

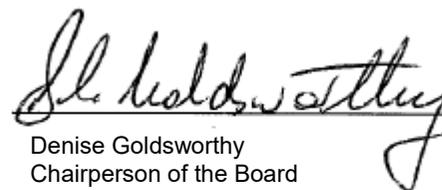
Financial Statements and Notes

Certification of Financial Statements

For the year ended 30 June 2019

The accompanying financial statements of the Minerals Research Institute of Western Australia ('MRIWA') have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2019 and the financial position as at 30 June 2019.

At the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



Denise Goldsworthy
Chairperson of the Board

Date: 13 August 2019



Helen Cook
Deputy Chairperson of the Board

Date: 13 August 2019



Nicole Roocke
Chief Financial Officer

Date: 13 August 2019



Independent Auditor's Report



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

MINERALS RESEARCH INSTITUTE OF WESTERN AUSTRALIA

Report on the Financial Statements

Opinion

I have audited the financial statements of the Minerals Research Institute of Western Australia which comprise the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Minerals Research Institute of Western Australia for the year ended 30 June 2019 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for Opinion

I conducted my audit in accordance with 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 Institute in accordance with the *Financial General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical 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.

Responsibility of the Board for the Financial Statements

The Board is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Institute.

Auditor's Responsibility for the Audit of the Financial Statements

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment 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 agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Board'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 agency'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.
- 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 the Board 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.

Report on Controls

Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Minerals Research Institute of Western Australia. The controls exercised by the Institute are those policies and procedures established by the Board to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

In my opinion, in all material respects, the controls exercised by the Minerals Research Institute of Western Australia are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2019.

The Board's Responsibilities

The Board is responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.



Independent Auditor's Report (continued)

Auditor General's Responsibilities

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and the controls, necessary to achieve the overall control objectives, were implemented as designed.

An assurance engagement to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including the assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or noncompliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

Report on the Key Performance Indicators

Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Minerals Research Institute of Western Australia for the year ended 30 June 2019. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Minerals Research Institute of Western Australia are relevant and appropriate to assist users to assess the Institute's performance and fairly represent indicated performance for the year ended 30 June 2019.

The Board's Responsibility for the Key Performance Indicators

The Board is responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such internal control as the Board determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Board is responsible for identifying key performance indicators that are relevant and appropriate having regard to their purpose in accordance with Treasurer's Instruction 904 *Key Performance Indicators*.

Auditor General's Responsibility

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the agency's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

My Independence and Quality Control Relating to the Reports on Controls and Key Performance Indicators

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Minerals Research Institute of Western Australia for the year ended 30 June 2019 included on the Institute's website. The Institute's management is responsible for the integrity of the Institute's website. This audit does not provide assurance on the integrity of the Institute's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.


SANDRA LABUSCHAGNE
DEPUTY AUDITOR GENERAL
Delegate of the Auditor General for Western Australia
Perth, Western Australia
15 August 2019



Statement of Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 \$	2018 \$
COST OF SERVICES			
Expenses			
Research grants		3,898,268	3,396,536
Scholarships		205,424	164,298
Employee benefits expense	2.1.1	587,398	542,640
Institute Contractor fees		132,312	127,551
Board and committee fees and costs	2.2	106,627	102,099
Supplies and services	2.3	414,389	224,229
Other expenses	2.3	96,647	25,274
Accommodation expenses		59,250	47,250
Depreciation expense	4.1	2,894	3,617
Total cost of services		5,503,209	4,633,494
Income			
Revenue			
Interest revenue		276,093	230,163
Other revenue		33,176	46,009
Revenue from Industry Sponsorship		2,030,952	1,353,193
Total Revenue		2,340,221	1,629,365
Total income other than income from State Government		2,340,221	1,629,365
NET COST OF SERVICES		3,162,988	3,004,129

	Notes	2019 \$	2018 \$
Income from State Government	3.1		
State Government Grant		3,128,000	4,109,000
Resources received free of charge		59,250	47,250
Total income from State Government		3,187,250	4,156,250
SURPLUS/(DEFICIT) FOR THE PERIOD		24,262	1,152,121
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		24,262	1,152,121

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



Statement for Financial Position

As at 30 June 2019

	Notes	2019 \$	2018 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6.1.1	4,445,788	6,766,981
Restricted cash and cash equivalents	6.1.2	8,795,675	6,063,798
Receivables and other assets	5.1	769,918	569,036
Other current assets	5.2	98,167	65,044
Total Current Assets		14,109,548	13,464,859
Non-Current Assets			
Office Equipment	4.1	11,577	14,471
Total Non-Current assets		11,577	14,471
TOTAL ASSETS		14,121,125	13,479,330

	Notes	2019 \$	2018 \$
LIABILITIES			
Current Liabilities			
Payables	5.3	370,952	398,010
Employee benefit provisions	2.1.2	31,028	105,400
Deferred revenue	5.4	3,079,025	2,373,009
Total Current Liabilities		3,481,005	2,876,419
Non-Current Liabilities			
Employee benefit provisions	2.1.2	18,467	5,520
Total Non-Current Liabilities		18,467	5,520
TOTAL LIABILITIES		3,499,472	2,881,939
NET ASSETS		10,621,653	10,597,391
EQUITY			
Accumulated surplus	8.8	10,621,653	10,597,391
TOTAL EQUITY		10,621,653	10,597,391

The Statement of Financial Position should be read in conjunction with the accompanying notes.



Statement of Changes in Equity

For the year ended 30 June 2019

	Notes	Accumulated Surplus \$
Balance at 1 July 2017	8.8	9,445,270
Surplus for the period		1,152,121
Balance at 30 June 2018		10,597,391
Balance at 1 July 2018	8.8	10,597,391
Surplus for the period		24,262
Balance at 30 June 2019		10,621,653

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2019

Notes	2019 \$	2018 \$
CASH FLOWS FROM STATE GOVERNMENT		
State Government Grant	3,128,000	4,109,000
Net cash provided by State Government	3,128,000	4,109,000
Utilised as follows:		
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments		
Research Grant Payments	(4,196,232)	(3,794,470)
Employee benefits	(592,976)	(520,645)
Institute Contractor fees	(132,312)	(127,551)
Board and Advisory committee fees	(26,142)	(34,990)
Supplies and Services	(585,305)	(237,369)
GST payments on Purchases	(355,455)	(267,068)
Receipts		
Receipts from Sponsors	2,488,456	2,305,020
Interest received	279,565	220,484
GST receipts on sales	155,515	134,885
GST receipts from taxation authority	247,570	97,049
Net cash used in operating activities	(2,717,316)	(2,224,655)
Net increase in cash and cash equivalents	410,684	1,884,345
Cash and cash equivalents at the beginning of the period	12,830,779	10,946,434
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	13,241,463	12,830,779

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.



Notes to the Financial Statements

For the year ended 30 June 2019

Note 1. Basis of preparation

The Institute is a WA Government entity and is controlled by the State of Western Australia, which is the ultimate parent company. The Institute is a not-for-profit entity (as profit is not its principal objective).

A description of the nature of its operations and its principal activities have been included in the 'Overview' and 'Our Projects' sections of the Institute's Annual Report which does not form part of these financial statements.

These annual financial statements were authorised for issue by the Accountable Authority of the Institute on 12 August 2019.

Statement of compliance

These general purpose financial statements are prepared in accordance with:

- 1) The *Financial Management Act 2006 (FMA)*
- 2) The Treasurer's Instructions (**TIs**)
- 3) Australian Accounting Standards (**AASs**) - Reduced Disclosure Requirements
- 4) Where appropriate, those **AAS** paragraphs applicable for not-for-profit entities have been applied.

The *Financial Management Act 2006* and the Treasurer's Instructions take precedence over AASs. Several AASs are modified by TIs to vary application, disclosure format and wording. Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

Basis of preparation

The financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case the different measurement basis is disclosed in the associated note.

Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

Contributed equity

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to, transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 Contributions by Owners made to Wholly-Owned Public Sector Entities and have been credited directly to Contributed Equity.

The transfers of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.



Note 2. Use of our funding

Expenses incurred in the delivery of services

This section provides the additional information about how the Institute's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the Institute in achieving its objectives and the relevant notes are:

	Notes	2019 \$	2018 \$
Research grants		3,898,268	3,396,536
Scholarships		205,424	164,298
Employee benefits expenses	2.1.1	587,398	542,640
Employee benefits provisions	2.1.2	49,495	110,920
Board and committee fees and costs	2.2	106,627	102,099
Other expenses	2.3	511,036	249,503

Research grants expense is recognised when the Institute becomes obliged to make payment to the grantee. The Institute becomes obliged to make payment when the grantee has met the conditions of the grant agreement, normally on a quarterly basis.

Scholarship expense represents the Institute's obligation to fund approved scholarships.

2.1.1 Employee benefits expenses

	2019 \$	2018 \$
Wages and salaries	532,534	498,337
Superannuation - defined contribution plans ^(a)	54,864	44,303
	587,398	542,640

(a) Defined contribution plans include West State Superannuation Scheme (WSS), Gold State Superannuation Scheme (GSS), Government Employees Superannuation Board Schemes (GESBs) and other eligible funds.

Wages and salaries: Employee expenses include all costs related to employment including wages and salaries, and leave entitlements.

Superannuation: The amount recognised in profit or loss of the Statement of Comprehensive Income comprises employer contributions paid to the GSS (concurrent contributions), the WSS Scheme, the GESBs or other superannuation funds. The employer contribution paid to the Government Employees Superannuation Board (GESB) in respect of the GSS is paid back into the Consolidated Account by the GESB.

GSS (concurrent contributions) is a defined benefit scheme for the purposes of employees and whole-of-government reporting. It is however a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by the Institute to GESB extinguishes the Institute's obligations to the related superannuation liability.

The Institute does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. The Liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Institute to the GESB.

The GESB and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.



2.1.2 Employee related provisions

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

	2019 \$	2018 \$
<u>Current</u>		
Employee benefits provision		
Annual leave ^(a)	14,127	24,618
Long service leave ^(b)	16,901	80,782
	31,028	105,400
<u>Non-Current</u>		
Employee benefits provision		
Long service leave ^(b)	18,467	5,520
	18,467	5,520

(a) **Annual leave liabilities:** Classified as current as there is no unconditional right to defer settlement for at least 12 months after the reporting period.

The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

(b) **Long service leave liabilities:** Unconditional long service leave provisions are classified as **current** liabilities as the Institute does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Pre-conditional and conditional long service leave provisions are classified as **non-current** liabilities because the Institute has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

The provision for long service leave is calculated at present value as the Institute does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

2.2 Board and committee fees and costs

	2019 \$	2018 \$
Board of Directors' remuneration	83,582	79,716
Advisory Committee attendance fees	15,439	18,947
Board and Advisory Committee's expenses	7,606	3,436
	106,627	102,099



2.3 Other expenditure

	2019	2018
	\$	\$
Supplies and services		
Printing and stationery	1,133	1,671
Communications	26,710	46,901
Business travel	11,985	20,396
Accounting services	131,870	88,362
Consultants	165,952	13,636
Legal services	23,598	12,996
Insurance	6,043	12,253
Sponsorships	5,599	6,000
Other	41,499	22,014
Total supplies and services	414,389	224,229
Other expenses		
Audit fees	18,900	18,650
Bad debts expense	22,000	24
Employee expenses	39,206	-
Employee on-costs	11,524	6,600
Office fit out	5,017	-
	96,647	25,274
Total other expenses	511,036	249,503

Supplies and services: Supplies and services are recognised as an expense in the reporting period in which they are incurred.

Other expenses: Other expenditures generally represent the day-to-day running costs incurred in normal operations.

Bad debts expense: Bad debts expense was recognised as the movement in the allowance for doubtful debts.

Employee on-costs: Includes workers' compensation insurance. Superannuation contribution accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.



Note 3. Our funding sources

How we obtain our funding

This section provides additional information about how the Institute obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by the Institute and the relevant notes are:

	Notes	2019 \$	2018 \$
Income from State Government	3.1	3,187,250	4,156,250

3.1 Income from State Government

	2019 \$	2018 \$
State Government Grants	3,128,000	4,109,000
	3,128,000	4,109,000

Services received free of charge from other State Government agencies during the period:

	2019 \$	2018 \$
Department of Mines, Industry Regulation and Safety	59,250	47,250
	59,250	47,250
	3,187,250	4,156,250

State Government Grant: Revenue is recognised at fair value when MRIWA obtains control over the assets comprising the contributions, usually when cash is received.

Resources received free of charge or for nominal cost: Resources received free of charge or for nominal cost that MRIWA would otherwise purchase if not donated, are recognised as income at fair value where they can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of Financial Position.

Resources received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.



Note 4. Key assets

Assets the Institute utilises for economic benefit or service potential

This section includes information regarding the key assets the Institute utilises to gain economic benefits or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets:

	Notes	2019 \$	2018 \$
Office equipment	4.1	11,577	14,471

4.1 Office Equipment

	2019 \$	2018 \$
<u>Office equipment</u>		
At cost	33,480	33,480
Accumulated depreciation	(21,903)	(19,009)
	11,577	14,471
Office equipment		
Carrying amount at start of period	14,471	18,088
Depreciation	(2,894)	(3,617)
Carrying amount at end of period	11,577	14,471

Initial recognition

Items of plant and equipment costing \$5,000 or more are recognised initially at cost. Where an asset is acquired for no or nominal cost, the cost is valued at its fair value at the date of acquisition. Items of plant and equipment costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

Subsequent measurement

All plant and equipment is stated at historical cost less accumulate depreciation and accumulated impairment losses.

Depreciation

All plant and equipment having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. The expected useful life for plant and equipment is 3 to 7 years.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments are made where appropriate.

Impairment

Non-financial assets, including items of plant and equipment, are tested for impairment whenever there is an indication that the assets may be impaired. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised.

Where an asset measured at cost is written down to its recoverable amount, an impairment loss is recognised through profit or loss.



Where a previously revalued asset is written down to its recoverable amount, an impairment loss is recognised as a revaluation decrement through other comprehensive income.

As the Institute is a not-for-profit institute, the recoverable amount of regularly revalued specialised assets is anticipated to be materially the same as fair value.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised in prior years.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from declining replacement costs.

Note 5. Other assets and liabilities

This section sets out those assets and liabilities that arose from the Institute's controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations:

	Notes	2019 \$	2018 \$
Receivables	5.1	769,918	569,036
Other current assets	5.2	98,167	65,044
Payables	5.3	370,952	398,010
Deferred revenue	5.4	3,079,025	2,373,009

5.1 Receivables

	2019 \$	2018 \$
<u>Current</u>		
Grant receivables - Sponsorship	723,058	449,042
Less: provision for doubtful debts	(22,000)	-
	701,058	449,042
GST receivable	68,860	119,994
	769,918	569,036

Trade receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written off against the allowance account. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.



5.2 Other current assets

	2019 \$	2018 \$
Accrued Interest	61,572	65,044
Prepayments	1,464	-
Other receivables	35,131	-
	98,167	65,044

Revenue is recognised when the interest accrues.

5.3 Payables

	2019 \$	2018 \$
<u>Current</u>		
Research grants payable	66,000	189,860
Payables	-	16,899
Accrued research grants	201,250	134,799
Accrued general expenses	101,749	54,440
Accrued salaries	1,953	2,012
	370,952	398,010

All Payables are recognised when MRIWA becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as they are generally settled within 30 days.

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Institute considers the carrying amount of accrued salaries to be equivalent to its fair value.

Accrued research grants & general expenses represent the amounts due to researchers and suppliers but unpaid at the end of the financial year. These payments are settled within 30 days of the financial year end. MRIWA considers the carrying amount of accrued expenses to be equivalent to its fair value.

5.4 Deferred revenue

	2019 \$	2018 \$
Deferred Revenue - Sponsorship	3,079,025	2,373,009
	3,079,025	2,373,009

Deferred Revenue is recognised when the sponsorship funds are received or receivable and the Institute has not fulfilled its obligations under the terms of the sponsorship agreement.



Note 6. Financing

This section sets out the material balances and disclosures associated with the financing and cash flows of the Institute.

	Notes	2019 \$	2018 \$
Cash and cash equivalents	6.1.1	4,445,788	6,766,981
Restricted cash and cash equivalents	6.1.2	8,795,675	6,063,798
Commitments	6.2	7,015,577	4,278,458

6.1 Cash and cash equivalents

6.1.1 Reconciliation of cash

	2019 \$	2018 \$
Cash and cash equivalents	4,445,788	6,766,981
Restricted cash and cash equivalents - current	8,795,675	6,063,798
	13,241,463	12,830,779

For the purpose of the Statement of Cash Flows, cash and cash equivalents (and restricted cash and cash equivalents) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

6.1.2 Restricted cash and cash equivalents

	2019 \$	2018 \$
Research grants	8,311,741	5,629,423
Scholarships	483,934	434,375
	8,795,675	6,063,798

Cash held in the account is to be used only for the purpose of providing grants for research and development of projects to grantees

6.2 Commitments

	2019 \$	2018 \$
Other expenditure commitments		
Within 1 year	3,179,977	2,664,453
Later than 1 year and not later than 5 years	3,505,600	1,614,005
Later than 5 years	330,000	-
	7,015,577	4,278,458

The total presented for other expenditure commitments are GST inclusive.

The total commitments reported above represent only projects with completed contractual liabilities in place. MRIWA has committed additional monies to research projects during this period. The contracts for these projects are still to be finalised. These monies have not been included in the amounts reflected above.



Note 7. Financial Instruments and Contingencies

This note sets out the key risk management policies and measurement techniques of the Institute.

	Notes
Financial Instruments	7.1
Contingent Liabilities and Assets	7.2

7.1 Financial instrument

In addition to cash, MRIWA has two categories of financial instrument:

- Financial assets, measured at amortised cost (being receivables and loans and advances); and
- Financial liabilities measured at amortised cost (being payables)

Financial assets measured at amortised cost were categorised as receivables in the prior year and have changed as a result of the mandatory adoption of AASB 9 *Financial Instruments* for the year ended 30 June 2019.

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

(a) Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are as follows:

	2019 \$	2018 \$
<u>Financial assets</u>		
Cash and cash equivalents	4,445,788	6,766,981
Restricted cash and cash equivalents	8,795,675	6,063,798
Receivables ^(a)	701,058	449,042
Other current assets	98,167	65,044
Total financial assets	14,040,688	13,344,865
<u>Financial liabilities</u>		
Finance lease liabilities measured at amortised cost	370,952	398,010
Total financial liability	370,952	398,010

(a) The amount of receivables/financial assets at amortised cost excludes GST recoverable from the ATO (statutory receivable).

7.2 Contingent assets and liabilities

MRIWA has no contingent liabilities or contingent assets.



Note 8. Other disclosures

This section includes additional material disclosures required by accounting standards or other pronouncements, for the understanding of this financial report.

	Notes
Events occurring after the end of the reporting period	8.1
Initial application of Australian Accounting Standards	8.2
Key Management Personnel	8.3
Related party transactions	8.4
Related bodies	8.5
Affiliated bodies	8.6
Remuneration of Auditors	8.7
Equity	8.8
Supplementary financial information	8.9
Explanatory statement	8.10

8.1 Events occurring after the end of the reporting period

MRIWA has had no events occurring after the end of the reporting period.

8.2 Initial application of Australian Accounting Standards

AASB 9 Financial instruments

AASB 9 *Financial instruments* replaces AASB 139 *Financial instruments: Recognition and Measurements* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Institute applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Institute has not restated the comparative information which continues to be reported under AASB 139. There have been no differences arising from adoption.

(a) *Classification and measurement*

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the Institute's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Institute's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances at the time of initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact on the Institute. The following are the changes in the classification of the Institute's financial assets:

- *Trade receivables* and *Loans and advances* (i.e. *Other debtors*) classified as receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as financial assets at amortised cost beginning 1 July 2018.
- The Institute did not designate any financial assets as at fair value through P/L.



In summary, upon the adoption of AASB 9, the Institute had the following reclassifications as at 1 July 2018:

AASB 9 Category			
	Amortised cost \$	Fair value through OCI \$	Fair value through P/L \$
AASB 139 Category			
Trade receivables	569,036	-	-
	569,036	-	-

8.3 Key management personnel

The Institute has determined that key management personnel include the responsible Minister, board members, and, senior officers of the Authority. The Institute does not incur expenditures to compensate Ministers and those disclosures may be found in the *Annual Report on State Finances*.

The total fees, salaries, superannuation, non-monetary benefits and other benefits for senior officers of the Institute for the reporting period are presented within the following bands:

	2019	2018
Compensation band (\$)		
0 – 10,000	1	3
10,000 – 20,000	5	5
20,000 – 30,000	1	-
150,000 – 160,000	1	-
180,000 – 190,000	1	-
280,000 – 290,000	-	1

	2019 \$	2018 \$
Total compensation of senior officers	440,230 ^(a)	364,721

(a) MRIWA's inaugural Chief Executive Officer moved to Other Duties in November 2018 and retired from the organisation in May 2019 after a period of long service leave. The new CEO commenced in November 2018.

Total compensation includes the superannuation expense incurred by the Institute in respect of senior officers.



8.4 Related party transactions

The Institute is a wholly owned and controlled entity of the State of Western Australia. In conducting its activities, the Institute is required to pay various taxes and levies based on the standard terms and conditions that apply to all tax and levy payers to the State and entities related to State.

Related parties of the Institute include:

- all Ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- the Government Employees Superannuation Board (GESB);
- other departments and public sector entities, including related bodies included in the whole of government consolidated financial statements; and
- associates and joint ventures that are included in the whole of government consolidated financial statements.

Significant transactions with related parties throughout the year ended 30 June 2019 include:

- Department of Mines, Industry Regulation and Safety
 - Appropriations (refer note 3.1)
 - Accommodation received free of charge (included in Accommodation Expense and Resources Received Free of Charge (refer note 3.1))
- ChemCentre
 - Sponsorships of a research project (included within Revenue from Industry Sponsorship, the value of \$94,197)

8.5 Related bodies

The Institute has no related bodies.

8.6 Affiliated bodies

The Institute has no affiliated bodies.

8.7 Remuneration of auditors

Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:

	2019 \$	2018 \$
Auditing the accounts, financial statements and key performance indicators	19,184	18,900

8.8 Equity

The Western Australian Government holds the equity interest in MRIWA on behalf of the community. Equity represents the residual interest in the net assets of MRIWA.

	2019 \$	2018 \$
Accumulated surplus		
Balance at start of period	10,597,391	9,445,270
Result for the period	24,262	1,152,121
Balance at end of period	10,621,653	10,597,391
Total Equity at end of period	10,621,653	10,597,391



8.9 Supplementary financial information

(a) Write-offs

	2019	2018
	\$	\$
Public property written-off by the Authority during the period	-	-
	-	-

(b) There were no losses through theft, defaults and other causes.

(c) No gifts of public property were provided by the Institute.



8.10 Explanatory Statement

All variances between estimates (original budget) and actual results for 2019, and between the actual results for 2019 and 2018 are shown below. Narratives are provided for key variations selected from observed major variances, which are generally greater than:

- 5% and \$92,670 for the Statement of Comprehensive Income and the Statement of Cash Flows
- 5% and \$225,337 for the Statement of Financial Position

Statement of Comprehensive Income

	Variance note	Original budget 2019 \$	Actual 2019 \$	Actual 2018 \$	Variance between estimate and actual \$	Variance between actual results for 2019 and 2018 \$
COST OF SERVICES						
Expenses						
Research grants	1, A	9,066,667	3,898,268	3,396,536	(5,168,399)	501,732
Scholarships	2	350,000	205,424	164,298	(144,576)	41,126
Employee benefits expense		532,600	587,398	542,640	54,798	44,758
Institute Contractor fees	3	234,000	132,312	127,551	(101,688)	4,761
Board and committee fees and costs		145,600	106,627	102,099	(38,973)	4,528
Supplies and services	B	448,700	414,389	224,229	(34,311)	190,160
Other expenses		19,000	96,647	25,274	77,647	71,373
Accommodation expense		47,250	59,250	47,250	12,000	12,000
Depreciation expense		4,000	2,894	3,617	(1,106)	(723)
Total cost of services		10,847,817	5,503,209	4,633,494	(5,344,608)	869,715



8.10 Explanatory Statement (continued)

Statement of Comprehensive Income (continued)

	Variance note	Original budget 2019 \$	Actual 2019 \$	Actual 2018 \$	Variance between estimate and actual \$	Variance between actual results for 2019 and 2018 \$
Income						
Revenue						
Interest revenue		220,000	276,093	230,163	56,093	45,930
Other revenue		68,311	33,176	46,009	(35,135)	(12,833)
Revenue from Industry Sponsorship	4, C	4,120,000	2,030,952	1,353,193	(2,089,048)	677,759
Total Revenue		4,408,311	2,340,221	1,629,365	(2,068,090)	710,856
Total income other than income from State Government		4,408,311	2,340,221	1,629,365	(2,068,090)	710,856
NET COST OF SERVICES		(6,439,506)	(3,162,988)	(3,004,129)	3,276,518	(158,859)
Income from State Government						
State Government Grant	5, D	4,089,000	3,128,000	4,109,000	(961,000)	(981,000)
Resources received free of charge		47,250	59,250	47,250	12,000	12,000
Total income from State Government		4,136,250	3,187,250	4,156,250	(949,000)	(969,000)
SURPLUS/(DEFICIT) FOR THE PERIOD		(2,303,256)	24,262	1,152,121	2,327,518	(1,127,859)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(2,303,256)	24,262	1,152,121	2,327,518	(1,127,859)



8.10 Explanatory Statement (continued)

Statement of Comprehensive Income (continued)

Major Estimate and Actual (2019) Variance Narratives

1. Research grants are below estimate as payments to researchers are a function of:
 - the number and financial scale of applications submitted to MRIWA;
 - the time required to negotiate the condition of grant for a project with the sponsors and research partners; and
 - progress by the researchers in executing the project and the timeliness of researchers' submission of their progress reports and financial statements in order to receive the next claim.

Payments to researchers will differ from year to year based on the progress of the research.

2. Scholarships are below estimate as the number of scholarships awarded, and the value of scholarships awarded were less than originally budgeted as a result of the application review process.
3. Hours worked during the year by the Contractor is less than originally budgeted for. Also budgeted for an additional contractor on a part-time basis that did not eventuate.
4. Revenue from industry sponsorship is below estimates as it is difficult to forecast an accurate value of industry sponsorship revenue for research projects. Revenue from industry sponsorship is also impacted by decisions of sponsors to pay funds direct to researchers, rather than MRIWA, for projects forecast to be approved throughout the financial year.
5. The State government grant revenue is below estimate as \$1m from Future Battery Industries Cooperative Research Centre is yet to be received.

Major Actual (2019) and Comparative (2018) Variance Narratives

- A. Research grants expenditure has increased from prior year as more projects progressed in their research during this financial year, resulting in eligible researcher payments made.
- B. Increase in expenses for supplies and services results from increased costs in IT and financial management services and consulting services for the delivery of the Economic Impact Assessment and Five-Year Review of MRIWA required as part of the 2019/20 budget submission.
- C. Revenue from industry sponsorship actuals comparison has increased due to more or higher value projects being approved and higher leverage from sponsors.
- D. Reduction in grant allocation by State Government in 2018-19 budget.



8.10 Explanatory Statement (continued)

Statement of Financial Position

	Variance note	Original budget 2019 \$	Actual 2019 \$	Actual 2018 \$	Variance between estimate and actual \$	Variance between actual results for 2019 and 2018 \$
ASSETS						
Current Assets						
Cash and cash equivalents		2,320,055	4,445,788	6,766,981	2,125,733	(2,321,193)
Restricted cash and cash equivalents	1, A	9,280,220	8,795,675	6,063,798	(484,545)	2,731,877
Receivables and other assets		1,100,000	769,918	569,036	(330,082)	200,882
Other current assets		55,000	98,167	65,004	43,167	33,123
Total Current Assets		12,755,275	14,109,548	13,464,859	1,354,273	644,689
Non-Current Assets						
Office equipment		11,575	11,577	14,471	2	(2,894)
Total Non-Current Assets		11,575	11,577	14,471	2	(2,894)
TOTAL ASSETS		12,766,850	14,121,125	13,479,330	1,354,275	641,795



8.10 Explanatory Statement (continued)

Statement of Financial Position (continued)

	Variance note	Original budget 2019 \$	Actual 2019 \$	Actual 2018 \$	Variance between estimate and actual \$	Variance between actual results for 2019 and 2018 \$
LIABILITIES						
Current Liabilities						
Payables		650,000	370,952	398,010	(279,048)	(27,058)
Provisions		115,000	31,028	105,400	(83,972)	(74,372)
Deferred revenue	2, B	2,500,000	3,079,025	2,373,009	579,025	706,016
Total Current Liabilities		3,265,000	3,481,005	2,876,419	216,005	604,586
Non-Current Liabilities						
Provisions		-	18,467	5,520	18,467	12,947
Total Non-Current Liabilities		-	18,467	5,520	18,467	12,947
TOTAL LIABILITIES		3,265,000	3,499,472	2,881,939	234,472	617,533
NET ASSETS						
		9,501,850	10,621,653	10,597,391	1,119,803	24,262
EQUITY						
Accumulated surplus		9,501,850	10,621,653	10,597,391	1,119,803	24,262
TOTAL EQUITY		9,501,850	10,621,653	10,597,391	1,119,803	24,262



8.10 Explanatory Statement (continued)

Statement of Financial Position (continued)

Major Estimate and Actual (2019) Variance Narratives

1. Below estimate due to timing of execution of the Conditions of Grant for each project and the progress of the research for each project in the Institute's portfolio.
2. Deferred revenue is above estimate due to difficulty in forecasting an accurate value of deferred revenue as it is determined by the individual sponsorship value of each project and the timing of cash received, additionally it is affected by the delays in executing the Conditions of Grant for projects.

Major Actual (2019) and Comparative (2018) Variance Narratives

- A. Restricted cash has increased from the prior year due to an increased number of projects of higher value being approved by Board throughout the year resulting in the requirement to withhold higher value of funds to meet research project commitments.
- B. Deferred revenue has increased from prior years as projects that had Conditions of Grant not yet finalised at the end of 2017-18 had negotiations concluded and research commence in this financial year. The revenue received from sponsors have a direct relationship to the deferred revenue calculated.



8.10 Explanatory Statement (continued)

Statement of Cash Flows

	Variance note	Original budget 2019 \$	Actual 2019 \$	Actual 2018 \$	Variance between estimate and actual \$	Variance between actual results for 2019 and 2018 \$
CASH FLOWS FROM STATE GOVERNMENT						
State Government Grant						
Net cash provided by State Government		4,089,000	3,128,000	4,109,000	(961,000)	(981,000)
		4,089,000	3,128,000	4,109,000	(961,000)	(981,000)
Utilised as follows:						
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Research Grant Payments		(8,116,667)	(4,196,232)	(3,794,470)	3,920,435	(401,762)
Employee benefits		(522,358)	(592,976)	(520,645)	(70,618)	(72,331)
Institute Contractor fees		(229,500)	(132,312)	(127,551)	97,188	(4,761)
Board and Advisory committee fees		(45,000)	(26,142)	(34,990)	18,858	8,848
Supplies and Services	1	(467,700)	(585,305)	(237,369)	(117,605)	(347,936)
GST payments on purchases	2	(881,387)	(355,455)	(267,068)	525,932	(88,387)



8.10 Explanatory Statement (continued)

Statement of Cash Flows (continued)

	Variance note	Original budget 2019 \$	Actual 2019 \$	Actual 2018 \$	Variance between estimate and actual \$	Variance between actual results for 2019 and 2018 \$
Receipts						
Receipts from Sponsors	A	3,870,000	2,488,456	2,305,020	(1,381,544)	183,436
Interest received		222,500	279,565	220,484	57,065	59,081
GST receipts on sales	3	387,000	155,515	134,885	(231,485)	20,630
GST receipts from taxation authority	4, B	494,387	247,570	97,049	(246,817)	150,521
Net cash used in operating activities		(5,288,725)	(2,717,316)	(2,224,655)	2,571,409	(492,661)
Net increase/(decrease) in cash and cash equivalents		(1,199,725)	410,684	1,884,345	1,610,409	(1,473,661)
Cash and cash equivalents at the beginning of the period		12,800,000	12,830,779	10,946,434	30,779	1,884,345
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		11,600,275	13,241,463	12,830,779	1,641,188	410,684



8.10 Explanatory Statement (continued)

Statement of Cash Flows (continued)

Major Estimate and Actual (2019) Variance Narratives

1. Higher than budgeted actual expenses were due to an increase in expenses for supplies and services from increased costs in IT and financial management services, CEO recruitment activity and provisions for bad debt expenses.
2. The GST payments on purchases is below estimate as there is a direct relationship to the reduced payments to researchers.
3. The GST receipts on sales is below estimate as there is a direct relationship between the difficulty in accurately forecasting sponsorship revenue anticipated for projects and GST receipt on sales.
4. The GST receipts received is below estimate as there is a direct relationship to GST receipts on sales and GST payments on purchases.

Major Actual (2019) and Comparative (2018) Variance Narratives

- A. Receipts from Sponsors are driven by the terms set in the Conditions of Grant at the commencement of every new research project. The increase in receipts indicate that more research projects have progressed according to their project timeline.
- B. GST receipts from the Australian Taxation Authority has a direct relationship to GST receipts on sales and GST payments on purchases. GST receipts has increased from the prior year as a result of higher payments.



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