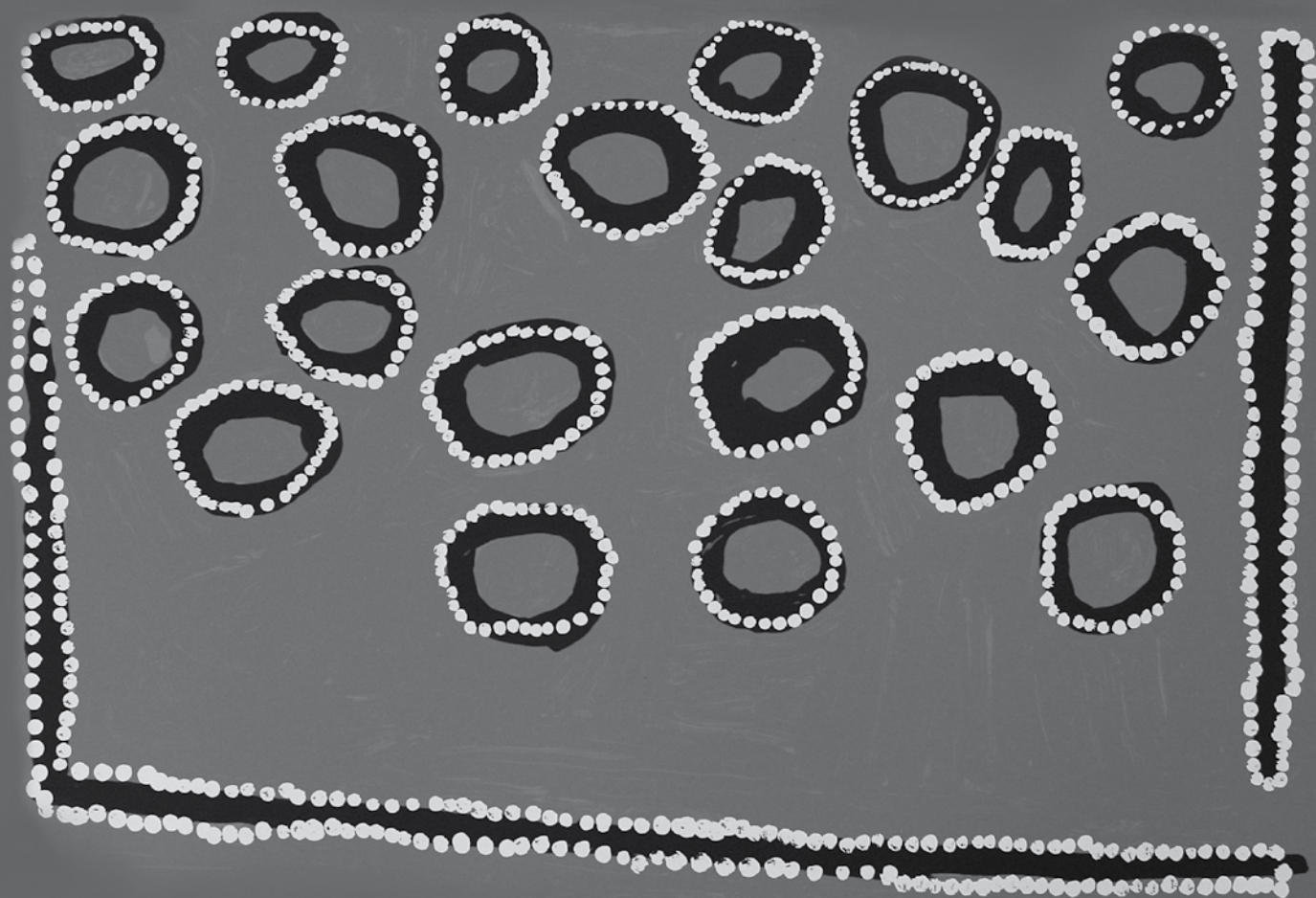


annual report



discovery for a healthy tomorrow

financials

2007



auditor generals report



AUDITOR-GENERAL

AUDITOR-GENERAL'S REPORT TO THE MINISTER FOR HEALTH MENZIES SCHOOL OF HEALTH RESEARCH YEAR ENDED 31 DECEMBER 2007

I have audited the accompanying financial report of the Menzies School of Health Research ("the School"), which comprises the balance sheet as at 31 December 2007, the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the statement on behalf of the Board of Governors.

Board of Governors' Responsibility for the Financial Report

The Board of Governors of the School are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Menzies School of Health Research Act*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on my judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, I considered internal controls relevant to the School's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Governors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting my audit I have met the independence requirements of the *Audit Act* and the Australian professional accounting bodies.

Auditor's Opinion

In my opinion, the financial report of the Menzies School of Health Research:

- a) presents fairly, in all material respects, the financial position of the Menzies School of Health Research at 31 December 2007, and its financial performance for the year ended on that date; and
- b) is presented in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the requirements of the *Menzies School of Health Research Act*.

F McGuinness
Auditor-General for the Northern Territory
Darwin, Northern Territory

9 May 2008

Certificate to the Board of Governors

To the best of our knowledge and belief –

- the attached financial statements and notes thereto comply with the Menzies Act, applicable Australian Accounting Standards, conform to the Department of Education, Science and Training (DEST) Financial Statement Guidelines for Australian Higher Education Providers for the 2007 Reporting Period and other mandatory professional reporting requirements in Australia, the financial position of Menzies as at 31 December 2007, the results of its operations and its cash flows for the year then ended;
- the attached financial statements are in accordance with the accounts and records of Menzies and give a true and fair view of the financial position and performance;
- internal controls over financial reporting have been effective throughout the reporting period;
- at the time of signing of this statement, there are reasonable grounds to believe that Menzies will be able to pay its debts as and when they become due and payable;
- that the amount of Australian Government financial assistance expended during the reporting period was for the purposes for which it was intended; and
- Menzies has complied with applicable legislation, contracts, agreements and program guidelines in making expenditure.

On behalf of the Board of Menzies School of Health Research



Jonathan Carapetis
Director
Darwin 9th of May 2008



Shane Smith
Financial Controller

statement on behalf of the board of governors

Statement on Behalf of the Board of Governors

The following persons were members of the Menzies School of Health Research Board of Governors and Finance Committee for the year ended 31 December 2007.

	Board of Governors			Finance Committee		
	Membership	Meetings		Member	Meetings	
		Attended	Eligible		Attended	Eligible
Prof Simon Maddocks (Chair)	Ongoing	4	4	N	0	0
Mr Michael Martin	Ongoing	3	4	Y	5	5
Prof Helen Garnett	Ongoing	4	4	N	0	0
Dr Shane Houston	Ongoing	3	4	N	0	0
Mrs Margaret Banks	to 27 Feb 07	0	1	N	0	0
Ms Kate George	Ongoing	2	4	N	0	0
Mr Peter Carew	Ongoing	3	4	Y	4	5
Prof Jonathan Carapetis	Ongoing	4	4	Y	5	5
Prof Bruce Armstrong	to 06 May 07	1	1	N	0	0
Mr Bob Wells	Ongoing	1	4	N	0	0
Prof Bob Wasson	Ongoing	2	4	N	0	0
Ms Roslynne Bracher	Ongoing	4	4	N	0	0
Dr David Ashbridge	from 24 Apr 07	2	3	N	0	0
Mr Ken Davies	from 24 Apr 07	3	3	N	0	0
Mrs Sue Bradley	Non Board member	0	0	Y	4	5

Principal Activities

During the year, the principal continuing activities of Menzies consisted of:

- Promoting a broad understanding of health that reflects underlying socioeconomic, environmental, health and disease.
- Conducting high-quality multidisciplinary research, research training and public health education with a focus on Indigenous, remote and tropical health.
- Advancing the local, national and international application of research findings to improve health.
- Advocating for research that will contribute to better health for people of the region
- Building strong partnerships with community groups, service providers, policymakers, and other academic organisations.

There were no significant changes to the activities of Menzies during the 2007 year.

Review of Operations

In 2007 Menzies' growth continued with income increasing by \$4,882,587 or 29%. This was principally due to increases in Australian Government funding and funding secured via Charles Darwin University. A concomitant increase in expenditure of \$4,000,431 or 27% resulted in a net surplus of \$2,823,295, against a surplus of \$1,941,139 in 2006.

Strategic Review of Operations

In 2007 Menzies commenced the first year of its Strategic Plan 2007 - 2011. At the core of this Strategic Plan is a commitment to research, education and training, and translation of research outcomes into policy and practice. Research activities will continue to have a major focus on Indigenous health, and be housed within six major, inter-disciplinary health research themes for the five years. These themes are: Child Health; Healing and Resilience; International Health; Tropical and Emerging Infectious Diseases; Preventable Chronic Diseases; and Services, Systems and Society.

Significant Changes in the State of Affairs

There were no significant changes in Menzies' affairs during the 2007 year.

Matters Subsequent to the End of the Financial Year

There are no matters subsequent to the end of the financial year that may significantly affect Menzies' operations, results or state of affairs in future years.

Environmental regulations

Menzies is subject to the following environmental regulations:

Gene Technology Regulations 2002

Northern Territory Radiation (Safety Control) Regulations

Northern Territory Dangerous Goods (Road & Rail Transport) Act

Waste Disposal on Royal Darwin Hospital Campus Regulations

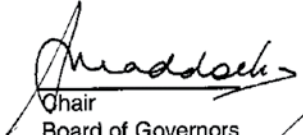
Insurance of Officers

Menzies has Not For Profit Organisation Insurance to insure the members of the Board of Governors and the officers of Menzies against any claims arising from their Menzies related activities. Cover is limited to \$5,000,000 in any one year and in 2007 the premium was \$8,980.

Proceedings on behalf of Menzies School of Health Research

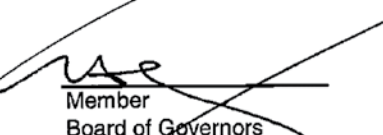
There were no legal proceedings undertaken by Menzies in the 2007 year.

This report is made in accordance with a resolution of the members of the Menzies School of Health Research


Chair
Board of Governors

Location Adelaide

28th April 2008


Member
Board of Governors

Location Adelaide

17 April 2008


Director

Location Darwin

10 April 2008

income statement*

Menzies School of Health Research for the Year Ended 31 December 2007

	Notes	2007 \$	2006 \$
Revenue from continuing operations			
Australian Government financial assistance	2	8,340,989	5,517,522
NT Government financial assistance	3	9,347,198	3,770,447
Fees and charges	4	2,729,221	2,888,919
Investment income	5	997,755	566,160
Consultancy and contract research	6	3,481,834	3,187,106
Other revenue	7	2,101,630	785,886
Total revenue from continuing operations		21,598,627	16,716,040
Total revenue		21,598,627	16,716,040
Expenses from continuing operations			
Employee benefits	8	11,292,860	8,930,066
Depreciation	9	256,287	203,927
Repairs and maintenance	10	150,881	89,895
Bad and doubtful debts		3,866	3,748
Other expenses	11	7,067,409	5,462,923
Total expenses from continuing operations		18,771,303	14,690,559
Gross operating result for the year		2,827,324	2,025,481
Repayment of grant funding		4,029	84,342
Net operating result for the year		2,823,295	1,941,139

*To be read in conjunction with the notes to the financial statements

balance sheet*

Menzies School of Health Research for the Year Ended 31 December 2007

	Notes	2007 \$	2006 \$
Current Assets			
Cash and cash equivalents	12	18,489,387	9,545,479
Account held in trust	30	5,084,736	5,110,610
Trade and other receivables	13	1,025,803	2,890,661
Other non-financial assets	15	680,902	150,532
Total Current Assets		25,280,828	17,697,282
Non-Current Assets			
Property, plant and equipment	16	1,024,579	704,754
Investments	14	134,320	91,482
Total Non-Current Assets		1,158,899	796,236
Total Assets		26,439,727	18,493,518
Current Liabilities			
Trade and other payables	17	407,279	302,780
Account held in trust	30	5,084,736	5,110,610
Provisions	18	1,309,885	1,065,707
Other liabilities	19	5,350,552	529,420
Total Current Liabilities		12,152,452	7,008,517
Non-Current Liabilities			
Provisions	18	93,100	163,053
Total Non-Current Liabilities		93,100	163,053
Total Liabilities		12,245,552	7,171,570
Net Assets		14,194,175	11,321,948
Equity			
Reserves	20	2,053,645	1,734,962
Retained surplus	21	12,140,530	9,586,986
Total Equity		14,194,175	11,321,948

*To be read in conjunction with the notes to the financial statements

statement of changes in equity*

Menzies School of Health Research for the Year Ended 31 December 2007

	Notes	2007 \$	2006 \$
Total equity at the beginning of the financial year		11,321,948	9,376,341
Impairment losses		-	(1,093)
Gain/Loss on revaluation of plant and equipment		-	-
Transferred to profit or loss on sale of investments		(869)	
Gain/(Loss) on revaluation of investments		49,801	5,561
Total income and expense for the year recognised directly in equity	20	48,932	4,468
Operating result for the year	21	2,823,295	1,941,139
Total equity at the end of the financial year		14,194,175	11,321,948

*To be read in conjunction with the notes to the financial statements

statements of cash flows*

Menzies School of Health Research for the Year Ended 31 December 2007

	Notes	2007 \$	2006 \$
Cash flows from operating activities			
Australian Government receipts		13,999,504	6,219,116
NT Government receipts		4,368,677	4,191,242
Student income receipts		460,558	372,997
Other customers		4,235,738	2,505,609
Other		5,655,005	2,762,315
Payments to suppliers		(9,168,684)	(7,501,236)
Payments to employees		(11,026,298)	(8,816,305)
Net cash inflow (outflow) from operating activities	28	8,524,500	(266,262)
Cash flows from investing activities			
Share dividends received		16,966	986
Interest received		921,975	544,932
Proceeds from sale of plant and equipment		-	29,100
Proceeds from sale of shares		9,267	273,335
Payments for property, plant and equipment		(528,800)	(220,558)
Net cash inflow (outflow) from investing activities		419,408	627,795
Net increase (decrease) in cash and cash equivalents		8,943,908	361,533
Cash and cash equivalents at the beginning of the financial year	12	9,545,479	9,183,946
Cash and cash equivalents at end of year	12	18,489,387	9,545,479

*To be read in conjunction with the notes to the financial statements

notes to the financial statements

Menzies School of Health Research for the Year Ended 31 December 2007

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Introduction

The Menzies School of Health Research (Menzies) was established as a body corporate of the Northern Territory Government under the Menzies School of Health Research Act, No 60 of 1985. Menzies School of Health Research operates as a medical research institute within the Northern Territory of Australia.

The principal place of business is:

Building 58, Royal Darwin Hospital Campus,
Rocklands Drive, Tiwi, Northern Territory 0810, Australia
Telephone Number: +61 8 8922 8196

Under the Menzies School of Health Research Amendment Act ('the Act') assented to on 29 August 2003 and coming into force on 1 January 2004, Menzies School of Health Research became a controlled entity of Charles Darwin University. The Act stipulates that the Charles Darwin University will be responsible for nominating seven of the 13 board positions required under the Act.

Menzies School of Health Research is still required to furnish an annual report and audited financial statements at an annual general meeting, however, the results will be consolidated with those of the Charles Darwin University.

Operations and principal activities

Menzies School of Health Research mission is to improve the health of people of northern and central Australia and regions to the north through multidisciplinary research and education by:

- Promoting a broad understanding of health that reflects underlying socioeconomic, environmental, health and disease.
- Conducting high-quality multidisciplinary research, research training and public health education with a focus on Indigenous, remote and tropical health.
- Advancing the local, national and international application of research findings to improve health.
- Advocating for research that will contribute to better health for people of the region.
- Building strong partnerships with community groups, service providers, policymakers, and other academic organisations.

Currency

The financial report is presented in Australian dollars and rounded to the nearest dollar.

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Menzies School of Health Research in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

This general purpose financial report has been prepared on an accrual basis in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the requirements of the Department of Education, Science and Training and other State/Australian Government legislation. Accounting Standards include Australian Equivalents to international Financial Reporting Standards (AIFRS)

Statement of compliance

Australian Accounting Standards require a statement of compliance with International Financial Reporting Standards (IFRSs) to be made where the financial report complies with these standards. Some Australian equivalents to IFRSs and other Australian Accounting Standards contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements.

Menzies School of Health Research is a not-for-profit entity and has applied these requirements, so while this financial report complies with Australian Accounting Standards, including Australian Equivalents to International Financial Reporting Standards (AIFRS), the statement that this financial report complies with IFRS cannot be made.

Several new standards, amendments to standards or interpretations have been promulgated by the Australian Accounting Standards Board but are effective for future reporting periods. It is estimated that the impact of adopting these pronouncements when effective will have no material financial impact on future reporting periods of the School.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by certain classes of property, plant and equipment being recognised at fair value through profit and loss.

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

notes to the financial statements

b. Revenue Recognition Policy

Government grants

Menzies treats operating grants received as income in the year of receipt if the funding meets the following conditions:

- 1) it is probable that economic benefits will flow to Menzies;
- 2) Menzies has control over the grant income;
- 3) the grant income can be reliably measured;

Any capital grants received, are recorded as a liability on the balance sheet and then transferred to income in the period that matches expenditure.

Student fees and charges

Fees and charges are recognised as income in the year of receipt, except to the extent that fees and charges relate to courses to be held in future periods. Such income is treated as income in advance. Conversely, fees and charges relating to debtors are recognised as revenue in the year to which the prescribed course relates.

Other income

All other income is fully recognised when it is earned and can be reliably measured.

c. Stocks

Stocks of consumable scientific and administrative items purchased in the normal operations are not taken into account at close of balance date as assets, but are written off at the time of purchase.

d. Employee Benefits

Provision is made for long service leave and annual leave estimated to be payable to employees. Where amounts provided have been apportioned between current and non-current, the current provision represents the portion that is expected to be paid within the next twelve months.

In the case of long service leave, employee entitlements vest after the completion of ten years service. A special pro-rata entitlement may be paid in lieu of long service leave on resignation of employment after seven or more years of service. In accordance with accounting standard AASB 119 *Employee Benefits* Menzies has calculated long service leave entitlements not settled at 31 December 2007 on a present value basis.

Menzies employees are entitled to six weeks annual leave. An analysis of outstanding annual leave entitlements at year end has shown that many employees do not take their full entitlement in the year of accrual. However, as there is no certainty that leave will be carried over to subsequent years, Menzies has recorded all accrued annual leave as a current liability.

Sick leave entitlements are non-vesting with experience showing that sick leave taken is less than the entitlement accruing. In recognition of this, no liability has been accrued.

The 2006 Menzies Collective Agreement allowed for employees to salary sacrifice on the condition that any fringe benefits tax incurred would be payable by the employee.

e. Superannuation

Employee's superannuation entitlements are principally provided through the Northern Territory Government and Public Authorities Superannuation Scheme (NTGPASS), the Australian Government Employees Superannuation Trust (AGEST) and UniSuper.

Benefits per the NTGPASS scheme are supplemented by a minimum 3% productivity benefit from the Northern Territory Supplementary Superannuation Scheme (NTSSS) for pre-10th August 1999 MSHR employees.

Scheme membership among employees at 31 December 2007 was as follows:

AGEST	56
NTGPASS (plus NTSSS)	15
UNISUPER	87
Other Schemes	34

The Northern Territory Government meets the cost of employer-financed benefits in the NTGPASS and NTSSS with administration being undertaken by the Northern Territory Superannuation Office.

	2007	2006
Full Time Equivalent Employees as at 31 December 2007	150	120

f. Income Tax

The income of MSHR is exempt from income tax pursuant to the provisions of Section 50-5 of the Income Tax Assessment Act, 1997.

g. Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the Statement of Cash Flows on a gross basis. 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 operating cash flows.

h. Depreciation

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line (except for Motor Vehicles which is calculated on a diminishing value) basis so as to write off the net cost or other revalued amount of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following estimated useful lives are used in the calculation of the depreciation:

- Leasehold Improvements 5 years
- Plant and Equipment 3–5 years
- Motor Vehicles 4.4 years

i. Impairment of Assets

The carrying values of all assets are reviewed for impairment at each reporting date with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying amount may be impaired.

Menzies values the recoverable amount of plant and equipment at the equivalent to its depreciated replacement cost. An impairment exists when the carrying value of an asset exceeds its estimated recoverable amount.

Impairment losses are recognised in the income statement unless the asset has previously been revalued, when the impairment loss will be treated as a revaluation decrement.

j. Plant & Equipment

Plant & equipment is stated at historical cost, less depreciation, except where plant & equipment has undergone a valuation by an external independent valuer, where it is stated at fair value, less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Gains and losses on disposal of plant and equipment are taken into account in determining the result for the year.

k. Trade and other receivables

Trade receivables and other receivables are recorded at amounts due less an amount for any doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

l. Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the entity.

m. Investment in shares

Menzies School of Health Research holds publicly listed shares that have been donated to the School. These shares are not actively traded and are revalued to market value on an annual basis. Dividends are brought to account as they are earned.

n. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Where accounts at financial institutions are overdrawn, balances are shown in current liabilities on the balance sheet.

o. Joint Ventures

Where Menzies has an interest in a joint venture where joint control exists, its interest is accounted for using the equity method. Under this method, the share of the profits or losses of the entity is recognised in the income statement, and the share of the movements in the reserves is recognised in reserves in the balance sheet.

Where Menzies has an interest in a joint venture where control does not exist, Menzies' share in the joint venture is detailed in a note to the financial statements as if it were recorded in the body of the financial accounts. Details relating to Menzies' joint venture are set out in note 25.

notes to the financial statements

Note 2. Australian Government Financial Assistance

	Notes	2007 \$	2006 \$
National Health & Medical Research Council grants		5,734,457	4,970,324
AHMAC grants		14,756	76,125
Department of Health & Aged Care grants		2,591,777	471,074
Total Australian Government Financial Assistance		8,340,989	5,517,522

Note 3. Northern Territory Government Financial Assistance

	Notes	2007 \$	2006 \$
NT Government other grant funding		3,947,198	3,770,447
Total Northern Territory Government Financial Assistance		3,947,198	3,770,447

Note 4. Fees and Charges

	Notes	2007 \$	2006 \$
Course fees and charges			
Fee-paying overseas students		12,000	-
Fee-paying domestic postgraduate students		411,886	360,673
Total course fees and charges		423,886	360,673
Other Fees and charges			
Administration receipts		44,929	257,865
Reimbursements		2,260,407	2,270,381
Total other fees and charges		2,305,336	2,528,246
Total Fees and Charges		2,729,221	2,888,919

Note 5. Investment Income

	Notes	2007 \$	2006 \$
Interest on Term Deposits, Call Accounts and Dividends		997,755	566,160
Total Investment Income		997,755	566,160

Note 6. Consultancy and Contract Research

	Notes	2007 \$	2006 \$
Consultancies		124,549	309,749
Contract Research		3,357,285	2,877,356
Total Consultancy and Contract Research		3,481,834	3,187,106

Note 7. Other Revenue

	Notes	2007 \$	2006 \$
Menzies Foundation		200,000	125,000
Charles Darwin University		1,481,609	505,494
Donations		401,492	33,523
Other		18,529	121,869
Total Other Revenue		2,101,630	785,886

notes to the financial statements

Note 8. Employee Benefits and On Costs

	Notes	2007 \$	2006 \$
Research			
Salaries		6,117,778	4,880,177
Superannuation		707,957	535,746
Payroll tax		290,348	225,901
Worker's compensation		50,910	40,456
Long services leave expense		43,440	76,706
Annual leave		719,360	614,164
Total Research		7,929,793	6,373,150
Education and Training			
Salaries		221,552	202,136
Superannuation		34,650	31,646
Payroll tax		10,515	15,266
Worker's compensation		1,844	1,700
Long services leave expense		1,597	(9,008)
Annual leave		30,880	28,318
Total Education		301,038	270,058
Non Research and Education:			
Salaries		2,284,747	1,674,953
Superannuation		328,206	215,002
Payroll tax		108,433	70,412
Worker's compensation		19,013	15,120
Long services leave expense		20,791	85,963
Annual leave		300,839	225,408
Total Non-Research and Education		3,062,029	2,286,858
Total Employee Benefits		11,292,860	8,930,066

Note 9. Depreciation

	Notes	2007 \$	2006 \$
Plant and Equipment		185,715	130,220
Leasehold Improvements		47,351	46,208
Motor Vehicles		23,221	27,499
Total Depreciation		256,287	203,927

Note 10. Repairs and Maintenance

	Notes	2007 \$	2006 \$
Repairs and Maintenance General		76,175	23,540
Maintenance Contracts		74,706	66,355
Total Repairs and Maintenance		150,881	89,895

notes to the financial statements

Note 11. Other Expenses

	Notes	2007 \$	2006 \$
Administration		108,812	241,754
Communications		139,516	124,691
Consultants		617,847	271,107
Education		104,255	89,313
Equipment Costs		189,379	233,050
Information Technology		194,077	29,056
Insurance		219,456	187,920
Joint Venture Costs		200,000	200,000
Laboratory		416,096	377,288
Licences, Memberships, Fees and Charges		150,807	81,402
Materials		92,819	99,845
Research Project Costs		1,786,760	1,156,360
Scholarship Payments		319,204	391,142
Stationery, Printing and Postage		175,099	158,632
Travel, Staffing and Related Costs		1,835,269	1,478,017
Utilities and Facilities Management		235,260	200,864
Other		282,753	142,482
Total Other Expenses		7,067,409	5,462,923

Note 12. Cash and Cash Equivalents

	Notes	2007 \$	2006 \$
Cash at Bank		1,880,571	1,082,325
Term Deposits & Call Accounts		16,608,816	8,463,154
Total cash and cash equivalents		18,489,387	9,545,479

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the year as shown in the statement of cash flows as follows:

Balance as per statement of cash flows		18,489,387	9,545,479
--	--	-------------------	------------------

(b) Term deposits

The term deposits have a fixed average interest rate of 6.43% (2006 – 5.96%) and an average maturity of 30 days.

Note 13. Trade and Other Receivables

	Notes	2007 \$	2006 \$
Debtors		1,029,551	2,894,409
Less: Provision for doubtful debts		(3,748)	(3,748)
Total receivables		1,025,803	2,890,661

notes to the financial statements

Note 14. Investments

	Notes	2007 \$	2006 \$
Australian listed equity securities – at market value	20	134,320	91,482
Total Investments		134,320	91,482

During 2007, shares in Alinta Limited to the value of \$7,234 were sold when there was a takeover of the company. Menzies also received shares to the total value \$270 as part of a AGL Limited dividend plan allotment.

Note 15. Other Assets

	Notes	2007 \$	2006 \$
Accrued Revenue		218,640	–
Prepaid Expenses		459,662	142,412
Other Assets		2,600	8,120
Total Other Assets		680,902	150,532

Note 16. Property, Plant and Equipment

	Leasehold Property \$	Plant & Equipment \$	Motor Vehicles \$	Total \$
Year ended 31 December 2006				
Opening net book amount	177,178	442,132	95,396	714,706
Impairment loss	-	-	(1,093)	(1,093)
Additions	-	170,018	50,540	220,558
Disposals	-	-	(25,490)	(25,490)
Depreciation charge	(46,207)	(130,220)	(27,499)	(203,926)
Closing net book amount	130,971	481,930	91,853	704,754
At 31 December 2006				
- Cost	692,759	-	-	692,759
- Valuation	-	1,496,660	198,122	1,694,782
Accumulated depreciation	(561,788)	(1,014,730)	(106,269)	(1,682,787)
Net book amount	130,971	481,930	91,853	704,754
	-	-	0	0
Year ended 31 December 2007				
Opening net book amount	130,971	481,930	91,853	704,754
Impairment loss	-	-	-	-
Additions	15,277	560,835	-	576,112
Disposals	-	-	-	-
Depreciation charge	(47,351)	(185,715)	(23,221)	(256,287)
Closing net book amount	98,897	857,050	68,632	1,024,579
At 31 December 2007				
- Cost	708,035	-	-	708,035
- Valuation	-	2,057,495	198,122	2,255,617
Accumulated depreciation	(609,138)	(1,200,445)	(129, 490)	(1,939,073)
Net book amount	98,897	857,050	68,632	1,024,579

Plant and Equipment and Motor Vehicles of Menzies School of Health Research were revalued to fair value on 31 December 2004 by Mr John Armatys AAPI, Certified Practising Valuer, of the Australian Valuation Office. The methodology used in determining fair value was the asset's market price. Where reliable market evidence was not available the asset's depreciated replacement cost was considered its fair value.

notes to the financial statements

Note 17. Trade and Other Payables

	Notes	2007 \$	2006 \$
Creditors		220,333	180,416
Other		186,946	122,364
Total Other Assets		407,279	302,780

Note 18. Provisions

	Notes	2007 \$	2006 \$
Current			
Employee benefits			
– Annual leave		899,320	756,079
– Long service leave		410,565	309,628
Total Current		1,309,885	1,065,707
Non-Current			
Employee benefits			
– Long service leave		93,100	163,053
Total Non-Current		93,100	163,053
Total Provisions		1,402,985	1,228,760

Note 19. Other Liabilities

	Notes	2007 \$	2006 \$
GST Payable		(63,393)	40,389
Revenue Received in Advance		113,945	489,031
Grants Received in Advance		5,300,000	–
Total Other Liabilities		5,350,552	529,420

In 2007 Menzies entered a Funding Deed with the Commonwealth Department of Health and Ageing for the construction of a new building. The full funding agreement amount of \$5.3M resides in Grants Received in Advance.

Note 20. Reserves

	Notes	2007 \$	2006 \$
(a) Reserves Comprise			
Revaluation Reserve		58,903	58,903
Capital Asset Reserve		1,858,109	1,588,359
Investment Revaluation Reserve		136,633	87,700
Total Reserves		2,053,645	1,734,962
(b) Movement In Reserves			
Revaluation Reserve			
Balance at the Beginning of the Financial Year		58,903	59,996
Increment/(Decrement)		-	(1,093)
Balance at the End of the Financial Year		58,903	58,903
Capital Assets Reserve			
Balance at the Beginning of the Financial Year		1,588,359	1,136,949
Plus: Annual Contribution		269,750	451,410
Balance at the End of the Financial Year		1,858,109	1,588,359
Investment Revaluation Reserve			
Balance at the Beginning of the Financial Year		87,700	82,139
Increment/(Decrement)		48,932	5,561
Balance at the End of the Financial Year		136,632	87,700

Nature and purpose of reserves

Revaluation reserve

The Revaluation Reserve is used to record increases in the fair value of assets and decreases to the extent that such decreases relate to an increase on the same asset previously recorded in equity.

Capital assets reserve

In recognition of the need to plan for the purchase of large capital items, the Governing Board approved the establishment of a Capital Assets Reserve. Amounts transferred to the Capital Assets Reserve are calculated on an annual basis as follows:

- an amount equal to the depreciation expense recorded for that year
- an amount equal to twenty (20) per cent of any surplus generated by the administration cost centre
- an amount equal to ten (10) per cent of any surpluses generated from those research projects that are not tied to grant funding and have been undertaken on a fee for service basis

Investment revaluation reserve

The Investment Revaluation Reserve is used to record increases in the fair value of investments and decreases to the extent that the reserve has available funds.

notes to the financial statements

Note 21. Retained Surplus

	Notes	2007 \$	2006 \$
Balance at the Beginning of the Financial Year		9,586,986	8,097,256
Operating Result from Ordinary Activities after			
Income Tax		2,823,295	1,941,139
Transfers (To)/From Capital Assets Reserve		(269,750)	(451,410)
Balance at the End of the Financial Year		12,140,530	9,586,986

Note 21.1. Analysis of Net Surplus

Surplus/(Deficit) for the year includes revenue received for research projects that have a life beyond the end of the financial year. Revenue received for these projects is recognised in the year of receipt. Future commitments for these projects will extend beyond the year the income was received for those projects.

	Notes	2007 \$	2006 \$
Administration Surplus		518,533	1,237,415
Research Project Surplus/(Deficit)		2,304,762	703,724
Total Net Surplus		2,823,295	1,941,139

Note 22. Responsible Persons and Executive Officers

(a) Names of responsible persons

The following persons were responsible persons of MSHR during the year:

Prof Simon Maddocks – Chair	Ms Roslynne Bracher – Board Member
Mr Peter Carew – Deputy Chair	Dr Shane Houston – Board Member
Mr Michael Martin – Treasurer	Mrs Margaret Banks – Board Member
Prof Helen Garnett – Board Member	Dr David Ashbridge – Board Member
Prof Bob Wasson – Board Member	Mr Ken Davies – Board Member
Prof Bruce Armstrong – Board Member	Mr Bob Wells – Board Member
Ms Kate George – Board Member	Prof Jonathan Carapetis – Director
Mr David Morgan – Financial Controller (resigned 19/12/07).	Dr John Condon – Deputy Director

(b) Remuneration of responsible persons

Income paid or payable or otherwise made available to Board members and executive officers in connection with the management of affairs of Menzies:

	2007	2006
Nil to \$9,999	13	11
\$70,000 to \$79,999	1	1
\$80,000 to \$89,999	–	1
\$170,000 to \$179,999	1	–
\$230,000 to \$239,999	–	1
\$320,000 to \$329,999	1	–

(c) Related party transactions

During the 2007 financial year no loans or other related party transactions were made to any Board members or executive officers.

(d) Key management personnel compensation

	2007 \$	2006 \$
Short-term employee benefits	472,083	395,168
	472,083	395,168

notes to the financial statements

Note 23. Commitments for Expenditure

	Notes	2007 \$	2006 \$
Joint Ventures			
Within 12 months		200,000	200,000
Twelve months or longer and not longer than five years		300,000	500,000
Longer than 5 years		-	-
		500,000	700,000

Note 24. Related Parties

(a) Parent entity

As of 1 January 2004 Menzies became a controlled entity of Charles Darwin University. Whilst Menzies retains its own Act of Parliament, CDU exercises its control over Menzies by having the power to nominate seven of the 13 members of the Board of Directors.

(b) Board Members and specified executives

Disclosures relating to Board members and specified executives are set out in note 22.

(c) Transactions with related parties

In 2007 Menzies received student fee income of \$295,521 from CDU. The income was earned by Menzies from students enrolled with CDU but undertaking all course work with the Education Section of Menzies. The terms and conditions governing the payment of these fees to Menzies is covered in Attachments One and Two of the Memorandum of Understanding signed between Menzies School of Health Research and Charles Darwin University in March 2004. In Summary, these conditions state:

According to an agreed formula based on student load projections, consistent with the normal budgetary process of both institutions, domestic students currently enrolled as HECS students with CDU will be entitled to complete their courses as HECS students, subject to reasonable academic progress and consistent with DEST policies. CDU will provide Menzies 70% of the dollar value per EFTSU for 2004. This will be reviewed annually.

Menzies paid \$306,830 to CDU for the provision of information technology support services as per an IT Service Level Agreement with an expiry date of 30 November 2008 and purchased computer equipment of \$73,741. Menzies received RIBG payments of \$792,688, IGS payments of \$267,534 and \$391,387 in funding for a senior appointment.

Note 25.1. Interest in Joint Venture

Share of Assets and Liabilities	6 mth's to 31 Dec 2007 \$	12 mth's to 30 June 2007 \$
Current Assets		
Cash	1,547,285	1,535,278
Receivables	45,528	30,369
Current Liabilities		
Payables	(102,102)	(30,303)
Employee Benefits	(58,435)	(58,435)
Contingency Fund	-	-
Non-Current Assets		
Plant and equipment	19,643	13,819
Non-Current Liabilities	-	-
Net Assets	1,451,919	1,490,728
Share of Operating Result		
Operating revenue	831,828	1,428,746
Operating expenses	(870,637)	(1,589,935)
Operating result	(38,809)	(161,189)
Retained Results		
At beginning of the financial year	1,490,728	1,651,917
At the end of the financial year	1,451,919	1,490,728
Contingent Liabilities		
The economic entity's expenditure commitments relating to the joint venture are disclosed in Note 23.		

Note 26. Economic Dependency

The management of grant funded projects by Menzies is dependent on continued funding from the Australian Government as well as the Northern Territory Government.

Note 27. Events Occurring After Balance Sheet Date

There are no material events subsequent to the financial reporting date of 31 December 2007.

notes to the financial statements

Note 28. Reconciliation of Operating Result to Net Cash Inflow from Operating Activities

	Notes	2007 \$	2006 \$
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(a) Reserves Comprise

Operating Result		2,823,295	1,941,139
Depreciation		256,287	203,927
Dividends received		(16,966)	(986)
Interest received		(921,976)	(544,932)
Dividend Plan Allotment/Issue of Bonus Shares		(270)	(20,242)
Net (profit)/loss on disposal of asset		(2,902)	(116,943)
		2,137,468	1,461,963

Changes in Assets and Liabilities

(Increase)/Decrease in receivables		1,864,859	(2,426,231)
(Increase)/Decrease in prepayments		(317,251)	19,768
(Increase)/Decrease in residential deposits		5,520	(8,120)
(Increase)/Decrease in accrued revenue		(218,640)	263,489
Increase /(Decrease) in payables		60,811	(52,404)
Increase/(Decrease) in other payables		17,271	(137,497)
Increase/(Decrease) in GST payable		(103,782)	40,389
Increase/(Decrease) in receipts in advance		4,904,020	458,619
Increase/(Decrease) in employee provisions		174,224	113,762
		6,387,032	(1,728,225)
Net Cash Generated From/(Used) in Operating Activities		8,524,500	(266,262)

Note 29. Financial Instruments

29.1 The following is the school's accounting policies and terms and conditions for each class of financial asset and financial liability

Recognised Financial Instrument	Notes	Accounting Policies	Terms and Conditions
(i) Financial Assets			
Receivables & Other Assets		Receivables are carried at nominal amounts due, less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is doubtful.	Credit "sales" are generally on 30 day terms.
Investments – Short Term Money Market		Investments in the Short Term Money Market are stated at the lower of cost and net realisable value. Interest is recognised as revenue when earned.	Investments in the Short Term Money Market range from "at call" to deposits of 30 days and effective interest rates of 6.09% to 6.91%
Investments – Publicly listed Shares		Investments in Publicly Listed Shares are stated at market value as at 31 December 2007. Dividends are brought to account as they are earned.	
(ii) Financial Liabilities			
Payables		Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity.	Trade liabilities are normally settled on 30 day terms.

notes to the financial statements

29.2 The following table details the economic entity's exposure to interest rate risk at 31 December 2007

2007	Fixed Interest Rate Maturity						Total \$
	Average Interest Rate %	Variable Interest Rate \$	Less than 1 Year \$	1 to 5 Years \$	More than 5 years \$	Non-interest bearing \$	

Financial Assets

Cash on hand		-	-	-	-	-	-
Cash at bank	4.01	1,880,571	-	-	-	-	1,880,571
Short Term Money Market	6.39	-	16,608,816	-	-	-	16,608,816
Receivables		-	-	-	-	1,025,803	1,025,803
Investments		-	-	-	-	134,320	134,320
Total Financial Assets		1,880,571	16,608,816	-	-	1,160,123	19,649,510

Financial Liabilities

Payables		-	-	-	-	407,279	407,279
Employee Benefits		-	-	-	-	1,402,985	1,402,985
Other Liabilities		-	-	-	-	5,350,552	5,350,552
Total Financial Liabilities		-	-	-	-	7,160,816	7,160,816

29.3 The following table details the economic entity's exposure to interest rate risk at 31 December 2006

2006	Fixed Interest Rate Maturity						Total \$
	Average Interest Rate %	Variable Interest Rate \$	Less than 1 Year \$	1 to 5 Years \$	More than 5 years \$	Non-interest bearing \$	

Financial Assets

Cash on hand		-	-	-	-	-	-
Cash at bank	4.28	1,082,325	-	-	-	-	1,082,325
Short Term Money Market	5.84	-	8,463,154	-	-	-	8,463,154
Receivables		-	-	-	-	2,890,661	2,890,661
Investments		-	-	-	-	91,482	91,482
Total Financial Assets		1,082,325	8,463,154	-	-	2,982,143	12,527,622

Financial Liabilities

Payables		-	-	-	-	302,780	302,780
Employee Benefits		-	-	-	-	1,228,760	1,228,760
Other Liabilities		-	-	-	-	529,420	529,420
Total Financial Liabilities		-	-	-	-	2,060,960	2,060,960

notes to the financial statements

29.4 Net Fair Value

Carrying Amount / Net Fair Value		
	2007 \$	2006 \$
Financial Assets		
Cash at bank	1,880,571	1,082,325
Short Term Money Market	16,608,816	8,463,154
Receivables	1,025,803	2,890,661
Investments	134,320	91,482
	19,649,510	12,527,622
Financial Liabilities		
Payables	407,279	302,780
Employee Benefits	1,402,985	1,228,760
Other Liabilities	5,350,552	529,420
	7,160,816	2,060,960

The carrying amount of assets and liabilities is equal to their net fair value. The following methods and assumptions have been applied:

Recognised financial instruments

Cash, cash equivalents and short-term investments: The carrying amount approximates fair value because of their short-term to maturity.

Receivables and Creditors: The carrying amount approximates fair value.

Credit Risk Exposures

The economic entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet.

Note 30. Account Held In Trust (Cooperative Research Centre for Aboriginal Health)

Menzies School of Health Research, in its role as the Centre Agent for the Cooperative Research Centre, established an account in trust in the name of the Cooperative Research Centre for Aboriginal Health. All funds from the Commonwealth of Australia and other contributing participants are received by Menzies in trust, on behalf of all participants. Expenses reimbursed to Menzies are shown in Menzies' accounts. Receipts, expenditure and balances of the Cooperative Research Centre account as at 31 December 2007, as managed by Menzies are summarised below:

	Notes	2007 \$	2006 \$
Opening Balance		5,110,610	4,237,996
Receipts		9,296,984	9,499,074
Expenditure		(9,322,858)	(8,626,460)
Closing Balance		5,084,736	5,110,610

Note 31. Segmentation

In accordance with the criteria contained within AASB 114 'Segment Reporting' it has been determined that Menzies School of Health Research only operates in one industry segment and one geographical location in Australia.

Note 32. Audit Fees

Previously the Auditor General would fund the cost of the annual audit of the Menzies Financial Report. Commencing in 2007 the responsibility is now Menzies and in 2007 Audit Fees for services of the Auditor General amounted to \$55,644.

Menzies School of Health Research

PO Box 41096
Casuarina NT 0811
Australia
John Mathews Building (58)
Royal Darwin Hospital Campus
Tiwi NT 0810
Australia

PHONE 08 8922 8196
FACSIMILE 08 8927 5187
EMAIL info@menzies.edu.au
WEBSITE www.menzies.edu.au

This Annual Report was produced by the Communications and Development Unit of the Menzies School of Health Research with input and much welcomed assistance from the staff and students of Menzies.

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Julie Carmichael

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Cover Art

Donald Moko
Purndi Jarpa 2007
Screenprint on paper
Image size: 51x71cm; paper size: 71 x 100cm
Image reproduced courtesy the artist, Short Street Gallery and Northern Editions at Charles Darwin University.

Artwork featured on the front cover of this publication is by Donald Moko and was produced at Charles Darwin University's printmaking studio, Northern Editions. Moko is a senior law man and Marpan (medicine man) from the Mindi Mindi clan of the Yulparija. He was born c.1928 at Kalajadu near Wangkatjungka, west of Well 33 on the Canning Stock Route in the Great Sandy Desert.

Purndi Jarpa depicts the traditional country in which Moko spent his early years; he explains: "This is everybody's country, if you go to part of this country you can get sick and die, it is law country. It is old man's country. This is where my daddy and two brothers died. We lived in this country, it is good hunting country, lots of kuwi (meat), marlu (kangaroo), birds and dingoes."

Moko moved to Bidyadanga in the late 1960's with his wife Mary Meribida and their children. The community of Bidydanga, located on the West Australian coast about 200km south of Broome, was established in the 1970s after drought and equal pay conditions forced the relocation of the Yulparija people from their country in the Great Sandy Desert.

The Yulparija artists began painting in 2003 and more recently were introduced to the medium of printmaking when CDU printmaker Bobbie Ruben conducted a week long print workshop at Broome's Short Street Gallery in September 2006. This workshop took place not long after the artists had returned, freshly inspired, from a trip to their desert country where the old people took their children and grandchildren to see and experience their heritage.

This screenprint was exhibited in August 2007 by Northern Editions, Charles Darwin University and is held in a number of major public and private collections, including the CDU Art Collection.