

National Health and Medical Research Council

Financial Statements
for the period ended 30 June 2018

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INDEPENDENT AUDITOR'S REPORT

To the Minister for Health

Opinion

In my opinion, the financial statements of the National Health and Medical Research Council for the year ended 30 June 2018:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the National Health and Medical Research Council as at 30 June 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the National Health and Medical Research Council, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by the Accountable Authority and Chief Finance Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to the financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the National Health and Medical Research Council in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

The Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018 but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the National Health and Medical Research Council the Chief Executive Officer is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Chief Executive Officer is also responsible for such internal control as the Chief Executive Officer determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive Officer is responsible for assessing the National Health and Medical Research Council's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Chief Executive Officer is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are

inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office

A handwritten signature in blue ink, appearing to read 'S Benfield', is positioned above the typed name.

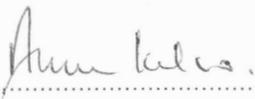
Sean Benfield
Executive Director
Delegate of the Auditor-General

Canberra
21 September 2018

National Health and Medical Research Council
STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2018 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the National Health and Medical Research Council will be able to pay its debts as and when they fall due.

Signed.....

Professor Anne Kelso AO FAA
Chief Executive Officer
Accountable Authority
National Health and Medical Research Council

21 September 2018

Signed.....

Ivan Sharma CPA
A/g Chief Financial Officer
National Health and Medical Research Council

21 September 2018

National Health and Medical Research Council
Statement of Comprehensive Income
for the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	21,919	22,296	22,231
Suppliers ¹	1.1B	20,339	17,409	18,354
Depreciation and amortisation	3.2A	2,555	2,396	2,200
Finance costs - unwinding of discount		14	10	20
Write-down of assets ²		1,151	547	-
Total expenses		45,978	42,658	42,805
Own-Source Income				
Own-source revenue				
Rendering of services ³	1.2A	4,072	2,266	1,500
Total own-source revenue		4,072	2,266	1,500
Gains				
Resources received free of charge - ANAO audit fee		108	108	100
Other gains ⁴		1,394	-	-
Total gains		1,502	108	100
Total own-source income		5,574	2,374	1,600
Net cost of services		(40,404)	(40,284)	(41,205)
Revenue from Government		39,005	37,442	39,005
Total Revenue from Government		39,005	37,442	39,005
(Deficit) attributable to the Australian Government		(1,399)	(2,842)	(2,200)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserve		-	(124)	-
Total other comprehensive (loss)		-	(124)	-
Total comprehensive (loss)		(1,399)	(2,966)	(2,200)

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

Budget Variance Commentary

- Higher than budget, primarily due to increased costs associated with Medical Research Future Fund (MRFF) activities for Department of Health. The MRFF implications were not known at time of original budget.
- Write down of Digital Transition project due to ageing ICT infrastructure including moving to a software as a service solution and write down of Marcus Clarke Street (level 5) fitout costs associated with the consolidation from 5 floors to 4 floors.
- Higher than budget due to increased revenue associated with MRFF activities for Department of Health.
- Includes a gain due to the elimination of the makegood provision negotiated through the new lease agreement for 16 Marcus Clarke Street and a gain due to the elimination of the lease payable & lease incentive provisions at the early expiration of the previous lease.

National Health and Medical Research Council
Statement of Financial Position
as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original Budget \$'000
ASSETS				
Financial Assets				
Cash and cash equivalents		814	524	409
Trade and other receivables	3.1A	12,452	12,307	12,547
Total financial assets		13,266	12,831	12,956
Non-Financial Assets				
Plant and equipment ¹	3.2A	4,161	3,587	3,684
Intangibles - internally developed ²	3.2A	10,841	4,696	8,862
Intangibles - purchased software	3.2A	29	58	-
Inventories		186	193	200
Prepayments ³		395	1,157	984
Total non-financial assets		15,612	9,691	13,730
Total assets		28,878	22,522	26,686
LIABILITIES				
Payables				
Trade creditors and accruals		3,423	1,290	3,300
Operating lease rentals		162	599	-
Other ⁴	3.3A	4,916	2,382	2,000
Total payables		8,501	4,271	5,300
Provisions				
Employee provisions ⁵	6.1A	6,080	5,702	5,070
Provision for makegood obligations ⁶	3.4A	-	903	927
Total provisions		6,080	6,605	5,997
Total liabilities		14,581	10,876	11,297
Net assets		14,297	11,646	15,389
EQUITY				
Contributed equity		15,825	11,775	15,825
Reserves		-	-	124
Retained earnings		(1,528)	(129)	(560)
Total equity		14,297	11,646	15,389

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

Budget Variance Commentary

1. Higher than anticipated level of spending on capital items due to the Canberra lease accommodation consolidation from 5 floors to 4 floors, and the Melbourne lease fitout. The level of this expenditure was not known at time of budget.

2. Increased level of expenditure on intangible assets, mainly due to new Grants System, Enhanced Reporting System, New Website, and Modernisation Fund assets. The level of expenditure was not known at time of budget.

3. Lower than budgeted due to timing of payments. Budget included a prepayment for lease expense which did not occur as at 30 June 2018, due to the Canberra lease being in rent free period as part of renegotiated lease.

4. Higher than budgeted level of unearned revenue, primarily due to the receipt of MRFF funds from Department of Health. Work on these revenue streams will progress during 2018-19. The June 2018 balance includes a lease incentive balance relating to the renegotiated Canberra office lease.

5. Due mainly to change in staff profile, with staff transferring in having higher leave provision balances than staff departing National Health and Medical Research Council (NHMRC).

6. The renegotiated Canberra lease excludes a makegood provision clause.

National Health and Medical Research Council
Statement of Changes to Equity
for the year ended 30 June 2018

	2018 \$'000	2017 \$'000	Original Budget \$'000
CONTRIBUTED EQUITY			
Opening balance			
Balance carried forward from previous period	11,775	11,602	11,775
Transactions with owners			
Contributions by owners			
Departmental capital budget	171	173	171
Equity injection	3,879	-	3,879
Total transactions with owners	4,050	173	4,050
Closing balance as at 30 June	15,825	11,775	15,825
RETAINED EARNINGS			
Opening balance			
Balance carried forward from previous period	(129)	2,820	1,640
Comprehensive income			
Deficit for the period	(1,399)	(2,842)	(2,200)
Total comprehensive income	(1,399)	(2,842)	(2,200)
Lapsed appropriations	-	(107)	-
Closing balance as at 30 June	(1,528)	(129)	(560)
ASSET REVALUATION RESERVE			
Opening balance			
Balance carried forward from previous period	-	124	124
Comprehensive income			
Asset revaluation movements	-	(124)	-
Total comprehensive income	-	(124)	-
Closing balance as at 30 June	-	-	124
TOTAL EQUITY			
Opening balance			
Balance carried forward from previous period	11,646	14,546	13,539
Comprehensive income			
Deficit for the period	(1,399)	(2,842)	(2,200)
Other comprehensive income	-	(124)	-
Total comprehensive income	(1,399)	(2,966)	(2,200)
Transactions with owners			
Contributions by owners			
Departmental capital budget	171	173	171
Equity injection	3,879	-	3,879
Total transactions with owners	4,050	173	4,050
Lapsed appropriations	-	(107)	-
Closing balance as at 30 June	14,297	11,646	15,389

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

National Health and Medical Research Council
Cash Flow Statement
for the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original Budget \$'000
OPERATING ACTIVITIES				
Cash received				
Rendering of services ¹		7,371	2,489	1,500
Appropriations ²		43,961	41,068	42,191
GST received		1,999	1,672	1,500
Total cash received		53,331	45,229	45,191
Cash used				
Employees ³		(21,703)	(21,993)	(23,757)
Suppliers ⁴		(20,386)	(21,129)	(19,005)
Section 74 receipts transferred to OPA ⁵		(5,915)	(1,859)	-
Total cash used		(48,004)	(44,981)	(42,762)
Net cash from operating activities		5,327	248	2,429
INVESTING ACTIVITIES				
Cash used				
Purchase of plant and equipment ²	3.2A	(2,129)	(839)	-
Purchase of intangibles ²	3.2A	(8,267)	(2,118)	(6,479)
Total cash used		(10,396)	(2,957)	(6,479)
Net cash used by investing activities		(10,396)	(2,957)	(6,479)
FINANCING ACTIVITIES				
Cash received				
Contributed equity ²		5,359	2,824	4,050
Total cash received		5,359	2,824	4,050
Net cash from financing activities		5,359	2,824	4,050
Net increase in cash held		290	115	-
Cash and cash equivalents at the beginning of the reporting period		524	409	409
Cash and cash equivalents at the end of the reporting period		814	524	409

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

Budget Variance Commentary

1. Increase due to MRFF funds received from Department of Health, not known at time of budget.
2. Prior year appropriation reserves and current year equity injections utilised for capital purchases.
3. Lower than anticipated spend in employees due to reduced ASL levels, and increase in contractor engagement.
4. Increase in contractor costs associated with the MRFF revenue stream projects.
5. Section 74 receipts relating mainly to MRFF funding, the level of which was not known at time of original budget.

National Health and Medical Research Council
Administered Schedule of Comprehensive Income
for the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Expenses				
Grants - Medical Research (MREA) ¹	2.1A	811,815	794,328	841,391
Grants - Boosting Dementia Research ²	2.1B	30,075	21,201	40,000
Other expenses incurred in the provision of grants ³	2.1C	6,787	6,278	13,942
Total expenses		848,677	821,807	895,333
Income				
Revenue				
Non-taxation revenue				
Rendering of services ⁴	2.2A	-	14,044	5,000
Other revenue ⁵	2.2B	9,238	6,531	6,000
Total non-taxation revenue		9,238	20,575	11,000
Total revenue		9,238	20,575	11,000
Total income		9,238	20,575	11,000
Net cost of services		(839,439)	(801,232)	(884,333)

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

Budget Variance Commentary

1. The variance in expenses are due to: (i) delays in commitments from previous rounds of Targeted Calls for Research and International Collaborations; and (ii) underspend against the estimated budgets for Project Grants, Program Grants, Research Fellowships and Centres for Research Excellence.
2. The variance is due to an underspend relating to the Boosting Dementia budget measure, caused by delays in establishing funding rounds. The funds have since been committed and transferred from Administered Funds into the Medical Research Endowment Account (special account) for grants to be paid over the next five years.
3. The variance is largely due to (i) funds received for Dementia related activities (non-Boosting Dementia) that were not committed or paid during 2017-18 and (ii) funds received for the Developing Northern Australia Budget Measure. These funds have since been committed as grants and transferred to the Medical Research Endowment Account (special account) for grants to be paid over a five year period.
4. NHMRC did not receive any Administered revenue for rendering of services during 2017-18. The budget was estimated using historical trends for revenue received from Department of Health for Partnership Projects, which was not received during 2017-18.
5. Variance is largely due to higher than anticipated grant recoveries, due to grant acquittals and relinquishments from Administering Institutions.

National Health and Medical Research Council
Administered Schedule of Assets and Liabilities
as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original Budget \$'000
ASSETS				
Financial Assets				
Cash and cash equivalents ¹		246,906	198,460	-
Trade and other receivables ²		2,426	1,883	648
Total financial assets		249,332	200,343	648
Total assets administered on behalf of Government		249,332	200,343	648
LIABILITIES				
Payables				
Grants Payable - Medical Research (MREA) ³	4.1A	4,010	2,949	5,000
Grants Payable - Boosting Dementia Research	4.1B	69	-	-
GST payable ⁴		3,469	238	190
Other payables ⁵		435	-	-
Total payables		7,983	3,187	5,190
Total liabilities administered on behalf of government		7,983	3,187	5,190
Net assets/(liabilities)		241,349	197,156	(4,542)

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

Budget Variance Commentary

- NHMRC is required to disclose MREA cash balance at the OPA, as part of cash and cash equivalents. This Financial Reporting Rule (FRR) requirement was not known at time of budget.
- Variance is due to additional accruals in relation to service revenue earned.
- Budget overstated due to being based on historical data/trends. Current actuals are less than anticipated.
- GST relating to grant payments are yet to be returned to Department of Finance.
- Higher than budgeted level of unearned revenue associated with funds received in relation to co-funding Targeted Calls for Research and a Centre of Research Excellence. Work on this revenue stream will progress during 2018-19.

National Health and Medical Research Council
Administered Reconciliation Schedule
for the year ended 30 June 2018

	2018 \$'000	2017 \$'000
Opening assets less liabilities as at 1 July	197,156	145,930
Net contribution by services		
Income	9,238	20,575
Expenses		
Payments to Corporate Commonwealth entities	(13,703)	(12,331)
Payments to entities other than Corporate Commonwealth entities	(834,974)	(809,476)
Transfers from the Australian Government		
Appropriation transfers from Official Public Account		
Annual appropriations		
Payments to entities other than Corporate Commonwealth entities	883,632	852,458
Transfers (to)/from the Australian Government	-	-
Closing assets less liabilities as at 30 June	241,349	197,156

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

Administered Cash Transfers to and from the Official Public Account

Revenue collected by the NHMRC for use by the Government rather than the agency is administered revenue. Collections are transferred to the OPA maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by the NHMRC on behalf of the Government and reported as such in the statement of cash flows in the schedule of administered items.

National Health and Medical Research Council
Administered Cash Flow Statement
for the year ended 30 June 2018

	2018 \$'000	2017 \$'000
OPERATING ACTIVITIES		
Cash received		
Rendering of services	-	13,323
Other revenue	9,522	6,269
GST received	24,461	23,323
Total cash received	33,983	42,915
Cash used		
Grants - Medical Research (MREA)	807,530	797,514
Grants - Boosting Dementia Research	30,006	21,201
Other expenses incurred in the provision of grants	6,732	6,278
GST paid	24,901	23,580
Total cash used	869,169	848,573
Net cash used by operating activities	(835,186)	(805,658)
Cash and cash equivalents at the beginning of the reporting period	198,460	151,660
Cash from Official Public Account		
Appropriations	883,632	852,458
Total cash from official public account	883,632	852,458
Cash and cash equivalents at the end of the reporting period	246,906	198,460
The above statement should be read in conjunction with the accompanying notes.		

Overview

Objectives of the National Health and Medical Research Council

The National Health and Medical Research Council (NHMRC) is an Australian Government controlled entity. It is a not-for-profit entity. The NHMRC is Australia's peak body for supporting health and medical research. The aims of the NHMRC are to:

- raise the standard of individual and public health care throughout Australia;
- foster development of consistent health standards between the states and territories;
- foster medical research and training and public health research and training throughout Australia; and
- foster consideration of ethical issues relating to health.

NHMRC's Medical Research Endowment Account (MREA) is a special account established under the *National Health and Medical Research Council Act 1992*. It is the mechanism through which Australian Government funding for health and medical research is managed.

The continued existence of NHMRC in its present form, and with its present programs, is dependent on Government policy and on continuing funding by Parliament for the NHMRC's administration and programs.

The Basis of Preparation

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2015; and
- Australian Accounting Standards and Interpretations - Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars.

Where changes are made to the presentation or classification of items in the financial statements, the comparative amounts have been reclassified for consistency and comparability between financial years.

New Accounting Standards

All new standards, amendments to standards and interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect on the NHMRC's financial statements.

Taxation

The NHMRC is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Reporting of administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the schedule of administered schedules and related notes.

Except where otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

Events After the Reporting Period

Departmental

No relevant events have occurred after the reporting period date that have the potential to significantly affect the ongoing structure and financial activities of the NHMRC.

Administered

No relevant events have occurred after the reporting period date that have the potential to significantly affect the ongoing structure and financial activities of the NHMRC.

1. Departmental Financial Performance

1.1 Expenses

	2018	2017
	\$'000	\$'000
Note 1.1A: Employee Benefits		
Wages and salaries	15,347	15,801
Superannuation		
Defined contribution plans	1,865	1,924
Defined benefit plans	1,324	1,220
Leave and other entitlements	3,269	3,043
Separation and redundancies	114	308
Total employee benefits	21,919	22,296

Accounting Policy

Accounting policies for employee related expenses is contained in the People and Relationships section.

Note 1.1B: Suppliers

Goods and services supplied or rendered

Agency placement costs	10	98
Insurance	66	63
Committees	3,602	3,598
Conference fees	53	75
Consultants	371	440
Contractors	5,403	3,355
IT services	5,176	4,435
Office equipment	273	111
Services	1,677	1,765
Travel	419	468
Other	278	149
Total goods and services supplied or rendered	17,328	14,557

Goods supplied	404	213
Services rendered	16,924	14,344
Total goods and services supplied or rendered	17,328	14,557

Other suppliers

Operating lease rentals	2,577	2,516
Workers compensation expenses	434	336
Total other suppliers	3,011	2,852
Total suppliers	20,339	17,409

Leasing commitments

The NHMRC in its capacity as lessee holds leases on its Canberra and Melbourne accommodation. The Canberra lease was renegotiated during 2017-18 for a further 10 year lease, with an option for a further 5 years. Lease payments increase by 3.50% each year. The Melbourne lease commenced during 2017-18 and is for a four year period. Lease payments on this lease increase by 3.75% each year.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within 1 year	2,203	3,358
Between 1 to 5 years	12,652	1,540
More than 5 years	12,470	-
Total operating lease commitments	27,325	4,898

Accounting Policy

A distinction is made between finance leases and operating leases. In operating leases, the lessor effectively retains substantially all such risks and benefits. NHMRC does not have any finance leases as at 30 June 2018 (2017: nil).

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

1.2 Own Source Revenue

	2018 \$'000	2017 \$'000
Note 1.2A: Rendering of Services		
Rendering of services	4,072	2,266
Total rendering of services	4,072	2,266

Accounting Policy

Own-Source Revenue

Rendering of Services

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- b) the probable economic benefits associated with the transaction have flowed to the NHMRC.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Gains

Resources Received Free of Charge

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the service would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

Resources received free of charge consists of Australian National Audit Office (ANAO) audit fee and the ANAO does not provide services other than financial statement audit.

Revenue from Government

Amounts appropriated for departmental output appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the NHMRC gains control of the appropriations; except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

2. Income and Expenses Administered on Behalf of Government

2.1 Administered Expenses

	2018	2017
	\$'000	\$'000
Note 2.1A: Grants - Medical Research (MREA)		
Public sector		
Australian Government Entities	13,347	12,004
State and Territory Governments	654,189	638,643
Private sector		
Medical Research Institutes	141,191	141,377
Private Universities	3,088	2,304
Total grants - Medical Research (MREA)	811,815	794,328
Note 2.1B: Grants - Boosting Dementia Research		
Public sector		
Australian Government Entities	356	327
State and Territory Governments	23,294	18,166
Private sector		
Medical Research Institutes	6,425	2,708
Total grants - Boosting Dementia Research	30,075	21,201
Note 2.1C: Other Expenses Incurred in the Provision of Grants		
Goods and services supplied or rendered		
Funding agreements	5,508	3,616
Subscriptions	557	518
Consultants	33	53
Contractors	642	1,854
Other	47	237
Total goods and services supplied or rendered	6,787	6,278

Accounting Policy

NHMRC administers a number of grant schemes on behalf of the Government. Grant liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied, but payments due have not been made. Payables to grantees are disclosed in Note 4.1.

2.2 Administered Revenue

	2018	2017
	\$'000	\$'000
Note 2.2A: Rendering of Services		
Rendering of services	-	14,044
Total rendering of services	-	14,044
Note 2.2B: Other Revenue		
Grant recoveries	9,238	6,531
Total other revenue	9,238	6,531

Accounting Policy

All administered revenues are revenues relating to ordinary activities performed by NHMRC on behalf of the Australian Government. As such, administered appropriations are not revenues of the NHMRC that oversees distribution or expenditure of funds as directed.

Rendering of Services

External contributions

External contributions consist of:

- joint funding contributions, which are contributions from industry and other third party funding organisations to particular project. These contributions are recognised as revenue in the period when the obligation from the third party is due;
- contributions from industry and third parties, which are untied to projects or a contract. These contributions are recognised as revenue on receipt; and
- third party contributions to a program managed by the NHMRC. These contributions are recognised when they are due, in accordance with the contractual agreement with the third party.

Grant recoveries

The recovery of unspent grant money is a type of contribution because NHMRC receives cash (an asset), including the right to receive it, without directly giving approximately equal value to the party, i.e. a non-reciprocal transfer (AASB 1004.13). These recoveries satisfy the definition of income in the Framework, and the recognition criteria for income when NHMRC raises a debtor invoice for these recoveries.

3. Departmental Financial Position

3.1 Financial Assets

	2018	2017
	\$'000	\$'000
Note 3.1A: Trade and Other Receivables		
Goods and services receivable	956	679
Appropriations receivable - existing programs	11,116	11,466
GST receivable from the Australian Taxation Office	342	145
Other	38	17
Total trade and other receivables	12,452	12,307

No indicators of impairment were found for trade and other receivables in 2017 or 2018.

Accounting Policy

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

3.2 Non Financial Assets

Note 3.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles

	Plant and Equipment \$'000	Computer software internally developed ¹ \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2017				
Gross book value	5,788	11,121	771	17,680
Accumulated depreciation, amortisation and impairment	(2,201)	(6,425)	(713)	(9,339)
Total as at 1 July 2017	3,587	4,696	58	8,341
Additions				
Purchase of plant and equipment	2,129	-	-	2,129
Purchased or internally developed - Intangibles	-	8,267	-	8,267
Purchase or internally developed	2,129	8,267	-	10,396
Depreciation and amortisation	(1,466)	(1,060)	(29)	(2,555)
Impairment	(89)	(1,062)	-	(1,151)
Total as at 30 June 2018	4,161	10,841	29	15,031
Total as at 30 June 2018 represented by				
Gross book value	7,917	19,388	771	28,076
Accumulated depreciation, impairment, and amortisation	(3,756)	(8,547)	(742)	(13,045)
Total as at 30 June 2018	4,161	10,841	29	15,031

1. The carrying amount of computer software internally developed includes \$7.6 million in Work in Progress (WIP). (2017: \$2.8 million).

NHMRC has purchased new computers for staff, so old hardware will be disposed of in line with Government policy.

An assessment of impairment on Work in Progress (WIP) assets was conducted as at 30 June 2018. NHMRC's Digital Transition Project was impaired in line with Whole of Government position on Digital Records Transformation Program (Digital Records Investment Moratorium). (2017: Nil)

Revaluations of non-financial assets

There were no revaluations of plant and equipment conducted in 2017-18. (2016-17: Nil)

On 31 March 2016, an independent valuer conducted the revaluations of plant and equipment. The next valuation will occur during 2018-19.

	2018 \$'000	2017 \$'000
Contractual commitments for the acquisition of plant and equipment and intangible assets are payable as follows:		
Within 1 year	1,518	1,186
Between 1 to 5 years	-	656
Total plant and equipment and intangible assets commitments	1,518	1,842

NHMRC has commitments in place for the purchase of a new Grants Management System.

Accounting Policy

Assets are initially recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

Asset recognition threshold

Purchases of plant and equipment are recognised initially at fair value of the assets transferred in exchange and the liabilities undertaken in the statement of financial position, except for information technology equipment purchases less than \$500, leasehold improvements less than \$50,000, and all other purchases less than \$2,000. Purchases below these thresholds are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions in Note 3.4A taken up by the NHMRC where there exists an obligation to restore premises to condition prior to fitout. These costs are included in the value of the make good asset with a corresponding provision for the 'make good' recognised. The make good provision in relation to the Canberra lease was reversed during 2017-18 on signing new lease agreement, which removed the requirement for NHMRC to make good.

Revaluations

Fair values of each sub-class of assets are determined as shown below.

Assets Sub-Class	Fair value measured at
Office Equipment	Depreciated replacement cost
Furniture and fitting	Depreciated replacement cost
Computer equipment	Market selling price
Leasehold improvement	Depreciated replacement cost

Following initial recognition at cost plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not materially differ from the assets' fair values as at the reporting date. The regularity of independent valuations depended upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve, except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the NHMRC using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each sub-class of depreciable asset are based on the following useful lives:

Assets Sub-Class	2018	2017
Office Equipment	3 to 5 years	3 to 5 years
Furniture and Fitting	10 years	10 years
Computer Equipment	3 to 5 years	3 to 5 years
Leasehold Improvement	Lease term	Lease term

Impairment

All non-financial assets including work in progress (WIP) were assessed for impairment at 30 June 2018. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated.

De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Intangibles

Intangible assets comprise internally developed software for internal use and purchased software. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the NHMRC's software are 2 to 7 years (2017: 2 to 7 years).

All software assets were assessed for indicators of impairment as at 30 June 2018.

Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, the NHMRC has made the following judgements that have the most significant impact on the amounts recorded in the financial statements. When estimating the fair value of property plant and equipment and work-in-progress (WIP) intangibles, judgements were made about the expected useful life of the assets.

3.3 Payables

	2018	2017
	\$'000	\$'000
Note 3.3A: Other Payables		
Salaries and wages	257	313
Superannuation	24	24
Lease incentive	767	157
Prepayments received/unearned income	3,800	1,711
Other	68	177
Total other payables	4,916	2,382

Accounting Policy

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or 'other financial liabilities'. Financial liabilities are recognised and derecognised upon 'trade date'.

3.4 Provision for Makegood Obligations

	2018	2017
	\$'000	\$'000
Note 3.4A: Provision for Makegood Obligations		
Provision for makegood obligations	-	903
Total provision for makegood obligations	-	903

	Provision for makegood	Total
	\$'000	\$'000
As at 1 July 2017	903	903
Other movements - reversal of makegood	(903)	(903)
Total as at 30 June 2018	-	-

The NHMRC currently has nil (2017: one) agreements for the leasing of premises which have provisions requiring the NHMRC to restore the premises to their original condition at the conclusion of the lease.

4. Assets and Liabilities Administered on Behalf of Government

4.1 Administered Payables

	2018	2017
	\$'000	\$'000
Note 4.1A: Grants Payable - Medical Research (MREA)		
Public sector		
Australian Government Entities	42	60
State and Territory Governments	2,251	2,707
Private Sector		
Medical Research Institutes	1,717	182
Total grants payable - Medical Research (MREA)	4,010	2,949
Note 4.1B: Grants Payable - Boosting Dementia Research		
Public sector		
State and Territory Governments	51	-
Private Sector		
Medical Research Institutes	18	-
Total grants payable - Boosting Dementia Research	69	-

Settlement is made according to the terms and conditions of each grant. This was usually within 30 days of grant recipients meeting their performance or eligibility criteria.

5. Funding

5.1 Appropriations

Note 5.1A: Annual Appropriations ('Recoverable GST exclusive')

Annual appropriations for 2018

	Annual Appropriation ¹ \$'000	Adjustments to appropriation ² \$'000	Total appropriation \$'000	Appropriation applied in 2018 (current and prior years) \$'000	Variance ³ \$'000
Departmental					
Ordinary annual services	39,005	5,915	44,920	(42,089)	2,831
Capital Budget ⁴	171	-	171	(7,351)	(7,180)
Equity injection	3,879	-	3,879	(3,045)	834
Total departmental	43,055	5,915	48,970	(52,485)	(3,515)
Administered					
Ordinary annual services					
Administered items	883,632	-	883,632	(883,632)	-
Total administered	883,632	-	883,632	(883,632)	-

1. In 2017-18, no amounts of appropriation were withheld or quarantined.

2. PGPA Act Section 74 receipts.

3. In 2017-18, variances largely relate to progressing capital projects that had lagged in previous financial years.

4. Departmental Capital Budgets are appropriated through Appropriations Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

Annual appropriations for 2017

	Annual Appropriation ¹ \$'000	Adjustments to appropriation ² \$'000	Total appropriation \$'000	Appropriation applied in 2017 (current and prior years) \$'000	Variance ³ \$'000
Departmental					
Ordinary annual services	37,449	1,859	39,308	(43,122)	(3,814)
Capital Budget ⁴	173	-	173	(2,957)	(2,784)
Total departmental	37,622	1,859	39,481	(46,079)	(6,598)
Administered					
Ordinary annual services					
Administered items	852,458	-	852,458	(852,458)	-
Total administered	852,458	-	852,458	(852,458)	-

1. In 2016-17, \$7,000 of Departmental appropriation have been withheld as part of government measure, relating to single coordinated Govlink contract.

2. PGPA Act Section 74 receipts.

3. In 2016-17, variances largely relate to progressing the Simplified and Consistent Health and Medical Research budget measure.

4. Departmental Capital Budgets are appropriated through Appropriations Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

Accounting Policy

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

5.1 Appropriations (continued)

Note 5.1B: Unspent Annual Appropriations ('Recoverable GST exclusive')

	2018 \$'000	2017 \$'000
Departmental		
Appropriation Act (No. 1) 2017-18 ¹	11,096	-
Appropriation Act (No. 2) 2017-18 - Equity Injections	834	-
Appropriation Act (No. 1) 2016-17 ¹	-	9,848
Supply Act (No. 1) 2016-17 - Capital Budget (DCB)	-	72
Appropriation Act (No. 1) 2016-17 - Capital Budget (DCB)	-	101
Appropriation Act (No. 1) 2015-16 - Capital Budget (DCB)	-	1,969
Total departmental	11,930	11,990

1. Includes cash at bank and appropriation receivable.

5.2 Special Accounts

Note 5.2A: Special Accounts ('Recoverable GST exclusive')

	Medical Research Endowment Account ¹	
	2018 \$'000	2017 \$'000
Balance brought forward from previous period	198,458	151,660
Increases:		
Appropriation credited to special account	873,626	845,371
Costs recovered	5,370	2,218
Other receipts	6,688	17,099
Total increases	885,684	864,688
Available for payments	1,084,142	1,016,348
Decreases		
Administered		
Payments made for medical research	810,734	797,689
Payments made for boosting dementia research	26,564	20,201
Total administered	837,298	817,890
Total decreases	837,298	817,890
Total balance carried to the next period	246,844	198,458
Balance represented by:		
Cash held in entity bank accounts	4	5,044
Cash held in the Official Public Account	246,840	193,414
Total balance carried to the next period	246,844	198,458

1. Appropriation: *Public Governance, Performance and Accountability Act 2013*; section 80

Establishing Instrument: *National Health and Medical Research Council Act 1992*; section 49

Purpose: to provide assistance (subject to the *National Health and Medical Research Council Act 1992*):

- to Departments of the Commonwealth, or of a State or Territory, engaged in medical research;
- to universities for the purpose of medical research;
- to institutions and persons engaged in medical research; and
- in the training of persons in medical research.

6. People and Relationships

6.1 Employee Provisions

	2018	2017
	\$'000	\$'000
Note 6.1A: Employee Provisions		
Leave	6,080	5,702
Total employee provisions	6,080	5,702

Accounting Policy

Employee benefits

Liabilities for 'short-term employee benefits' and termination benefits expected within twelve months of the end of the reporting period are measured at their nominal amounts

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the NHMRC is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the NHMRC's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave is recognised and measured at the present value of the estimated future cash flow to be made in respect of all employees at 30 June 2018. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Superannuation

The NHMRC's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap), or other superannuation funds held outside the Australian Government.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

The NHMRC makes employer contributions to the employee's defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The NHMRC accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions.

Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, the NHMRC has made the following judgements that have the most significant impact on the amounts recorded in the financial statements. The estimated leave provisions involve assumptions based on the expected tenure of existing staff, patterns of leave claims and payouts, future salary movements and discount rates.

6.2 Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the NHMRC, directly or indirectly, including any director (whether executive or otherwise) of the NHMRC. The NHMRC has determined the key management personnel to be the Portfolio Minister, Chief Executive Officer, General Manager, and Executive Directors.

Key management personnel remuneration is reported in the table below:

	2018	2017
	\$'000	\$'000
Short-term employee benefits	1,844	1,677
Post-employment benefits	276	268
Other long-term employee benefits	215	166
Total key management personnel remuneration expenses¹	<u>2,335</u>	<u>2,111</u>

The total number of key management personnel that is included in the above table is 7 (2017: 6).

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the NHMRC.

6.3 Related Party Disclosures

Related party relationships

NHMRC is an Australian Government controlled entity. Related parties to the NHMRC are Key Management Personnel, including the Portfolio Minister, Chief Executive Officer, General Manager, Executive Directors, and other Australian Government entities.

Transactions with related parties

Given the breadth of government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes, receipt of a Medicare rebate or higher education loans. These transactions have not been separately disclosed in this note.

The following transactions with related parties occurred during the financial year:

The NHMRC employs a close family member of a staff member who was acting in a Key Management Personnel role. Employee expenses for the close family member were \$45,491 (2017: \$49,175). The recruitment process was an arm's length process, and the close family member is paid in accordance with the NHMRC's enterprise agreement. The NHMRC employs 175 (2017: 181) staff of which there was only 1 close family member of Key Management Personnel.

Significant transactions with related parties can include:

- the payments of grants or loans;
- purchases of goods and services;
- asset purchases, sales transfers or leases;
- debts forgiven; and
- guarantees.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the NHMRC, it has been determined that there are no other related party transactions to be separately disclosed.

7. Managing Uncertainties

7.1 Contingent Assets and Liabilities

Quantifiable Contingencies

As at 30 June 2018 the NHMRC has no contingent assets (2017: nil).

As at 30 June 2018 the NHMRC has the following contingent liabilities:

The NHMRC has in place a deed of standing offer with a panel of investigators to provide investigation services if serious breaches of the *Research Involving Human Embryos Act 2002* or the *Prohibition of Human Cloning for Reproduction Act 2002* are identified.

The consequence of the contingency being triggered is estimated to be a cost of approximately \$150,000.

This quantifiable contingent liability was in place as at 30 June 2018.

Unquantifiable Contingencies

At 30 June 2018, the NHMRC had no unquantifiable contingencies (2017: nil).

Administered – Contingent Assets and Liabilities

Quantifiable Administered Contingencies

As at 30 June 2018, the NHMRC did not have any quantifiable administered contingent assets (2017: one).

As at 30 June 2018, the NHMRC did not have any quantifiable administered contingent liabilities (2017: nil).

Unquantifiable Administered Contingencies

At 30 June 2018, the NHMRC had no unquantifiable administered contingencies (2017: nil).

Accounting Policy

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset, or represent a liability or asset in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

7.2 Financial Instruments

	2018 \$'000	2017 \$'000
Note 7.2A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	814	524
Trade receivables	994	696
Total loans and receivables	1,808	1,220
Total financial assets	1,808	1,220
Financial Liabilities measured		
Financial liabilities measured at amortised cost		
Accruals	3,423	1,290
Total financial liabilities measured at amortised cost	3,423	1,290
Total financial liabilities	3,423	1,290

The NHMRC did not receive any income or incur any expense related to financial assets or financial liabilities disclosed above for the period ended 30 June 2018 (2017: nil).

Accounting Policy

Loans and Receivables

The NHMRC classifies its financial assets in the following category: loans and receivables.

Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Financial Liabilities

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

7.3 Administered Financial Instruments

	2018 \$'000	2017 \$'000
Note 7.3A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	246,906	198,460
Goods and services receivable	2,426	1,883
Total loans and receivables	249,332	200,343
Total financial assets	249,332	200,343
Financial Liabilities		
Financial liabilities measured at amortised cost		
Grants payable	4,079	2,949
Total financial liabilities measured at amortised cost	4,079	2,949
Total financial liabilities	4,079	2,949

The NHMRC did not receive any income or incur any expense related to financial assets or financial liabilities

7.4 Fair Value Measurement

The following table provides an analysis of assets that are measured at fair value.

Note 7.4A: Fair Value Measurement

	Fair value measurements at the end of the reporting period	
	2018 \$'000	2017 \$'000
Non-financial assets		
Plant and equipment ¹	4,161	3,587
Total non-financial assets	4,161	3,587
Total fair value measurements of assets in the statement of financial position	4,161	3,587

1. These gains/(losses) are presented in the Statement of Comprehensive Income under Write Down and Impairment of Assets and other changes in Asset Revaluation Reserve.

Accounting Policy

NHMRC engaged the service of Australian Valuation Solutions (AVS) to conduct desktop revaluation of all Plant and Equipment (P&E) assets at 31 March 2016 and has relied upon those outcomes to establish carrying amounts. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. Comprehensive valuations carried out at least once every three years. AVS has provided written assurance to NHMRC that the models developed are in compliance with AASB 13.

The methods utilised to determine and substantiate the unobservable inputs are derived and evaluated as follows:

Physical depreciation and obsolescence - assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the depreciated replacement cost approach. Under the depreciated replacement cost approach the estimated cost to replace the asset is calculated and then adjusted to take into account physical depreciation and obsolescence.

Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration. For all leasehold improvement assets, the consumed economic benefit/asset obsolescence deduction is determined based on the term of the associated lease.