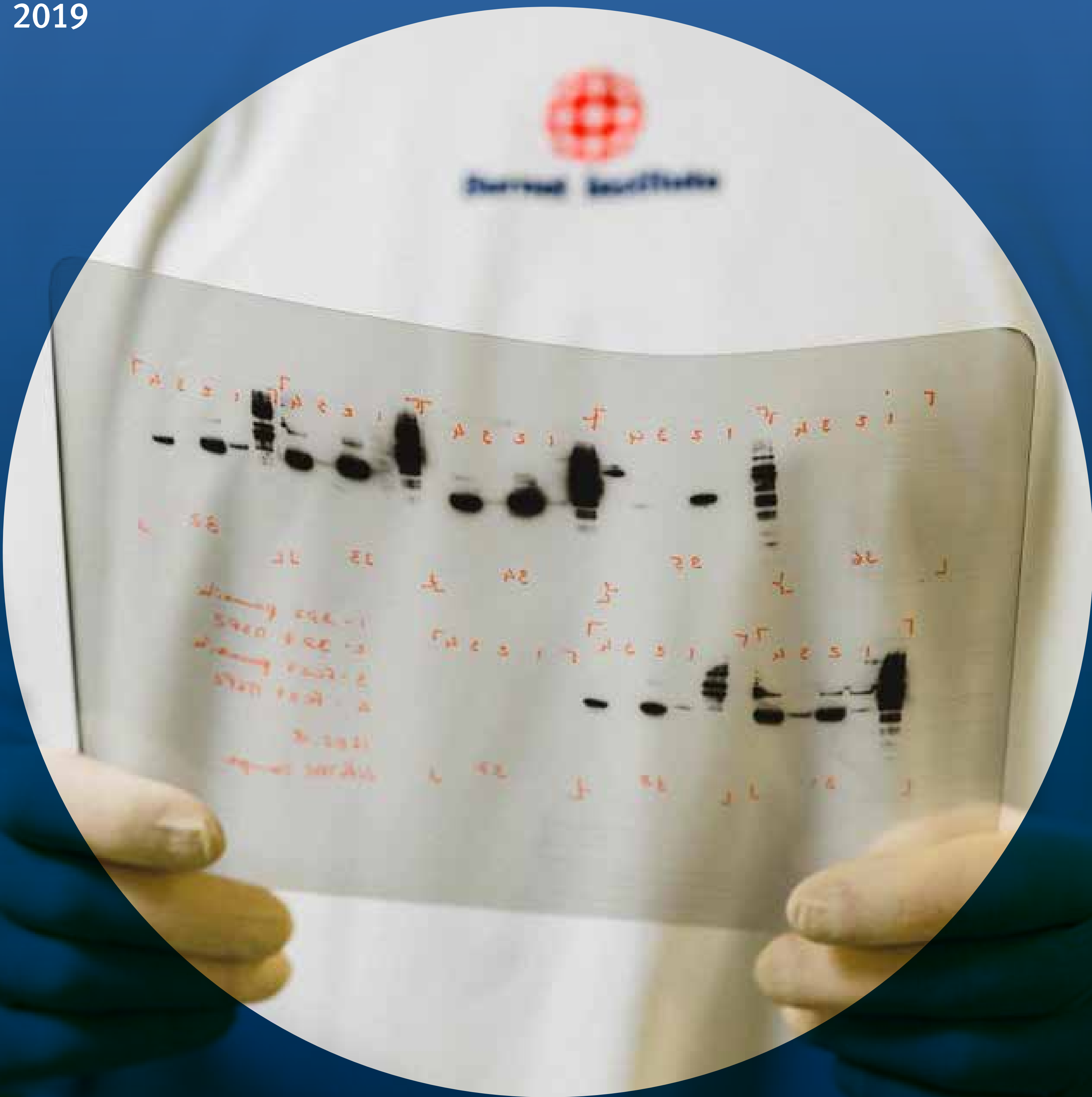
Burnet Institute
Annual Financial Report

2019



Burnet Institute
Medical Research. Practical Action.

ANNUAL FINANCIAL REPORT
For the year ended 31 December 2019

MACFARLANE BURNET INSTITUTE
FOR MEDICAL RESEARCH AND
PUBLIC HEALTH LTD
ABN 49 007 349 984

CONTENTS

2 Directors' Report
8 Lead Auditor's Independence Declaration
9 Consolidated Statement of Comprehensive Income
10 Consolidated Statement of Financial Position
11 Consolidated Statement of Changes in Equity
12 Consolidated Statement of Cash Flows
13 Notes to the Consolidated Financial Statements
32 Directors' Declaration
33 Independent Auditor's Report

Directors' Report

The Directors present their report together with the consolidated financial statements of the Group comprising the Macfarlane Burnet Institute for Medical Research and Public Health Limited (the Institute) and its subsidiaries (the Group) for the year ended 31 December 2019 and the Audit Report thereon.

Ms Mary Padbury, *BA, LLB (Hons)*
Chair, Burnet Institute Board of Directors (from Feb '19)
Director since 2011
Chair, People and Culture Committee (from Feb '19)
Member, Resources Committee
Member, IP & Commercialisation Committee
Member, Investments Committee
Chair, Clinical Genomics Technologies Pty Ltd
Director, Commonwealth Bank of Australia
Custodian, Ormond College, University of Melbourne
Member, Chief Executive Women
Member, Victorian Legal Admissions Committee
World Intellectual Property Organization Domain Name Panelist
Former Chair of Ashurst Australia and Vice-Chair Ashurst LLP
Former Chair, Trans-Tasman IP Attorneys Board

Mr Robert L Milne, *BEng(Civ), FIE(Aust), CP Eng*
Chair, Burnet Institute Board of Directors (resigned Feb '19)
Director from 2000 to Feb 2019
Former Chair, Cockram Corporation and subsidiaries

Professor Brendan Crabb AC, *BSc(Hons), PhD*
Executive Director and CEO since 2008
Member, Development Committee, Resources Committee
Secretary, Program and Research Advisory Committee
Chair, Victorian Chapter, Association of Australian Medical Research Institutes (AAMRI) Pty Ltd
Director, Association of Australian Medical Research Institutes (AAMRI) Pty Ltd
Director, AMREP Animal Services Pty Ltd
Chair/member, Alfred Research Alliance
Member, Victorian Government SMaRT Panel
Member, PATH/MVI Vaccine Science Portfolio Advisory Council (VSPAC), USA
Chair, Papua New Guinea Institute of Medical Research Buttressing Coalition
Member, National Health and Medical Research Council
Member, Board of Management, Gene Technology Access Centre (GTAC), Victoria
Member, Scientific Advisory Board, Malaria Program, Wellcome Trust Sanger Institute, UK
Member, Scientific Advisory Board, Monash Institute of Pharmaceutical Sciences (MIPS)
Member, Scientific Advisory Board, Centre for Cancer Biology, SA Pathology and UniSA
Adjunct Professor, The University of Melbourne
Adjunct Professor, Monash University

Mr Robin Bishop, *LLB(Hons), BCom, BA*
Director since 2012
Chair, Investments Committee
Member, Resources Committee
Founder and Managing Partner, BGH Capital
Former Head and Executive Director, Macquarie Capital Australia and New Zealand
Commissioner, Australian Football League Commission
Member, Australian Takeover Panel

Professor Peter Colman AC, *BSc(Hons), PhD, FAA, FRS, FTSE*
Director since 2011
Chair, Research Advisory Committee; Member, IP & Commercialisation Committee
Chair, 360 Biolabs Pty Ltd
Laboratory Head, Walter and Eliza Hall Institute
Former Chief, Division of Biomolecular Engineering, CSIRO

Associate Professor Helen Evans AO*, BA, BSoc Admin*
Director since 2015
Member, Resources Committee
Associate Professor (Hon), The Nossal Institute for Global Health, The University of Melbourne
Vice Chair of the Board, The Fred Hollows Foundation
Member, Technical Evaluation Reference Group of Global Fund to Fight AIDS, Tuberculosis and Malaria
Member, Advisory Board of the Global Health Alliance Melbourne
Member, Technical Reference Group, The Indo-Pacific Health Security Initiative
Fellow, Australian Institute of International Affairs
Former Deputy CEO, GAVI, The Vaccine Alliance and of The Global Fund to Fight AIDS, Tuberculosis and Malaria

Mr Benjamin Foskett, *BBus, FAICD, Exec Fellow ANZSoG, Victorian Fellow of IPAA*
Director since 2013
Chair, IP & Commercialisation Committee
Member, Resources Committee
Chairman, Hong Kong BioPoint and Nanjing BioPoint
Executive Director, Pathway Services Pty Ltd
Executive Officer, MCG Trust
Director, National Board Australia China Business Council
Member, Board of Victorian Chapter of the Australia China Business Council (ACBC)
Director, Britmore Pty Ltd

Mr John Georgakis*, BBus, ACA*
Director since 2018
Member, Governance, Audit and Risk Committee, Development Committee
Former Director, Interplast Australia & New Zealand
Former Director, Turning Point
Former Partner, Arthur Andersen, Ernst & Young

Mr Leigh Jasper, *BEng(Hons), BSc*
Director since 2016
Member, Resources Committee
Director, SEEK Ltd
Director, Salta Properties
Director, Buildxact Pty Ltd
Former CEO and Co-founder, Aconex

Ms Alison Larsson, *BEcon, FCPA, GAICD*
Director since 2017
Chair, Governance, Audit and Risk Committee
Director, IFM Investors

Professor Sharon R Lewin *AO, FRACP, PhD, FAAHMS*
Director since 2014
Director, The Peter Doherty Institute for Infection and Immunity, The University of Melbourne and Royal Melbourne Hospital
Professor of Medicine, The University of Melbourne
Consultant Physician, Department of Infectious Diseases, The Alfred
Consultant Physician, Victorian Infectious Diseases Service, Royal Melbourne Hospital
Adjunct Professor, Department of Infectious Diseases, Monash University
Chair, Health Translation Advisory Committee, National Health and Medical Research Council of Australia
Member, Council, National Health and Medical Research Council of Australia
Member, Strategic and Technical Advisory Committee, HIV Program, World Health Organization
Member, Governing Council, International AIDS Society
Co-chair, Advisory Board, Towards a Cure Initiative, International AIDS Society
Member, Scientific Advisory Board, Agence National du Recherche du SIDA
Member, Scientific Advisory Board, Vaccine Research Centre, National Institutes for Health

Professor Christina Mitchell, AO, *MBBS, PhD, FRACP,FAHMS*
Director since 2011
Academic Vice-President and Dean, Faculty of Medicine, Nursing and Health Sciences, Monash University

Ms Miche Paterson
Director since 2017
Chair, Development Committee
Partner, Head of Corporate and Financial Practice, Newgate Communications

Dr Sergio Scrofani *PhD, MBA, GAICD*
Director since 2019
Member, Resources Committee
Vice President, Strategy and Corporate Development, CSL Ltd
Director, AusBiotech Ltd

Mr Michael Ziegelaar, *LLB(Hons), BEcon, LLM*
Director since 2015
Chair, Resources Committee
Partner and Co-Head, Equity Capital Markets (Aust) Herbert Smith Freehills
Director, Seven West Media

Resigned as Director during 2019 or since year end:
Mr Robert Milne resigned February 2019

Directors' Meetings

The number of Directors' meetings (including meetings of Committees of Directors) and number of meetings attended by each of the Directors of the Institute during the financial year are:

Directors	Board of Directors		Governance, Audit and Risk Committee		Resources Committee		IP and Commercial isation Committee		Development Committee		People and Culture Committee	
	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
Brendan Crabb	5	5			3	3			2	2		
Robin Bishop	5	3			3	1						
Peter Colman	5	4					2	2				
Helen Evans	5	4			3	2						
Ben Foskett	5	4			3	3	2	2				
John Georgakis	5	4	8	8	1	1			2	2		
Leigh Jasper	5	3			3	2						
Alison Larsson	5	3	8	7							2	2
Sharon Lewin	5	3										
Robert Milne	1	1	1	1								
Christina Mitchell	5	1										
Mary Padbury	5	5	8	4	3	1	2	2	2	2	2	2
Miche Paterson	5	3							2	1		
Sergio Scrofani	0	0			3	3						
Michael Ziegelaar	5	4			3	2						

(A) Meetings held – reflects the number of meetings held during the time the Director held office during the year.
(B) Meetings attended.

—

Principal Activities

The principal activities of the Group during the financial year were medical research and associated public health activities directed at the diagnosis, treatment and control of infectious diseases and cancer in humans. The Institute is a not-for-profit organisation combining programs of clinical and laboratory research in virology and immunology with epidemiology, social research and public health programs. The Institute has been endorsed as a charitable institution by the Australian Taxation Office. As a charitable not-for-profit organisation, the Institute does not pay dividends and all non-executive Directors serve in an honorary capacity. Every Member undertakes to contribute AUD$10 to the assets of the Institute if it is wound up while he or she is a Member, or within one year afterwards. There was no significant change in the nature of principal activities during the financial year.

Operating Results

The Group recorded a surplus in the current year of $2,374,912 (2018: deficit $385,500). Depreciation and amortisation amounted to $2,759,094 (2018: $2,610,472). Other than for 360 Biolabs Pty Ltd and Biopoint Hong Kong Ltd, income tax is not applicable. The 2019 consolidated result includes a surplus of $3,613,192 (2018: $587,454 surplus) from commercial activities.

Dividends

The Institute is limited by guarantee, has no share capital and declares no dividends.

Objectives

The principal objective of the Group is improving the health of vulnerable communities through research, public health and education. Progress against this objective is reported on at each Board meeting (as well as other reporting mechanisms) using a variety of key indicators including the number of research grants awarded, research or project contracts won, fellowships awarded, publications, a league table for Operational Infrastructure Support (Victorian State Government) and the progress reports and achievements made on ongoing grants and projects.

State of Affairs

The Group continued to perform strongly underpinned by the increased turnover from commercial laboratory operations and a substantial increase in revenue for the international development activities, in particular for work in PNG. Core research activities continue to perform strongly and provide opportunities for development with commercial partners.

In the opinion of the Directors there were no other significant changes in the state of affairs of the Group that occurred during the financial year.

Events Subsequent to Balance Date

Subsequent to year end, the Group completed the sale of its buildings. The commercial agreement was finalised on 19 February 2020.

The Coronavirus / COVID-19 outbreak was declared a pandemic by the World Health Organisation on 11 March 2020. Since that time major business, economic and social disruption has occurred across Australia. While these disruptions are currently expected to be temporary, there is considerable uncertainty around their duration. The Group is taking various measures to mitigate the disruption impact of COVID-19 on is operations.

The Group expects the COVID-19 pandemic and the current disruption to society may negatively impact operating results in certain areas of the Burnet business such as potential access to philanthropic and donation funding in the short term. Offsetting this, Burnet anticipates increased demand in COVID-19 related research funding including involvement in potential vaccine development, rapid diagnostics and public health intervention research.

Any related financial impact of COVID-19 on the Group and duration cannot be reasonably estimated at this time due to the uncertainty that exists. The uncertainty as to the future impact on the Group of the current COVID-19 pandemic has been considered by the Directors as part of their continued adoption of the going concern basis in preparation of these financial statements.

Other than for these matters, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Group, the results of those operations, or the state of the Group in future financial years.

Likely Developments

The Group continues to explore strategic and operational opportunities to better align its objectives with the resources it has available.

Directors' Benefits

One of the Directors of the Institute is entitled to remuneration for their role as Director of one of the Group's subsidiary companies. Since the end of the previous financial year no other Director of the Institute has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable in their capacity as full-time employees as shown in the accounts) because of a contract made by the Institute, its controlled entities or a related body corporate with the Director or with a firm of which the Director is a member, or with an entity in which the Director has a substantial interest.

Indemnification and Insurance of Officers

The Directors have not included details of the nature of the liabilities covered or the amount of the premiums paid in respect of the Directors' and Officers' liability and legal expenses insurance other than to confirm that a policy is in force.

Lead Auditor's Independence Declaration under Subdivision 60-C Section 60-40 of the Australian Charities and Not-for-Profit Commission Act 2012

The lead auditor's independence declaration is set out on page 9 and forms part of the Directors' Report for the year ended 31 December 2019.

Dated at Melbourne this 21st day of April 2020.
Signed in accordance with a resolution of the Directors.

Mary Padbury
Director

Alison Larsson
Director

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

To: the Directors of Macfarlane Burnet Institute for Medical Research and Public Health Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2019 there have been:

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

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Simon Dubois
Partner

Melbourne
21 April 2020

Consolidated Statement of Comprehensive Income

(FOR THE YEAR ENDED 31 DECEMBER)

	NOTE	**2019** $'000	**2018** $'000
Operating revenue	3	53,569	42,535
Other income	3	4,399	4,620
Research and development laboratory consumables expenses		(7,012)	(5,001)
Personnel expenses	4	(26,447)	(24,344)
Depreciation and amortisation expenses		(1,474)	(1,326)
Depreciation and amortisation expenses – property management		(1,285)	(1,285)
Research and development non-laboratory expenses		(9,687)	(7,815)
Other expenses from ordinary activities	5	(8,722)	(6,864)
Results from operating activities		3,341	520
Financial income	7	254	220
Financial expenses	7	(918)	(1,049)
Net finance costs		(664)	(829)
Share of loss in associate		(124)	(50)
Net results of equity accounting		(124)	(50)
Surplus/ (Deficit) Before Income Tax		2,553	(359)
Income tax expense		(192)	–
Surplus/ (Deficit) After Income Tax		2,361	(359)
Surplus/ (Deficit) After Income Tax Attributable to:			
Members of the Company		1,418	(529)
Non-controlling interests		943	170
Surplus/ (Deficit) After Income Tax		2,361	(359)
Other comprehensive income			
Foreign currency translation differences – foreign operations		14	(27)
Total Comprehensive Surplus/ (Deficit) for the Period		2,375	(386)
Total Comprehensive Surplus/ (Deficit) Attributable to:			
Members of the Company		1,430	550
Non-controlling interests		945	(164)
Total Comprehensive Surplus/ (Deficit) for the Period		2,375	(386)

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 14 to 35.

Consolidated Statement of Financial Position

(AS AT 31 DECEMBER)	NOTE	**2019** $'000	**2018** $'000
Current Assets			
Cash and cash equivalents		19,488	19,224
Trade and other receivables	8	8,555	4,914
Investments	10	–	-
Inventories		28	27
Other Assets - prepayments		448	344
Assets Held for sale	9	52,653	-
Total Current Assets		**81,172**	**24,509**
Non-Current Assets			
Lease receivables		1,707	2,061
Investments	10	2,629	2,753
Property, plant and equipment	11	5,047	58,254
Total Non-Current Assets		**9,383**	**63,068**
Total Assets		**90,555**	**87,577**
Current Liabilities			
Trade and other payables		2,716	3,556
Borrowings	12	879	1,095
Current tax liabilities		536	461
Provisions	13	3,659	3,225
Deferred income	14	23,197	19,173
Total Current Liabilities		**30,987**	**27,510**
Non-Current Liabilities			
Borrowings	12	31,189	32,081
Provisions	13	681	1,139
Deferred income	14	5,861	6,690
Derivatives	15	521	1,216
Total Non-Current Liabilities		**38,252**	**41,126**
Total Liabilities		**69,239**	**68,636**
Net Assets		**21,316**	**18,941**
Equity			
Retained deficit		(9,251)	(8,418)
Building reserve		29,256	27,005
Foreign Currency Translation Reserve		128	114
Non-controlling interests		1,183	240
Total Equity		**21,316**	**18,941**

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 14 to 35.

The Macfarlane Burnet Institute for Medical Research and Public Health Limited is a signatory to the Australian Council for International Development (ACFID) Code of Conduct. The Code requires members to meet high standards of corporate governance, public accountability and financial management. In accordance with the ACFID code of conduct, the Institute had nil balances in the following categories as at the end of the financial year which are required to be disclosed separately:

- Current Assets: assets held for sale, and other financial assets;
- Non-Current Assets: trade and other receivables, other financial assets, investment property, intangibles, and other non-current assets;
- Current Liabilities: other financial liabilities and other current liabilities;
- Non-Current Liabilities: trade and other payables, other financial liabilities and other non-current liabilities.

Consolidated Statement of Changes in Equity

(AS AT 31 DECEMBER)

	------Attributable to Members------				
	Retained Profits $'000	Property Reserve $'000	Foreign Currency Translation Reserve $'000	Non-Controlling Interests $'000	Total Equity $'000
Balance at 1 January 2018	**(5,801)**	**24,917**	**141**	**70**	**19,327**
Total other comprehensive income for the period	–	–	(27)	–	(27)
Operating surplus/(deficit)	(2,617)	2,088	–	170	(359)
Total comprehensive income for the period	(2,617)	2,088	(27)	170	(386)
Balance at 31 December 2018	**(8,418)**	**27,005**	**114**	**240**	**18,941**
Total other comprehensive income for the period	–	–	14	–	14
Operating surplus	(833)	2,251	–	943	2,361
Total comprehensive income for the period	(833)	2,251	14	943	2,375
Balance at 31 December 2019	**(9,251)**	**29,256**	**128**	**1,183**	**21,316**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 14 to 35.

Consolidated Statement of Cash Flows

(FOR THE YEAR ENDED 31 DECEMBER)

	NOTE	2019 $'000	2018 $'000
Cash Flows from Operating Activities			
Cash receipts in the course of operations		62,139	56,868
Cash payments in the course of operations		(57,003)	(46,572)
Cash used in operating activities		5,136	10,296
Interest received		254	220
Interest paid		(1,613)	(1,700)
Tax paid		(192)	–
Net cash used in operating activities	**17(ii)**	**3,585**	**8,816**
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(2,234)	(1,086)
Proceeds from disposal of property, plant and equipment		21	82
Net cash provided by/(used in) investing activities		**(2,213)**	**(1,004)**
Cash Flows from Financing Activities			
Finance lease liabilities		(508)	(317)
Repayment of borrowings		(600)	(600)
Net cash used in financing activities		**(1,108)**	**(917)**
Net increase/(decrease) in cash held		264	6,895
Cash at the beginning of the financial year		19,224	12,329
Cash at the End of the Financial Year		**19,488**	**19,224**

The Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 14 to 35.

Notes to the Consolidated Financial Statements

(FOR THE YEAR ENDED 31 DECEMBER)

1. Reporting Entity

The Macfarlane Burnet Institute for Medical Research and Public Health Limited (the Institute) is a company limited by guarantee and is domiciled in Australia. The address of the Institute's registered office is 85 Commercial Road, Melbourne, Victoria, Australia 3004. The consolidated financial statements of the Institute as at and for the year ended 31 December 2019 comprise the Institute and its subsidiaries (together referred to as 'the Group' and individually as 'Group entities'). Other than for its holding in subsidiaries 360 Biolabs Pty Ltd (75% equity) and Biopoint Hong Kong Ltd (78.75% equity) the Group is a not-for-profit entity and is primarily involved in medical research and associated public health activities directed at the diagnosis, treatment and control of infectious diseases and cancer in humans.

1.1. Basis of Preparation

(i) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Australian Charities and Not-for-Profit Commission Act 2012. The consolidated financial statements were authorised for issue by the Board of Directors 21st April 2020.

(ii) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the Statement of Financial Position:

- derivative financial instruments are measured at fair value; and
- income securities are measured at fair value.

The method used to measure fair values is discussed further in Note 1.2.

The Group initially applied AASB 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group's financial statements. The changes to the accounting policy on leases is included in Note 1.12.

During the preparation of the Financial Report the Directors made an assessment of the ability of the Group to continue as a going concern, which included an assessment of the continuity of business operations, realisation of assets and settlement of liabilities in the normal course of business. The Directors also assessed the loan interest and principal repayments, swap and cap arrangements, and rental income over the next five to ten years and the obligations associated with the various loan covenants. The Directors also considered the likelihood of financial support and funding from the State and Federal Governments on which the Group is dependent for its ongoing operations. As a result of their review they are of the opinion that the going concern basis of accounting is appropriate in the preparation of the Financial Report.

(iii) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the functional currency of the Parent Entity. All financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(iv) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following Notes:

- Note 1.11 – Impairment
- Note 12 – Provisions

(v) Changes in accounting policies

The accounting policies adopted by the Institute in this report are the same as those applied in the Financial Report for the year ended 31 December 2018 except for the changes explained in this note. The principal standard that has been adopted for the first time in these financial statements is:

AASB16 Leases

This is the first set of the Group's annual financial statements in which AASB 16 Leases has been applied. Changes to significant accounting policies are described in Note 1.12.

1.2 Financial Instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss and loans and receivables.

Available for Sale Financial assets at fair value through profit or loss

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

Loans and receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and at call deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities

The Group initially recognises financial liabilities on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Financial liabilities comprise loans and borrowings and trade and other payables.

(iii) Derivative financial instruments

The Group has chosen to hedge its interest rate risk exposure on the ACS2 loan facility by cap and swap transactions (refer Note 14). These are the only derivative financial instruments that the Group is involved in and are considered by the Directors to be a prudent means to manage risk associated with fluctuations in interest rates.

The derivative financial instruments do not qualify for hedge accounting. Derivatives are recognised initially at fair value, attributable transaction costs are recognised in the Statement of Comprehensive Income when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes are recognised immediately in the Statement of Comprehensive Income. The fair value of interest rate swaps and caps is based on lender quotes.

1.3 Inventories

Inventories are comprised of laboratory materials and are valued at the lower-of-cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

1.4 Property, Plant and Equipment

(i) Owned assets
Items of property, plant and equipment are measured at cost less accumulated depreciation (see below) and accumulated impairment losses (see accounting policy Note 1.11). Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets
The owner-occupied property acquired by way of a lease arrangement is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy Note 1.11). The cost of self-constructed assets under lease arrangements includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs (see below). Lease payments are accounted for as described in accounting policy Note 1.8(ii).

(iii) Subsequent costs
The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense when incurred.

(iv) Depreciation
Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The depreciation rates used for the current and comparative years are as follows:

Buildings	2% to 2.5%
Plant and equipment	10% to 20%
Computer equipment	33.3%
Motor vehicles	20%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

1.5 Employee Benefits

(i) Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefits expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

(ii) Long-term service benefits
The Group's net obligation in respect of long-term service benefits, other than defined benefit plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is

1.5 Employee Benefits (cont.)

(ii) Long-term service benefits (cont.)
discounted using the rates attached to high-quality Corporate bond rates at the balance date which have maturity dates approximating to the terms of the Group's obligations.

(iii) Wages, salaries, annual leave, sick leave and non-monetary benefits
Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate an employee before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

1.6 Revenue Recognition

(i) Contract Research and Development (R&D) revenue/consultancies
R&D contract income is recognised in the Statement of Comprehensive Income to the extent that R&D expenditure to which it relates has been incurred. Until this time, funds drawn down in accordance with the relevant R&D funding agreement are recognised in the Statement of Financial Position as deferred income.

(ii) Grant income
Reciprocal grants
Grants received on the condition that specified services be delivered, or conditions fulfilled, are considered reciprocal. Such grants are initially recognised in the Statement of Financial Position as deferred income and revenue is recognised as services are performed or conditions are fulfilled.

Non-reciprocal grants
Where a grant is received where there is no performance obligation or return obligation, revenue is recognised when the grant is received or receivable.

(iii) Government contributions towards capital works (capital grants)
Government contributions to assist in the acquisition or construction of non-current assets are recognised as an asset and revenue when all conditions of the grants have been satisfied.

(iv) Donations
Donations are recognised as income in the Statement of Comprehensive Income, as and when received, unless they are for specific purposes in which case they will be recognised when the conditions are fulfilled.

(v) Interest and other income
Interest and other income is recognised in the Statement of Comprehensive Income as it accrues, taking into account the effective yield on the financial asset.

(vi) Asset sales
Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised as other income or other expenses in the Statement of Comprehensive Income.

(vii) Rental income
Rental income is recognised as income in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

1.7 Finance Income and Expenses

Finance income comprises interest income of funds invested and gains on revaluation of investments. Interest income is recognised as it accrues in the Statement of Comprehensive Income, using the effective interest method. Finance expenses comprise interest expense on borrowings and changes in the fair value of derivative financial instruments. All interest expense on borrowings is recognised in the Statement of Comprehensive Income, using the effective interest method.

1.8 Borrowing Costs

Borrowing costs
Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised are those incurred in relation to those borrowings, net of any interest earned on those borrowings. Where funds are borrowed for the acquisition of a qualifying asset, borrowing costs are capitalised using a weighted average.

1.9 Income Tax

The Institute is exempt from paying income tax under Section 50-5 of the Income Tax Assessment Act, 1997, with the exception of 360 Biolabs Pty Ltd and Biopoint Hong Kong Ltd.

1.10 Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

1.11 Impairment

(i) Financial Instruments and contract assets
The group recognises loss allowances for Expected Credit Losses (ECL) on:

- Financial assets measured at amortised cost;
- Debt investment measured at FVOCI; and
- Contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivable and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating the ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.
The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12 month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

1.11 Impairment (cont,)

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit impaired financial assets
At each reporting date, the Group assesses whether the financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due.
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance of ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.
For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write off
The gross carrying amount of a financial asset is written off when the Group has not reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial assets is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could s till be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

1.11 Impairment (cont.)

(ii) Non-financial assets

The carrying amounts of non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are recognised as a reduction in the carrying amounts of the assets in the CGU on a pro-rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Under AASB 136, the Group can elect to have the carrying amount of non-current assets' impairment reviewed at each reporting date using a depreciated replacement cost valuation. If any such indication exists, the asset will be tested for impairment by comparing its recoverable amount to its carrying amount. Reversal of a previously recorded impairment will be recorded in the Statement of Comprehensive Income where appropriate. In respect of not-for-profit entities, where the future economic benefits of an asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use shall be determined as the depreciated replacement cost of the asset.

1.12 Leases

The Group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and AASB Interpretation 4.

Policy applicable from 1 July 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

The Policy is applied to contracts entered into, on or after 1 July 2019.

(i) As a lessee

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

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

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

1.12 Leases (cont.)

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

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

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

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

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

The Group presents right-of-use assets that do not meet the definition of investment property in "Property, plant and equipment" and lease liabilities in "Borrowings" in the statement of financial position.

Short term leases and leases of low-value assets

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

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

(ii) As a Lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right of use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies AASB 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in AASB 9 to the net investment in the lease (refer Note 1.11(i)). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other revenue".

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from AASB 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

1.12 Leases (cont.)

Policy applicable before 1 July 2019

For contracts entered into before 1 July 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit
- was neither fixed per unit of output nor equal to the current market price per unit of output.

(i) As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(ii) As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

1.13 Comparatives

Where applicable, comparatives have been adjusted to disclose them on the same basis as current period figures.

1.14 Segment Reporting

The Group determines and presents operating segments based on the information that is internally presented to the CEO, who is the Group's chief operating decision-maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

1.15 Basis of Consolidation

(i) Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is

1.15 Basis of Consolidation (Cont)

classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iv) Investment in Associates

Investments in entities over which the Institute has the ability to exercise significant influence, but not control, are accounted for using the equity method of accounting. The investment in associates is carried at cost plus post-acquisition changes in the Institute's share of the associates' net assets, less any impairment value.

(v) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity related to the subsidiary. Any resulting surplus or deficit is recognised in the Statement of Comprehensive Income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

1.16 Foreign Currency Transactions

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in the Statement of Comprehensive Income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Australian dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Australian dollars at exchange rates on the dates of the transactions.

Foreign currency differences are recognised in Other Comprehensive Income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, the foreign currency differences arising from such items form part of the net investment in the foreign operation. Accordingly, such differences are recognised in Other Comprehensive Income and accumulated in the translation reserve in equity.

2. New Standards and Interpretations Not Yet Adopted

Since 31 December 2018, the Group has adopted AASB 15 Revenue from Contracts with Customers and AASB 1058 Income for Not-for-Profit Entities, with the exception of the application to research grants (effective on or after 1 January 2020 for the Group). The Group has defined research grants as direct research operational grants containing specific performance obligations. The impact of adopting AASB 15 and AASB 1058 in the current financial year (except to research grants) is not material to the Group. The Group is not expecting that the adoption of the research grants element of these standards to be material to the Group based on preparations performed to date.

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.
The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.
- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendment to IAS 1 and IAS 8).
- IFRS Insurance Contracts.

3. Revenue

	2019 $'000	**2018** $'000
Grants – operating	17,166	16,243
Grants – Victorian Government operational infrastructure support	2,881	2,932
Donations	6,409	4,937
Contract R&D consultancies	24,461	14,931
Contract services	2,652	1,945
Other income – miscellaneous	–	1,547
Operating Revenue	53,569	42,535
Rental income	3,570	3,791
Prepaid rent amortisation	829	829
Other Income	4,399	4,620

4. Personnel Expenses

Salary and wages	25,626	22,406
Employee entitlements	821	1,938
	26,447	24,344

5. Other Expenses

Facilities and laboratory support	5,918	4,324
Other administration	2,804	2,540
	8,722	6,864

6. Auditors' Remuneration

	$	$
Audit Service - KPMG Australia:		
Audit and review of financial reports	65,000	53,000
Other regulatory audit services	–	–
	65,000	53,000

Notes to the Consolidated Financial Statements

(FOR THE YEAR ENDED 31 DECEMBER)

7. Net Financing Costs

	NOTE	2019 $'000	2018 $'000
Interest income		254	220
Financial Income		254	220
Decrease in fair value of derivatives		695	651
Interest expense		(1,613)	(1,700)
Financial Expenses		(918)	(1,049)
Net Financing Costs		(664)	(829)

8. Trade and Other Receivables

Current			
Trade receivables		8,855	4,914
Less: allowance for doubtful debts		(300)	–
		8,555	4,914

9. Assets Held for Sale

In November 2019, management committed to sell the leasehold buildings. Accordingly, the land and buildings is presented as an asset held for sale at its carrying amount. The settlement of the sale occurred on 19 February 2020. The group has entered into a tenancy contract with the new landlord for the area it occupies.

Leasehold Buildings		52,653	–

10. Investments

Current Investments			
• Investment in Historical Investments Pty Ltd -4999 fully paid shares at donated value		–	–
Non-Current Investments			
• Investment in AMREP AS Pty Ltd – animal facility 306 fully paid shares		2,629	2,753
• Fully paid ordinary shares in Ascend Biopharmaceuticals Pty Ltd valued at cost		–	–
	25	2,629	2,753
Reconciliation:			
Total Non-current investments opening balance		2,753	2,803
Share of loss		(124)	(50)
Return of capital		-	-
Total Non-current investments closing balance		2,629	2,753

The Group has adopted the Equity Method of accounting for the investment in AMREP AS Pty Ltd since 2017 due to a change in the constitution of the company. As at year end, the Institute owns 50% (2018: 50%) of the shares in the company, which is based in Victoria. AMREP AS Pty Ltd is a provider of animal house services whose total comprehensive deficit was $248k, revenues were $3,694k (2018: $3,774k), total assets were $6,099k (2018: $6,568k) and total liabilities were $741k (2018: $963k). The liquidation process of Historical Investments is still in progress.

As at 31 December 2019, the Group held 7.0% (2018: 7.0%) of Ascend Biopharmaceuticals Pty Ltd (formerly IgAvax Pty Ltd). The amount of investment in this company was $nil and the contribution to the surplus of the Group was $nil.

Notes to the Consolidated Financial Statements

(FOR THE YEAR ENDED 31 DECEMBER)

11. Property, Plant and Equipment	Leasehold Buildings $'000	Plant and equipment $'000	Total $'000
Cost			
Balance at 1 January 2018	71,888	11,044	82,932
Acquisitions	–	1,360	1,360
Disposals	–	(322)	(322)
Balance at 31 December 2018	71,888	12,082	83,970
Balance at 1 January 2019	71,888	12,082	83,970
Acquisitions	–	2,234	2,234
Disposals	–	(53)	(53)
Reclassification of Asset Held for Sale	(71,888)	–	(71,188)
Balance at 31 December 2019	–	14,263	14,263
Depreciation			
Balance at 1 January 2018	(15,809)	(7,563)	(23,372
Depreciation charge for the year	(1,713)	(898)	(2,611)
Disposals	–	267	267
Balance at 31 December 2018	(17,522)	(8,194)	(25,716)
Balance at 1 January 2019	(17,522)	(8,194)	(25,716)
Depreciation charge for the year	(1,713)	(1,066)	(2,779)
Disposals	–	44	44
Reclassification of Asset Held for Sale	19,235	–	19,235
Balance at 31 December 2019	–	(9,216)	(9,216)
Carrying amounts			
At 1 January 2018	56,079	3,481	59,560
At 31 December 2018	54,366	3,888	58,254
At 1 January 2019	54,366	3,888	58,254
31 December 2019	–	5,047	5,047

In November 2019, the management committed to sell the leasehold buildings. Accordingly, the land and buildings is presented as an asset held for sale at its carrying amount. The settlement of the sale occurred on 19 February 2020. The group has entered into a tenancy contract with the new landlord for the area it occupies.

The existing leasehold within the Burnet Tower is subject to a 50-year lease ending in 2060. The Alfred Centre Stage 2 (ACS2) leasehold building floors are subject to a 40-year lease for levels 4 to 6 (ending 2050) and a 50-year lease for level 7 (ending 2060). As a result of the current sale activities, both of these assets have been classified as assets held for sale as at 31 December 2019 (refer to Note 9)

The original carrying value of the Group's interest in the ACS2 project was based on the March 2010 valuation of the future cash flows, discounted to their present value. Depreciation has been recorded on this asset since it was first recognised.

12. Borrowings

	NOTE	2019 $'000	2018 $'000

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings which are measured at amortised cost.

	2019 $'000	2018 $'000
Current		
Lease liabilities	279	495
Current portion of secured bank loans (ACS2)	600	600
	879	1,095
Non-current		
Lease liabilities	139	431
Non-current portion of secured bank loans (ACS2)	31,050	31,650
	31,189	32,081

Financing arrangements-Bank loans
During 2008, the Institute entered into an arrangement with its bank to borrow $35.25 million at the prevailing 90-day BBSW plus 0.85% line fee. This bank loan is secured by a fixed and floating charge over all of the Institute's assets. The loan is for a period of ten years effective May 2011. Refer Note 14 for details of the swap associated with this loan. The Institute is compliant with all bank covenants. One of the bank covenants requires the Institute to maintain an investment balance of at least $5 million, which as at 31 December 2019 and 31 December 2018 is all invested in short-term deposits. The outstanding loan was fully settled on 19 February 2020 with the proceeds of the sale of leasehold building.

13. Provisions

	2019 $'000	2018 $'000
Current		
Liability for long-service leave	1,633	2,038
Liability for annual leave	2,026	1,187
	3,659	3,225
Non-current		
Liability for long-service leave	681	1,139

The present values of employee entitlements not expected to be settled within twelve months of balance date have been calculated using the following weighted averages:

	2019	2018
Assumed rate of increase in wage and salary rates	3.1%	3.1%
Average discount rate	3.2%	3.2%
Settlement term (years)	9	9
Number of employees		
Number of employees at year end (FTE)	220	191

Superannuation plans:
The Group contributes to various accumulation style superannuation plans. Employer contributions are at the rate required to satisfy its obligations under the Superannuation Guarantee legislation, currently 9.5% of salary. The Group may make additional contributions by agreement with employees.

14. Deferred Income

	NOTE	**2019** $'000	**2018** $'000
Current			
Other grants		15,090	14,878
Deferred donations		7,278	3,466
Rentals received in advance		829	829
		23,197	19,173

General research operating grants are deferred where there is an obligation to repay amounts which are not spent in accordance with the conditions specified.

		2019	2018
Non-current			
Rentals received in advance		5,861	6,690

The rentals received in advance relate to: The Baker IDI Heart and Diabetes Institute's contribution to the ACS2 project which covers a 21-year lease of part of level 4; and to Monash University in respect of space given up in the Burnet Tower in exchange for 13 years rent-free space in the ACS2 project. As at 19 February 2020, these liabilities were cancelled as a result of the sale of leasehold buildings.

15. Derivatives

		2019	2018
Current			
Interest rate swap		521	1,216

In 2010, the Institute entered into an interest rate swap transaction whereby $20.4 million of the secured bank loan to finance ACS2 is fixed at an interest rate of 6.025% (before line fees) until 30 September 2020. The cap and swap transactions were taken out to provide long-term protection from exposure to rising interest rates. As at 19 February 2020, these liabilities were cancelled as a result of the sale of leasehold buildings.

16. Capital and Reserves

Building reserve
The building reserve relates to building and relocation grants received in connection with the construction of the premises and revenue and expenses incurred in connection with the Property Management activity of the Institute. Where a building is permanently vacated the related reserve will be derecognised.

17. Leases

		2019	2018
Leases as lessee			
Non-cancellable operating lease rentals payable:			
Less than one year		–	66
Between one and five years		–	–
More than five years		–	–
		–	66

Leases as lessor
The Institute leases out space that it controls to third parties.

		2019	2018
Non-cancellable operating lease rentals receivable:			
Less than one year		4,040	3,885
Between one and five years		19,027	17,473
More than five years		46,506	35,044
		69,506	56,402

17. Leases (cont.)

Lease liabilities are payable as follows:

31 December 2018 ($'000)	Minimum Lease Payments	Interest	Principal
Less than one year	530	35	495
Between one and five years	448	17	431
More than five years	–	–	–
	978	52	926

31 December 2019 ($'000)	Minimum Lease Payments	Interest	Principal
Less than one year	292	13	279
Between one and five years	142	3	139
More than five years	–	–	–
	434	16	418

18. Notes to the Consolidated Statement of Cash Flows

(i) Reconciliation of cash
For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding overdrafts.

		2019 $'000	**2018** $'000
(ii) Reconciliation of operating deficit after income tax to net cash from operating activities:			
Cash flows from operating activities			
Surplus/(Deficit) for the period		2,361	(359)
Adjustments for:			
Depreciation	10	2,779	2,611
Amortisation of rent in advance	3	(829)	(829)
Lease revenue not billed		354	(66)
Change in fair value of derivatives	7	(695)	(651)
Equity accounting of investment		124	50
Amounts set aside in provisions		(24)	24
Gains on disposal of property, plant and equipment		(12)	(27)
Foreign currency translation		15	(27)
Operating surplus before changes in working capital and provisions		4,073	727
(Increase) in trade and other receivables		(3,641)	(84)
(Increase)/Decrease in inventories		(1)	11
(Increase)/Decrease in other assets		(104)	28
Increase in grant deferred income		4,024	7,145
(Decrease)/Increase in trade and other payables		(841)	563
Increase/(Decrease) Increase in current tax liabilities		75	426
Net Cash from Operating Activities		3,585	8,816

19. Remuneration of Key Management Personnel	**2019** $'000	**2018** $'000
Short-term employee benefits	2,219	2,150

20. Particulars in Relation to Controlled Entities

The Group has a 100% interest in six subsidiary companies which were originally formed to manage R&D projects in partnership with other parties. Other than intellectual property these companies have no material assets or liabilities. As there is no reliable measure of the value of this intellectual property, the carrying value of these investments is recorded as $nil. All of the Group's controlled entities are as follows:

Entity	Interest Held **2019** %	**2018** %	Country of Incorporation
Macfarlane Burnet Syndicate No. 1 Pty Ltd	100	100	Australia
Macfarlane Burnet Syndicate No. 2 Pty Ltd	100	100	Australia
Hep R&D Pty Ltd	100	100	Australia
Actract Pty Ltd	100	100	Australia
Hepgenics Pty Ltd	100	100	Australia
Picoral Pty Ltd	100	100	Australia
360biolabs Pty Ltd	75	75	Australia
Burnet Institute (Hong Kong) Limited	100	100	Hong Kong
Biopoint Hong Kong Limited	78.75	78.75	Hong Kong
Biopoint Nanjing Diagnostic Technology Co. Limited	78.75	78.75	China

During 2014 another party contributed equity to Biopoint Hong Kong Limited which resulted in them owning 21.25% of the shares in Biopoint Hong Kong Limited and thus a 21.25% interest in Biopoint Nanjing Diagnostic Technology Co. Limited, and Burnet recording a gain from their dilution of $2.35 million which was recorded in equity. The consolidated result for the Biopoint subsidiary companies was a deficit of $1,053k of which $224k is attributable to the non-controlling interest. The consolidated result for the 360biolabs was a surplus of $4,666k, of which $1,167k is attributable to the non-controlling interest. During the year, the Group made payments on behalf of Burnet Hong Kong Ltd of $7k.

21. Related Party Transactions

The Group purchased services from AMREP AS Pty Ltd during the year on normal commercial terms amounting to $45,196 (2018: $26,227). During the year various Directors made donations to the Group totalling $528,000 (2018: $567,390). During the year arm's length transactions were made with a Director-related entity amounting to $398,281 (2018: $87,099).

22. Subsequent Events

On 13 November 2019 the Group entered into a contract with NorthWest Healthcare Properties Real Estate Investment Trust for the sale of the Burnet Tower and the ACS2 building for $105,468,966. On 22 November 2019 a deposit of $2,650,000 was paid and on 19 February 2020 settlement occurred resulting in a gain of $57,868,576. On receipt of proceeds, loan funds were immediately paid down the interest rate swap cancelled.

The Coronavirus / COVID-19 outbreak was declared a pandemic by the World Health Organisation on 11 March 2020. Since that time major business, economic and social disruption has occurred across Australia. While these disruptions are currently expected to be temporary, there is considerable uncertainty around their duration. The Group is taking various measures to mitigate the disruption impact of COVID-19 on is operations.

The Group expects the COVID-19 pandemic and the current disruption to society may negatively impact operating results in certain areas of the Burnet business such as potential access to philanthropic and donation funding in the

22. Subsequent Events (cont.)

short term. Offsetting this, Burnet anticipates increased demand in COVID-19 related research funding including involvement in potential vaccine development, rapid diagnostics and public health intervention research.

Any related financial impact of COVID-19 on the Group and duration cannot be reasonably estimated at this time due to the uncertainty that exists. The uncertainty as to the future impact on the Group of the current COVID-19 pandemic has been considered by the Directors as part of their continued adoption of the going concern basis in preparation of these financial statements.

Other than for these matters, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Group, the results of those operations, or the state of the Group in future financial years.

23. Segment Information

The Group has two reportable segments, as described below, which represent the two main focuses of the Group. For each segment the CEO reviews internal management reports on a regular basis. The Group operates out of one geographical area, Australia, with projects being implemented in various areas, including Australia, Asia, Africa and the Pacific. The following summary describes the operations in each of the Group's reportable segments.

- Property Management – Includes rental income and expenses associated with the space leased;
- Medical Research and Public Health – Includes activities around the conduct of medical research and the provision of public health work.

Information regarding the results of each reportable segment are included below. Performance is measured based on segment surplus or deficit in addition to non-financial metrics.

Information about reportable segments ($'000)	Property Management		Medical Research & Public Health		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
External revenues	4,399	4,620	53,569	42,535	57,968	47,155
Inter-segment revenue	–	–	–	–	–	–
Interest income	183	198	71	22	254	220
Interest expense	(1,613)	(1,700)	–	–	(1,613)	(1,700)
Depreciation and amortisation	(1,285)	(1,285)	(1,474)	(1,326)	(2,803)	(2,611)
Reportable segment profit/(loss)	2,251	2,088	109	(2,447)	2,361	(359)
Other material non-cash items						
• Fair value adjustment of derivative	695	651	–	–	695	651
Reportable segment assets	33,833	50,058	56,722	37,519	90,566	87,577
Investment in associates	–	–	2,629	2,753	2,629	2,753
Capital expenditure	–	–	2,234	1,360	2,234	1,360
Reportable segment liabilities	38,861	41,340	30,377	27,296	69,238	68,636

24. Financial Risk Management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- interest-rate risk

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework and is also responsible for developing and monitoring risk management policies. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Board oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash on deposit and from the Group's receivables from customers and investment securities. In relation to credit risk arising from cash on deposit, the Group only deposits with highly rated counterparties as approved by the Board.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor. Work is only undertaken for another entity once a contract for services has been signed. The demographics of the Group's debtor base, including the default risk of the industry and country in which debtors operate, have less of an influence on credit risk. Approximately 16% (2018: 27%) of the Group's revenue is attributable to transactions with a single debtor, being the Commonwealth Government. However, geographically there is only concentration of credit risk in Australia. Most of the Group's debtors have been transacting with the Group for several years, and losses have occurred infrequently. In monitoring debtor credit risk, debtors' ageing profiles are reviewed as well as any existence of previous financial difficulties.

Investments

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a solid credit rating in consultation with the Board and other advisors. Management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Management monitor cash flow requirements on a daily basis to optimise its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations without the need to draw down from its investments; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains the following line of credit:

- $250,000 overdraft facility that is secured against the assets of the Group. Interest would be payable at the base lending rate plus 0.75% margin.

Capital risk management

During 2008, the Institute entered into an arrangement with its bank to borrow $35.25 million at the prevailing 90-day BBSW plus 0.85 per cent line fee. This bank loan is secured by a fixed and floating charge over all of the Institute's assets. The loan translated from a construction facility to a term facility in May 2011 and is for a period of 10 years. Refer to Note 14 for details of the swap associated with this loan. Principal is repaid over the course of the term facility according to an agreed schedule as set out in the Loan Agreement. Management monitor the loan facility to ensure that all loan covenants and reporting requirements are met.

As at 19 February 2020, the outstanding loan was repaid from the proceeds of the sale of buildings.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group can enter into derivatives in order to manage market risks in consultation with the Board and other advisors. As explained above, the only derivative financial instruments the Group is currently involved in are a cap and a swap transaction (Note 15) to manage potential interest rate fluctuations on the ACS2 loan facility. As at 19 February 2020, this derivative financial instrument was cancelled due to the sale of buildings. Group risk is also minimised due to limited holdings of foreign currency and equities.

24. Financial Risk Management (cont.)

Interest rate risk
The Group has adopted a policy to mitigate its interest rate risk by entering into interest rate swaps and caps to manage its overall exposure. Refer Note 14. As at 19 February 2020, these liabilities were cancelled as a result of the sale of leasehold buildings

25. Financial Instruments

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

Carrying amount	NOTE	**2019** $'000	**2018** $'000
Investments	9	2,629	2,753
Trade and Other Receivables		10,262	6,975
Cash and cash equivalents		19,488	19,224
		32,379	28,952

The Group's maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:

Carrying amount	**2019** $'000	**2018** $'000
Australia	4,185	5,722
Asia	177	281
North America	1,521	304
Europe	2,464	261
Others	208	407
	8,555	6,975

Impairment losses:

The ageing of the Group's trade receivables at the reporting date was:

Carrying amount		
Not past due	5,954	5,814
Past due 0-30 days	1,637	668
Past due 31-60 days	384	205
More than 60 days past due	880	288
Less allowance for doubtful debts	(300)	–
	8,555	6,975

There was no impairment loss recognised on investments. The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the financial asset directly.

Liquidity risk
The following are the contractual maturities of financial liabilities measured at amortised cost, including estimated interest payments and excluding the impact of netting agreements:

25. Financial Instruments (cont.)

31 December 2018 ($'000)	Carrying amount	Contractual cash flows	6 mths or less	6–12 mths	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities							
Secured bank loan	32,250	36,481	1,449	1,438	2,844	30,750	–
Trade and other payables	3,556	3,556	3,556	–	–	–	–
Current tax liabilities	461	461	461	–	–	–	–
Lease liabilities	926	963	264	265	292	142	–
	37,193	41,461	5,730	1,703	3,136	30,892	–

31 December 2019 ($'000)	Carrying amount	Contractual cash flows	6 mths or less	6–12 mths	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities							
Secured bank loan	31,650	31,650	300	300	600	30,450	–
Trade and other payables	3,133	3,133	3,133	–	–	–	–
Current tax liabilities	536	536	536	–	–	–	–
Lease liabilities	417	417	104	104	209	–	–
	35,319	35,319	3,969	300	600	1,800	28,650

Foreign currency risk

The Group is exposed to foreign currency risk on revenue, purchases and bank accounts that are denominated in a currency other than the functional currency of the Parent Entity. The currency giving rise to this risk is primarily US dollars (USD). At any point in time the Group has a natural hedge on USD transactions as it holds a USD bank account to pay USD-denominated expenses.

Sensitivity analysis

For the year ended 31 December 2019, it is estimated that a general increase of one percentage point in interest rates would have decreased the Group's surplus by approximately $31,000 (2018: decrease $5,000).

As at 31 December 2019, it is estimated that a general increase of ten percentage points in the value of the AUD against other foreign currencies would have decreased the Group's surplus by approximately $138,579 (2018: $141,183).

Fair values

The fair value of relevant recognised assets and liabilities are approximate to the values shown in the Statement of Financial Position.

Fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	**Level 2**	**Level 3**	**Total**
31 December 2018 ($'000)				
Derivative financial liabilities	–	1,216	–	1,216
31 December 2019 ($'000)				
Derivative financial liabilities	–	521	–	521

26. Parent Entity Disclosures	2019 $'000	2018 $'000
Result of the parent entity		
Deficit for the period	(89)	(962)
Other comprehensive income	15	–
Total comprehensive income for the period	(74)	(962)
Financial position of the parent entity at year end		
Current assets	77,451	23,410
Total assets	86,627	86,206
Current liabilities	(29,228)	(26,024)
Total liabilities	(68,026)	(67,533)
Total equity of the parent entity comprising of:		
Retained deficit	(10,582)	(8,332)
Building reserve	29,256	27,005
Total equity	18,674	18,673

As at, and throughout, the financial year ending 31 December 2019 the parent entity of the Group was the Macfarlane Burnet Institute for Medical Research and Public Health Limited.

Burnet Institute International Development Activities Operating Statement *(FOR THE YEAR ENDED 31 DECEMBER)*

	2019 $'000	2018 $'000
Revenue		
Donations and gifts – monetary	84	289
Donations and gifts – non-monetary	–	–
Bequests and legacies	–	–
Grants:		
• DFAT	5,832	5,318
• Other Australian	1,077	1,671
• Other Overseas	3,265	2,148
Investment Income	–	–
Commercial Activities Income	–	–
Other Income	792	1,115
Revenue for international political or religious proselytisation programs	–	–
Total revenue	11,050	10,541
Expenditure		
International aid and development programs expenditure		
International programs:		
• Funds to international programs	9,895	9,862
• Program support costs	1,309	1,745
Community education	–	–
Fundraising costs:		
• Public	–	–
• Government, multilaterals and private	–	–
Accountability and administration	196	421
Non-monetary expenditure	–	–
Total international aid and development programs expenditure	11,400,	12,028
Expenditure for international political or religious proselytisation programs	–	–
Domestic programs expenditure	39	39
Commercial Activities Expenditure	–	–
Other Expenditure	–	–
Total expenditure	11,439	12,067
(Shortfall)/Excess of revenue over expenditure	(389)	(1,526)
Other Comprehensive Income	–	–
Total Comprehensive Income	**(389)**	**(1,526)**

Notes:
This operating statement represents IFRS financial information and is extracted specifically for the operations of the International Health Programs as required by the ACFID Code of Conduct. The deficit represents the Institute's additional financial contribution to the programs.

ACFID MEMBER

www.acfid.asn.au Tel: (02) 6285 1816 Fax: (02) 6285 1720

The Macfarlane Burnet Institute for Medical Research and Public Health Limited is a signatory to the Australian Council for International Development Code of Conduct. The Code requires members to meet high standards of corporate governance, public accountability and financial management. These financial statements have been prepared in accordance with the requirements set out in the ACFID code of conduct. More information about the ACFID Code of Conduct can be obtained from ACFID.

Directors' Declaration

(FOR THE YEAR ENDED 31 DECEMBER)

1. In the opinion of the Directors of the Burnet Institute:

   (a) the Financial Statements and Notes, set out on pages 10 to 35, and the Burnet Institute International Development Activities Operating Statement, are in accordance with the Australian Council for International Development Code of Conduct and the Australian Charities and Not-for-Profit Commission Act 2012 including:

   (i) giving a true and fair view of the financial position of the Group at 31 December 2019 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and

   (ii) complying with Australian Accounting Standards, the Australian Council for International Development Code of Conduct and the Australian Charities and Not-for-Profit Commission Regulations; and

   (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this
21st day of April 2020

Signed in accordance with a resolution of the Directors:

Mary Padbury

Director

Alison Larsson

Director

Independent Auditor's Report

To the members of Macfarlane Burnet Institute for Medical Research and Public Health Ltd

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Macfarlane Burnet Institute for Medical Research and Public Health Ltd (the Group).

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

i. giving a true and fair view of the Group's financial position as at 31 December 2019, and of its financial performance and its cash flows for the year ended on that date; and

ii. complying with *Australian Accounting Standards* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

iii. The Group complied in all material respects with the financial reporting requirements of the Australian Council for International Development (ACFID) Code of Conduct.

The ***Financial Report*** comprises:

i. Consolidated statement of financial position as at 31 December 2019;

ii. Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;

iii. Notes including a summary of significant accounting policies; and

iv. Directors' Declaration of the Group.

The ***Group*** consists of Macfarlane Burnet Institute for Medical Research and Public Health Ltd (the Company) and the entities it controlled at the year- end or from time to time during the financial year.

Basis for opinion

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

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

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

Other information

Other Information is financial and non-financial information in Macfarlane Burnet Institute for Medical Research and Public Health Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

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

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

ii. Preparing the Financial Report in accordance with Section 24(2) of the Charitable Fundraising (NSW) Act 1991 and Regulations (the Act and Regulations).

iii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

iv. Assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and

ii. to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

i. Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

ii. Obtain an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the registered Group's internal control.

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

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

v. Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the registered Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion pursuant to the Charitable Fundraising Act (NSW) 1991

In our opinion,

i. the Financial Report gives a true and fair view of the Group's financial result of fundraising appeal activities for the financial year ended 31 December 2019;

ii. the Financial Report has been properly drawn up, and the associated records have been properly kept for the period from 1 January 2018 to 31 December 2019, in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations;

iii. money received as a result of fundraising appeal activities conducted during the period from 1 January 2019 to 31 December 2019 has been properly accounted for and applied in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations; and

iv. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

KPMG

KPMG

Simon Dubois
Partner

Melbourne
21 April 2020

Australia

85 Commercial Road
Melbourne, Australia, 3004

t +61 3 9282 2111
f +61 3 9282 2100
e info@burnet.edu.au

Overseas

We have offices or representatives in Papua New Guinea and Myanmar, and also contribute to activities in other Asian, Pacific and African countries.

For more information contact us at info@burnet.edu.au or call +61 3 9282 2111

ABN 49 007 349 984

burnet.edu.au

Make a difference by donating or consider a gift in your Will. Contact us today.

Medical Research. Practical Action.

Burnet Institute
Medical Research. Practical Action.