



2005 FINANCIAL REPORTS



Auditor-General's Report



**AUDITOR-GENERAL'S REPORT TO THE MINISTER FOR HEALTH AND THE
COUNCIL OF CHARLES DARWIN UNIVERSITY
MENZIES SCHOOL OF HEALTH RESEARCH
YEAR ENDED 31 DECEMBER 2005**

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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 2005.

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's Report continued



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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 the financial position of the Menzies School of Health Research at 31 December 2005, 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

12 April 2006

Level 12 Northern Territory House 22 Mitchell Street Darwin 0800 Tel: 08 8999 7155 Fax: 08 8999 7144

Statement on behalf of the Board of Governors

Financial Statements for the Year Ended 31 December 2005

Statement on Behalf of the Board of Governors

In our opinion:

- the attached financial statements and notes thereto comply with Accounting Standards;
- the attached financial statements and notes thereto give a true and fair view of the financial position of the Menzies School of Health Research as at 31 December 2005 and its performance for the year then ended;
- there are reasonable grounds to believe that the Menzies School of Health Research will be able to pay its debts as and when they become due and payable.
- Meetings of Governors:
There were 3 Board meetings and 3 Finance Committee meetings held between 1 January and 31 December 2005.

	Board Membership	Meetings Attended	Finance Committee Member	Meetings Attended
Prof Simon Maddocks	Ongoing	3	N	0
Mr Peter Carew	ongoing	3	Y	3
Mr Michael Martin	Ongoing	3	Y	3
Prof Kerin O'Dea	to 24 Oct 05	2	Y	2
Mr Robert Griew	Ongoing	2	N	0
Prof Helen Garnett	Ongoing	3	N	0
Prof Judith Whitworth	to 31 Dec 05	1	N	0
Prof Bob Wasson	Ongoing	3	N	0
Mr Peter Plummer	to 24 May 05	1	N	0
Prof Bruce Armstrong	Ongoing	3	N	0
Mr Shane Houston	Ongoing	3	N	0
Dr Val Asche	to Sept 05	2	N	0
Ms Kate George	Ongoing	1	N	0
Mr Ken Simpson	25 May to 31 Oct 05	1	N	0
Prof Bart Currie	from 25 Oct 05	1	Y	1
Ms Margaret Banks	from 11 Nov 05	0	N	0
Mrs Sue Bradley	Non Board member	0	Y	2

Chair
Board of Governors

12 April 2006

Member
Board of Governors

12 April 2006

Income Statement*

for the year ended 31 December 2005

	Notes	\$—2005	\$—2004
REVENUE FROM CONTINUING OPERATIONS			
Australian Government financial assistance	2	6,327,490	4,920,286
NT Government financial assistance	3	3,587,774	3,548,965
Fees and charges	4	2,794,363	1,927,716
Investment income	5	561,240	442,954
Consultancy and contract research	6	2,402,650	2,561,760
Other revenue	7	239,254	254,845
TOTAL REVENUE FROM CONTINUING OPERATIONS		15,912,771	13,656,526
TOTAL REVENUE		15,912,771	13,656,526
EXPENSES FROM CONTINUING OPERATIONS			
Employee benefits	8	8,221,566	7,294,444
Depreciation and amortisation	9	202,759	240,458
Repairs and maintenance	10	176,745	161,848
Bad and doubtful debts		(1,738)	2,640
Other expenses	11	7,472,892	4,358,830
TOTAL EXPENSES FROM CONTINUING OPERATIONS		16,072,224	12,058,220
NET OPERATING RESULT FOR THE YEAR		(159,454)	1,598,306

* To be read in conjunction with the Notes to the Financial Statements

Balance Sheet*

as at 31 December 2005

	Notes	\$—2005	\$—2004
CURRENT ASSETS			
Cash and cash equivalents	12	9,183,946	8,573,074
Account held in trust	30	4,237,996	3,165,143
Trade and other receivables	13	464,430	980,839
Other non-financial assets	15	425,670	344,937
TOTAL CURRENT ASSETS		14,312,042	13,063,993
NON-CURRENT ASSETS			
Property, plant and equipment	16	714,707	822,449
Investments	14	225,679	214,521
TOTAL NON-CURRENT ASSETS		940,386	1,036,970
TOTAL ASSETS		15,252,428	14,100,963
CURRENT LIABILITIES			
Trade and other payables	17	490,666	490,415
Account held in trust	30	4,237,996	3,165,143
Provisions	18	850,918	659,132
Other liabilities	19	32,426	6,018
TOTAL CURRENT LIABILITIES		5,612,007	4,320,708
NON-CURRENT LIABILITIES			
Provisions	18	264,081	206,521
TOTAL NON-CURRENT LIABILITIES		264,081	206,521
TOTAL LIABILITIES		5,876,087	4,527,229
NET ASSETS		9,376,341	9,573,734
EQUITY			
Reserves	20	1,279,084	987,728
Retained surplus	21	8,097,257	8,586,006
TOTAL EQUITY		9,376,341	9,573,734

* To be read in conjunction with the Notes to the Financial Statements

Statement in Changes of Equity*

for the year ended 31 December 2005

	Notes	\$—2005	\$—2004
TOTAL EQUITY AT THE BEGINNING OF THE FINANCIAL YEAR		9,573,734	7,900,364
Impairment losses	20 (b)	(37,650)	
Gain/(Loss) on revaluation of plant and equipment	20 (b)	(11,446)	109,092
Gain/(Loss) on revaluation of investments	20 (b)	11,157	(34,027)
TOTAL INCOME AND EXPENSE FOR THE YEAR RECOGNISED DIRECTLY IN EQUITY		(37,939)	75,065
OPERATING RESULT FOR THE YEAR	21.1	(159,454)	1,598,306
TOTAL EQUITY AT THE END OF THE FINANCIAL YEAR		9,376,341	9,573,734

* To be read in conjunction with the Notes to the Financial Statements

Statement of Cash Flows*

for the year ended 31 December 2005

	Notes	\$—2005	\$—2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Australian Government		6,388,378	4,999,768
NT Government		3,566,351	3,588,825
Receipts from student fees		112,291	78,550
Other customers		2,411,970	1,620,516
Other		3,342,872	2,210,722
Payments to suppliers		(7,656,618)	(4,156,420)
Payments to employees		(7,972,221)	(7,171,492)
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	28	193,023	1,170,469
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		561,240	442,954
Proceeds from sale of plant and equipment		1,000	12,273
Payments for property, plant and equipment		(144,391)	(481,562)
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES		417,849	(26,335)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		610,872	1,144,134
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR			
	12	8,573,074	7,428,940
CASH AND CASH EQUIVALENTS AT END OF YEAR	12	9,183,946	8,573,074

* To be read in conjunction with the Notes to the Financial Statements

Notes to the Financial Statements

for the year ended 31 December 2005

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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. MSHR 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, MSHR became a controlled entity of Charles Darwin University. The Act stipulates that Charles Darwin University will be responsible for nominating seven of the 13 board positions required under the Act. MSHR 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 Charles Darwin University.

Operations and principal activities

MSHR's 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.

1 Summary of significant accounting policies

The principal accounting policies adopted by Menzies School of Health Research (MSHR) in the preparation of the financial report are set out below.

a. Basis of preparation

This general-purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, and the requirements of Australian and State Government legislation.

Compliance with IFRS

Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the financial statements and notes of MSHR comply with International Financial Reporting Standards (IFRS).

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first MSHR financial statements to be prepared in accordance with AIFRS. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of MSHR until 31 December 2004 were prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects to AIFRS. When preparing MSHR's 2005 financial statements, management amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. The comparative figures in respect of 2004 were restated to reflect these adjustments. Reconciliations and descriptions of the effects of transition from previous AGAAP to AIFRS on MSHR's equity and its net income are given in note 32.

Early adoption of standard

MSHR has elected to apply AASB 119 *Employee Benefits* (issued in December 2004) to the annual reporting period beginning 1 January 2005. This includes applying AASB 119 to comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

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 AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying MSHR'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

Revenue recognition for grant and donation income received is carried out on the following basis:

- (i) it is probable that grant funding will be used for the designated purpose
- (ii) MSHR has control over the grant income
- (iii) the grant income is measurable.

Grant income that meets the above revenue recognition criteria is recorded as income in the year of receipt. All other project related income is fully recognised in the year of receipt.

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 12 months.

In the case of long-service leave, employee entitlements vest after the completion of 10 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 2005 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. As such, MSHR has calculated annual leave entitlements greater than an employee's annual entitlement on a present-value basis and recorded this as a non-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 2004 MSHR Enterprise Agreement allowed for employees to salary-sacrifice on the condition that any fringe benefits tax incurred would be payable by the employee.

e. Superannuation

Employees' 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-10 August 1999 MSHR employees, unless employees have had their employment contracts renewed and are not now members of NTGPASS.

Notes to the Financial Statements

Scheme membership among employees at 31 December 2005 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.

	2005	2004
Full-time equivalent employees as at 31 December 2005	116	95

f. Income Tax

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

g. Goods and Services Tax

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

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

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

h. Depreciation

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

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

i. Impairment of assets

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

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. 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.

k. 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.

l. Investment in shares

MSHR holds publicly listed shares that have been donated to MSHR. 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.

2 Australian Government financial assistance	Notes	\$—2005	\$—2004
National Health and Medical Research Council grants		5,861,723	3,943,953
Australian Health Ministers' Advisory Council grants		103,255	212,620
Department of Health and Ageing grants		362,512	763,713
TOTAL AUSTRALIAN GOVERNMENT FINANCIAL ASSISTANCE		6,327,490	4,920,286

3 Northern Territory Government financial assistance			
NT Government other grant funding		3,587,774	3,548,965
TOTAL NORTHERN TERRITORY GOVERNMENT FINANCIAL ASSISTANCE		3,587,774	3,548,965

4 Fees and charges			
COURSE FEES AND CHARGES			
Fee-paying overseas students		73,525	121,440
Fee-paying domestic postgraduate students		328,775	268,323
TOTAL COURSE FEES AND CHARGES		402,300	389,763
OTHER FEES AND CHARGES			
Administration receipts		321,340	127,212
Reimbursements		2,070,723	1,410,741
TOTAL OTHER FEES AND CHARGES		2,392,063	1,537,953
TOTAL FEES AND CHARGES		2,794,363	1,927,716

5 Investment income			
Interest on term deposits, call accounts and dividends		561,240	442,954
TOTAL INVESTMENT INCOME		561,240	442,954

6 Consultancy and contract research			
Consultancies		374,074	252,750
Contract research		2,028,576	2,309,010
TOTAL CONSULTANCY AND CONTRACT RESEARCH		2,402,650	2,561,760

Notes to the Financial Statements

7 Other revenue	Notes	\$—2005	\$—2004
Menzies Foundation		125,000	100,000
Charles Darwin University		80,862	79,351
Donations		29,000	70,536
Other		4,392	4,958
TOTAL OTHER REVENUE		239,254	254,845

8 Employee benefits and on-costs

RESEARCH:			
Salaries		5,046,376	4,702,960
Superannuation		462,649	370,665
Payroll tax		160,003	146,053
Worker's compensation		33,903	39,267
Long-service leave expenses		40,899	—
Annual leave		363,531	—
TOTAL RESEARCH		6,107,361	5,258,945
EDUCATION AND TRAINING:			
Salaries		389,136	429,695
Superannuation		44,370	40,624
Payroll tax		21,485	19,064
Worker's compensation		3,235	3,184
Long-service leave expenses		2,890	—
Annual leave		17,364	—
TOTAL EDUCATION		478,480	492,567
NON-RESEARCH AND EDUCATION:			
Salaries		1,347,840	1,361,155
Superannuation		143,780	99,480
Payroll tax		96,873	71,684
Worker's compensation		16,785	10,613
Long-service leave expenses		8,040	—
Annual leave		22,407	—
TOTAL NON-RESEARCH AND EDUCATION		1,635,725	1,542,932
TOTAL EMPLOYEE BENEFITS		8,221,566	7,294,444

9 Depreciation

Plant and equipment		120,606	178,024
Leasehold improvements		45,504	38,168
Motor vehicles		36,649	24,266
TOTAL DEPRECIATION		202,759	240,458

10 Repairs and maintenance	Notes	\$—2005	\$—2004
Repairs and maintenance general		142,283	96,300
Maintenance contracts		34,462	65,548
TOTAL REPAIRS AND MAINTENANCE		176,745	161,848

11 Other expenses			
Administration		314,539	305,754
Repayment of grant funding		121,453	—
Communications		117,704	144,164
Consultants		742,055	353,411
Education		141,917	90,497
Equipment costs		246,307	474,527
Information technology		135,560	74,833
Insurance		173,342	164,206
Joint venture costs		200,000	200,000
Laboratory		667,577	314,867
Licences, memberships, fees and charges		56,460	87,115
Materials		51,420	38,315
Research project costs		2,261,541	550,028
Scholarship payments		430,755	329,385
Stationery, printing and postage		240,572	168,611
Travel, staffing and related costs		1,200,947	798,264
Utilities and facilities management		176,149	166,646
Other		194,594	98,207
TOTAL OTHER EXPENSES		7,472,892	4,358,830

12 Cash and cash equivalents			
Cash at bank		1,148,134	936,553
Term deposits		8,035,812	7,636,521
TOTAL CASH AND CASH EQUIVALENTS		9,183,946	8,573,074

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	9,183,946	8,573,074
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b. Term deposits

The term deposits have a fixed average interest rate of 5.54% (2004: 5.48%) and an average maturity of 30 days.

Notes to the Financial Statements

13 Trade and other receivables

	Notes	\$—2005	\$—2004
Debtors		468,178	986,325
Less: provision for doubtful debts		(3,748)	(5,486)
TOTAL RECEIVABLES		464,430	980,839

14 Investments

Australian listed equity securities	19	225,679	214,521
TOTAL INVESTMENTS		225,679	214,521

15 Other assets

Accrued revenue		263,489	184,687
Prepaid expenses		162,181	160,250
TOTAL OTHER ASSETS		425,670	344,937

16 Property, plant and equipment

	\$—Leasehold property	\$—Plant and equipment	\$—Motor vehicles	\$—Total
YEAR ENDED 31 DECEMBER 2004				
Opening net book amount	29,814	609,101	53,127	692,042
Revaluation surplus	—	56,114	52,978	109,092
Additions	210,076	180,553	90,933	481,562
Disposals	—	—	(13,300)	(13,300)
Write-offs	—	(206,488)	—	(206,488)
Depreciation charge	(38,168)	(178,024)	(24,266)	(240,458)
CLOSING NET BOOK AMOUNT	201,722	461,256	159,472	822,450
AT 31 DECEMBER 2004				
Cost	671,799	—	—	671,799
Valuation	—	1,225,160	246,286	1,471,446
Accumulated depreciation	(470,078)	(763,904)	(86,814)	(1,320,796)
NET BOOK AMOUNT	201,721	461,256	159,472	822,449

Property, plant and equipment continued

	\$—Leasehold property	\$—Plant and equipment	\$—Motor vehicles	\$—Total
YEAR ENDED 31 DECEMBER 2005				
Opening net book amount	201,721	461,256	159,472	822,449
Impairment loss	—	(21,949)	(15,701)	(37,650)
Additions	20,960	123,431	—	144,391
Disposals	—	—	(11,725)	(11,725)
Depreciation charge	(45,504)	(120,606)	(36,650)	(202,760)
CLOSING NET BOOK AMOUNT	177,177	442,132	95,396	714,706
AT 31 DECEMBER 2005				
• Cost	692,759	—	—	692,759
• Valuation	—	1,326,642	198,173	1,524,815
Accumulated depreciation	(515,581)	(884,510)	(102,777)	(1,502,868)
NET BOOK AMOUNT	177,178	442,132	95,396	714,706

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

17 Trade and other payables

	Notes	\$—2005	\$—2004
Creditors		150,473	190,773
Other		340,194	299,642
TOTAL PAYABLES		490,666	490,415

18 Provisions

CURRENT

Employee benefits:

• Annual leave	589,749	454,423
• Long-service leave	261,169	204,709
	850,918	659,132

NON-CURRENT

Employee benefits:

• Annual leave	121,031	64,607
• Long-service leave	143,050	141,914
	264,081	206,521

TOTAL PROVISIONS	1,114,999	865,653
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Notes to the Financial Statements

19 Other liabilities

	Notes	\$—2005	\$—2004
GST payable		—	5,300
Revenue received in advance		32,426	718
TOTAL OTHER LIABILITIES		32,426	6,018

20 Reserves

a. Reserves comprise

Asset revaluation reserve		59,996	109,092
Capital asset reserve		1,136,949	807,654
Investment revaluation reserve		82,139	70,982
TOTAL RESERVES		1,279,084	987,728

b. Movement in reserves

Asset revaluation reserve

Balance at the beginning of the financial year		109,092	—
Increment/(Decrement)		(49,096)	109,092
Balance at the end of the financial year		59,996	109,092

Capital assets reserve

Balance at the beginning of the financial year		807,655	679,516
Plus: annual contribution		329,294	338,214
Less: funds expended on building renovations		—	(210,076)
Balance at the end of the financial year		1,136,949	807,654

Investment revaluation reserve

Balance at the beginning of the financial year		70,982	105,009
Increment/(Decrement)		11,157	(34,027)
Balance at the end of the financial year		82,139	70,982

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.

21 Retained surplus

	Notes	\$—2005	\$—2004
Balance at the beginning of the financial year		8,586,006	7,115,839
Operating result from ordinary activities after income tax		(159,454)	1,598,306
Transfers (to)/from capital assets reserve		(329,295)	(128,139)
BALANCE AT THE END OF THE FINANCIAL YEAR		8,097,257	8,586,006

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		632,678	591,683
Research project surplus/(deficit)		(792,132)	1,006,623
TOTAL NET SURPLUS		(159,454)	1,598,306

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	Mr Michael Martin: Treasurer
Prof Bruce Armstrong: Board Member	Mr Peter Plummer: Board Member	Prof Judith Whitworth: Board Member
Prof Helen Garnett: Board Member	Mr Shane Houston: Board Member	Prof Bob Wasson: Board Member
Dr Val Asche: Board Member	Mr Robert Griew: Board Member	Ms Kate George: Board Member
Prof Kerin O'Dea: Director		

b. Remuneration of Board Members

Income paid or payable or otherwise made available to Board Members in connection with the management of affairs of MSHR:

Nil to \$9,999	12	12
\$260,000 to \$269,000	—	1
\$370,000 to \$379,999	1	—

Remuneration amounts for 2005 include four years back pay of \$148,388 for the Director.

c. Related party transactions

During the 2005 financial year no loans or other related party transactions were made to any Board Members or Executive Officers.

23 Commitments for expenditure

JOINT-CONTROLLED ENTITIES

Within 12 months	200,000	200,000
Twelve months or longer and not longer than five years	700,000	900,000
Longer than five years	—	—
	900,000	1,100,000

Notes to the Financial Statements

24 Related parties

a. Parent entity

As of 1 January 2004 MSHR became a controlled entity of Charles Darwin University (CDU). 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 2005, MSHR received student fee income of \$345,130 from CDU. The income was earned by MSHR from students enrolled with CDU but undertaking all coursework 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 MSHR and CDU 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 also paid \$66,413 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.

25 Interest in joint-controlled entities

Name of entity	Principal activity	Reporting date	Output interest 2005
Cooperative Research Centre for Aboriginal Health	Development of a cross-cultural framework for strategic research into Aboriginal health	30/6/05	32.17%

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 its interest in the CRCAH 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.

25.1 Interest in joint-controlled entity

6 months to 31 Dec 2005	12 months to 30 Jun 2006
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Share of assets and liabilities

CURRENT ASSETS

Cash	1,363,363	1,488,874
Receivables	63,958	83,921

CURRENT LIABILITIES

Payables	(6,493)	(6,481)
Employee benefits	(17,128)	(17,128)
Grants in advance	(36,139)	(36,139)

NON-CURRENT ASSETS

Plant and equipment	5,279	5,279
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NON-CURRENT LIABILITIES

	–	–
NET ASSETS	1,372,840	1,518,326

25.1 Interest in joint-controlled entity continued

	6 months to 31 Dec 2005	12 months to 30 Jun 2006
Share of operating result		
Operating revenue	560,089	1,501,193
Operating expenses	(705,573)	(998,916)
OPERATING RESULT	(145,484)	502,277
Retained results		
AT BEGINNING OF THE FINANCIAL YEAR	1,518,326	1,016,049
AT THE END OF THE FINANCIAL YEAR	1,372,842	1,518,326

Contingent liabilities

The economic entity's expenditure commitments relating to the joint-controlled entity are disclosed in Note 23.

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.

27 Events occurring after balance sheet date

There are no material events subsequent to the financial reporting date of 31 December 2005.

28 Reconciliation of operating result to net cash inflow from operating activities

	Notes	\$—2005	\$—2004
Operating result		(159,455)	1,598,306
Depreciation		202,759	240,458
Interest received		(561,240)	(442,954)
Net (profit)/loss on disposal of asset		(721)	1,028
Bad debts written-off		(1,738)	206,488
		(520,394)	1,603,326
Changes in assets and liabilities			
(Increase)/decrease in receivables		518,147	(439,060)
(Increase)/decrease in prepayments		(1,931)	21,509
(Increase)/decrease in accrued revenue		(78,802)	(148,389)
Increase/(decrease) in creditors		3,302	48,976
Increase/(decrease) in accrued expenses		(3,051)	142,989
Increase/(decrease) in GST payable		(5,300)	5,300
Increase/(decrease) in receipts in advance		31,708	(134,070)
Increase/(decrease) in employee provisions		249,346	69,888
		713,417	(432,857)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES ACTIVITIES		193,023	1,170,469

Notes to the Financial Statements

29 Financial instruments

29.1 The following are MSHR's accounting policies and terms and conditions for each class of financial asset and financial liability.

Recognised financial instrument	Accounting policies	Terms and conditions
i. Financial Assets		
Receivables and other assets	Receivables are carried at nominal amounts due, less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is doubtful.	Credit 'sales' are generally on 30-day terms.
Investments: short term money market	Investments in the short-term money market are stated at the lower of cost and net realisable value. Interest is recognised as revenue when earned.	Investments in the short-term money market range from 'at call' to deposits of 60 days and effective interest rates of 4.65% to 5.70%.
Investments: publicly listed shares	Investments in publicly listed shares are stated at market value as at 31 December 2005. 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.

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

2005	FIXED INTEREST RATE MATURITY						\$—Total
	%—Average interest rate	\$—Variable interest rate	\$—Less than 1 year	\$—1 to 5 Years	\$—More than 5 years	\$—Non-interest bearing	
FINANCIAL ASSETS							
Cash on hand		—	—	—	—	—	—
Cash at bank	4.76	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		—	—	—	—	490,666	490,666
Employee benefits		—	—	—	—	1,114,999	1,114,999
Other liabilities		—	—	—	—	32,426	32,426
TOTAL FINANCIAL LIABILITIES		—	—	—	—	1,638,091	1,638,092

29.3 The following table details the economic entity's exposure to interest rate risk at 31 December 2004.

2004	FIXED INTEREST RATE MATURITY						\$ — Total
	%—Average interest rate	\$—Variable interest rate	\$—Less than 1 year	\$— 1 to 5 years	\$—More than 5 years	\$—Non-interest bearing	
FINANCIAL ASSETS							
Cash on hand		—	—	—	—	—	
Cash at bank	4.65	936,553	—	—	—	—	936,553
Short-term money market	5.48	—	7,636,521	—	—	—	7,636,521
Receivables		—	—	—	—	980,839	980,839
Investments		—	—	—	—	214,522	214,522
TOTAL FINANCIAL ASSETS		936,553	7,636,521	—	—	1,195,361	9,768,435
FINANCIAL LIABILITIES							
Payables		—	—	—	—	490,415	490,415
Employee benefits		—	—	—	—	865,653	865,653
Other liabilities		—	—	—	—	6,018	6,018
TOTAL FINANCIAL LIABILITIES		—	—	—	—	1,362,086	1,362,086

29.4 Net fair value

Economic entity	Carrying amount/net fair value	
	\$—2005	\$—2004
FINANCIAL ASSETS		
Cash at bank	1,148,134	936,553
Short-term money market	8,035,812	7,636,521
Receivables	464,430	980,839
Investments	225,679	214,522
	9,874,055	9,768,435
FINANCIAL LIABILITIES		
Payables	490,666	490,415
Employee benefits	1,114,999	865,653
Other liabilities	32,426	6,018
	1,638,092	1,362,086

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.

Notes to the Financial Statements

30 Account held in trust (Cooperative Research Centre for Aboriginal Health)

MSHR, in its role as the Centre Agent for the Cooperative Research Centre for Aboriginal Health (CRAH), established an account in trust in the name of the CRAH. 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 CRAH account, as at 31 December 2005, as managed by MSHR are summarised below:

	Notes	\$—2005	\$—2004
Opening balance		3,165,143	278,664
Receipts		12,671,324	13,343,874
Expenditure		(11,598,471)	(10,457,395)
CLOSING BALANCE		4,237,996	3,165,143

31 Segmentation

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

32 Explanation of transition to Australian equivalents to International Financial Reporting Standards

1. Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to International Financial Reporting Standards (AIFRS).

i. At the date of transition to AIFRS: 1 January 2004.

	\$—Previous AGAAP	\$—Effects of transition to AIFRS	\$—AIFRS
CURRENT ASSETS			
Cash and cash equivalents	7,428,940	—	7,428,940
Account held in trust	278,664	—	278,664
Receivables	541,779	—	541,779
Other non-financial assets	218,057	—	218,057
TOTAL CURRENT ASSETS	8,467,440	—	8,467,440
NON-CURRENT ASSETS			
Property, plant and equipment	692,043	—	692,043
Investments	248,550	—	248,550
TOTAL NON-CURRENT ASSETS	940,593	—	940,593
TOTAL ASSETS	9,408,033	—	9,408,033
CURRENT LIABILITIES			
Payables	298,450	—	298,450
Account held in trust	278,664	—	278,664
Provisions	650,281	(64,607)	585,674
Other liabilities	134,788	—	134,788
TOTAL CURRENT LIABILITIES	1,362,183	(64,607)	1,297,576

32.1 continued

	\$—Previous AGAAP	\$—Effects of transition to AIFRS	\$—AIFRS
NON-CURRENT LIABILITIES			
Provisions	145,485	64,607	210,092
TOTAL NON-CURRENT LIABILITIES	145,485	64,607	210,092
TOTAL LIABILITIES	1,507,668	—	1,507,668
NET ASSETS	7,900,365	—	7,900,365
EQUITY			
Reserves	784,526	—	784,526
Retained surplus	7,115,839	—	7,115,839
TOTAL EQUITY	7,900,365	—	7,900,365
ii. At the end of the last reporting period under previous AGAAP: 31 December 2004			
CURRENT ASSETS			
Cash and cash equivalents	8,573,074	—	8,573,074
Account held in trust	3,165,143	—	3,165,143
Receivables	980,839	—	980,839
Other non-financial assets	344,937	—	344,937
TOTAL CURRENT ASSETS	13,063,993	—	13,063,993
NON-CURRENT ASSETS			
Property, plant and equipment	822,449	—	822,449
Investments	214,521	—	214,521
TOTAL NON-CURRENT ASSETS	1,036,970	—	1,036,970
TOTAL ASSETS	14,100,963	—	14,100,963
CURRENT LIABILITIES			
Payables	490,415	—	490,415
Account held in trust	3,165,143	—	3,165,143
Provisions	659,132	(53,596)	605,536
Other liabilities	6,018	—	6,018
TOTAL CURRENT LIABILITIES	4,320,708	(53,596)	4,267,112
NON-CURRENT LIABILITIES			
Provisions	206,521	53,596	260,117
TOTAL NON-CURRENT LIABILITIES	206,521	53,596	260,117
TOTAL LIABILITIES	4,527,229	—	4,527,229
NET ASSETS	9,573,734	—	9,573,734
EQUITY			
Reserves	987,728	—	987,728
Retained surplus	8,586,006	—	8,586,006
TOTAL EQUITY	9,573,734	—	9,573,734

Notes to the Financial Statements

2. Reconciliation of surplus for the year ended 31 December 2004

The adoption of AIFRS has not resulted in any material adjustments to the income statement.

3. Reconciliation of cash flow statement for the year ended 31 December 2004

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

4. Notes to the reconciliations

Employee benefits

The effect on employee benefits of the changes set out above are as follows:

	1 Jan 2004	31 Dec 2005
Increase/(decrease) in current employee benefits	(64,607)	(53,596)
Increase/(decrease) in non-current employee benefits	64,607	53,596



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Cover

Joseph Fitz, *Old Gecko*, 2006, digital image