

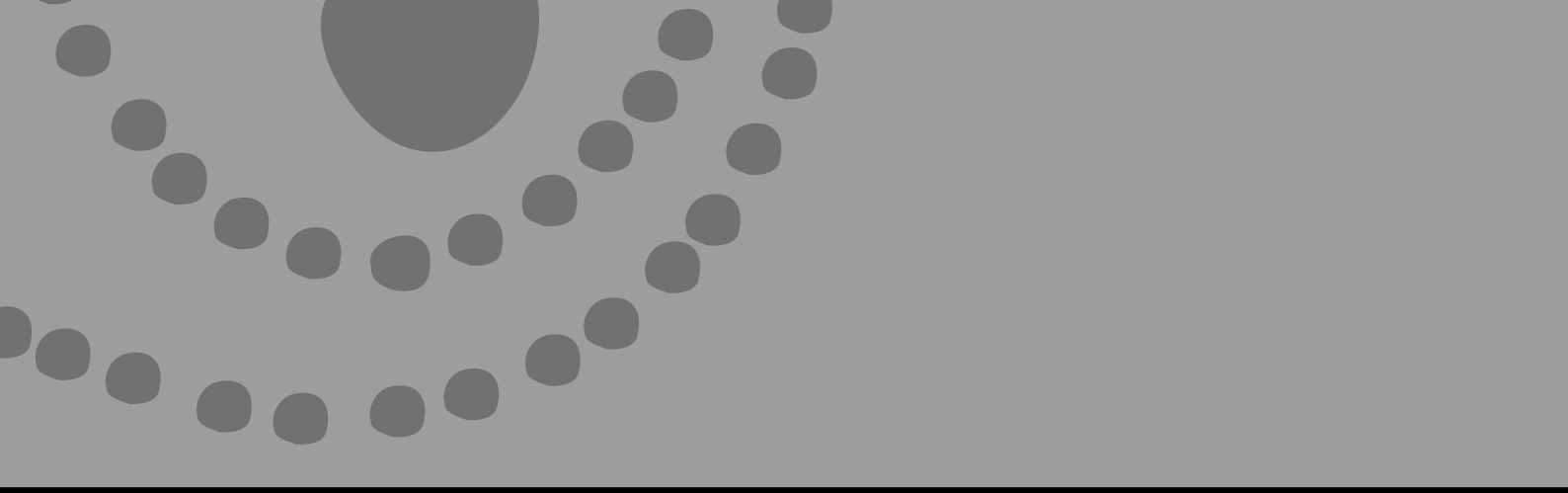


menzies school of health research

annual report
: financials

2006





auditor generals report



AUDITOR-GENERAL

AUDITOR-GENERAL'S REPORT TO THE MINISTER FOR HEALTH

MENZIES SCHOOL OF HEALTH RESEARCH

YEAR ENDED 31 DECEMBER 2006

Page 1 of 2

Scope

The financial report and the Director's responsibility

The financial report of the Menzies School of Health Research (the School) comprises the statement on behalf of the Board of Governors, balance sheet, income statement, statement of changes in equity, statement of cash flows and accompanying notes to the financial statements for the year ended 31 December 2006.

The Director of the School is responsible for the preparation and presentation of the financial report in accordance with the requirements of the *Menzies School of Health Research Act*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion to the Minister for Health and the Council of Charles Darwin University. My audit was conducted in accordance with Australian Auditing and Assurance Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control systems and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements or control deficiencies have been detected.

I performed procedures to assess whether, in all material respects, the financial report fairly presents, in accordance with Australian Accounting Standards and other mandatory financial reporting requirements in Australia and with the requirements of the *Menzies School of Health Research Act*, a view which is consistent with my understanding of School's financial position and its financial performance as represented by the results of its operations and changes in equity and cash flows.

I formed my audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of accounting estimates made by the Director.

While I considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of my procedures, my audit was not designed to provide assurance on internal controls.

My audit did not involve an analysis of the prudence of business decisions made by the Director or management.



AUDITOR-GENERAL

Page 2 of 2

Independence

I am independent of the School and, in conducting my audit, I followed applicable independence requirements of the *Audit Act* and of Australian professional ethical pronouncements.

Audit Opinion

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

- presents fairly, in all material respects, the financial position of the Menzies School of Health Research at 31 December 2006, and its financial performance for the year ended on that date: and
- is presented in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia and the requirements of the *Menzies School of Health Research Act*.

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

3 April 2007

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 2006

Board of Governors				Finance Committee		
Membership		Meetings		Member	Meetings	
		Attended	Eligible		Attended	Eligible
Prof Simon Maddocks	Ongoing	4	4	N	0	0
Mr Peter Carew	Ongoing	1	4	Y	3	5
Mr Michael Martin	Ongoing	4	4	Y	5	5
Mr Robert Griew	Ongoing	3	3	N	0	0
Prof Helen Garrett	Ongoing	3	4	N	0	0
Prof Bob Wasson	Ongoing	3	4	N	0	0
Prof Bruce Armstrong	Ongoing	4	4	N	0	0
Mr Shane Houston	Ongoing	2	4	N	0	0
Mrs Margaret Banks	Ongoing	2	4	N	0	0
Ms Kate George	Ongoing	4	4	N	0	0
Mr Bob Wells	from 25 Aug 06	2	2	N	0	0
Prof Jonathan Carapetis	from 11 May 06	3	3	Y	4	4
Prof Bart Currie	to 17 Feb 06	1	1	Y	1	1
Mrs Sue Bradley	Non Board member	0	0	Y	4	5

Principal Activities

During the year, the principal continuing activities of MSHR 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 MSHR during the 2006 year.

Review of Operations

In 2006 MSHR's growth continued with income increasing by \$803,269 or 5%. Due to timing issues in the establishment of newly funded research projects, expenditure fell by \$1,260,212 or 8%. MSHR produced a net surplus of \$1,941,139, against a deficit of \$159,454 in 2005.

Strategic Review of Operations

A strategic review process commenced in October 2006. As yet this process has not been completed and will be reported on in the 2007 annual report.

Significant Changes in the State of Affairs

Prof Jonathan Carapetis took over as the Director of MSHR during 2006. There were no other significant changes in MSHR's affairs during the 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 MSHR's operations, results or state of affairs in future years.

Environmental regulations

MSHR 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

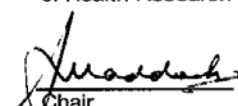
Insurance of Officers

MSHR has Not For Profit Organisation Insurance to insure the members of the Board of Governors and the officers of MSHR against any claims arising from their MSHR related activities. Cover is limited to \$5,000,000 in any one year and in 2006 the premium was \$8,980.

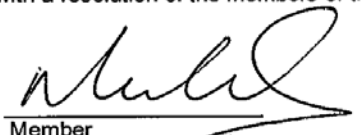
Proceedings on behalf of Menzies School of Health Research

There were no legal proceedings undertaken by MSHR in the 2006 year.

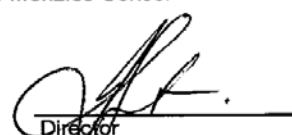
This report is made in accordance with a resolution of the members of the Menzies School of Health Research


Chair
Board of Governors

Location Adelaide
March
20th April 2007


Member
Board of Governors

Location Darwin
27 March
27 April 2007


Director

Location Koolaba
14/3/07
April 2007

income statement*

Menzies School of Health Research for the Year Ended 31 December 2006

	Notes	2006 \$	2005 \$
Revenue from continuing operations			
Australian Government financial assistance	2	5,517,522	6,327,490
NT Government financial assistance	3	3,770,447	3,587,774
Fees and charges	4	2,888,919	2,794,363
Investment income	5	566,160	561,240
Consultancy and contract research	6	3,187,106	2,402,650
Other revenue	7	785,886	239,254
Total revenue from continuing operations		16,716,040	15,912,771
Total revenue		16,716,040	15,912,771
Expenses from continuing operations			
Employee benefits	8	8,930,066	8,221,566
Depreciation	9	203,927	202,759
Repairs and maintenance	10	89,895	176,745
Bad and doubtful debts		3,748	(1,738)
Other expenses	11	5,462,923	7,351,439
Total expenses from continuing operations		14,690,559	15,950,771
Gross operating result for the year		2,025,481	(38,000)
Repayment of grant funding		84,342	121,454
Net operating result for the year		1,941,139	(159,454)

*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 2006

	Notes	2006 \$	2005 \$
Current Assets			
Cash and cash equivalents	12	9,545,479	9,183,946
Account held in trust	30	5,110,610	4,237,996
Trade and other receivables	13	2,890,661	464,430
Other non-financial assets	15	150,532	425,670
Total Current Assets		17,697,282	14,312,042
Non-Current Assets			
Property, plant and equipment	16	704,754	714,707
Investments	14	91,482	225,679
Total Non-Current Assets		796,236	940,386
Total Assets		18,493,518	15,252,428
Current Liabilities			
Trade and other payables	17	302,780	492,681
Account held in trust	30	5,110,610	4,237,996
Provisions	18	1,065,707	971,949
Other liabilities	19	529,420	30,412
Total Current Liabilities		7,008,517	5,733,038
Non-Current Liabilities			
Provisions	18	163,053	143,049
Total Non-Current Liabilities		163,053	143,049
Total Liabilities		7,171,570	5,876,087
Net Assets		11,321,948	9,376,341
Equity			
Reserves	20	1,734,962	1,279,084
Retained surplus	21	9,586,986	8,097,257
Total Equity		11,321,948	9,376,341

*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 2006

	Notes	2006 \$	2005 \$
Total equity at the beginning of the financial year		9,376,341	9,573,734
Impairment losses	20 (b)	(1,093)	(37,650)
Gain/Loss on revaluation of plant and equipment	20 (b)		(11,446)
Gain/(Loss) on revaluation of investments	20 (b)	5,561	11,157
Total income and expense for the year recognised directly in equity		4,468	(37,939)
Operating result for the year	21.1	1,941,139	(159,454)
Total equity at the end of the financial year		11,321,948	9,376,341

*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 2006

	Notes	2006 \$	2005 \$
Cash flows from operating activities			
Australian Government		6,219,116	6,388,378
NT Government		4,191,242	3,566,351
Receipts from students fees		372,997	112,291
Other customers		2,505,609	2,411,970
Other		2,762,315	3,342,872
Payments to suppliers		(7,501,236)	(7,656,618)
Payments to employees		(8,816,305)	(7,972,221)
Net cash inflow (outflow) from operating activities	28	(266,262)	193,023
Cash flows from investing activities			
Share dividends received		986	1,870
Interest received		544,932	559,370
Proceeds from sale of plant and equipment		29,100	1,000
Proceeds from sale of shares		273,335	-
Payments for property, plant and equipment		(220,558)	(144,391)
Net cash inflow (outflow) from investing activities		627,795	417,849
Net increase (decrease) in cash and cash equivalents		361,533	610,872
Cash and cash equivalents at the beginning of the financial year	12	9,183,946	8,573,074
Cash and cash equivalents at end of year	12	9,545,479	9,183,946

*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 2006

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Introduction

The Menzies School of Health Research (MSHR) 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 near 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

The financial statements and notes of MSHR comply with Australian Accounting Standards, some of which contain requirements specific to not-for-profit entities that are inconsistent with AIFRS requirements. The financial statements also comply with International Financial Reporting Standards. Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet in effect have not been adopted by the School at 31 December 2006 and are not likely to have any material impact.

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. It also requires management to exercise its judgement in the process of applying Menzies School of Health Research's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below:

b. Revenue Recognition Policy

Government grants

MSHR 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 MSHR;
- 2) MSHR has control over the grant income;
- 3) the grant income can be reliably measured;

notes to the financial statements

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. The amounts provided have been apportioned between current and non-current, the current provision being 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* MSHR has calculated long service leave entitlements not settled at 31 December 2006 on a present value basis.

MSHR 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, MSHR 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 MSHR 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 the Superannuation Scheme for Australian Universities (SSAU).

Benefits from these Schemes are supplemented by a minimum 3% productivity benefit from the Northern Territory Supplementary Superannuation Scheme (NTSSS) for pre-10th August 1999 MSHR employees, unless employees have had their employment contracts renewed and are not now members of NTGPASS.

Scheme membership among employees at 31 December 2006 was as follows:

AGEST	41
NTSSS	1
NTGPASS (plus NTSSS)	17
SSAU	58

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.

	2006	2005
Full Time Equivalent Employees as at 31 December 2006	120	116

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:

- 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
- 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 year

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.

MSHR 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 MSHR 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 MSHR has an interest in a joint venture where control does not exist, MSHR's 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 MSHR's joint venture are set out in note 25.

notes to the financial statements

Note 2. Australian Government Financial Assistance

	Notes	2006 \$	2005 \$
National Health & Medical Research Council grants		4,970,324	5,861,723
AHMAC grants		76,124	103,255
Department of Health & Aged Care grants		471,074	362,512
Total Australian Government Financial Assistance		5,517,522	6,327,490

Note 3. Northern Territory Government Financial Assistance

	Notes	2006 \$	2005 \$
NT Government other grant funding		3,770,447	3,587,774
Total Northern Territory Government Financial Assistance		3,770,447	3,587,774

Note 4. Fees and Charges

	Notes	2006 \$	2005 \$
Course fees and charges			
Fee-paying overseas students		-	73,525
Fee-paying domestic postgraduate students		360,673	328,775
Total course fees and charges		360,673	402,300
Other Fees and charges			
Administration receipts		257,865	321,340
Reimbursements		2,270,381	2,070,723
Total other fees and charges		2,528,246	2,392,063
Total Fees and Charges		2,888,919	2,794,363

Note 5. Investment Income

	Notes	2006 \$	2005 \$
Interest on Term Deposits, Call Accounts and Dividends		566,160	561,240
Total Investment Income		566,160	561,240

Note 6. Consultancy and Contract Research

	Notes	2006 \$	2005 \$
Consultancies		309,750	374,074
Contract Research		2,877,356	2,028,576
Total Consultancy and Contract Research		3,187,106	2,402,650

Note 7. Other Revenue

	Notes	2006 \$	2005 \$
Menzies Foundation		125,000	125,000
Charles Darwin University		505,494	80,862
Donations		33,523	29,000
Other		121,869	4,392
Total Other Revenue		785,886	239,254

notes to the financial statements

Note 8. Employee Benefits and On Costs

	Notes	2006 \$	2005 \$
Research:			
Salaries		4,880,177	5,046,376
Superannuation		535,746	462,649
Payroll tax		225,901	160,003
Worker's compensation		40,456	33,903
Long services leave expense		76,706	40,899
Annual leave		614,164	363,531
Total Research		6,373,150	6,107,361
Education and Training:			
Salaries		202,136	389,136
Superannuation		31,646	44,370
Payroll tax		15,266	21,485
Worker's compensation		1,700	3,235
Long services leave expense		(9,008)	2,890
Annual leave		28,318	17,364
Total Education		270,058	478,480
Non Research and Education:			
Salaries		1,674,953	1,347,840
Superannuation		215,002	143,780
Payroll tax		70,412	96,873
Worker's compensation		15,120	16,785
Long services leave expense		85,963	8,040
Annual leave		225,408	22,407
Total Non-Research and Education		2,286,858	1,635,725
Total Employee Benefits		8,930,066	8,221,566

Note 9. Depreciation

	Notes	2006 \$	2005 \$
Plant and Equipment		130,220	120,606
Leasehold Improvements		46,208	45,504
Motor Vehicles		27,499	36,649
Total Depreciation		203,927	202,759

Note 10. Repairs and Maintenance

	Notes	2006 \$	2005 \$
Repairs and Maintenance General		23,540	142,284
Maintenance Contracts		66,355	34,461
Total Repairs and Maintenance		89,895	176,745

notes to the financial statements

Note 11. Other Expenses

	Notes	2006 \$	2005 \$
Administration		241,754	314,539
Communications		124,691	117,704
Consultants		271,107	742,055
Education		89,313	141,917
Equipment Costs		233,050	246,307
Information Technology		29,056	135,560
Insurance		187,920	173,342
Joint Venture Costs		200,000	200,000
Laboratory		377,288	667,577
Licences, Memberships, Fees and Charges		81,402	56,460
Materials		99,845	51,420
Research Project Costs		1,156,360	2,261,541
Scholarship Payments		391,142	430,755
Stationery, Printing and Postage		158,632	240,572
Travel, Staffing and Related Costs		1,478,017	1,200,947
Utilities and Facilities Management		200,864	176,149
Other		142,482	194,594
Total Other Expenses		5,462,923	7,351,439

Note 12. Cash and Cash Equivalents

	Notes	2006 \$	2005 \$
Cash at bank		1,082,325	1,148,134
Term deposits		8,463,154	8,035,812
Total cash and cash equivalents		9,545,479	9,183,946

(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		9,545,479	9,183,946
--	--	-----------	-----------

(b) Term deposits

The term deposits have a fixed average interest rate of 5.54% (2005 – 5.48%) and an average maturity of 30 days.

Note 13. Trade and Other Receivables

	Notes	2006 \$	2005 \$
Debtors		2,894,409	468,178
Less: Provision for doubtful debts		(3,748)	(3,748)
Total Receivables		2,890,661	464,430

notes to the financial statements

Note 14. Investments

	Notes	2006 \$	2005 \$
Australian listed equity securities – at market value	20	91,482	225,679
Total Investments		91,482	225,679

During 2006, shares in Zenyth to the value of \$160,000 were sold when there was a takeover of the company. MSHR also received 55,508 shares in Avex Limited as part of the takeover. As a result of a takeover of Alinta Limited by AGL Limited, MSHR was issued with 612 Alinta Limited shares.

Note 15. Other Assets

	Notes	2006 \$	2005 \$
Accrued Revenue		–	263,489
Prepaid Expenses		142,412	162,181
Other Assets		8,120	–
Total Other Assets		150,532	425,670

Note 16. Property, Plant and Equipment

	Leasehold Property \$	Plant & Equipment \$	Motor Vehicles \$	Total \$
Year ended 31 December 2005				
Opening net book amount	201,722	461,256	159,472	822,450
Revaluation surplus	–	(21,949)	(15,701)	(37,650)
Additions	20,960	123,431	–	144,391
Disposals	–	–	(11,725)	(11,725)
Depreciation charge	(45,503)	(120,606)	(36,650)	(202,759)
Closing net book amount	177,179	442,132	95,396	714,707
At 31 December 2005				
– Cost	692,759	–	–	692,759
– Valuation	–	1,326,642	198,173	1,524,815
Accumulated depreciation	(515,580)	(884,510)	(102,777)	(1,502,867)
Net book amount	177,179	442,132	95,396	714,707
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)	(203,927)
Closing net book amount	130,971	481,930	91,854	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

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, 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	2006 \$	2005 \$
Creditors		180,416	232,821
Others		122,364	259,860
Total Payables		302,780	492,681

Note 18. Provisions

	Notes	2006 \$	2005 \$
Current			
Employee benefits		756,079	710,780
– Annual leave		309,628	261,169
– Long service leave		1,065,707	971,949
Non-Current			
Employee benefits		163,053	143,049
– Long service leave		163,053	143,049
Total Provisions		1,228,760	1,114,998

Note 19. Other Liabilities

	Notes	2006 \$	2005 \$
GST Payable		40,389	–
Revenue Received in Advance		489,031	30,412
Total Other Liabilities		529,420	30,412

Note 20. Reserves

	Notes	2006 \$	2005 \$
(a) Reserves Comprise			
Asset Revaluation Reserve		58,903	59,996
Capital Asset Reserve		1,588,359	1,136,949
Investment Revaluation Reserve		87,700	82,139
Total Reserves		1,734,962	1,279,084
(b) Movement In Reserves			
Asset Revaluation Reserve			
Balance at the Beginning of the Financial Year		59,996	109,092
Increment/(Decrement)		(1,093)	(49,096)
Balance at the End of the Financial Year		58,903	59,996
Capital Assets Reserve			
Balance at the Beginning of the Financial Year		1,136,949	807,654
Plus: Annual Contribution		451,410	329,295
Balance at the End of the Financial Year		1,588,359	1,136,949
Investment Revaluation Reserve			
Balance at the Beginning of the Financial Year		82,139	70,982
Increment/(Decrement)		5,561	11,157
Balance at the End of the Financial Year		87,700	82,139

Nature and purpose of reserves

Asset revaluation reserve

The asset 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	2006 \$	2005 \$
Balance at the Beginning of the Financial Year		8,097,257	8,586,006
Operating Result from Ordinary Activities after Income Tax		1,941,139	(159,454)
Transfers (To)/From Capital Assets Reserve		(451,410)	(329,295)
Balance at the End of the Financial Year		9,586,986	8,097,257

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	2006 \$	2005 \$
Administration Surplus		1,237,415	632,678
Research Project Surplus/(Deficit)		703,724	(792,132)
Total Net Surplus		1,941,139	(159,454)

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	Mr Peter Carew – Deputy Chair
Dr Shane Houston – Board Member	Mr Michael Martin – Treasurer
Mrs Margaret Banks – Board Member	Prof Helen Garnett – Board Member
Prof Jonathan Carapetis – Director	Prof Bob Wasson – Board Member
Prof Bart Currie – Interim Director	Mr Robert Griew – Board Member
Ms Kate George – Board Member	Mr Bob Wells – Board Member
Mr David Morgan – Financial Controller	Prof Bruce Armstrong – Board Member

(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 MSHR:

	2006	2005
Nil to \$9,999	11	12
\$70,000 to \$79,999	1	1
\$80,000 to \$90,999	1	–
\$230,000 to \$239,999	1	–
\$370,000 to \$379,999	–	1

Remuneration amounts for 2005 include four year's back pay of \$148,388 for the previous Director.

(c) Related party transactions

During the 2006 financial year no loans or other related party transactions were made to any Board members or executive officers.

(d) Key management personnel compensation

	2006 \$	2005 \$
Short-term employee benefits	395,168	487,689
	395,168	487,689

notes to the financial statements

Note 23. Commitments for Expenditure

	Notes	2006 \$	2005 \$
Joint Ventures			
Within 12 months		200,000	200,000
Twelve months or longer and not longer than five years		500,000	700,000
Longer than 5 years		–	–
		700,000	900,000

Note 24. Related Parties

(a) Parent entity

As of 1 January 2004 MSHR became a controlled entity of Charles Darwin University. Whilst MSHR retains its own Act of Parliament, CDU exercises its control over MSHR 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 2006 MSHR received student fee income of \$313,755 from CDU. The income was earned by MSHR from students enrolled with CDU but undertaking all course work with the Education Section of MSHR. The terms and conditions governing the payment of these fees to MSHR 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 MSHR 70% of the dollar value per EFTSU for 2004. This will be reviewed annually.

MSHR paid \$44,038 in a fee for service arrangement with CDU for the provision of information technology support services. The fees were charged on a cost recovery basis. MSHR also received RIBG payments of \$414,519 and IGS payments of \$122,212.

Note 25. Interest in Joint Controlled Entities

Name of Entity	Principal Activity	Reporting Date	Output Interest 2006
Cooperative Research Centre for Aboriginal Health	Development of a cross cultural framework for strategic research into Aboriginal health	30/6/2006	30.98%

Under AASB 131 joint control exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control. The Centre Agreement, signed by all participants in the venture, states in Clause 9.16 that the Board will make decisions by simple majority. As such, MSHR has decided that it's interest in the CRAH does not meet the requirements of AASB 131 and therefore does not recognise its share of the venture in the body of the financial statements. However, in order to maintain transparency of information MSHR's share of the joint venture is detailed in Note 25.1 as if it were recorded in the body of the financial accounts.

Note 25.1 Interest Joint Venture

Share of Assets and Liabilities	6 mth's to 31 Dec 2006 \$	12 mth's to 30 June 2006 \$
Current Assets		
Cash	1,583,267	1,844,444
Receivables	176,108	57,306
Current Liabilities		
Payables	(44,566)	(94,565)
Employee Benefits	(46,768)	(46,768)
Contingency Fund	(107,810)	(107,810)
Non-Current Assets	-	-
Plant and equipment	2,577	2,577
Non-Current Liabilities	-	-
Net Assets	1,562,808	1,655,184
Share of Operating Result		
Operating revenue	580,097	1,582,647
Operating expenses	(673,052)	(1,389,623)
Operating result	(92,955)	193,024
Retained Results		
At beginning of the financial year	1,711,350	1,518,326
At the end of the financial year	1,618,395	1,711,350
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 MSHR 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 2006.

notes to the financial statements

Note 28. Reconciliation Of Operating Result To Net Cash Inflow From Operating Activities

	Notes	2006 \$	2005 \$
Operating Result		1,941,139	(159,455)
Depreciation		203,927	202,759
Dividends received		(986)	(1,871)
Interest received		(544,932)	(559,370)
Issue of Bonus Shares		(20,242)	-
Net (profit)/loss on disposal of asset		(116,943)	(721)
Bad debts written-off		-	(1,738)
		1,461,963	(520,396)
Changes in Assets and Liabilities			
(Increase)/Decrease in receivables		(2,426,231)	518,147
(Increase)/Decrease in prepayments		19,768	(1,931)
(Increase)/Decrease in residential deposits		(8,120)	-
(Increase)/Decrease in accrued revenue		263,489	(78,802)
Increase /(Decrease) in payables		(52,404)	3,302
Increase/(Decrease) in other payables		(137,497)	(3,051)
Increase/(Decrease) in GST payable		40,389	(5,300)
Increase/(Decrease) in receipts in advance		458,619	31,708
Increase/(Decrease) in employee provisions		113,762	249,346
		(1,728,225)	713,419
Net Cash Generated From/(Used) in Operating Activities		(266,262)	193,023

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 amount 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 5.63% to 6.31%.
Investments – Publicly listed Shares		Investments in Publicly Listed Shares are stated at market value as at 31 December 2006. 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 2006

Fixed Interest Rate Maturity							
2005	Average Interest Rate %	Variable Interest Rate \$	Less than 1 Year \$	1 to 5 Years \$	More than 5 years \$	Non-interest bearing \$	Total \$
Financial Assets							
Cash on hand		–	–	–	–	–	–
Cash at bank	4.28	1,082,325	–	–	–	–	1,082,325
Short Term Money Market	5.96	–	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

29.3 The following table details the economic entity's exposure to interest rate risk at 31 December 2005

Fixed Interest Rate Maturity							
2005	Average Interest Rate %	Variable Interest Rate \$	Less than 1 Year \$	1 to 5 Years \$	More than 5 years \$	Non-interest bearing \$	Total \$
Financial Assets							
Cash on hand		–	–	–	–	–	–
Cash at bank	4.76	1,148,134	–	–	–	–	1,148,134
Short Term Money Market	5.63		8,035,812	–	–	–	8,035,812
Receivables		–	–	–	–	464,430	464,430
Investments		–	–	–	–	225,679	225,679
Total Financial Assets		1,148,134	8,035,812	–	–	690,109	9,874,055
Financial Liabilities							
Payables		–	–	–	–	492,681	492,681
Employee Benefits		–	–	–	–	1,114,998	1,114,998
Other Liabilities		–	–	–	–	30,412	30,412
Total Financial Liabilities		–	–	–	–	1,638,091	1,638,091

notes to the financial statements

29.4 Net Fair Value

Economic Entity	Carrying Amount / Net Fair Value	
	2006 \$	2005 \$
Financial Assets		
Cash at bank	1,082,325	1,148,134
Short Term Money Market	8,463,154	8,035,812
Receivables	2,890,661	464,430
Investments	91,482	225,679
	12,527,622	9,874,055
Financial Liabilities		
Payables	302,780	492,681
Employee Benefits	1,228,760	1,114,998
Other Liabilities	529,420	30,412
	2,060,960	1,638,091

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.

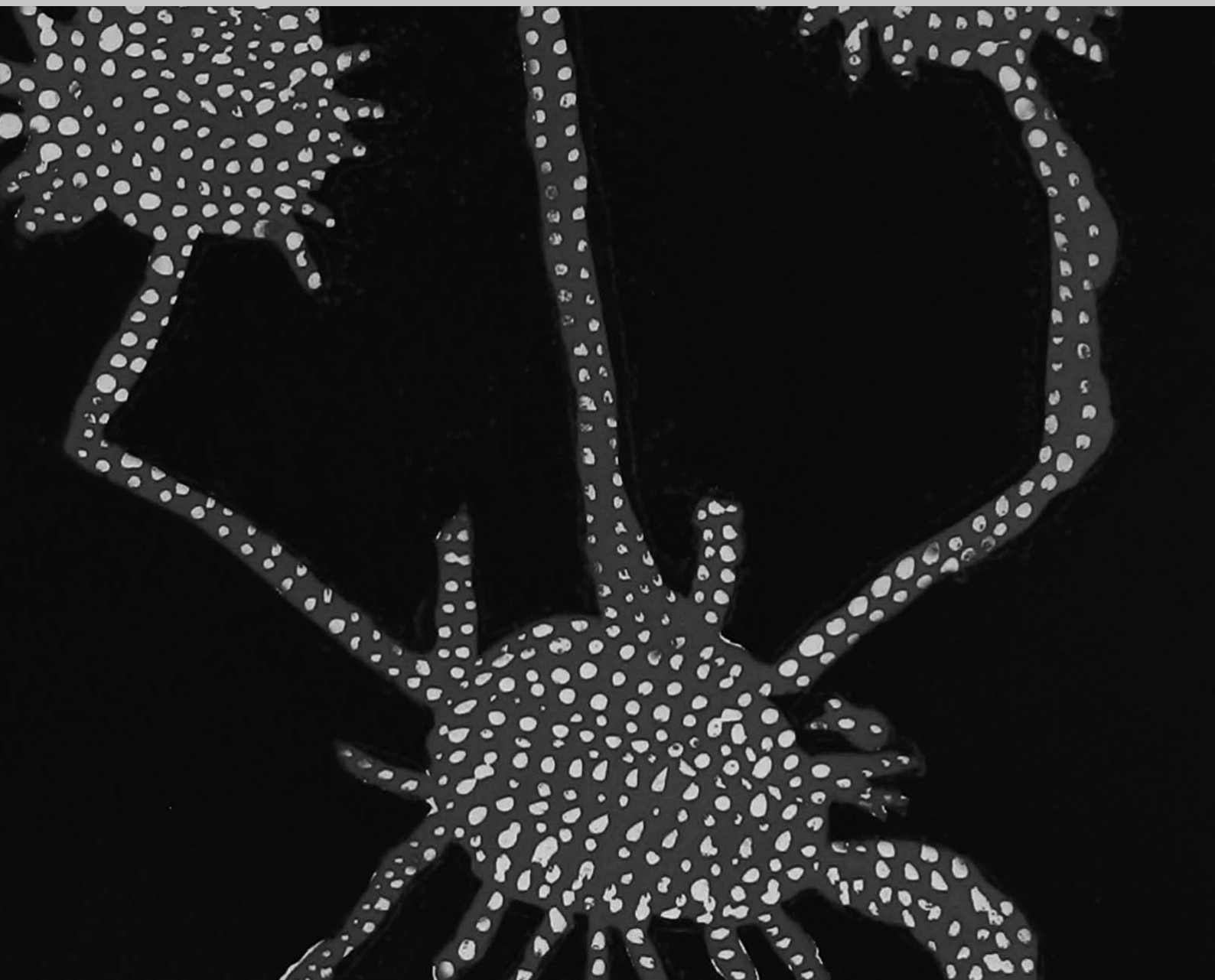
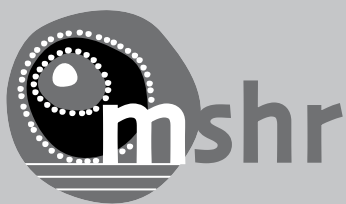
Note 30. Account Held In Trust (Cooperative Research Centre For Aboriginal Health)

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 MSHR in trust, on behalf of all participants. Expenses reimbursed to MSHR are shown in MSHR's accounts. Receipts, expenditure and balances of the Cooperative Research Centre account as at 31 December 2006, as managed by MSHR are summarised below:

	Notes	2006 \$	2005 \$
Opening Balance		4,237,996	3,165,143
Receipts		9,499,074	12,671,324
Expenditure		(8,626,460)	(11,598,471)
Closing Balance		5,110,610	4,237,996

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.



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