
Superannuation	532,002	481,631
Depreciation and amortisation expense	<u>3,757,422</u>	<u>3,370,871</u>
	<u><u>10,246,489</u></u>	<u><u>9,030,218</u></u>

NOTE 5: OTHER EXPENSES

UNCOMMITTED FUNDS TRANSFER

Transfer of uncommitted funds and inventory to Mark Hughes Foundation Limited	<u>-</u>	<u>1,914,562</u>
	<u><u>-</u></u>	<u><u>1,914,562</u></u>

The Mark Hughes Foundation (MHF) was an auspice fundraising group of HMRI led by Mark and Kirralee Hughes. The mission of MHF was to raise funds for research, create awareness and support brain cancer patients and their families.

In late 2017 Mark and Kirralee advised HMRI of their intention to establish the MHF as a standalone charity with a view to continuing the great work the foundation undertakes to increase community awareness and raise funds to support brain cancer research. The HMRI Board were understanding and supportive of Mark and Kirralee Hughes' decision and agreed to assist with the transitional arrangements to ensure a smooth handover of operational and governance responsibilities previously undertaken by HMRI in support of the MHF.

The Board agreed to transfer all uncommitted funds raised by MHF and held by HMRI. The funds were transferred to MHF in June 2018.

NOTE 6: CASH AND CASH EQUIVALENTS

Cash at bank	5,531,266	5,454,042
Cash on deposit	<u>4,489,963</u>	<u>4,429,263</u>
	<u><u>10,021,229</u></u>	<u><u>9,883,305</u></u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	\$	\$
NOTE 7: RECEIVABLES		
Trade debtors	32,197	139,395
Other receivables	<u>297,925</u>	<u>195,349</u>
	<u><u>330,122</u></u>	<u><u>334,744</u></u>
NOTE 8: INVENTORIES		
<i>At cost</i>		
Finished goods	<u>4,517</u>	<u>4,517</u>
	<u><u>4,517</u></u>	<u><u>4,517</u></u>
NOTE 9: OTHER ASSETS		
Prepayments	432,651	293,190
Accrued income	<u>250,664</u>	<u>299,662</u>
	<u><u>683,315</u></u>	<u><u>592,852</u></u>
NOTE 10: OTHER FINANCIAL ASSETS		
CURRENT		
Financial assets at amortised cost	<u>13,750,000</u>	<u>10,750,000</u>
	<u><u>13,750,000</u></u>	<u><u>10,750,000</u></u>
NON-CURRENT		
Financial assets at fair value through profit or loss	<u>10,813,289</u>	<u>7,619,004</u>
	<u><u>10,813,289</u></u>	<u><u>7,619,004</u></u>
NOTE 11: PROPERTY, PLANT AND EQUIPMENT		
Buildings at cost	81,032,881	81,032,881
Accumulated depreciation	<u>(14,843,995)</u>	<u>(12,818,173)</u>
	<u><u>66,188,886</u></u>	<u><u>68,214,708</u></u>
Plant and equipment at cost	15,044,334	14,718,409
Accumulated depreciation	<u>(8,354,504)</u>	<u>(7,065,956)</u>
	<u><u>6,689,830</u></u>	<u><u>7,652,453</u></u>
Improvements at cost	834,948	834,948
Accumulated depreciation	<u>(98,914)</u>	<u>(66,502)</u>
	<u><u>736,034</u></u>	<u><u>768,446</u></u>
Office furniture, equipment, fixtures and fittings at cost	3,816,497	3,812,312
Accumulated depreciation	<u>(2,208,155)</u>	<u>(1,972,236)</u>
	<u><u>1,608,342</u></u>	<u><u>1,840,076</u></u>
Computer equipment at cost	1,474,545	1,323,739
Accumulated depreciation	<u>(1,019,603)</u>	<u>(943,924)</u>
	<u><u>454,942</u></u>	<u><u>379,815</u></u>
Total property, plant and equipment	<u><u><u>75,678,034</u></u></u>	<u><u><u>78,855,498</u></u></u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	\$	\$
NOTE 12: PAYABLES		
<i>Unsecured liabilities</i>		
Trade creditors	1,919,988	874,757
Sundry creditors and accruals	<u>1,176,706</u>	<u>539,697</u>
	<u>3,096,694</u>	<u>1,414,454</u>
 NOTE 13: PROVISIONS		
CURRENT		
Employee benefits (a)	495,040	366,296
Research grants	<u>5,265,826</u>	<u>4,654,204</u>
	<u>5,760,866</u>	<u>5,020,500</u>
NON-CURRENT		
Employee benefits (a)	184,598	169,471
Research grants	<u>469,854</u>	<u>1,849,898</u>
	<u>654,452</u>	<u>2,019,369</u>
(a) Aggregate employee benefits liability	679,638	535,767
 NOTE 14: OTHER LIABILITIES		
Deferred income	<u>1,872,599</u>	<u>1,377,357</u>
	<u>1,872,599</u>	<u>1,377,357</u>
 NOTE 15: RETAINED EARNINGS		
Retained earnings at beginning of year	98,208,240	98,692,227
Surplus / (deficit) for the year	<u>1,687,655</u>	<u>(483,987)</u>
	<u>99,895,895</u>	<u>98,208,240</u>

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

NOTE 16: FAIR VALUE MEASUREMENT

(a) Fair Value Hierarchy

The following table provides the fair value classification of those assets and liabilities held by the company that are measured either on a recurring or non-recurring basis at fair value.

		Total
2019		\$
Recurring fair value measurements		
<i>Financial assets</i>		
<i>Financial assets at fair value through profit or loss</i>		
Shares in listed corporations		10,813,289
2018		
Recurring fair value measurements		
<i>Financial assets</i>		
<i>Financial assets at fair value through profit or loss</i>		
Shares in listed corporations		7,619,004
	2019	2018
	\$	\$

NOTE 17: KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation received by key management personnel of the company

Total key management personnel compensation	<u>1,122,457</u>	<u>735,296</u>
	<u>1,122,457</u>	<u>735,296</u>

NOTE 18: RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel of the company and director related parties

Donations	9,500	46,455
Income from University of Newcastle from occupancy and professional services	5,947,219	5,097,545
Income from Hunter New England Local Health District from research grants, occupancy and professional services	668,227	1,004,051
Payments to University of Newcastle for research grants and awards and medical infrastructure funds	(8,031,364)	(7,406,261)
Payments to Hunter New England Local Health District for utilities, research grants and awards and medical infrastructure funds	(2,406,522)	(1,256,135)

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2019
\$

2018
\$

NOTE 18: RELATED PARTY TRANSACTIONS (continued)

(b) Amounts owing by director related parties at the end of the year are as follows:

University of Newcastle	24,511	45,124
Hunter New England Local Health District	<u>627</u>	<u>55,254</u>
	<u>25,138</u>	<u>100,378</u>

(c) Amounts owing to director related parties at the end of the year are as follows:

University of Newcastle	(5,380,951)	(3,838,493)
Hunter New England Local Health District	<u>(1,574,895)</u>	<u>(1,512,011)</u>
	<u>(6,955,846)</u>	<u>(5,350,504)</u>

NOTE 19: RESEARCH GRANT COMMITMENTS

The company has committed funds to research projects. At 31 December 2019, \$11,037,956 (2018: \$12,542,620) has been committed for research. The timing of this commitment is unknown as it is dependent on milestones being met on research projects, which are not wholly controlled by the company. Of this \$5,302,276 (2018: \$6,038,518) is still receivable and is disclosed as a contingent asset (note 20).

NOTE 20: CONTINGENT ASSETS

The company has multiple year funding agreements in place for grant funding for research, which has been committed to by various foundations and institutions. At 31 December 2019, \$5,302,276 (2018: \$6,038,518) is committed to the organisation for receipt in future periods. This amount has not been recognised as a receivable at the year end as receipt of the amount is dependent on key milestones being met on the research projects funded by the grants. The achievement of these milestones is not wholly within the control of the company.

NOTE 21: EVENTS SUBSEQUENT TO REPORTING DATE

Fundraising revenue

The impact of the COVID-19 pandemic is expected to have an impact on the financial performance of HMRI in 2020. As at the date of this report HMRI was not in a position to fully assess the extent of the financial impact due to the continued uncertainty on the availability of philanthropic revenue and for what duration.

HMRI is reviewing available options to adjust discretionary expenditure as the financial impact of this issue becomes clearer.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 21: EVENTS SUBSEQUENT TO REPORTING DATE (continued)

Performance of other financial assets

The performance of HMRI's other financial assets has been materially impacted by market movements as a result of the COVID-19 pandemic. HMRI applies a risk-based approach to its investment strategy including diversification of financial assets to minimise significant exposure. However, as at the date of this report the widespread market shock has resulted in a decrease in HMRI's financial assets since 31 December 2019 of approximately 12.60% (\$1.39M).

NOTE 22: MEMBERS' GUARANTEE

The company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute to a maximum of \$20 each towards meeting any outstandings and obligations of the company. At 31 December 2019 the number of members was 12. The combined total amount that members of the company are liable to contribute if the company is wound up is \$240.

NOTE 23: ADDITIONAL DISCLOSURES REQUIRED BY THE CHARITABLE FUNDRAISING ACT 1991 AND THE CHARITABLE FUNDRAISING REGULATIONS 2015

	2019	2018
	\$	\$
(a) Details of aggregate gross income and total expenses of fundraising appeals		
Gross proceeds from fundraising appeals		
Donations (including bequests, excluding capital campaign)	11,151,656	10,238,664
Research grants	555,236	145,553
Event income	241,946	400,488
Supporter run event income	724,713	632,084
Investment income (earned on fundraising investments)	903,830	92,096
Gross proceeds from fundraising	13,577,381	11,508,885
Less: Total cost of fundraising		
HMRI fundraising		
Event expenses	(257,491)	(159,727)
Fundraising salaries & superannuation (excluding capital campaign)	(1,019,120)	(867,099)
Other expenses (excluding capital campaign)	(1,048,511)	(789,742)
Total cost of fundraising	(2,325,122)	(1,816,568)
Net surplus obtained from fundraising appeals	11,252,259	9,692,317

HUNTER MEDICAL RESEARCH INSTITUTE
ABN: 27 081 436 919

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 23: ADDITIONAL DISCLOSURES REQUIRED BY THE CHARITABLE FUNDRAISING ACT 1991 AND THE CHARITABLE FUNDRAISING REGULATIONS 2015 (continued)

	2019	2018
	\$	\$
(b) Statement showing how funds received were applied to charitable purposes		
Net surplus from fundraising appeals	11,252,259	9,692,317
Expenditure on direct services (grants to researchers)	<u>(8,096,174)</u>	<u>(7,090,823)</u>
Net surplus after grants to researchers	<u>3,156,085</u>	<u>2,601,494</u>

The surplus from fundraising appeals has been retained in cash at bank and will be used to fund future grants to researchers.

(c) Comparisons by monetary figures and percentages

31 December 2019

Total cost of fundraising / gross income from fundraising	2,325,122/13,577,381	17.12%
Net surplus from fundraising / gross income from fundraising	11,252,259/13,577,381	82.88%
Total cost of direct services / total expenditure	8,096,174/10,421,296	77.69%
Total cost of direct services / gross income from fundraising	8,096,174/13,577,381	59.63%

31 December 2018

Total cost of fundraising / gross income from fundraising	1,816,568/11,508,885	15.78%
Net surplus from fundraising / gross income from fundraising	9,692,317/11,508,885	84.22%
Total cost of direct services / total expenditure	7,090,823 / 8,907,391	79.61%
Total cost of direct services / gross income from fundraising	7,090,823/11,508,885	61.61%

(d) Reconciliation between total revenue and other income and gross proceeds from fundraising

Total revenue and other income	30,220,606	27,081,712
Less: revenue from contracts with customers	(7,057,113)	(6,464,770)
Less: grant revenue not obtained from fundraising	(9,350,076)	(8,782,307)
Less: investment income not obtained from fundraising	<u>(236,036)</u>	<u>(325,750)</u>
Gross proceeds from fundraising	<u>13,577,381</u>	<u>11,508,885</u>

HUNTER MEDICAL RESEARCH INSTITUTE
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DIRECTORS' DECLARATION

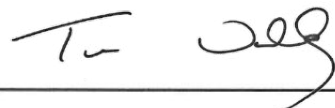
In accordance with a resolution of Directors of Hunter Medical Research Institute, the directors of the Registered Entity declare that, in the directors' opinion:

1. The financial statements and notes, as set out on pages 16-35, satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and:
 - a. comply with Australian Accounting Standards applicable to the Registered Entity; and
 - b. give a true and fair view of the financial position of the Registered Entity as at 31 December 2019 and of its performance for the year ended on that date.
2. There are reasonable grounds to believe that the Registered Entity will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with subs 60.15(2) of the *Australian Charities and Not-for-profits Commission Regulation 2013*.



Director: _____
K Loades



Director: _____
T Walley

Dated this 2nd day of APRIL 2020

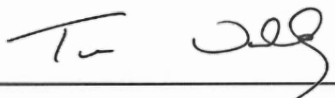
HUNTER MEDICAL RESEARCH INSTITUTE
ABN: 27 081 436 919

DIRECTORS' DECLARATION

In accordance with a resolution of Directors of Hunter Medical Research Institute, the directors of the company declare that, in the directors' opinion:

1. The Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019 gives a true and fair view of all income and expenses of the company with respect to fundraising appeals, and
2. The Statement of Financial Position as at 31 December 2019 gives a true and fair view of the state of affairs of the company with respect to the fundraising appeals conducted by the company,
3. The provisions of the *Charitable Fundraising Act 1991*, the *Charitable Fundraising Regulation 2015* under the Act and the conditions attached to the authority have been complied with by the company, and
4. The internal controls exercised by the company are appropriate and effective in accounting for all income received and applied by the company from any of its fundraising appeals.

Director: 
K Loades

Director: 
T Walley

Dated this 2nd day of APRIL 2020

Pitcher Partners Newcastle & Hunter

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Greg Farrow
Geoff Thompson
Michael Minter
Scott Edden
Wayne Russell

**HUNTER MEDICAL RESEARCH INSTITUTE
ABN: 27 081 436 919**

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HUNTER MEDICAL RESEARCH INSTITUTE**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Hunter Medical Research Institute the "Registered Entity", which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the financial report of Hunter Medical Research Institute has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Registered Entity's financial position as at 31 December 2019 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Reports on the requirements of the Charitable Fundraising Act 1991 (NSW) and the Charitable Fundraising Regulation 2015 (NSW)

- (a) the financial report of Hunter Medical Research Institute shows a true and fair view of the financial result of fundraising appeals for the year ended 31 December 2019, and
- (b) the accounting and associated records have been properly kept during that year in accordance with the *Charitable Fundraising Act 1991 (NSW)* and the *Charitable Fundraising Regulation 2015 (NSW)*, and
- (c) money received as a result of the fundraising appeals conducted during that year has been properly accounted for and applied in accordance with the *Charitable Fundraising Act 1991 (NSW)* and the *Charitable Fundraising Regulation 2015 (NSW)*, and
- (d) the Registered Entity will be able to pay its debts as and when they become due and payable.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Registered Entity in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012 "ACNC Act"* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards) "the Code"* that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

Those charged with governance are responsible for the other information. The other information comprises the information included in the Registered Entity's directors' report for the year ended 31 December 2019 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of Directors' for the Financial Report.

The directors' of the Registered Entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *ACNC Act*, and for such internal control as the responsible entities determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Registered Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material

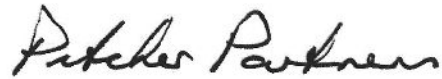
misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Registered Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by responsible entities.
- Conclude on the appropriateness of the responsible entity'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 Entity'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 Entity to cease to continue as a going concern.
- 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 those charged with governance 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.



WAYNE RUSSELL
PARTNER



PITCHER PARTNERS
Newcastle

2 April 2020