

Annual Financial Report

Menzies School of Health Research

ABN 70 413 542 847

31 December 2012



Auditor-General

Independent Auditor's Report to the Minister for Health Menzies School of Health Research Year Ended 31 December 2012

I have audited the accompanying financial report of Menzies School of Health Research, which comprises the statement of financial position as at 31 December 2012, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the statement on behalf of the Board of Governors.

The Responsibility of the Board of Governors for the Financial Report

The Board of Governors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes designing, implementing and maintaining internal control 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. Those 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 judgement, 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 consider internal control relevant to the entity'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 control. 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.

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Menzies School of Health Research as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations).

F. McGuinness

Auditor-General for the Northern Territory
Darwin, Northern Territory

14 May 2013

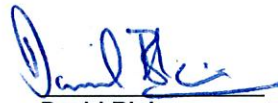
Certificate to the Board of Governors

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 Industry, Innovation, Science, Research and Tertiary Education (DIISRTE) Financial Statement Guideline for Australian Higher Education Providers for the 2012 reporting Period and other mandatory professional reporting requirements in Australia, the financial position for Menzies as at 31 December 2012, the results of its operations and its cash flow 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.



Prof. Alan Cass
Director
Darwin
Date: 1 May 2013



David Blair
Chief Operating Officer
Darwin
Date: 1 May 2013

Statement on behalf of the Board of Governors

The following persons were members of the Menzies School of Health Research Board of Governors, Finance Committee and Risk and Audit Committee for the year ended 31 December 2012

Board of Governors

		Meetings	
		Attended	Eligible
Prof. Simon Maddocks	Chairperson	4	4
Prof. Clare Martin	Deputy Chairperson	4	4
Mr Richard Ryan AO	Treasurer	4	4
Prof David Celermajer	Board Member	4	4
Prof Barney Glover	Board Member	2	4
Mr Jeffrey Moffet	Board Member	4	4
Prof Sharon Bell	Board Member	4	4
Ms Hilary Hannam	Board Member	4	4
Prof. Jonathan Carapetis (resigned 15 June 2012)	Director	2	2
Associate Prof. Ross Andrews (16 June – 2 November 2012)	A/Director	1	1
Prof. Alan Cass (commenced 2 November 2012)	Director	1	1
Mr Rowan Johnston (commenced 2 October 2012)	Board Member	1	1
Mr Gary Barnes (resigned 13 September 2012)	Board Member	2	3
Mr Robert Wells (resigned 31 May 2012)	Board Member	2	2

	Finance Committee		Risk and Audit Committee	
	Meetings		Meetings	
	Attended	Eligible	Attended	Eligible
Mr Richard Ryan AO	4	4		
Mr Jeffrey Moffet	0	4		
Mr Tom Ganley	4	4		
Ms Julie Crisp*	2	2		
Prof. Jonathan Carapetis	2	2	2	2
Associate Prof. Ross Andrews	1	2	1	1
Prof. Alan Cass	1	1	1	1
Mr Bob Hudson	-	-	4	4
Prof. Clare Martin	-	-	3	4
Mr Peter Hopton	-	-	2	4
Ms Louise Dutton	-	-	3	4
Mr Bob Wells	-	-	2	4

* Ms Julie Crisp ceased as a member of the Finance Committee in July 2012. Ms Crisp continues to attend Finance Committee meetings as an observer.

Principal Activities

During the financial 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; and
- Building strong partnerships with community groups, service providers, policymakers and other academic organizations.

There were no significant changes to the activities of Menzies during the 2012 year.

Review of Operations

In 2012 Menzies income was \$38.460m with expenditure of \$38.688m resulting in a net deficit of \$227,109. In addition, funds for recurrent grants were treated as revenue in accordance with AASB 1004.

Likely Developments and Expected Results

In 2012 Menzies committed to a five year Strategic Plan. At the core of this Strategic Plan is our commitment to community based research, education, creating a workforce for the future and translating research into action. During the year, Prof Alan Cass commenced as the Director of Menzies.

Significant Changes in the State of Affairs

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

Matters subsequent to the End of Financial year

Building projects – Please see note 30 of the Financial Statements. This should be read in conjunction with note 31.

Environmental regulations

Menzies is subject to the following environmental regulations:

- Gene Technology Act 2000 (amended 2008)
- Northern Territory Radiation Protection Act 2009
- Transport of Dangerous Goods by Road or Rail (National Uniform Legislation) Act 2010
- Industry code of practice for the Management of Clinical & Related Wastes 5th Edition 2007

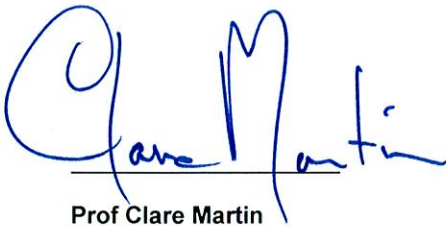
Insurance of officers

Menzies has not for profit organization insurance to insure the members of the Board of Governors and the officers of Menzies against any claim arising from Menzies related activities. Cover is limited to \$5,000,000 in any one year and in 2012 the premium was \$8,989.

Proceedings on Behalf of Menzies School of Health Research

There were no legal proceedings undertaken by Menzies in 2012 and no legal proceedings taken against Menzies.

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



Prof Clare Martin
Deputy Chair
Board of Governors
Darwin
Date: 1 May 2013



Mr Richard Ryan
Treasurer
Board of Governors
Darwin
Date: 1 May 2013



Prof Alan Cass
Director
Board of Governors
Darwin
Date: 1 May 2013

Income Statement *

**MENZIES SCHOOL OF HEALTH RESEARCH
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Notes	2012 \$	2011 \$
Income from continuing operations			
Australian Government financial assistance	2	18,990,079	18,769,893
NT Government funding	3	5,955,990	5,934,458
Fees and charges	4	1,931,691	1,780,421
Investment income	5	1,956,398	2,355,122
Consultancy and contract research	6	6,816,315	6,837,084
Gain (loss) on disposal of assets	7	996	-
Other revenue	7	2,809,499	2,257,357
Total revenue from continuing operations		38,460,968	37,934,335
Total income from continuing operations		38,460,968	37,934,335
Expenses from continuing operations			
Employee related expenses	8	24,691,585	22,383,263
Depreciation	9	351,454	375,635
Repairs and maintenance	10	733,230	585,780
Bad and doubtful debts		2,000	-
Other expenses	11	12,909,808	10,801,008
Total expenses from continuing operations		38,688,077	34,145,685
Operating result from consulting operations		(227,109)	3,788,650
Operating result attributable to members of MSHR		(227,109)	3,788,650

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

Statement of Comprehensive Income*

MENZIES SCHOOL OF HEALTH RESEARCH
AS AT 31 DECEMBER 2012

	2012 \$	2011 \$
Operating result for the year	(227,109)	3,788,650
Gain (loss) on revaluation of investments	(4,092)	(2,935)
Total Comprehensive Income	(231,201)	3,785,715
Total Comprehensive Income attributable to the members of MSHR	(231,201)	3,785,715

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

Statement of Financial Position*

MENZIES SCHOOL OF HEALTH RESEARCH
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 \$	2011 \$
ASSETS			
Current Assets			
Cash and Cash equivalents	12	34,890,444	38,588,253
Trade and other receivables	13	2,100,039	2,449,223
Other financial assets	14	3,042,210	2,722,481
Other non-financial assets	15	261,183	276,919
Total Current Assets		40,293,876	44,036,876
Non-Current Assets			
Property, plant and equipment	16	7,756,017	3,088,209
Other financial assets	14	20,363	24,455
Total Non-Current Assets		7,776,380	3,112,664
Total Assets		48,070,256	47,149,540
Current Liabilities			
Trade and other payables	17	2,487,749	1,323,566
Provisions	18	2,620,380	2,755,273
Other liabilities	19	33,864	42,366
Total Current Liabilities		5,141,992	4,121,205
Non-Current Liabilities			
Provisions	18	544,822	413,692
Total Non-Current Liabilities		544,822	413,692
Total Liabilities		5,686,814	4,534,897
Net Assets		42,383,442	42,614,643
Equity			
Reserves	20	10,988,211	15,318,889
Retained earnings	21	31,395,231	27,295,754
Total Equity		42,383,442	42,614,643

*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 2012**

	Reserves (Note 20)	Retained Surplus (Note 21)	Total
Balance as at 1 January 2011	3,475,969	35,352,959	38,828,928
Profit or Loss	-	3,788,650	3,788,650
Net revaluation loss on investments	(2,935)	-	(2,935)
Total Comprehensive Income	3,473,034	39,141,609	42,614,643
Transfers	11,845,855	(11,845,855)	-
Balance as at 31 December 2011	15,318,889	27,295,754	42,614,643
Balance as at 1 January 2012	15,318,889	27,295,754	42,614,643
Profit or Loss	-	(227,109)	(227,109)
Net revaluation loss on investments	(4,092)	-	(4,092)
Total Comprehensive Income	15,314,797	27,068,645	42,383,442
Transfers	(4,326,586)	4,326,586	-
Balance as at 31 December 2012	10,988,211	31,395,231	42,383,442

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

Statement of Cash Flows*

MENZIES SCHOOL OF HEALTH RESEARCH
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 \$	2011 \$
Cash flows from operating activities			
Australian Government grants		19,597,770	18,767,675
NT Government funding		6,072,463	6,139,977
Receipts from Student Fees		2,039,361	1,780,421
Interest received		1,955,772	2,355,122
Consultancies and Contract research		6,331,954	8,052,958
Other receipts		2,603,372	255,896
Payments to suppliers		(13,503,364)	(11,118,739)
Payments to employees		(24,695,347)	(21,742,196)
Net cash provided by operating activities	26	401,981	4,491,116
Cash flows from investing activities			
Proceeds on sale of assets		16,973	-
Payments for property, plant and equipment		(99,334)	(444,207)
Payment for Work in Progress		(4,017,426)	(2,171,402)
Net cash outflow from investing activities		(4,099,787)	(2,615,609)
Net increase in cash and cash equivalents		(3,697,806)	1,875,507
Cash and cash equivalents at the beginning of the year	12	38,588,252	36,712,745
Cash and cash equivalents at the end of the year	12	34,890,444	38,588,252

*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 2012

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Notes to the Financial Statements

MENZIES SCHOOL OF HEALTH RESEARCH
FOR THE YEAR ENDED 31 DECEMBER 2012

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 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 89228196

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 (7) of the thirteen (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 principle activities

Menzies School of Health Research mission is to improve the health of people of northern and central Australia and regions in 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 of people of the region.
- Building strong partnerships with community groups, service providers, policymakers, and other academic organisations.

1. STATEMENT 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

The annual financial statements represent the audited general purpose financial statements which have been prepared on an accrual basis and in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), the requirements of the *Higher Education Support Act 2003* (Financial Statement guidelines) and other State and Commonwealth Government legislative requirements.

Menzies is a not-for-profit entity and these statements have been prepared on that basis. Some of the Australian accounting Standards requirements for not-for-profit entities are inconsistent with the IFRS requirements.

Date of authorisation for issue

The financial statements were authorised for issue by the board members of Menzies on 1 May 2013

New Accounting Standards

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 organisation.

Currency

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

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.

Notes to the Financial Statements

MENZIES SCHOOL OF HEALTH RESEARCH
FOR THE YEAR ENDED 31 DECEMBER 2012

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 accounting policies. The estimates and underlying assumptions are reviewed on an ongoing basis.

b. Revenue Recognition Policy

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The organisation recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to it and specific criteria have been met for each of the organisations activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Menzies bases its estimates on historical costs, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

1) Government grants

Menzies treats operating grants received from Australian government entities as income in the year of receipt.

Grants from government are recognised at their fair value when the School obtains control of the right to receive the grant. It is probable that economic benefits will flow to the School and it can be reliably measured.

2) 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.

3) Other income

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

c. Employee Benefits

i. Wages and salaries

Liabilities for short term employee benefits including wages and salaries, non-monetary benefits due to be settled within 12 months after the end of the period are measured at the amount expected to be paid when the liability is settled and recognised in other payables. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

ii. Annual leave and sick leave

The liability for long-term employee benefits such as annual leave and accumulating sick leave is recognised in current provisions for employee benefits as it is not due to be settled within 12 months after the end of the reporting period. It is measured at the amount expected to be paid when the liability is settled. Regardless of the expected timing of settlements, provisions made in respect of employee benefits are classified as a current liability, unless there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability.

iii. Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash flows.

iv. Retirement benefit obligations

All employees of the group are entitled to benefits on retirement, disability or death from the School's superannuation plan. The School has a defined benefit section and a defined contribution section within its plan. The defined benefit section provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from the organisation and the organisations legal or constructive obligation is limited to these contributions.

v. Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The organisation recognised termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance date are discounted to present value.

Notes to the Financial Statements

MENZIES SCHOOL OF HEALTH RESEARCH
FOR THE YEAR ENDED 31 DECEMBER 2012

d. Income Tax

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

e. 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 are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

f. Depreciation

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 short, using the straight line method. The following estimated useful lives are used consistently in both years in the calculation of depreciation:

•	Leasehold improvements	5 years
•	Plant and equipment	3 – 5 years
•	Motor vehicles	4.4 years

g. 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.

h. Property, Plant & Equipment

Plant and equipment is stated at historical cost, less accumulated depreciation and impairment except where plant and equipment has undergone a valuation by an external independent valuer, where it is stated at fair value, less depreciation and impairment. 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.

i. Trade and other payables

These amounts represent liabilities for goods and services provided to the School prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

j. 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 statement of financial position.

k. Trade receivables

Trade receivables are recognised initially at fair value less provision for impairment. An estimate for impairment is made when collection of the full amount is no longer probable. Bad debts are written-off to the Profit and Loss account as incurred

Notes to the Financial Statements

MENZIES SCHOOL OF HEALTH RESEARCH
FOR THE YEAR ENDED 31 DECEMBER 2012

l. Commitments

Commitments are recognised when Menzies has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Commitments recognised represent the best estimate of the amounts required to settle the obligation at reporting date.

m. Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense in the income statement on a straight-line basis over the lease term.

n. Work in progress

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under the liabilities.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and costs that are attributable to contract activity in general and can be allocated to the contract.

o. Investments and other financial assets

Shares

Menzies holds publicly listed shares that have been donated to the School. These shares are not actively traded and are designated as available for sale instruments. Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Notes to the Financial Statements

MENZIES SCHOOL OF HEALTH RESEARCH
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 \$	2011 \$
Note 2. AUSTRALIAN GOVERNMENT FINANCIAL ASSISTANCE		
National Health & Medical Research grants	12,315,232	8,350,834
Australian Research Council	996,569	653,581
Australian Agency for International Development (AusAID)	2,185,831	1,295,781
DIISRTE	276,600	-
FaHCSIA	515,535	-
Department of Health and Ageing	2,700,312	8,469,697
Total Australian Government Financial Assistance	18,990,079	18,769,893
Note 3. NORTHERN TERRITORY GOVERNMENT FINANCIAL ASSISTANCE		
NT Government grant funding	5,955,990	5,934,458
Total Northern Territory Government Financial Assistance	5,955,990	5,934,458
Note 4. FEES AND CHARGES		
Course fees and charges		
Fee-paying overseas students	66,136	58,858
Fee-paying domestic postgraduate students	1,059,148	1,011,775
Total course fees and charges	1,125,284	1,070,633
Other Fees and charges		
Administration receipts	67,113	23,146
Reimbursements	739,294	686,642
Total other fees and charges	806,407	709,788
Total Fees and Charges	1,931,691	1,780,421
NOTE 5. INVESTMENT INCOME		
Interest	1,956,398	2,355,122
Total Investment Income	1,956,398	2,355,122
NOTE 6. CONSULTANCY AND CONTRACT RESEARCH		
Consultancies	546,023	169,458
Contract research	6,270,292	6,667,626
Total Consultancy and Contract Research	6,816,315	6,837,084
NOTE 7. OTHER REVENUE		
Menzies Foundation	75,000	150,000
Charles Darwin University	2,518,772	1,864,097
Gain (loss) on disposal of assets	996	-
Donations	153,242	218,323
Other	62,485	24,937
Total Other Revenue	2,810,495	2,257,357

Notes to the Financial Statements

MENZIES SCHOOL OF HEALTH RESEARCH
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 \$	2011 \$
Note 8. EMPLOYEE RELATED EXPENSES		
Research:		
Salaries	15,132,277	14,100,735
Superannuation	1,923,995	1,706,272
Payroll tax	918,991	744,125
Worker's compensation	124,245	119,660
Long services leave expense	300,180	181,392
Leave loading	241,499	229,696
Annual Leave	1,800,980	1,599,951
Total Research	<u>20,442,167</u>	<u>18,681,831</u>

Education and Training:		
Salaries	441,495	416,766
Superannuation	52,435	39,332
Payroll tax	28,024	21,994
Worker's compensation	3,663	3,537
Long services leave expense	12,338	4,951
Leave loading	7,105	6,920
Annual Leave	58,137	51,175
Total Education and Training	<u>603,196</u>	<u>544,675</u>

Non-research and Education:		
Salaries	2,656,956	2,182,805
Superannuation	411,941	320,372
Payroll tax	30,478	115,191
Worker's compensation	25,239	18,523
Long services leave expense	68,127	146,058
Leave loading	41,292	38,682
Annual Leave	412,189	335,126
Total Non-Research and Education	<u>3,646,222</u>	<u>3,156,757</u>
Total Employee Benefits	<u>24,691,585</u>	<u>22,383,262</u>

NOTE 9. DEPRECIATION

Plant and equipment	322,999	340,843
Leasehold improvements	1,911	3,055
Motor vehicles	26,544	31,737
Total Depreciation	<u>351,454</u>	<u>375,635</u>

NOTE 10. REPAIRS AND MAINTENANCE

General	107,138	64,681
Maintenance contracts	626,093	521,100
Total Repairs and Maintenance	<u>733,230</u>	<u>585,780</u>

Notes to the Financial Statements

MENZIES SCHOOL OF HEALTH RESEARCH
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 \$	2011 \$
NOTE 11. OTHER EXPENSES		
Administration	68,877	38,178
Communications	270,962	258,728
Consultants	1,503,074	1,050,210
Education	92,336	111,496
Equipment Costs	184,996	164,435
Information technology	342,088	331,317
Insurance	193,861	200,472
Joint Venture Costs - CRC	200,000	200,000
Laboratory	789,151	577,668
Licences, Memberships, fees and Charges	293,148	179,803
Materials	63,082	104,583
Research Project Costs	2,605,884	1,782,022
Scholarship Payments	743,265	501,940
Stationery ,Printing and Postage	456,839	486,464
Travel, Staffing and related costs	3,761,373	3,665,017
Utilities and Facilities Management	338,708	330,199
Other	1,002,164	818,473
Total Other Expenses	12,909,808	10,801,008

NOTE 12. CASH AND CASH EQUIVALENTS

Cash at Bank	2,659,067	4,329,794
Term deposits and Call Accounts	32,231,377	34,258,459
Total cash and cash equivalents	34,890,444	38,588,253

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

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

Balance as per statement of cash flows	34,890,444	38,588,253
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(b) Term deposits

Term deposits have a fixed rate of interest of 5.3% (2011: 5.68%) and an average maturity of 103 days.

Notes to the Financial Statements

MENZIES SCHOOL OF HEALTH RESEARCH
FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 13. RECEIVABLES

	2012 \$	2011 \$
Current		
Debtors	2,100,039	2,449,223
Less: Provision for impairment	-	-
Total current receivables	<u>2,100,039</u>	<u>2,449,223</u>

(a) Impaired receivables

As at 31 December 2012, there were no impaired receivables (2011: \$0). There was no movement during the year.

As at 31 December 2012 trade receivables of \$1,093,188 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these:

	2012 \$	2011 \$
Less than 3 months	961,773	577,222
3 to 6 months	131,415	706,261
Over 6 months	-	19,707
	<u>1,093,188</u>	<u>1,303,190</u>

NOTE 14. OTHER FINANCIAL ASSETS

Current		
GST Receivable	310,533	196,930
Other Receivables	98,016	98,016
Accrued Revenue	<u>2,633,661</u>	<u>2,427,535</u>
	3,042,210	2,722,481
Non-current		
Australian listed equity securities available for sale	<u>20,363</u>	<u>24,455</u>
Total Other Financial Assets	<u>3,062,573</u>	<u>2,746,936</u>

NOTE 15. OTHER NON-FINANCIAL ASSETS

Prepaid expenses	181,278	167,895
Other Assets	<u>79,905</u>	<u>109,025</u>
	<u>261,183</u>	<u>276,920</u>

Notes to the Financial Statements

MENZIES SCHOOL OF HEALTH RESEARCH
FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements \$	Plant & Equipment \$	Motor Vehicles \$	Work in Progress \$	Total \$
Year ended 31 December 2011					
Opening net book value	4,966	755,059	88,209	-	848,234
Additions	-	376,943	67,264	2,171,402	2,615,609
Disposals	-	-	(33,488)	-	(33,488)
Depreciation Charge	(3,055)	(340,843)	(31,736)	-	(375,634)
Write-back accumulated depreciation	-	-	33,488	-	33,488
Closing net book amount	1,911	791,159	123,737	2,171,402	3,088,209
As at December 2011					
- Cost	708,035	542,690	72,335	2,171,402	3,494,482
- Valuation	-	2,680,331	220,979	-	2,901,310
Accumulated depreciation	(706,124)	(2,431,861)	(169,578)	-	(3,307,563)
Net book amount	1,911	791,159	123,737	2,171,402	3,088,209
Year ended 31 December 2012					
Opening net book value	1,911	791,159	123,737	2,171,402	3,088,209
Additions	-	81,074	18,263	4,935,902	5,035,239
Disposals	-	-	(62,920)	-	(62,920)
Depreciation Charge	(1,911)	(322,999)	(26,544)	-	(351,454)
Write-back accumulated depreciation	-	-	46,943	-	46,943
Closing net book amount	-	549,234	99,479	7,107,304	7,756,017
As at December 2012					
- Cost	708,035	623,762	90,599	7,107,304	8,529,698
- Valuation	-	2,680,331	158,059	-	2,838,393
Accumulated depreciation	(708,035)	(2,754,859)	(149,179)	-	(3,612,074)
Net book amount	-	549,234	99,479	7,107,304	7,756,017

2012
\$

2011
\$

Note 17. TRADE AND OTHER PAYABLES

Trade and Other Payables	271,801	358,167
Accrued Expenses	2,215,949	965,400
Total Payables	2,487,749	1,323,566

Notes to the Financial Statements

MENZIES SCHOOL OF HEALTH RESEARCH
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 \$	2011 \$
NOTE 18. PROVISIONS		
Current provisions expected to be settled within 12 months		
Employee benefits		
- Annual leave	2,029,954	1,896,432
- Leave loading	1,698	194,366
- Long service leave	588,727	664,474
Total Current	2,620,380	2,755,272
Non-Current		
Employee benefits		
- Long service leave	544,822	413,692
Total Provisions	3,165,202	3,168,964

NOTE 19. OTHER LIABILITIES

Revenue received in advance	3,845	12,046
Credit card clearing	30,019	30,320
Total Other Liabilities	33,864	42,366

NOTE 20. RESERVES

(a) Reserves Comprise		
Revaluation Reserve	52,903	52,903
Capital Asset Reserve	4,118,309	3,766,856
Restricted Reserve Building	6,792,181	11,470,219
Investment Revaluation Reserve	24,817	28,909
Total Reserve	10,988,211	15,318,887

(b) Movement in Reserves

Revaluation Reserve

Balance at the Beginning of the Financial year	52,903	52,903
Assets retired transferred to equity	-	-
Balance at the End of the financial year	52,903	52,903

Capital Assets Reserve

Balance at the Beginning of the Financial year	3,766,856	3,391,221
Plus: annual Contribution transferred from retained earnings	351,453	375,635
Balance at the end of the Financial Year	4,118,309	3,766,856

Investment Revaluation Reserve

Balance at the Beginning of the Financial year	28,909	31,845
Increment/(Decrement)	(4,092)	(2,935)
Balance at the end of the Financial Year	24,817	28,910

Restricted Reserve Building

Balance at the Beginning of the Financial year	11,470,219	-
Increment/(Decrement)	(4,678,038)	11,470,219
Balance at the End of the Financial Year	6,792,181	11,470,219

Notes to the Financial Statements

MENZIES SCHOOL OF HEALTH RESEARCH
FOR THE YEAR ENDED 31 DECEMBER 2012

Note 20. RESERVES (Cont.)

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 Asset Reserve. Amounts transferred to the Capital Asset Reserve are calculated on an annual basis as follows:

- An amount equal to the depreciation expense for that year
- An amount equal to twenty (20) per cent of any surpluses generated by the administration cost centre
- An amount equal to ten (10) percent of any surpluses from 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.

NOTE 20.1 RESTRICTED RESERVES – NEW BUILDINGS

An amount of \$6,792,181 has been received for the construction of new buildings and not yet spent at year end. Most of the funds have been received and brought to account in earlier years but by the terms set by the funding bodies, are required to be retained separately for construction purposes. Please refer to Note 31 and 32.

NOTE 21. RETAINED EARNINGS

Balance at the beginning of the Financial Year
Operating Result
Transfers to Reserve
Balance at the end of the Financial Year

2012	2011
\$	\$
27,295,754	35,352,959
(227,109)	3,788,650
4,326,585	(11,845,855)
<u>31,395,231</u>	<u>27,295,754</u>

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.

Administration Surplus/(Deficit)
Research Project Surplus / (Deficit)

(661,543)	(433,099)
434,434	4,221,749
<u>(227,109)</u>	<u>3,788,650</u>

Notes to the Financial Statements

MENZIES SCHOOL OF HEALTH RESEARCH
FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 22. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Names of responsible persons and executive officers

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

Prof Simon Maddocks - Chair
Prof Clare Martin - Deputy Chair
Mr Richard Ryan AO - Treasurer
Prof Barney Glover - Board Member
Mr Gary Barnes - Board Member (resigned 13 September 2012)
Prof Sharon Bell - Board Member
Prof David Celermajer - Board Member
Ms Hilary Hannam - Board Member
Mr Jeffrey Moffet - Board Member
Mr Robert Wells - Board Member (resigned 31 May 2012)
Mr Rowan Johnston - Board Member (commenced 2 October 2012)
Prof Jonathan Carapetis - Director (resigned 15 June 2012)
Associate Prof Ross Andrews - A/Director (16 June - 2 November 2012)
Prof Alan Cass - Director (commenced 2 November 2012)
Mr David Blair - Chief Operating officer
Ms Adrienne Farago - Executive Officer
Ms Monica Barolits-McCabe - Financial Controller (commenced 18 June 2012)
Mr Tim Flynn - Financial Controller (resigned 18 June 2012)
Ms Heather D'Antoine - Associate Director
Prof Nick Anstey - Associate Director
Prof Anne Chang - Associate Director
Associate Prof. Gail Garvey - Associate Director
Associate Prof. Louise Maple-Brown - A/Associate 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 the affairs of Menzies:

	2012 \$	2011 \$
Remuneration of Board Members:		
Nil to \$9,999	11	15
Remuneration of Executive Officers		
Nil to \$9,999	-	1
\$30,000 to \$39,999	1	-
\$50,000 to \$59,999	-	1
\$60,000 to \$69,999	1	-
\$70,000 to \$79,999	1	1
\$100,000 to \$109,999	1	1
\$120,000 to \$129,999	2	1
\$130,000 to \$139,999	1	1
\$140,000 to \$149,999	1	1
\$160,000 to \$169,999	-	1
\$180,000 to \$189,999	1	-
\$200,000 to \$209,999	1	-
\$210,000 to \$219,999	-	1
\$280,000 to \$289,999	-	1
\$290,000 to \$299,999	1	-
\$370,000 to \$399,999	1	-
\$460,000 to \$469,999	-	1

Notes to the Financial Statements

MENZIES SCHOOL OF HEALTH RESEARCH
FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 22. KEY MANGEMENT PERSONNEL DISCLUSORES (Cont.)

(d) Loans and other transactions with key management personnel

During the 2012 financial year no loans or other related party transactions were made to any Board members of executive officers.

(e) Key Management Personnel Compensation

	2012	2011
	\$	\$
Short-term employee benefits	1,661,536	1,775,287
Post employee benefits	198,795	170,247
	<u>1,860,331</u>	<u>1,945,534</u>

NOTE 23. RELATED PARTIES

(a) Parent Entity

As of 1 January 2004, Menzies became a controlled entity of Charles Darwin University (CDU). Whilst Menzies retains its own Act of Parliament, CDU exercises its control over Menzies by having the power to nominate seven (7) of the thirteen (13) members of the Board of Directors.

(b) Board Members and Specified executives

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

(c) Transactions with related parties

In 2012 Menzies received student fee income is \$1,071,124 from CDU (2011: \$941,107). The income was earned by Menzies from students enrolled with CDU but undertaking their 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 received:

	2012	2011
	\$	\$
Student fee Income	1,071,124	941,107
Research Infrastructure Block Grant (RIBG)	1,296,395	1,017,401
Sustainable Research Excellence (SRE)	807,449	485,787
Joint research Engagement (JRE)	349,927	310,909
Salaries	53,108	237,204
Project transfers	<u>1,082,208</u>	<u>594,679</u>
	4,660,211	3,587,087

Payments to CDU

Information Technology and student fees	74,506	72,589
	<u>74,506</u>	<u>72,589</u>

NOTE 24. ECONOMIC DEPENDENCY

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

NOTE 25. EVENTS OCCURRING AFTER BALANCE SHEET DATE

For events relating to the Building project please refer to Note 30. In addition, Menzies is currently negotiating a three year funding agreement with the Northern Territory Government.

Notes to the Financial Statements

MENZIES SCHOOL OF HEALTH RESEARCH
FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 26. RECONCILIATION OF OPERATING RESULT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012 \$	2011 \$
Operating Result	(227,109)	3,788,650
Depreciation	351,454	375,635
Net (profit)/loss on disposal of asset	(996)	-
	<u>123,349</u>	<u>4,164,285</u>
Changes in Assets and Liabilities		
(Increase)/Decrease in receivables	349,183	1,414,556
(Increase)/Decrease in prepayments	(13,383)	(11,018)
(Increase)/Decrease in other assets	29,120	(165,655)
(Increase)/Decrease in accrued revenue	(206,127)	(2,001,462)
Increase/(Decrease) in payables (trade and other)	(86,367)	175,822
Increase/(Decrease) in accrued expenses	332,073	510,191
Increase/(Decrease) in GST payables	(113,603)	(241,292)
Increase/(Decrease) in other liabilities	(8,502)	4,621
Increase/(Decrease) in employee provisions	(3,762)	641,067
	<u>278,632</u>	<u>326,832</u>
Net cash Generated from/(Used) in Operating Activities	<u>401,981</u>	<u>4,491,116</u>

NOTE 27. FINANCIAL RISK MANAGEMENT

Menzies activities expose it to a variety of financial risks: market risk (including currency risk, fair value, interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Menzies overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance to Menzies. Menzies does not use derivative financial instruments such as foreign exchange contracts and interest swaps to hedge certain risk exposures. Menzies uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk.

Risk management is carried out by the executive officer under policies approved by the Board of Directors. Menzies identifies, evaluates and hedges financial risks in close co-operation with Menzies operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit card risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market Risk

(i) Foreign exchange risk

Menzies has transactional currency exposures. Such exposure arises from sales or purchase by an operating entity in currencies other than functional currency, and Menzies statement of financial position can be effected by movement in US\$/EURO/AU\$ exchange rates.

Considering the limited exposure to these risks, Menzies does not engage in any form of hedging. There has been no change in Foreign exchange risk since the previous period.

(ii) Price risk

Menzies exposure to commodity and equity risk is minimal. Equity securities price risk arises from investments in equity securities. The equity investments are comparatively minor in terms of Menzies total assets and are publicly traded on the ASX. The price risk for these securities is immaterial in terms of a possible impact on profit and loss or total equity and such a sensitivity analysis has not been completed.

(iii) Interest rate risk

Menzies exposure to market interest rate relates primarily to its investments in term deposits. Menzies monitors the future predicted interest rates and manages cash reserves by negotiating with financial institutions on term deposit rates. The Finance Committee are informed of the management of Menzies Cash Reserves.

**MENZIES SCHOOL OF HEALTH RESEARCH
FOR THE YEAR ENDED 31 DECEMBER 2012**

(iv) Summarised sensitivity analysis

		Interest rate risk				Foreign exchange risk				Other price risk			
		-2%		2%		-2%		+5%		-5%		+5%	
		Result	Equity	Result	Equity	Result	Equity	Result	Equity	Result	Equity	Result	Equity
31 December 2012	Carrying Amount												
Financial assets													
Cash and cash equivalents	34,890,444	(697,809)	(697,809)	697,809	697,809	-	-	-	-	-	-	-	-
31 December 2011	Carrying Amount												
Financial assets													
Cash and cash equivalents	38,588,253	(771,765)	(771,765)	771,765	771,765	-	-	-	-	-	-	-	-

Credit risk arises from the financial assets of Menzies, which comprise of cash and cash equivalents and trade and other receivables. Menzies exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets.

Menzies trade only with recognised, creditworthy third parties, and as such collateral is not requested nor it is Menzies policy to secure its trade and other receivables.

(c) Liquidity risk

Menzies manages its liquidity risk by monitoring the total cash inflows and outflows expected on a monthly basis. Menzies manages its liquidity risk by monitoring and reporting to the Finance committee payables over 60 days. There have been no changes in liquidity risk from the previous period.

The carrying amount of cash and cash equivalents approximates fair value because of their short-term to maturity. The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short term nature.

NOTE 28. REMUNERATION OF AUDITORS

Menzies is responsible for payment of Audit services to the Auditor General. Total payments amounted to \$25,668 (2011: \$27,238).

NOTE 29. COMMITMENTS

Lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:

	2012 \$	2011 \$
Within one year	296,686	290,234
Later than one year but no later than five years	-	84,000
	<u>296,686</u>	<u>374,234</u>
Representing:		
Cancellable operating leases	<u>296,686</u>	<u>374,234</u>
	<u>296,686</u>	<u>374,234</u>

(i) Operating Leases

20 Catherthun Street, Winnellie

Lease over upper level of 20 Catherthun Street, Winnellie – lettable Area: Building approx. 966sqm.

Rental and Terms of Payment: the initial rental shall be \$199,365 per annum (inclusive of GST) to be in equal monthly payments in advance with the first payment due upon signing of this Agreement to lease. A lease extension for these premises was agreed to 6 November 2013.

Term of Lease: TWO (2) years

Option Period: Two (2) terms of one (1) year each

Commencing Date: 23 July 2011

147 Wharf Street, Brisbane

Lease on 147 Wharf Street, Brisbane.

Rental and term of Payment: the initial rental shall be \$158,400 (GST inclusive) exclusive of outgoings, to be in equal monthly payments in advance with the security bond of and amount equal to six (6) months rent (\$79,200 GST inclusive) immediately upon signing of the Agreement.

Term of Lease: Two (2) years

Option Period: Two (2) terms of one (1) year each

Commencing Date: 23 July 2011

Adelaide

Lease on Suite 12/15 Fullerton road, Kent town and 7 parking bays.

Rental and term of Payment: The initial rental shall be \$63,855 including the 7 parking bays per annum (GST inclusive) to be in equal monthly payments in advance. A lease extension for this premise was agreed to 27 April 2013.

Term of Lease: One (1) year, one (1) month and four (4) Days

Option Period: Twelve (12) months

Commencing date: 27 July 2009

(ii) Other expenditure commitments

	2012 \$	2011 \$
Within one year	200,000	200,000
Later than one year but no later than five years	100,000	300,000
	<u>300,000</u>	<u>500,000</u>

Commitments for future core partner payments to Co-operative Research Centre for Aboriginal Health at reporting date but not recognised as liabilities payable.

NOTE 29. COMMITMENTS (cont.)

(iii) Capital commitments

The following commitments with respect to the building project were entered into and remain current:

	2012 \$	2011 \$
Within one year	34,815,716	1,601,359
	<u>34,815,716</u>	<u>1,601,359</u>

NOTE 30. WORK IN PROGRESS

Menzies has been granted funds from the Commonwealth and Northern Territory Governments (NTG) for the purpose of constructing research and training facilities at Charles Darwin University (CDU) and Royal Darwin Hospital (RDH) and for refurbishing an existing building at RDH.

The land on which the proposed facilities are to be constructed is controlled by CDU and NTG.

Menzies intends to transfer ownership of the buildings to CDU and NTG respectively upon completion of the works and for Menzies to occupy the buildings for nominal rent thereafter.

The new Buildings will accommodate 420 Menzies staff and will allow the School to continue to conduct medical research and training, including laboratory and clinical research.

Accounting Treatment - Construction

As with past years, receipt of grant income has been recognised as revenue at time of receipt in accordance with AASB 1004 Contributions.

Expenditure on the project to date has been recognised as work in progress within the balance sheet.

Accounting Treatment – on transfer of Ownership to Charles Darwin University (CDU)

Australian accounting pronouncements do not deal specifically with the recognition of the costs of a self constructed building that is to be subsequently gifted to another entity. The appropriate accounting for such property is therefore determined in accordance with the general principles.

The cost or reduction in future economic benefits arising from the gifting of the building does not meet the definition of an expense. Expenses are defined in the framework as “decreases in economic benefits during the accounting period... other than those relating to distributions to equity participants”. As the transaction is a transaction between Menzies and its parent entity (CDU) and has no commercial substance the transaction is considered to be a common control transaction that will be accounted for within equity.

When the building is transferred to CDU, the building will be derecognised by Menzies and the carrying amount of the asset will be recognised in the statement of changes in equity as a distribution to CDU, the controlling entity.

In accounting for the peppercorn lease of the CDU building, Menzies will apply the recognition and measurement requirements of AAASB 117 Leases.

Accounting Treatment – on transfer of Ownership to Royal Darwin Hospital (RDH)

Upon completion of the building and gifting to the Northern Territory Department of Health, Menzies will derecognize the building and an intangible asset will be recognized for the fair value of the total future lease payment. The carrying amount of the asset will be recognised as a “prepaid rent” intangible asset. Any difference between the carrying amount of the capital work in progress and the prepaid rent will be recognised as a gain / (loss) in the profit and loss account.

Subsequent to initial recognition, the intangible asset shall be measured at cost less any accumulated amortisation and any accumulated impairment losses. The prepaid rent asset will then be amortised over the life of the lease using a systematic basis.

NOTE 30. WORK IN PROGRESS (cont.)*Project Revenue and Costs*

Total estimated project revenue and costs, including amounts received and spent to date have been summarised below:

	Total \$ Millions	Received to 31/12/12 \$ Millions	Received in subsequent Periods \$ Millions
Revenue:			
Commonwealth Government	39.4	7.0	32.4
NT Government	4.5	4.5	0.0
Charles Darwin University	1.2	0.0	1.2
Interest	2.4	2.4	0.0
	47.5	13.9	33.6
Project Costs *	47.5	7.1	40.4
Unspent project Costs	0.0	6.8	
Committed Costs @ 31 December 2012		34.8	

* Costs incurred to 31 December 2012 of \$7.1m have been recorded as Work in Progress (WIP) on the Balance Sheet.

Restricted Reserve

The balance of the unspent project costs of \$6,792,181 at 31 December 2012 (2011: \$11,470,219) forms part of reserves at year end. These funds are restricted for the use of constructing the new buildings as detailed above.

Status of the Project

At 31 December 2012, the design phase of the project had been completed and construction had commenced. It is anticipated that the construction phase will be completed in late 2013. The defect period should conclude in late 2014.

Risk Evaluation

At the time of signing the accounts, the construction phase had commenced.

A project manager has been appointed to oversee the process and to minimise price overruns.

Note 31 Post Balance Sheet Events Building Project

In January 2013 a new capital works funding agreement with a maximum value of \$37,739,000 (inclusive of GST) was entered into by the Commonwealth and Menzies.