

Heart Research Institute Limited and its controlled entities

Financial Report – *For the year ended 31 December 2020*

ABN 41 003 209 952



Today's research,
tomorrow's cure.

Heart Research Institute Limited and its controlled entities

ABN 41 003 209 952

Financial Report

31 December 2020

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Directors' report

For the year ended 31 December 2020

The directors present their report together with the financial statements of the Group comprising of Heart Research Institute Limited (the Company), and its subsidiaries (the Group) for the financial year ended 31 December 2020 and the auditor's report thereon.

1 Directors

The directors of the Company at any time during or since the end of the financial year are:

Name, qualifications and Experience, special responsibilities and other directorships independence status

Professor Leonard Kritharides MBBS, PhD, FRACP, FCSANZ, FAHA, FESC, FACC	<p>Len Kritharides graduated in Medicine from Melbourne University and completed his Cardiology training at the Royal Melbourne Hospital. He undertook PhD studies in Macrophage Biology at the Heart Research Institute in Sydney (HRI) between 1991-1994. After postdoctoral research at the HRI and in the USA, he took up an appointment as Staff Specialist in Cardiology at CRGH in 1998 and became Head of Department in 2003. He is currently Senior Staff Specialist and Head of the Department of Cardiology at Concord Repatriation General Hospital, Conjoint Professor in Medicine at The University of Sydney, Head of the Atherosclerosis Research Laboratory Group at the ANZAC Research Institute and Clinical Director of the Cardiovascular Stream of the Sydney Local Health District.</p> <p>Professor Kritharides was awarded a NSW Government Community Services Award for his contributions to CRGH in 2006, the President's Medal for contributions to the Cardiac Society of Australia and New Zealand (CSANZ) in 2013, and the Distinguished Researcher Award by the Australian Vascular Biology Society in 2014. He is the immediate Past President of the CSANZ, is a Director and National Board Member of the Heart Foundation of Australia and is Chair of its Research Strategy Committee. He was appointed to the Board of the HRI in 2009, Chairs its Scientific Advisory Committee, and was appointed Chairman in 2017.</p>
Professor Shaun Jackson MBBS (HONS), BMEDSCI (HONS), PHD	<p>Professor Shaun Jackson is an NHMRC Senior Principal Research Fellow, faculty member at the Scripps Research Institute in La Jolla, San Diego (CA, USA), and Honorary Visiting fellow at the University Cambridge, UK. He was the co-founder and Research Director of the Australian Centre for Blood Diseases, Monash University. In 2015, he was appointed as the inaugural Director of Cardiovascular Research, at the Heart Research Institute & Charles Perkins Centre, University of Sydney. He has a clinical appointment in the Dept. Cardiology, Royal Prince Alfred Hospital. He has established several Australian biotechnology companies focussing on the clinical development of novel antithrombotic therapeutics. Shaun has received numerous international awards including the Marion Barnhart Prize (2009) and Career Investigator Award and Medal (2011) from the International Society of Thrombosis and Haemostasis. In 2018 he was awarded the NSW Ministerial Award for Cardiovascular Research Excellence, and in 2010, an Australia Fellowship from the NHMRC.</p>
Dr Teresa Anderson AM, FIPAA, B.APP SCIENCE (SPEECH PATHOLOGY), PHD	<p>Dr Teresa Anderson is the Chief Executive of Sydney Local Health District, one of the leading public health services in Australia. She has more than 35 years of experience as a clinician and health service executive. She has a well-established reputation for implementing strategies to foster innovation and best practice, supporting collaboration and building partnerships.</p> <p>She is an internationally recognised Speech Pathologist and is passionate about developing programs and services to support and improve the health and wellbeing of all people in the community. In 2018 Dr Anderson was appointed a Member of the Order of Australia (AM).</p> <p>Dr Anderson is a Vice President and has been made a Fellow of the NSW Institute of Public Administration Australia, is a member of seven Medical Research, Health and PHN boards and is an active member of the Sydney Health Partners Governing Council and Executive Management Group, one of the first four centres in Australia designated by the NHMRC as an Advanced Health Research Translation Centre.</p>
Mr John Batistich Bbus, MMgt, GAICD	<p>Mr John Batistich is a Non-Executive Director of Zip Co Limited, Stellar Group, General Pants Group and FoodCo. He has more than 28 years of experience in consumer research, marketing, digital innovation and general management with blue chip companies including Westfield, Wrigley, Pepsico and Kimberly Clark. Mr Batistich holds a Masters in Management degree from Macquarie Graduate School of Management majoring in Human Resources, a Bachelor of Business degree from the University of Western Sydney majoring in Marketing, Certificate in Digital Marketing from the Association for Data-driven Marketing and Advertising, and is a Graduate of the Australian Institute of Company Directors.</p>
Mr Rod Halstead LLB (SYD), LLM (LON), FAICD	<p>Mr Rod Halstead held the position of Honorary Solicitor for The Heart Research Institute prior to joining the Board. Mr Halstead is presently Director - Strategic Corp/M&A at the law firm Clayton Utz. Prior to holding that position he had many years' experience as a Partner at Clayton Utz, with a preceding position at the law firm Mallesons Stephen Jaques. Mr Halstead has considerable Board experience and regularly advises Boards and Senior Management of major Australian corporate and financial institutions, in respect to business and governance related matters.</p>

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Directors' report (continued)

For the year ended 31 December 2020

1 Directors (continued)

Name, qualifications and independence status

Professor Stephen Simpson
AC, FAA, FRS

Experience, special responsibilities and other directorships

Professor Stephen Simpson is Academic Director of the Charles Perkins Centre, a University of Sydney cross-faculty initiative aimed at researching and implementing cross-disciplinary approaches to alleviating the burden of obesity, diabetes, cardiovascular disease and related conditions. He is also the Executive Director of Obesity Australia.

After completing an undergraduate degree at the University of Queensland, he pursued a PhD at the University of London. Professor Simpson spent 22 years at the University of Oxford, first in Experimental Psychology, then in the Department of Zoology and the Oxford University Museum of Natural History.

He returned to Australia in 2005 as an Australian Research Council (ARC) Federation Fellow, then ARC Laureate Fellow. In 2007 Professor Simpson was elected a Fellow of the Australian Academy of Science, and in 2013 he was elected a Fellow of the Royal Society of London as "one of the world's foremost entomologists and nutritional biologists".

In 2015 he was made a Companion of the Order of Australia "for eminent service to biological and biomedical science."

Professor Andrew Boyle
MBBS (HONS), FRACP, PHD

Andrew Boyle is currently Professor of Cardiovascular Medicine, Clinical Dean of the Hunter Clinical School of the University of Newcastle and a practising interventional cardiologist. He has over 100 career journal publications, eight book chapters and three patents. Andrew heads both a clinical and a basic science research team. He has considerable experience in preclinical studies and human clinical trials. His research focuses on left ventricular remodelling following myocardial infarction, novel therapies and systems of care for acute coronary syndromes. He chairs the Clinical Trials Subcommittee of the Hunter New England HREC and sits on the Executive Committee of the NSW Cardiovascular Research Network.

Mr Richard Rassi
B Com, FCA, GAICD

Richard Rassi is a chartered accountant having spent most of his career working at Deloitte and as a partner in the firm up to December 2011. He now operates a consulting practice (Riclin Consulting) providing consulting services in the areas of strategy, governance, risk management, audit and financial reporting. Richard also mentors a number of senior professionals and executives.

He continues to be retained by Deloitte to assist with the delivery of services to clients including providing a quality assurance role on a range of audit and advisory engagements. Complementing this expertise are various governance roles including a member of the audit and finance committee for the Australian Broadcasting Corporation (current appointment).

He also currently serves as a member of the Disciplinary Tribunal of Chartered Accountants Australia and New Zealand. Richard maintains an active involvement with the Australian Institute of Company Directors and has assisted the AICD with the development of their various director education programs. This has included authoring a course on strengthening financial governance and delivering webinars on year-end financial reporting obligations for directors and governance related topics.

Mrs Sandra Boswell
BEC
Diploma in Education (Secondary)
Sydney University
Registered Tax Agent
(resigned 31 October 2020)

Based in Australia, Sandra Boswell has over 25 years of experience as a specialist working with companies who undertake innovation in Australia, assisting them with seeking Government grants and funding to undertake novel projects. Mrs Boswell was a partner for 15 years with PwC Australia, retiring in 2018. During that time, she led businesses within PwC and was also a member of the Australian Governance Board of Partners for several years. She chaired the Finance and Operations (Audit) Committee whilst on the Board and was a member of several other committees. In 2017 she was appointed as a member of the PwC Asia Pacific Board. She is currently a Director and National Leader of Innovation and Incentives at Glasshouse Advisory, part of the IPH group working with companies across sectors on their innovation strategies, and assists them in seeking both direct and indirect Government funding. Mrs Boswell has worked with the Federal Government with regard to innovation policy and administration, and has assisted with the drafting of legislation and policy on attracting innovation investment to the country. She believes that innovation is vital to a healthy robust economy. She has worked with companies in the digital economy and health sector, particularly in relation to the development of new technologies in this sector. Mrs Boswell is also currently a non-executive Director of GLEIF and the Sisters of Charity Foundation. She has a Bachelor of Economics (social sciences) from The University of Sydney.

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Directors' report (continued)

For the year ended 31 December 2020

1 Directors (continued)

Name, qualifications and independence status

The Hon. Bruce Baird
BA (Syd) MBA (Melb)

Experience, special responsibilities and other directorships

Bruce Baird comes with a background in business, politics and tourism. He worked for an airline and a mining company before joining the Australian Trade Commission Service in 1973. He was posted as Trade Commissioner in Germany (1973) and then New York (1976). He subsequently won the NSW State seat of Northcott in 1984 and was appointed Shadow Minister for Finance and Aboriginal Affairs. When the Coalition won Government in 1988 Bruce was appointed Minister for Transport and Roads and in 1990 was given the added responsibility of Minister for Sydney's Olympic Bid and in 1993 Minister for Tourism. In 1995 he retired from politics and became CEO of Tourism Council of Australia. In 1998 he won the seat of Cook in the Federal Parliament and was the Chairman of several Committees including the House Economics Committee. On leaving Parliament in 2007 he became Chair of several Committees including the Tourism and Transport Forum and the National Heavy Vehicle Regulator. He is now the Chair of Business Events Sydney and is a member of the Opera House Trust. Bruce has a BA from Sydney University, an MBA from Melbourne University and honorary doctorates from UTS and University of Newcastle. He was appointed as a Member of the Order of Australia in 2007.

Unless otherwise stated, the directors held office for the entire period.

2 Company secretary

Hana Krskova was appointed Company Secretary on 23 May 2018.

3 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 Company during the financial year are:

Director	Board Meetings	
	A	B
Dr Teresa Anderson	7	6
Mr Bruce Baird	7	6
Mr John Batistich	7	7
Ms Sandra Boswell (resigned 30 October 2020)	6	3
Prof Andrew Boyle	7	7
Mr Rod Halstead	7	6
Prof Shaun Jackson	7	7
Prof Len Kritharides	7	7
Mr Richard Rassi	7	7
Prof Stephen Simpson	7	5

A – Number of meetings held during the time the director held office during the year

B – Number of meetings attended

4 Principal activities

The principal activities of the Group during the course of the financial year were medical research and fundraising to support this research.

Long and short term objectives of the Heart Research Institute

Long term:

The Heart Research Institute's mission is to prevent death and suffering from heart disease through an understanding of the biological processes that cause atherosclerosis and thrombosis, the major underlying causes of most heart attacks and strokes.

The Heart Research Institute has four core objectives:

- To investigate mechanisms contributing to the pathogenesis of cardiovascular disease
- To develop new ways to detect symptoms of cardiovascular disease before it leads to clinical problems
- To develop new treatments which can reverse the development of heart disease
- To prevent individuals developing cardiovascular disease in the future

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Directors' report (continued)

For the year ended 31 December 2020

4 Principal activities (continued)

Short term:

The major short-term focus of our research is understanding the development and progression of atherothrombotic conditions in which the arteries are narrowed and restricted due to a build-up of fatty deposits. This is being achieved via scientific and clinical research work carried out by the scientific groups that make up the HRI. These include the Atherosclerosis and Vascular Remodelling Group, the Arterial Inflammation and Redox Biology Group, the Cardiometabolic Disease Group, the Cardiovascular Medical Devices Group, the Cardiovascular Neuroscience Group, the Cardiovascular-Protective Signalling and Drug Discovery Group, the Clinical Research Group, the Coronary Diseases Group, the Haematology Research Group, the Heart Rhythm and Stroke Prevention Group, the Inflammation Group, the Microvascular Research Group, the Platelet Biology Group, the Thrombosis Group, the Vascular Complications Group and the Vascular Immunology Group.

The directors consider the Group's key performance indicators to be the following:

- Number of scientific papers published in peer reviewed journals
- Number of citations by external world-wide researchers to work published by HRI researchers
- Number of competitive research grants obtained and their value
- Number of scientific projects undertaken
- Number of presentations of scientific data made at major international and national conferences
- Net funds generated by fundraising activities applied to HRI objectives
- Number of Honours, PhD and post-doctoral students trained and / or mentored

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

5 Operating and financial review

Overview of the Group

The profit of the Group for the year ended 31 December 2020 was \$3,401,823 (2019 profit: \$1,689,436).

6 Environmental regulation

The Group's operation is not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group during the period covered by this report.

7 Membership

The Company is a company limited by guarantee and without share capital. In the event of the winding up of the Company, the liability of the members is limited by personal guarantees to the extent of \$100 each towards meeting any outstanding obligations of the Company.

The number of members as at 31 December 2020 was 67 (2019: 67). The total amount that members of the Company are liable to contribute if the Company is wound up is \$6,700 (2019: \$6,700).

8 COVID 19 update

The directors do not expect any significant impacts from the ongoing effects of the COVID-19 pandemic for potential adverse effects on fundraising revenue. The directors will continue to monitor closely the results of the Group. The Directors do not believe that COVID-19 will affect the Group's capacity to remain a going concern for the foreseeable future.

9 Events subsequent to reporting date

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

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Directors' report (continued)

For the year ended 31 December 2020

10 Likely developments

Information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

11 Indemnification and insurance of officers and auditors

Indemnification

Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Company.

The Company has agreed to indemnify the current directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums

During the financial year the Company, has paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 31 December 2020 and since the financial year, the Company has paid or agreed to pay premiums in respect of such insurance contracts for the year ending 31 December 2020. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the Company to the extent permitted by the Corporations Act 2001.

12 Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 6 and forms part of the directors' report for the financial year ended 31 December 2020.

This report is made in accordance with a resolution of the directors:



L Kritharides
Chairman

Dated at Sydney this 14th day of April 2021



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 Heart Research Institute Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2020 there have been:

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

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Cameron Roan', written over a circular stamp or seal.

Cameron Roan
Partner

Sydney

14 April 2021

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Consolidated statement of profit or loss and other comprehensive income For the year ended 31 December 2020

<i>In AUD</i>	<i>Note</i>	2020	2019
		\$	\$
Revenue	4	20,111,301	24,614,272
Other income	5	1,971,720	295,344
Depreciation expense		(1,674,753)	(1,880,488)
Personnel expenses	6	(8,735,501)	(9,517,977)
Fundraising costs		(3,842,002)	(7,915,011)
Computer expenses		(431,025)	(285,328)
Marketing and communications		(95,859)	(312,470)
Facilities expense		(736,345)	(1,006,716)
Other expenses		(942,900)	(1,119,470)
Research costs		(2,933,935)	(2,976,943)
Results from operating activities		2,690,701	(104,787)
Net investment income	7	791,284	1,888,923
Lease interest	15	(80,162)	(94,700)
Profit before income tax		3,401,823	1,689,436
Tax expense		-	-
Profit for the year		3,401,823	1,689,436
Other comprehensive income			
Foreign currency translation differences - foreign operations	17	(369,191)	197,031
Other comprehensive income for the year, net of tax		(369,191)	197,031
Total comprehensive income for the year		3,032,632	1,886,467

The notes on pages 11 to 26 are an integral part of these consolidated financial statements.

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Consolidated statement of financial position

As at 31 December 2020

<i>In AUD</i>	<i>Note</i>	2020 \$	2019 \$
Assets			
Cash and cash equivalents	8	14,975,619	11,695,588
Trade and other receivables	9	788,714	315,178
Other investments, including derivatives	10	4,363,825	4,320,416
Inventories		77,536	69,473
Prepayments		309,341	223,469
Total current assets		20,515,035	16,624,124
Other investments, including derivatives	10	15,718,720	15,240,403
Property, plant and equipment	11	14,853,249	15,731,086
Right of use asset	15	1,608,660	2,010,825
Total non-current assets		32,180,629	32,982,314
Total assets		52,695,664	49,606,438
Liabilities			
Trade and other payables	12	2,448,500	2,247,322
Employee benefits	13	697,760	561,811
Deferred income	14	2,222,348	2,229,379
Lease liability	16	383,321	354,614
Total current liabilities		5,751,929	5,393,126
Lease liability	16	1,345,167	1,729,743
Employee benefits	13	353,503	271,136
Total non-current liabilities		1,698,670	2,000,879
Total liabilities		7,450,599	7,394,005
Net assets		45,245,065	42,212,433
Funds			
Reserves	17	3,195,618	3,476,620
Retained earnings		42,049,447	38,735,813
Total funds		45,245,065	42,212,433

The notes on pages 11 to 26 are an integral part of these consolidated financial statements.

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Consolidated statement of changes in funds For the year ended 31 December 2020

<i>In AUD</i>	Reserves (note 17) \$	Retained earnings \$	Total equity \$
Opening balance at 1 January 2019	2,865,208	37,460,758	40,325,966
Total comprehensive income for the year			
Profit for the year	-	1,689,436	1,689,436
<i>Other comprehensive income</i>			
Foreign currency translation differences for foreign operations	197,031	-	197,031
Total comprehensive income/(loss) for the year	197,031	1,689,436	1,886,466
Transfer to Salteri research endowment fund	414,381	(414,381)	-
Balance at 31 December 2019	3,476,620	38,735,813	42,212,433
Opening balance at 1 January 2020	3,476,620	38,735,813	42,212,433
Total comprehensive income for the year			
Profit for the year	-	3,401,823	3,401,823
<i>Other comprehensive income</i>			
Foreign currency translation differences for foreign operations	(369,191)	-	(369,191)
Total comprehensive income for the year	(369,191)	3,401,823	3,032,632
Transfer to Salteri research endowment fund	88,189	(88,189)	-
Balance at 31 December 2020	3,195,618	42,049,447	45,245,065

The notes on pages 11 to 26 are an integral part of these consolidated financial statements.

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Consolidated statement of cash flows

For the year ended 31 December 2020

<i>In AUD</i>	<i>Note</i>	2020	2019
		\$	\$
Cash flows from operating activities			
Cash receipts from fundraising		17,659,604	19,846,620
Cash paid to suppliers and employees		(18,054,573)	(22,073,432)
Cash receipts from government and other grants		4,318,398	5,392,190
Cash generated from operating activities		3,923,428	3,165,378
Interest received		143,945	136,583
Net cash from operating activities		4,067,373	3,301,961
Cash flows from investing activities			
Acquisition of property, plant and equipment	11	(394,751)	(1,158,149)
Transfers from investments		43,409	3,532,966
Net cash (used in)/from investing activities		(351,342)	2,374,817
Cash flows from financing activities			
Payment of lease liability	15	(436,000)	(318,096)
Net cash used in financing activities		(436,000)	(318,096)
Net increase in cash and cash equivalents		3,280,031	5,358,682
Cash and cash equivalents at beginning of year		11,695,588	6,336,906
Cash and cash equivalents at end of year	8	14,975,619	11,695,588

The notes on pages 11 to 26 are an integral part of these consolidated financial statements.

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the consolidated financial statements

For the year ended 31 December 2020

1 Reporting entity

Heart Research Institute Limited (the Company) is a company limited by guarantee, incorporated and domiciled in Australia. The address of the Company's registered office is 7 Eliza Street, Newtown, NSW 2042, Australia. The consolidated financial statements of the Company as at and for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities). Heart Research Institute Limited is itself the ultimate Australian parent entity.

The Group is a not-for-profit entity and is primarily involved in medical research and fundraising.

2 Basis of preparation

(a) Statement of compliance and differential reporting framework

In the opinion of the directors, the Group is not publicly accountable. The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board and the Australian Charities and Not-for-profits Commission Act 2012. These financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements.

This is the first set of the Group's annual financial statements in which AASB 1058 Income of Not-for-Profit entities has been applied. Refer to note 3(a) for impact on recognition and measurement of revenue.

The consolidated financial statements were authorised for issue by the Board of Directors on the 7th April 2021.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for financial assets that have been measured at fair value through profit or loss.

(c) Functional and presentation currencies

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities, and the accompanying disclosures, and the disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of and valuation of investments

Under AASB 9, the Group recognises the movements in fair value through statement of profit or loss. The fair value of unlisted managed funds has been determined by reference to unit prices determined by fund investment manager.

Impairment of non-financial assets other than goodwill and indefinite life intangibles

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. Where an impairment trigger exists, the recoverable amount of the asset is determined.

COVID-19 pandemic

The Group has assessed the impacts of the COVID-19 pandemic. Apart from the adverse impact on fundraising revenue, the Group has not been significantly impacted and has continued to operate effectively throughout the financial year. The directors have assessed that the going concern basis of accounting remains appropriate.

Estimates and assumptions

The estimation of useful lives of assets has been based on historical experience. In addition, the condition of the assets is assessed and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the consolidated financial statements

For the year ended 31 December 2020

3 Summary of significant accounting policies

(a) Changes in accounting policies

(i) Changes in accounting policy, new and amended standards and interpretations

AASB 1058 Income of Not-for-profit Entities - Research grant income

On 1 January 2020, the Company adopted AASB 1058 Income of Not-for-Profit Entities ("AASB 1058") to Research grant income. The application of "research grants" was originally deferred by Australian Accounting Standards Board (AASB) in the previous year.

The key changes to Company's accounting policies and the impact on the financial report from applying AASB 1058 are described below.

For revenue other than research grant income, the Company has already adopted AASB 15 and AASB 1058 which establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 Revenue, AASB 111 Construction contracts, AASB 1004 Contributions and related interpretations.

The Company has applied the new accounting standard using the modified retrospective (cumulative catch-up) method which means the comparative information has not been restated and continues to be reported under AASB 111 Construction Contracts, AASB 118 Revenue, AASB 1004 Contributions and related interpretations. All adjustments on adoption of AASB 1058 (applicable to research grants) have been taken to accumulated funds at 1 January 2020 (if any).

Nature of change in accounting policy from adoption of AASB 1058 (Research grant income)

Research grant income

Under AASB 1004 Contributions and AASB 118 Revenue, research grant income which meet the definition of reciprocal transfers, was initially recognised as a liability and revenue was recognised as services are performed or conditions fulfilled (also known as Reciprocal Transfers).

Revenue from non-reciprocal research grants were recognised when the company obtained control of the funds.

Under the new revenue standard, the concept of reciprocal and non-reciprocal transactions are removed and the new standard introduces assessment of enforceability and sufficiently specific performance conditions. Revenue recognition is impacted by whether these criteria are met.

From the assessment of research grants income received, all grants fall under AASB 1058. As the relevant contracts are enforceable but not sufficiently specific, there was no material impact noted on the recognition and measurement of revenue as a consequence of the application of AASB 1058.

This is further discussed in note 3 (e).

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

3 Significant accounting policies (continued)

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Heart Research Institute Limited and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- * Power over the investee (i.e. existing right that give it the current ability to direct the relevant activities of the investee);
- * Exposure, or rights, to variable returns from its involvement with the investee; and
- * The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- * The contractual arrangement with the other vote holders of the investee;
- * Rights arising from other contractual arrangements; and
- * The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it de-recognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the income statement. Any investment retained is recognised at fair value.

Foreign operations

The assets and liabilities of foreign operations are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, are translated to Australian dollars at average exchange rates for the year.

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

3 Significant accounting policies (continued)

(b) Basis of consolidation (continued)

Subsidiaries

Subsidiaries are entities controlled by the Group. Control is when the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. Investments in subsidiaries are measured at cost less any impairment losses.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current and non-current classification. An asset is current when it is:

- * Expected to be realised or intended to be sold or consumed in the Group's normal operating cycle
- * Held primarily for the purpose of trading
- * Expected to be realised within twelve months after the reporting period, or
- * Cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

A liability is current when:

- * It is expected to be settled in the Group's normal operating cycle
- * It is held primarily for the purpose of trading
- * It is due to be settled within twelve months after the reporting period, or
- * There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

(d) Foreign currency translation

(i) *Foreign currency transactions and balances*

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

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

Foreign currency translation differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of 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.

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

3 Significant accounting policies (continued)

(e) Revenue recognition

Research grant income (Policy applicable for 1 January 2019 to 31 December 2019)

The Group receives research grants from government and other funding bodies which are recorded as revenue depending on the terms and conditions of the grant:

(i) Non-Reciprocal Transfers

Non-reciprocal grants are recognised at their fair value when there is reasonable assurance that the grant will be received or receivable as the Group obtains control of the contribution or the right to receive the contribution is established. Such grants are treated as non-reciprocal transfers in accordance with AASB 1004 Contributions.

(ii) Reciprocal Transfers

Research grants which have performance or return obligations and conditions are recognised when the funds have been appropriately spent for the purposes specified in the grant award. The Group regards the receipt of such funds as reciprocal in nature under AASB 118 Revenue which requires revenue to be recognised in the reporting periods in which the services are rendered. A liability is recognised in the statement of financial position in respect of grant revenue which is unearned at the balance date.

Grant income (Policy applicable for 1 January 2020 to 31 December 2020)

The Group receives research grants from government and other funding bodies. Grants received under agreements where the performance obligations are not sufficiently specific are recognised on receipt, or when the Group becomes contractually entitled to the asset.

Where the grant agreement includes a 'termination of convenience' clause, a contract liability is recognised on receipt of funds and the grant income is recognised when the relevant research expenditure is incurred.

Revenue from fundraising

Donations

Donations collected, including cash and goods for resale, are recognised as revenue when the Group gains control of the asset.

Bequests

Bequests are recognised when the Group is notified of an impending distribution or the bequest is received, whichever occurs earlier.

Revenue from bequests comprising of shares or other property are recognised at fair value, being the market value of the shares or property at the date the Group becomes legally entitled to the shares or property.

Distribution income from investments

Revenue is recognised from investment distributions when the Group's right to receive the payment is established, which is generally when the distribution is paid by the portfolio manager.

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

3 Significant accounting policies (continued)

(f) Income tax

The income of the Institute and its subsidiaries are exempt from Income tax pursuant to the provisions of subdivision 50-B of the Income Tax Assessment Act 1997 and receive GST concessions under division 176 of A New Tax System Act 1999 and FBT exemptions under section 123D of the Fringe Benefits Tax Assessment Act 1986. The Institute is also exempt from other government levies such as payroll tax.

(g) Goods and Services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- * When the GST incurred on a purchase of goods or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as application , and
- * When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(h) Property, plant and equipment

(i) Recognition and measurement

Land and buildings are measured at cost less accumulated depreciation on buildings and accumulated impairment losses.

All other items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets 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. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

3 Significant accounting policies (continued)

(h) Property, plant and equipment (continued)

(iii) 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. Land is not depreciated.

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

• buildings	20 years
• furniture and fittings	3 to 7 years
• motor vehicles	3 to 10 years
• research equipment	3 to 4 years
• computer software	3 to 4 years

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

(i) Leased assets

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 definition of lease in AASB 16.

(i) As a lessee

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 and plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are 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.

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, and the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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; and
- 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, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. 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 and lease liabilities separately 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.

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

3 Significant accounting policies (continued)

(j) Inventories

Inventories are measured 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 all direct materials.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(k) Financial instruments

Classification

AASB 9 contains a classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

Impairment

AASB 9 applies a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Impairment of Financial Assets

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired.

The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(l) Cash and short term deposits

Cash and short term deposits in the statement of financial position comprise cash at bank and on hand and short term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

3 Significant accounting policies (continued)

(m) 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 pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) *Other long-term employee benefits*

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

(iii) *Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(o) Net investment income

Investment income comprises interest income on investments and dividends. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

4 Revenue

<i>In AUD</i>	2020	2019
	\$	\$
Competitive grants and other government support	3,932,847	5,910,281
Fundraising	15,929,587	18,270,871
Bequests	248,867	433,120
	<u>20,111,301</u>	<u>24,614,272</u>

5 Other income

<i>In AUD</i>	2020	2019
	\$	\$
Other income	379,285	295,344
Government subsidies - Job keeper	1,592,435	-
	<u>1,971,720</u>	<u>295,344</u>

6 Personnel expenses

<i>In AUD</i>	2020	2019
	\$	\$
Wages and salaries	7,851,707	8,636,978
Contributions to defined contribution plans	883,794	880,999
	<u>8,735,501</u>	<u>9,517,977</u>

7 Net investment income

Recognised in profit or loss

<i>In AUD</i>	2020	2019
	\$	\$
Interest income	143,945	139,029
Distribution income on other investments, including derivatives	766,612	678,932
Fair value (loss)/ gain on other investments, including derivatives	(119,273)	1,070,962
Investment income	<u>791,284</u>	<u>1,888,923</u>
Net investment income recognised in profit or loss	<u>791,284</u>	<u>1,888,923</u>

8 Cash and cash equivalents

<i>In AUD</i>	2020	2019
	\$	\$
Cash in hand	870	866
Cash at bank	14,974,749	11,694,722
Cash and cash equivalents	<u>14,975,619</u>	<u>11,695,588</u>

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

9 Trade and other receivables

<i>In AUD</i>	2020	2019
	\$	\$
Trade and other receivables	510,506	304,426
GST receivable	278,208	10,752
	<u>788,714</u>	<u>315,178</u>

10 Other investments, including derivatives

<i>In AUD</i>	2020	2019
	\$	\$
Current investments		
Term deposits	<u>4,363,825</u>	<u>4,320,416</u>
Non-current investments		
Management investment funds - Salteri research endowment fund	3,248,114	3,159,925
Management investment funds - Strategic capital pool	6,121,684	5,954,163
Management investment funds - Tactical capital pool	6,240,226	6,017,620
Other investments	108,696	108,695
	<u>15,718,720</u>	<u>15,240,403</u>

Investments

Investments consist of investments in ordinary shares and securities, and therefore have no fixed maturity date or coupon rate. The fair value of the listed, investments designated at fair value through profit or loss has been determined directly by reference to published price quotations in an active market. The portfolio is managed by Russell Investments during the year.

Changes in the net market value of the listed income securities and other investment funds are recognised as fair value changes through profit and loss under the accounting policy AASSB 9 *Financial Instruments (Refer to note 3)*. These and any cash accounts held as part of the Fund, provided the Group a net decrease in value of \$119,273 (2019: increase of \$1,070,962).

Salteri research endowment fund

The directors established, by resolution, the Salteri research endowment fund ("the Fund") on 16 December 1998. The directors created a constitution for the Fund, which was formed to build up a capital base to provide an income stream to fund the Group's ongoing, non-surplus activities. All monies associated with this fund have been separately identified and a reserve created to reflect the restricted use of these assets.

Strategic capital pool

The Strategic capital pool is funds set aside for long term unrestricted use and managed by external investment advisors in accordance with the investment strategy of the Group.

Tactical capital pool

The Tactical capital pool is funds set aside for medium term unrestricted use and managed by external investment advisors in accordance with the investment strategy of the Group.

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

11 Property, plant and equipment

<i>In AUD</i>	Land and buildings \$	Furniture and fittings \$	Motor vehicles \$	Research equipment \$	Computer Software \$	Total \$
Cost or deemed cost						
Balance at 1 January 2019	21,870,685	1,082,348	31,719	5,990,079	1,615,859	30,590,690
Additions	-	-	-	1,013,610	144,539	1,158,149
Disposals	-	(240,934)	-	(106,109)	(390,939)	(737,982)
Balance at 31 December 2019	21,870,685	841,415	31,719	6,897,580	1,369,459	31,010,858
Balance at 1 January 2020	21,870,685	841,415	31,719	6,897,580	1,369,459	31,010,858
Additions	-	4,248	-	338,228	52,275	394,751
Balance at 31 December 2020	21,870,685	845,663	31,719	7,235,808	1,421,734	31,405,609
Depreciation and impairment losses						
Balance at 1 January 2019	7,032,870	947,776	31,719	5,188,400	1,292,893	14,493,658
Depreciation for the year	740,960	30,878	-	447,398	259,088	1,478,324
Disposals	-	(240,932)	-	(92,679)	(358,599)	(692,210)
Balance at 31 December 2019	7,773,830	737,722	31,719	5,543,119	1,193,382	15,279,772
Balance at 1 January 2020	7,773,830	737,722	31,719	5,543,119	1,193,382	15,279,772
Depreciation for the year	724,670	30,230	-	415,222	102,466	1,272,588
Balance at 31 December 2020	8,498,500	767,952	31,719	5,958,341	1,295,848	16,552,360
Carrying amounts						
At 31 December 2019	14,096,855	103,693	-	1,354,460	176,077	15,731,086
At 31 December 2020	13,372,185	77,711	-	1,277,467	125,886	14,853,249

The latest independent valuations of the Company's land and buildings was carried out as at 16 November 2017 by CBRE between \$25,000,000 and \$27,000,000 on the basis of capitalisation method and building price per square metre check. As land and buildings are recorded at cost, the valuation has not been brought to account.

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

12 Trade and other payables

<i>In AUD</i>	2020	2019
	\$	\$
Trade payables		
Trade payables	859,070	714,932
Other trade payables	781,315	550,907
Accrued expenses	808,115	981,483
	<u>2,448,500</u>	<u>2,247,322</u>

13 Employee benefits

<i>In AUD</i>	2020	2019
	\$	\$
Current		
Liability for long service leave	58,973	17,255
Liability for annual leave	638,787	544,556
	<u>697,760</u>	<u>561,811</u>
Non-current		
Liability for long service leave	<u>353,503</u>	<u>271,136</u>

14 Deferred income

<i>In AUD</i>	2020	2019
	\$	\$
Government grants	<u>2,222,348</u>	<u>2,229,379</u>

15 Right-of-use asset

The Company holds lease for property with lease terms ranging up to six years.

<i>In AUD</i>	2020	2019
	\$	\$
Right-of-use asset	1,608,660	2,010,825
Net carrying value	<u>1,608,660</u>	<u>2,010,825</u>

Amounts recognised in profit or loss in AUD

Depreciation expensed for the year	402,165	402,165
Interest expense	80,162	94,700
Expenses relating to variable lease payments not included in the measurement of the lease liability	<u>482,327</u>	<u>496,865</u>

The total cash outflow in relation to lease payments amounted to \$436,000 (2019: \$318,096)

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

16 Lease liability

In AUD

	2020	2019
	\$	\$
Amounts due for settlement within less than 12 months (current liabilities)	383,321	354,614
Amounts due for settlement in more than 12 months (non-current liabilities)	1,345,167	1,729,743
	<u>1,728,488</u>	<u>2,084,357</u>

Maturity analysis

In AUD

Not later than 1 year	383,321	354,614
Later than 1 year but not later than 5 years	1,345,167	1,729,743
Later than 5 years	-	-
	<u>1,728,488</u>	<u>2,084,357</u>

17 Reserves

<i>In AUD</i>	Salteri research endowment fund	Foreign currency translation reserve	Total
	\$	\$	\$
At 1 January 2020	3,159,925	316,695	3,476,620
Currency translation differences	-	(369,191)	(369,191)
Transfer from retained earnings	88,189	-	88,189
At 31 December 2020	<u>3,248,114</u>	<u>(52,496)</u>	<u>3,195,618</u>

Foreign currency translation reserve

This translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Salteri research endowment fund

The Salteri Research Endowment Fund reserve contains funds that have been set aside by resolution of the Board for the purpose of investment, generating ongoing investment income for the Company.

Under AASB 9, the movement in the fair value of investments will be realised in statement of profit or loss with any change in value then transferred from retained earnings to the Fund.

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

18 Related parties (for non-disclosing entities)

Key management personnel compensation

Total key management personnel compensation during the year was \$1,667,205 (2019: \$1,810,981).

Directors' compensation

The non-executive directors of the Company are appointed on an honorary basis and as a result do not receive any remuneration either directly or indirectly in their capacity as directors of the Heart Research Institute Limited or any of its related parties. The executive director was appointed by the Board and is remunerated as an employee of the Company. Transactions with directors and their related parties have been under the Company's normal terms and conditions.

Executive compensation is set with reference to comparable roles in other organisations and indexed to the Consumer Price Index. The Board has the ability to set performance goals for executives and can reward these executives for the achievement of these performance goals accordingly.

Contributions from the Company

One of the Company's directors is the founder and sole shareholder of Cruentus Pty Ltd and Thrombio Holdings Pty Ltd, Australian biotechnology companies developing novel antithrombotic therapeutics. The Company is currently investigating investment opportunities and collaborative arrangements with these two organisations with respect to the commercialisation initiatives linked to the development of a new anti-platelet drug. During the year, the Institute paid for \$61,611.78 (FY19: NIL) in costs on behalf of these two entities. These amounts are held on the balance sheet as other receivables and will be reimbursed to the HRI.

19 Group entities

Parent and ultimate controlling party

The Heart Research Institute Limited is the ultimate parent company of the wholly-owned Group.

Parent entity

Heart Research Institute Limited

Significant subsidiaries	Country of incorporation	Ownership interest	
		2020	2019
The Heart Research Institute (UK)	United Kingdom	100%	100%
The Heart Research Institute (NZ)	New Zealand	100%	100%
The Heart Research Institute (Canada)	Canada	100%	100%

20 Parent entity disclosures

As at, and throughout, the financial year ended 31 December 2020 the parent entity of the Group was Heart Research Institute Limited.

	2020	2019
<i>In AUD</i>	\$	\$
Result of parent entity		
Profit/ (loss) for the year	1,609,664	(722,439)
Other comprehensive income	-	-
Total comprehensive income for the year	1,609,664	(722,439)
Financial position of parent entity at year end		
Current assets	7,607,172	5,383,801
Total assets	44,410,289	42,688,316
Current liabilities	5,140,534	5,282,430
Total liabilities	7,395,618	7,283,309
Total funds of the parent entity comprising of:		
Reserves	2,745,544	2,745,544
Retained earnings	34,269,127	32,659,463
Total funds	37,014,671	35,405,007

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

21 Events after the reporting period

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

COVID-19 impact

The directors do not expect any significant impacts from the ongoing effects of the COVID-19 pandemic save for potential adverse effects on fundraising revenue. The directors will continue to monitor closely the results of the Group. The directors do not believe that COVID-19 will affect the Group's capacity to remain a going concern for the foreseeable future.

22 Information and declaration to be furnished under the Charitable Fundraising (NSW) Act, 1991

(a) Fundraising appeals conducted during the financial year

Mail appeal, Trader appeals and Support direct, Lotteries, Sundry campaigns and donations.

(b) Details of aggregate gross income and total direct expenses of fundraising

<i>In AUD</i>	2020	2019
	\$	\$
<i>Gross proceeds from fundraising appeals:</i>		
Mail appeals	229,473	279,665
Trader appeals and Support Direct	10,832,779	12,755,905
Lotteries	1,636,950	1,635,257
Sundry campaigns and general donations	157,954	200,160
	<u>12,857,156</u>	<u>14,870,987</u>
<i>Less total costs of fundraising appeals:</i>		
Mail appeals	84,107	147,115
Trader appeals and Support Direct	2,037,862	5,824,430
Lotteries	911,956	911,245
Sundry campaigns and general donations	578	23,359
	<u>3,034,503</u>	<u>6,906,149</u>
Net surplus raised from fundraising appeals	<u>9,822,653</u>	<u>7,964,838</u>

These Australian fundraising gross income and total direct expenses do not include the proceeds and costs associated with bequests.

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Directors' declaration - Australian Charities and Not-For-Profits Commission Act 2012

In the opinion of the directors of Heart Research Institute Limited (the Company):

- (a) the Company is not publicly accountable;
- (b) the consolidated financial statements and notes, set out on pages 7 to 26, are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial year ended on that date;
 - (ii) complying with Australian Accounting Standards – Reduced Disclosure Regime and the Australian Charities and Not-for-profits Commission Regulation 2013; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.



L Kritharides
Chairman

Dated at Sydney this 14th day of April 2021

HEART RESEARCH INSTITUTE LIMITED AND ITS CONTROLLED ENTITIES

Declaration by Chairman in respect of fundraising appeals:

Charitable Fundraising Act 1991 (NSW)

Charitable Collections Act 1946 (WA)

(Collectively "The Acts")

I, L Kritharides, Chairman of Heart Research Institute Limited, declare, in my opinion:

- (a) the financial statements give a true and fair view of all income and expenditure of The Heart Research Institute with respect to fundraising appeal activities for the financial year ended 31 December 2020;
- (b) the statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeal activities as at 31 December 2020;
- (c) the accounts and associated records have been properly kept during the year ended 31 December 2020 in accordance with the Acts and their regulations;
- (d) the provisions with the Charitable Fundraising Act (NSW) and the Charitable Collections Act (WA) Conditions attached to the authority have been complied with for the financial year ended 31 December 2020;
- (e) the internal controls exercised by The Heart Research Institute Limited are appropriate and effective in accounting for all income received and applied from any fundraising appeals; and
- (f) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



L Kritharides

Chairman

Dated at Sydney this 14th day of April 2021



Independent Auditor's Report

To the members of Heart Research Institute Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report**, of the Heart Research Institute Limited and its controlled entities (the **Group**).

In our opinion, the accompanying **Financial Report** of the Company 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 2020, and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with *Australian Accounting Standards– Reduced Disclosure Requirements* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- i. Consolidated statement of financial position as at 31 December 2020.
- ii. Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in funds, and Consolidated statement of cash flows for the year then ended.
- iii. Notes including a summary of significant accounting policies.
- iv. Directors' declaration of the Company
- v. Declaration by the Chairman in respect of fundraising appeals of the Company.

The **Group** consists of 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 (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.



Other information

Other Information is financial and non-financial information in Heart Research Institute Limited'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.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do 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- Reduced Disclosures Requirements and the ACNC.
- ii. Preparing the Financial Report in accordance with Section 24(2) of the Charitable Fundraising (NSW) Act 1991 and Regulations and Section 15(2) of the WA Charitable Collections Act 1946 and Charitable Collections Regulations 1947.
- 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 and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company 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.



Auditor's responsibilities for the audit of the Financial Report (continued)

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

We also:

- i. Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ii. Obtain an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the registered Group's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 and Company 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.
- vi. Obtain sufficient appropriate audit evidence regarding the financial information of the Group and company or business activities within the entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

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.

In addition, we have:

- i. Obtained an understanding of the internal control structure for fundraising appeal activities.
- ii. Examined on a test basis of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the Acts and Regulations.

We have not audited on a continuous basis the accounting records relied upon for reporting on fundraising appeal activities. These do not necessarily reflect accounting adjustments after the event or normal year-end financial adjustments required for the preparation of Financial Report such as accruals, prepayments, provisioning and valuations.



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 2020;
- ii. the Financial Report has been properly drawn up, and the associated records have been properly kept for the period from 1 January 2020 to 31 December 2020, 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 2020 to 31 December 2020 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.

Opinion pursuant to the Charitable Collections Act (WA) 1946 and Charitable Collections Regulations (WA) 1947

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 2020;
- ii. the Financial Report has been properly drawn up, and the associated records have been properly kept for the period from 1 January 2020 to 31 December 2020, in accordance with the *WA Charitable Collections Act (WA) 1946* and Regulations;
- iii. money received as a result of fundraising appeal activities conducted during the period from 1 January 2020 to 31 December 2020 has been properly accounted for and applied in accordance with the *WA Charitable Collections Act (WA) 1946* 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

Cameron Roan

Partner

Sydney

14 April 2021