



# Annual Financial Report

Menzies School of Health Research  
ABN 70 413 542 847

**31 December 2014**



## Auditor-General

### Independent Auditor's Report to the Minister for Health

#### Menzies School of Health Research

I have audited the accompanying financial report of Menzies School of Health Research which comprises the statement of financial position as at 31 December 2014, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the statement on behalf of the Board of Governors.

#### The Board's Responsibility for the Financial Report

The Board of Governors of the Menzies School of Health Research is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Act 2012* (the "Act") and for such internal controls as the Board of Governors determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

#### 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 the auditor's 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, the auditor considers 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, 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

In my opinion the financial report of the Menzies School of Health Research has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- a) giving a true and fair view of the Menzies School of Health Research's financial position as at 31 December 2014 and of its financial performance and cash flows for the year ended on that date; and
- b) complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.


Julie Crisp  
Auditor-General for the Northern Territory  
Darwin, Northern Territory


27 April 2015

## 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 School of Health Research Act, applicable Australian Accounting Standards, the Australian Charities and Not-for-Profits Commission Act 2012 (ACNC Act) and other mandatory professional reporting requirements in Australia;
- the attached financial statements conform to the Department of Education Financial Statement Guidelines for Australian Higher Education Providers for the 2014 reporting period;
- 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 the financial reporting have been effective throughout the reporting period;
- at the time of the 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: 23 April 2015

  
\_\_\_\_\_  
David Blair  
Chief operating Officer  
Darwin  
Date: 23 April 2015

## 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 2014:

Board of Governors				
		Meetings		
		Attended	Eligible	
Mr Peter Plummer (appointed 4 November 2014)	Chairperson	1	1	
Ms Clare Martin	Deputy Chairperson	2	4	
Mr Richard Ryan AO	Treasurer	3	4	
Prof Alan Cass	Board Member	4	4	
Prof Simon Maddocks (resigned as Chairperson effective 24 March 2014)				
	Board Member	4	4	
Prof Sharon Bell	Board Member	4	4	
Prof David Celermajer	Board Member	3	4	
Ms Hilary Hannam	Board Member	2	4	
Mr Jeffrey Moffet (resigned 12 February 2014)	Board Member	1	4	
Mr Robert Wells	Board Member	4	4	
Mr Rowan Johnston	Board Member	3	4	
Mr Ken Davies	Board Member	3	4	
	Finance Committee	Risk and Audit Committee		
	Meetings	Meetings		
	Attended	Eligible	Attended	Eligible
Mr Richard Ryan AO	4	4		
Mr Tom Ganley	3	4		
Ms Tracy Scott	0	2		
Mr Rowan Johnston	4	4		
Prof Alan Cass	4	4	4	4
Ms Louise Dutton (leave of absence from 21 November 2014)			3	4
Mr Robert Hudson			4	4
Ms Clare Martin			3	4
Mr Peter Hopton			3	4
Mr Robert Wells			2	4
Mr Ross Springolo (ex officio member)			2	4
Ms Sophia Cleveland (appointed 21 November 2014)			1	1

### Principal Activities

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

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

There were no significant changes to the activities of Menzies during the 2014 year.

### Review of Operations

In 2014, Menzies reported a surplus of \$1.6m. Total income of \$43.3m includes capital funding of; \$6.8m received from the Commonwealth Government and \$0.8m received from Charles Darwin University for the purpose of constructing research and training facilities on the Charles Darwin University Casuarina campus and the Royal Darwin Hospital campus and \$0.2m for interest earned on this funding. In accordance with accounting standards these funds have been recognised as income in the year in which the funds are received.

Excluding the capital funding of \$7.8m Menzies posted a deficit of \$6.2m for the year ending 31 December 2014.

Research and education activities contributed \$1.2m to the deficit. This deficit reflects the timing difference between the receipt of research and education income, which is recognised at the time of receipt, and when the corresponding expenditure is incurred. The unused research and education funding carried forward at 31 December 2014 was \$17.3m.

Non research activities contributed \$1.1m to the deficit, \$0.6m of which is amortisation and depreciation expenses.

The accounting treatment to reflect the fair value of the new building constructed on the Royal Darwin Hospital campus is described in note 8 to the financial statements. To reflect the difference between the fair value of market value lease payments and the actual construction costs, an expense of \$3.8m is recognised in the income statement. This is an accounting entry and does not represent an outflow of funds.

During 2014, construction of the new building on Charles Darwin University's Casuarina campus reached completion and Menzies research and administration staff began occupying the facility from April. Completion of the remaining construction works; being the refurbishment of the existing building on the Royal Darwin Hospital campus is expected by the end of Quarter 1, 2015.

Menzies continued to be successful in securing research funding through the highly competitive National Health and Medical Research Council (NHMRC). In 2014, the NHMRC funded 16% of grant applications; Menzies exceeded this average with 35% of project grant applications being funded. Menzies Management and Board continue to work on initiatives directed at both increasing and diversifying the organisation's funding base.

### Likely Developments and Expected Results of Operations

Whilst Menzies core activities will remain unchanged in 2014, the move into the new world class research and training facilities affords Menzies' an exciting opportunity to further develop its portfolio of work, and exploit opportunities for collaboration with Charles Darwin University and the Royal Darwin Hospital.

### Significant Changes in the State of Affairs

There were no significant changes in Menzies affairs during the 2014 year.

### Matters subsequent to the End of the Financial Year

Building projects - please see note 32 of the Financial Statements.

### Environmental regulations

Menzies is subject to the following environment regulations:

- Gene Technology Act 2000 (amended 2008)
- Northern Territory Radiation Protection Act 2009
- Transport of Dangerous Goods by Road and 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 organisation 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 2014 the premium was \$7,708.

### Proceedings on Behalf of Menzies School of Health Research

There were no legal proceedings undertaken by Menzies in the 2014 year and no legal proceedings taken against Menzies.

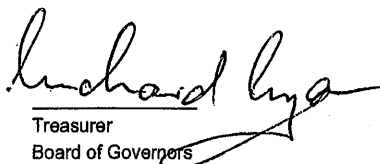
This report is made in accordance with a resolution of the members of the Menzies School of Health Research.



Chair  
Board of Governors

Location Darwin

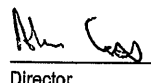
24 April 2015



Treasurer  
Board of Governors

Location DARWIN

23 April 2015



Director

Location DARWIN

23 April 2015

## Income Statement

**MENZIES SCHOOL OF HEALTH RESEARCH  
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	2014 \$	2013 \$
<b>Income from continuing operations</b>			
Australian Government financial assistance	2	21,247,700	43,988,402
NT Government financial assistance	3	4,340,423	4,979,859
Fees and charges	4	2,931,803	2,449,308
Investment income	5	1,062,378	1,738,024
Consultancy and contract research	6	9,629,081	6,636,005
Other revenue	7	4,111,925	2,798,545
<b>Total revenue from continuing operations</b>		<b>43,323,310</b>	<b>62,590,143</b>
(Loss)/Gain on disposal of assets	8	(3,821,386)	11,310
<b>Total income from continuing operations</b>		<b>39,501,924</b>	<b>62,601,453</b>
<b>Expenses from continuing operations</b>			
Employee related expense	9	23,338,819	24,007,856
Depreciation and amortisation	10	638,343	292,079
Repairs and maintenance	11	717,858	762,041
Other expenses	12	13,208,605	13,861,044
<b>Total expenses from continuing operations</b>		<b>37,903,625</b>	<b>38,923,020</b>
<b>Operating result from continuing operations</b>		<b>1,598,299</b>	<b>23,678,433</b>
<b>Operating result attributable to members</b>		<b>1,598,299</b>	<b>23,678,433</b>

## Statement of Comprehensive Income

MENZIES SCHOOL OF HEALTH RESEARCH  
FOR THE YEAR ENDED 31 DECEMBER 2014

		2014 \$	2013 \$
	Notes		
Operating result for the year		1,598,299	23,678,433
(Loss)/Gain on revaluation of investments	22	( 1,604 )	3,983
<b>Total Comprehensive Income</b>		<b>1,596,695</b>	<b>23,682,416</b>
<b>Total Comprehensive Income attributable to members</b>		<b>1,596,695</b>	<b>23,682,416</b>

## Statement of Financial Position

MENZIES SCHOOL OF HEALTH RESEARCH  
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 \$	2013 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	13	28,974,181	33,091,302
Trade and other receivables	14	4,040,212	2,301,238
Other financial assets	15	1,208,822	1,174,658
Other non-financial assets	16	263,509	311,714
<b>Total Current Assets</b>		<b>34,486,724</b>	<b>36,878,912</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	18	10,359,614	35,007,113
Intangible assets	17	15,866,301	-
Other financial assets	15	22,742	24,346
<b>Total Non-Current Assets</b>		<b>26,248,657</b>	<b>35,031,458</b>
<b>Total Assets</b>		<b>60,735,381</b>	<b>71,910,370</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	19	5,163,856	2,038,395
Provisions	20	3,256,453	3,162,777
Other liabilities	21	263,600	353,166
<b>Total Current Liabilities</b>		<b>8,683,909</b>	<b>5,554,339</b>
<b>Non-Current Liabilities</b>			
Provisions	20	306,938	290,174
<b>Total Non-Current Liabilities</b>		<b>306,938</b>	<b>290,174</b>
<b>Total Liabilities</b>		<b>8,990,847</b>	<b>5,844,513</b>
<b>Net Assets</b>		<b>51,744,534</b>	<b>66,065,857</b>
<b>Equity</b>			
Reserves	22	6,814,786	9,992,080
Retained earnings	23	44,929,748	56,073,776
<b>Total Equity</b>		<b>51,744,534</b>	<b>66,065,857</b>



## Statement of Changes in Equity

MENZIES SCHOOL OF HEALTH RESEARCH  
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Reserves Note 22 \$	Retained Surplus Note 23 \$	Total \$
<b>Balance at 1 January 2013</b>		<b>10,988,211</b>	<b>31,395,231</b>	<b>42,383,442</b>
Operating result for the year		-	23,678,433	23,678,433
Net Revaluation gain on investments	22	3,983	-	3,983
Total Comprehensive Income		10,992,194	55,073,663	66,065,857
Transfers	23	( 1,000,113 )	1,000,113	-
<b>Balance at 31 December 2013</b>		<b>9,992,081</b>	<b>56,073,776</b>	<b>66,065,857</b>
<b>Balance at 1 January 2014</b>		<b>9,992,081</b>	<b>56,073,776</b>	<b>66,065,857</b>
Operating result for the year	23.1	-	1,598,299	1,598,299
Net Revaluation loss on investments	22	( 1,604 )	-	( 1,604 )
Total Comprehensive Income		9,990,477	57,672,075	67,662,552
Distribution to Owners	23	-	(15,918,018)	(15,918,018)
Transfers	23	( 3,175,690 )	3,175,690	-
<b>Balance at 31 December 2014</b>		<b>6,814,786</b>	<b>44,929,748</b>	<b>51,744,534</b>

# Statement of Cash Flows

MENZIES SCHOOL OF HEALTH RESEARCH  
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
Australian Government grants		18,708,953	43,120,883
NT Government funding		4,395,982	5,002,461
Receipts from Student Fees		3,010,133	2,774,783
Interest received		1,062,378	1,738,024
Consultancies and Contract research		10,212,880	7,275,835
Other receipts		3,879,620	4,473,516
Payments to suppliers		( 10,562,138 )	( 14,932,673 )
Payments to employees		( 23,228,380 )	( 23,720,106 )
<b>Net cash provided by operating activities</b>	28	<b>7,479,428</b>	<b>25,732,723</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of plant and equipment		19,273	22,730
Payments for property, plant and equipment		( 11,615,822 )	( 27,554,596 )
<b>Net cash outflow from investing activities</b>		<b>( 11,596,549 )</b>	<b>( 27,531,866 )</b>
<b>Net decrease in cash and cash equivalents</b>		<b>( 4,117,121 )</b>	<b>( 1,799,143 )</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>33,091,302</b>	<b>34,890,444</b>
<b>Cash and cash equivalents at end of the year</b>	13	<b>28,974,181</b>	<b>33,091,302</b>

# Notes to the Financial Statements

MENZIES SCHOOL OF HEALTH RESEARCH  
FOR THE YEAR ENDED 31 DECEMBER 2014

## Contents of notes to the Financial Statements

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# Notes to the Financial Statements

## MENZIES SCHOOL OF HEALTH RESEARCH FOR THE YEAR ENDED 31 DECEMBER 2014

### Introduction

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

### The principal place of business is:

Building 58, Royal Darwin Hospital Campus,  
Rocklands Drive, Tiwi, Northern Territory 0810, Australia  
Telephone Number: +61 8 8946 8600

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 became a controlled entity of Charles Darwin University. The Act stipulates that Charles Darwin University will be responsible for nominating seven (7) of the thirteen (13) board positions required under the Act.

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

### Operations and principal activities

Menzies 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.

### 1. Statement of significant accounting policies

The principal accounting policies adopted by Menzies 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 in accordance with Australian Accounting Standards (including Australian Accounting Interpretations); the Australian Charities and Not-for-Profits Commission Act 2012 (ACNC Act); 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 not consistent with the IFRS requirements.

#### *Date of authorisation for issue:*

The financial statements were authorised for issue by the board members of Menzies on 13 May 2015.

#### *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.

# Notes to the Financial Statements

## MENZIES SCHOOL OF HEALTH RESEARCH FOR THE YEAR ENDED 31 DECEMBER 2014

### *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.

### *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 the 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.

Menzies 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 the government are recognised at their fair value where Menzies obtains control of the right to receive the grant; it is probable that economic benefits will flow to Menzies and the grants 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 & salaries*

Liabilities for short term employee benefits including wages and salaries and 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 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.

# Notes to the Financial Statements

## MENZIES SCHOOL OF HEALTH RESEARCH FOR THE YEAR ENDED 31 DECEMBER 2014

### *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 wage 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 at Menzies are entitled to benefits on retirement, disability or death from the organisations superannuation plan. The organisation has a defined benefit section and a defined contribution section within its plan. The defined benefit section provides defined 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 recognises 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.

## **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 is recoverable from, or payable to, the taxation authority, is classified as operating cash flows.

## **f. Depreciation and amortisation**

Depreciation is calculated on a straight line (except for Motor Vehicles which are 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 consistently in both years in the calculation of depreciation:

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

Amortisation of intangible assets is calculated using the cost model. Intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. The intangible asset for the right of use of the research building (prepaid rent); for the Menzies School of Health building located on the Royal Darwin Hospital campus; will be amortised over the life of the lease using a systematic basis (the lease term). The lease term is twenty years with a commencement date of 1 November 2014.

# Notes to the Financial Statements

## MENZIES SCHOOL OF HEALTH RESEARCH FOR THE YEAR ENDED 31 DECEMBER 2014

### **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. 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 and equipment**

Property, Plant and Equipment is stated at historical cost, less 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 Menzies 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 as incurred.

### **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**

Buildings in the course of construction for research, education or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Menzies accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

## Notes to the Financial Statements

### **MENZIES SCHOOL OF HEALTH RESEARCH FOR THE YEAR ENDED 31 DECEMBER 2014**

#### **o. Investments and other financial assets**

##### *Shares*

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

#### **p. Intangible assets - right of use of research building (prepaid rent)**

Menzies has constructed, at their cost, a new Administration / Research building on the Royal Darwin Hospital Campus of the Northern Territory Department of Health. At completion of construction on 31 October 2014 the new building was transferred to the Northern Territory Department of Health at no cost. The Northern Territory Department of Health have granted Menzies the right to use the building under a 20 year lease at a peppercorn rent being \$1.00 per annum thereby creating an intangible asset. The value of the intangible asset has been calculated as the present value of future fair value of lease payments.



## Notes to the Financial Statements

### MENZIES SCHOOL OF HEALTH RESEARCH FOR THE YEAR ENDED 31 DECEMBER 2014

<b>NOTE 2. AUSTRALIAN GOVERNMENT FINANCIAL ASSISTANCE</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Non Capital</b>		
National Health & Medical Research Council grants	11,088,447	12,518,088
Australian Research Council	408,639	633,366
Australian Agency for International Development (AusAid)	344,829	1,035,044
DIISRTE	635,548	318,804
FaHCSIA	318,882	159,441
Department of Health & Aged Care grants	1,611,355	3,673,659
<b>Total</b>	<b>14,407,700</b>	<b>18,338,402</b>
<b>Capital</b>		
Department of Health & Aged Care grants	6,840,000	25,650,000
	<b>6,840,000</b>	<b>25,650,000</b>
<b>Total Australian Government Financial Assistance</b>	<b>21,247,700</b>	<b>43,988,402</b>
<b>NOTE 3. NORTHERN TERRITORY GOVERNMENT FINANCIAL ASSISTANCE</b>		
<b>Non Capital</b>		
NT Government other grant funding	4,340,423	4,979,859
<b>Total Northern Territory Government Financial Assistance</b>	<b>4,340,423</b>	<b>4,979,859</b>
<b>NOTE 4. FEES AND CHARGES</b>		
<b>Course fees and charges</b>		
Fee-paying overseas students	60,546	84,112
Fee-paying domestic postgraduate students	1,434,346	1,261,041
Total course fees and charges	1,494,892	1,345,153
<b>Other Fees and charges</b>		
Administration receipts	648,983	501,691
Reimbursements	787,928	602,464
Total other fees and charges	1,436,911	1,104,155
<b>Total Fees and Charges</b>	<b>2,931,803</b>	<b>2,449,308</b>
<b>NOTE: 5. INVESTMENT INCOME</b>		
Interest	946,910	1,440,258
Interest on capital funding	115,468	297,766
<b>Total Investment Income</b>	<b>1,062,378</b>	<b>1,738,024</b>
<b>NOTE 6. CONSULTANCY AND CONTRACT RESEARCH</b>		
Consultancies	216,164	500,576
Contract Research	9,412,916	6,135,429
<b>Total Consultancy and Contract Research</b>	<b>9,629,081</b>	<b>6,636,005</b>

## Notes to the Financial Statements

### MENZIES SCHOOL OF HEALTH RESEARCH FOR THE YEAR ENDED 31 DECEMBER 2014

#### NOTE 7. OTHER REVENUE

	2014 \$	2013 \$
Menzies Foundation	75,000	75,000
Charles Darwin University	2,775,998	2,588,731
Donations	440,316	110,082
Other	20,610	24,732
	<u>3,311,925</u>	<u>2,798,545</u>
<b>Capital</b>		
Charles Darwin University grants	800,000	-
	<u>800,000</u>	<u>-</u>
<b>Total Other Revenue</b>	<b>4,111,925</b>	<b>2,798,545</b>

#### NOTE 8. OTHER GAINS AND LOSSES

##### Continuing operations

(Loss)/Gain on disposal of assets	( 3,821,386 )	11,310
	<u>( 3,821,386 )</u>	<u>11,310</u>

For the year ending 31 December 2014, the loss on disposal of property, plant and equipment is mainly as a result of the difference between the new building constructed for the NT Department of Health that has been disposed of at the carrying amount of \$19.8m and the recognition of the intangible asset at fair value of \$16m.

#### NOTE 9. EMPLOYEE RELATED EXPENSES

##### Research:

Salaries	12,288,616	13,620,023
Superannuation	1,518,221	1,672,633
Payroll tax	746,612	828,428
Worker's compensation	108,441	118,716
Long services leave expense	256,890	307,615
Leave loading	241,589	247,234
Annual leave	1,501,444	1,671,613
<b>Total Research</b>	<u>16,661,813</u>	<u>18,466,262</u>

##### Education and Training:

Salaries	551,851	813,987
Superannuation	70,431	105,356
Payroll tax	34,387	49,153
Worker's compensation	4,870	7,095
Long services leave expense	21,237	30,716
Leave loading	9,068	13,791
Annual leave	72,899	109,235
<b>Total Education</b>	<u>764,743</u>	<u>1,129,332</u>

##### Non Research and Education:

Salaries	4,464,949	3,232,410
Superannuation	646,454	471,990
Payroll tax	121,667	32,479
Worker's compensation	39,401	28,175
Long services leave expense	( 32,683 )	( 42,757 )
Leave loading	58,356	48,391
Annual leave	614,119	641,574
<b>Total Non-Research and Education</b>	<u>5,912,263</u>	<u>4,412,262</u>

##### Total Employee Benefits

<b>23,338,819</b>	<b>24,007,856</b>
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## Notes to the Financial Statements

### MENZIES SCHOOL OF HEALTH RESEARCH FOR THE YEAR ENDED 31 DECEMBER 2014

#### NOTE 10. DEPRECIATION AND AMORTISATION

	2014	2013
	\$	\$
Plant and Equipment	473,826	264,579
Motor Vehicles	30,819	27,501
Amortisation Prepaid Rent	133,699	-
<b>Total Depreciation &amp; Amortisation</b>	<b>638,343</b>	<b>292,079</b>

#### NOTE 11. REPAIRS AND MAINTENANCE

General	57,964	98,433
Maintenance Contracts	659,894	663,608
<b>Total Repairs and Maintenance</b>	<b>717,858</b>	<b>762,041</b>

#### NOTE 12. OTHER EXPENSES

Administration	-	159,358
Communications	229,420	242,629
Consultants	1,044,206	1,657,327
Education	98,559	86,591
Equipment Costs	114,714	179,010
Information Technology	633,793	326,740
Insurance	134,674	215,656
Lowitja Initiative - CRC	100,000	200,000
Laboratory	1,008,776	989,257
Licences, Memberships, Fees and Charges	129,802	156,448
Materials	53,873	74,253
Research Project Costs	4,247,229	4,077,407
Scholarship Payments	765,507	854,325
Stationery, Printing and Postage	326,968	393,857
Travel, Staffing and Related Costs	3,057,114	2,906,094
Utilities and Facilities Management	357,741	362,709
Other	906,230	979,384
<b>Total Other Expenses</b>	<b>13,208,605</b>	<b>13,861,044</b>

#### NOTE 13. CASH AND CASH EQUIVALENTS

Cash at Bank	2,118,287	2,278,376
Term Deposits & Call Accounts	26,855,894	30,812,926
<b>Total cash and cash equivalents</b>	<b>28,974,181</b>	<b>33,091,302</b>

##### (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	<b>28,974,181</b>	<b>33,091,302</b>
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##### (b) Term deposits

Term deposits have fixed rates of interest and an average maturity of 120 days.

## Notes to the Financial Statements

### MENZIES SCHOOL OF HEALTH RESEARCH FOR THE YEAR ENDED 31 DECEMBER 2014

#### NOTE 14. RECEIVABLES

	2014	2013
	\$	\$
<b>Current</b>		
Debtors	4,040,212	2,301,238
<b>Total current receivables</b>	<b>4,040,212</b>	<b>2,301,238</b>

#### (a) Impaired receivables

As at 31 December 2014, there were no impaired receivables (2013: \$0). There was no movement during the year.

The total debtor balance as at 31 December 2014 includes the GST component invoiced as part of the transactions relating to the new building transfers.

Charles Darwin University	1,591,802	-
NT Department of Health	1,600,000	-
	<b>3,191,802</b>	<b>-</b>

As at 31 December 2014 trade receivables of \$848,410 (2013: \$483,019) 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:

Less than 3 months	816,364	371,851
3 to 6 months	32,045	111,168
	<b>848,410</b>	<b>483,019</b>

#### NOTE 15. OTHER FINANCIAL ASSETS

##### Current

GST Receivable	-	176,694
Other Receivables	23,092	44,538
Accrued Revenue	1,185,730	953,426
	<b>1,208,822</b>	<b>1,174,658</b>

##### Non-current

Australian listed equity securities available for sale	22,742	24,346
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<b>Total other financial assets</b>	<b>1,231,564</b>	<b>1,199,004</b>
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#### NOTE 16. OTHER NON-FINANCIAL ASSETS

Prepaid Expenses	193,814	242,139
Other Assets	69,695	69,575
	<b>263,509</b>	<b>311,714</b>

#### NOTE 17. INTANGIBLE ASSETS

##### Carrying Amount of:

Prepaid Rent - Research building	15,866,301	-
	<b>15,866,301</b>	<b>-</b>

## Notes to the Financial Statements

### MENZIES SCHOOL OF HEALTH RESEARCH FOR THE YEAR ENDED 31 DECEMBER 2014

#### NOTE 17. INTANGIBLE ASSETS (Cont'd.)

	<b>Research Building \$</b>
<b>Balance at 1 January 2013</b>	
Additions:	-
Other	-
<b>Balance at 31 December 2013</b>	-
Additions:	
Other - Right of use research building	16,000,000
<b>Balance at 31 December 2014</b>	<b>16,000,000</b>
<b>Accumulated amortisation and impairment:</b>	
<b>Balance at 1 January 2013</b>	
Amortisation expense	-
<b>Balance at 31 December 2013</b>	-
Amortisation expense	133,699
<b>Balance at 31 December 2014</b>	<b>133,699</b>

#### NOTE 18. PROPERTY, PLANT AND EQUIPMENT

	<b>Leasehold Improvements \$</b>	<b>Plant &amp; Equipment \$</b>	<b>Motor Vehicles \$</b>	<b>Work in Progress \$</b>	<b>Total \$</b>
<b>Year ended 31 December 2013</b>					
Opening net book amount	-	549,236	99,477	7,107,304	7,756,016
Additions	-	222,456	73,182	27,258,958	27,554,596
Disposals	-	( 51,667 )	( 22,205 )	-	( 73,872 )
Depreciation charge	-	( 264,579 )	( 27,501 )	-	( 292,079 )
Write-Back Accumulated Depreciation	-	51,667	10,785	-	62,452
Closing net book amount	-	507,113	133,738	34,366,262	35,007,113
<b>At 31 December 2013</b>					
- Cost	708,035	794,550	188,516	34,366,262	36,057,363
- Valuation	-	2,680,334	158,059	-	2,838,393
Accumulated depreciation	( 708,035 )	( 2,967,771 )	( 212,837 )	-	( 3,888,644 )
Net book amount	-	507,113	133,738	34,366,262	35,007,113
<b>Year ended 31 December 2014</b>					
Opening net book amount	-	507,113	133,738	34,366,262	35,007,113
Additions	-	3,095,637	39,119	11,435,803	14,570,559
Disposals	-	(37,376)	(31,809)	(38,700,069)	(38,769,254)
Depreciation charge	-	(473,826)	(30,819)	-	(504,645)
Write-Back Accumulated Depreciation	-	37,376	18,465	-	55,841
Closing net book amount	-	3,128,924	128,694	7,101,996	10,359,614

## Notes to the Financial Statements

### MENZIES SCHOOL OF HEALTH RESEARCH FOR THE YEAR ENDED 31 DECEMBER 2014

#### NOTE 18. PROPERTY, PLANT AND EQUIPMENT (Cont'd.)

	Leasehold Improvements	Plant & Equipment	Motor Vehicles	Work in Progress	Total
	\$	\$	\$	\$	\$
<b>At 31 December 2014</b>					
- Cost	708,035	3,852,811	195,826	7,101,996	11,858,668
- Valuation	-	2,680,334	158,059	-	2,838,393
Accumulated depreciation	( 708,035 )	( 3,404,221 )	( 225,191 )	-	( 4,337,447 )
Net book amount	-	3,128,924	128,694	7,101,996	10,359,614

#### NOTE 19. TRADE AND OTHER PAYABLES

	2014 \$	2013 \$
Trade and Other Payables	3,167,571	867,148
Accrued Expenses	1,996,285	1,171,247
<b>Total Payables</b>	<b>5,163,856</b>	<b>2,038,395</b>

#### NOTE 20. PROVISIONS

##### Current Provisions expected to be settled within 12 months

##### Current

Employee benefits		
- Annual leave	2,213,302	2,083,136
- Long service leave	1,043,150	1,079,641
<b>Total Current</b>	<b>3,256,453</b>	<b>3,162,777</b>

##### Non-Current

Employee benefits		
- Long service leave	306,938	290,174
<b>Total Non-Current</b>	<b>306,938</b>	<b>290,174</b>

<b>Total Provisions</b>	<b>3,563,391</b>	<b>3,452,952</b>
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#### NOTE 21. OTHER LIABILITIES

Revenue Received in Advance	243,354	325,431
Credit Card Clearing	20,246	27,735
<b>Total Other Liabilities</b>	<b>263,600</b>	<b>353,166</b>

#### NOTE 22. RESERVES

##### (a) Reserves Comprise

Revaluation Reserve	52,903	52,903
Capital Asset Reserve	4,915,033	4,410,389
Restricted Reserve Building	1,819,654	5,499,989
Investment Revaluation Reserve	27,196	28,800
<b>Total Reserves</b>	<b>6,814,786</b>	<b>9,992,080</b>

## Notes to the Financial Statements

### MENZIES SCHOOL OF HEALTH RESEARCH FOR THE YEAR ENDED 31 DECEMBER 2014

#### NOTE 22. RESERVES (Cont'd.)

	2014 \$	2013 \$
<b>(b) Movement In Reserves</b>		
<b>Revaluation Reserve</b>		
Balance at the Beginning of the Financial Year	52,903	52,903
<b>Balance at the End of the Financial Year</b>	<b>52,903</b>	<b>52,903</b>
<b>Capital Assets Reserve</b>		
Balance at the Beginning of the Financial Year	4,410,389	4,118,309
Plus: Annual Contribution transferred from retained earnings	504,645	292,079
<b>Balance at the End of the Financial Year</b>	<b>4,915,033</b>	<b>4,410,389</b>
Transfers to reserves are for an amount equal to the depreciation expense for year ending 31 December 2014 of \$504,645 to Capital Asset Reserves.		
<b>Investment Revaluation Reserve</b>		
Balance at the Beginning of the Financial Year	28,800	24,817
(Decrement)/Increment	( 1,604 )	3,983
<b>Balance at the End of the Financial Year</b>	<b>27,196</b>	<b>28,800</b>
Transfers of (\$1,604) relate to the revaluation of shares for year ending 31 December 2014.		
<b>Restricted Reserve Building</b>		
Balance at the Beginning of the Financial Year	5,499,989	6,792,181
Decrement	( 3,680,335 )	( 1,292,193 )
<b>Balance at the End of the Financial Year</b>	<b>1,819,654</b>	<b>5,499,989</b>
Transfers of \$3,680,335 relate to the movement of new building WIP and funding for year ending 31 December 2014.		

#### Nature and purpose of reserves

##### Revaluation Reserve

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

##### Capital Assets Reserve

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

- an amount equal to the depreciation expense recorded for that year
- an amount equal to twenty (20) per cent of any surplus generated by the administration cost centre
- an amount equal to ten (10) per cent of any surpluses generated from the 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 23. RETAINED EARNINGS

Balance at the Beginning of the Financial Year	56,073,776	31,395,231
Operating Result	1,598,299	23,678,433
Distribution of earnings	( 15,918,018 )	-
Transfers to Reserve	3,175,690	1,000,113
<b>Balance at the End of the Financial Year</b>	<b>44,929,748</b>	<b>56,073,776</b>

## Notes to the Financial Statements

### MENZIES SCHOOL OF HEALTH RESEARCH FOR THE YEAR ENDED 31 DECEMBER 2014

#### NOTE 23. RETAINED EARNINGS (Cont'd.)

Distribution of earnings of (\$15,918,018) represents the transfer of the new Menzies School of Health Research Administration / Research building on the Charles Darwin University Casuarina Campus, to Charles Darwin University at no cost. Menzies School of Health Research constructed the building at their own cost. The building has been derecognised and the carrying amount of the building has been recognised as a distribution to the owners within the statement of changes in equity. Charles Darwin University have granted Menzies School of Health Research, the right to use the building under a 20 year lease at a peppercorn rent being \$1.00 per annum. Transfers of \$3,175,690 include an amount equal to the depreciation expense of (\$504,645) to Capital Asset Reserves and movement of new building WIP and funding of \$3,680,335 for year ending 31 December 2014.

#### 23.1 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.

		2014 \$	2013 \$
<b>Reconciliation of Total Net Surplus</b>		<b>1,598,299</b>	<b>23,678,433</b>
Represented by:			
<i>Capital Funding (Buildings)</i>			
NTG Department of Health	Note 2	6,840,000	25,650,000
Charles Darwin University	Note 7	800,000	-
Interest	Note 5	115,468	297,766
Total capital funding		7,755,468	25,947,766
Less			
Research and Education deficit		( 1,246,583 )	( 1,156,319 )
Non-research deficit		( 450,857 )	( 832,244 )
Depreciation and amortisation	Note 10	( 638,343 )	( 292,079 )
(Loss)/Gain on disposal of assets	Note 8	( 3,821,386 )	11,310
		<b>1,598,299</b>	<b>23,678,433</b>

#### NOTE 24. KEY MANAGEMENT PERSONNEL DISCLOSURES

##### (a) Names of responsible persons and executive officers

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

Mr Peter Plummer Chairperson (appointed 4 November 2014)  
 Ms Clare Martin (Deputy Chairperson)  
 Mr Richard Ryan AO - Treasurer  
 Prof Alan Cass - Director/Board Member  
 Prof Simon Maddocks - Board Member  
 Prof Sharon Bell - Board Member  
 Prof David Celamajer - Board Member  
 Ms Hilary Hannam - Board Member  
 Mr Jeffrey Moffet - Board Member  
 Mr Robert Wells - Board Member  
 Mr Rowan Johnston - Board Member  
 Mr Ken Davies - Board Member  
 Prof Ross Andrews - Deputy Director  
 Mr David Blair - Chief Operating Officer  
 Ms Heather D'antoine - Division Leader  
 Prof Nick Anstey - Division Leader  
 Prof Anne Chang - Division Leader  
 A/Prof Gail Garvey - Division Leader  
 Dr Julie Brimblecombe - Division Leader  
 Prof Sven Silburn - Division Leader



## Notes to the Financial Statements

### MENZIES SCHOOL OF HEALTH RESEARCH FOR THE YEAR ENDED 31 DECEMBER 2014

#### NOTE 24. KEY MANAGEMENT PERSONNEL DISCLOSURES (Cont'd.)

\* Board members may include employees who may be ex-officio members or elected staff members. No Board member has received any remuneration in their capacity as a Board member. Board members may also be executive officers. Where this is the case they have been included in the executive officer remuneration band below.

##### (b) Remuneration of responsible persons

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

	2014	2013
<b>Remuneration of Board Members</b>		
Nil to \$9,999	11	11
<b>Remuneration of Executive Officers</b>		
Nil to \$9,999	-	-
\$ 50,000 to \$ 59,999	-	-
\$ 60,000 to \$ 69,999	-	-
\$ 80,000 to \$ 89,999	-	1
\$ 100,000 to \$ 109,999	1	-
\$ 110,000 to \$ 119,999	-	-
\$ 120,000 to \$ 129,999	-	2
\$ 130,000 to \$ 139,999	1	-
\$ 140,000 to \$ 149,999	-	2
\$ 150,000 to \$159,999	2	-
\$ 160,000 to \$ 169,999	-	-
\$ 190,000 to \$199,999	-	1
\$ 200,000 to \$209,999	2	1
\$ 230,000 to \$239,999	1	-
\$ 320,000 to \$329,999	-	1
\$ 360,000 to \$369,999	1	1
\$ 400,000 to \$ 409,999	1	-

##### (c) Loans and other transactions with key management personnel

During the 2014 financial year no loans or other related party transactions were made to any Board members or executive officers.

##### (d) Key management personnel compensation

	2014	2013
	\$	\$
Short-term employee benefits	1,749,572	1,552,168
Post employee benefits	214,908	195,150
	<u>1,964,480</u>	<u>1,747,318</u>

#### NOTE 25. 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 executives are set out in note 24.

##### (c) Transactions with related parties

In the year ending 31 December 2014, Menzies received student fee income of \$1,564,778 from CDU (2013 \$1,555,478). The income was earned by Menzies from students enrolled with CDU but undertaking all course work with the Education Section of Menzies. The terms and conditions governing the payment of these fees to Menzies is covered in Attachments one and two of the Memorandum of Understanding signed between Menzies School of Health Research and Charles Darwin University in March 2004. In summary these conditions state:

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

## Notes to the Financial Statements

### MENZIES SCHOOL OF HEALTH RESEARCH FOR THE YEAR ENDED 31 DECEMBER 2014

#### NOTE 25. RELATED PARTIES (Cont'd.)

	2014 \$	2013 \$
<b>Menzies received :</b>		
Student Fee Income	1,564,778	1,555,478
Research Infrastructure Block Grant	1,428,625	1,224,205
Sustainable Research Excellence	1,001,217	886,715
Joint Research Engagement	557,756	402,811
Salaries	55,000	50,000
Project Transfers	2,996,307	718,850
Awards	10,000	-
	<b>7,613,683</b>	<b>4,838,059</b>
<b>Payments To CDU</b>		
Information technology and Student Fees	1,521,929	767,639
	<b>1,521,929</b>	<b>767,639</b>

#### NOTE 26. ECONOMIC DEPENDENCY

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

#### NOTE 27. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

For events relating to the Building Project please refer to Note 32.

#### NOTE 28. RECONCILIATION OF OPERATING RESULT TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Operating Result	1,598,299	23,678,433
Depreciation and amortisation	638,343	292,079
Net (Loss)/Gain on disposal of assets	3,821,386	( 11,310 )
	<b>6,058,028</b>	<b>23,959,202</b>
<b>Changes in Assets and Liabilities</b>		
(Increase) in receivables	( 1,738,974 )	( 201,198 )
Decrease/(Increase) in prepayments	48,325	( 60,861 )
Decrease in other assets	21,326	63,808
(Increase)/Decrease in accrued revenue	( 232,304 )	1,680,235
(Decrease)/Increase in trade and other payables	( 724,233 )	595,348
Increase/(Decrease) in accrued expenses	825,038	( 1,044,702 )
Increase in GST receivable	3,193,870	133,838
(Decrease)/Increase in other liabilities	( 82,085 )	319,303
Increase in employee provisions	110,439	287,750
	<b>1,421,400</b>	<b>1,773,521</b>
<b>Net Cash Generated From/(Used) in Operating Activities</b>	<b>7,479,428</b>	<b>25,732,723</b>

#### NOTE 29. FINANCIAL RISK

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 of 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 risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

## Notes to the Financial Statements

### MENZIES SCHOOL OF HEALTH RESEARCH FOR THE YEAR ENDED 31 DECEMBER 2014

#### NOTE 29. FINANCIAL RISK (Cont'd.)

##### (a) Market risk

###### (i) Foreign exchange risk

Menzies has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency, and Menzies statement of financial position can be affected 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 securities 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.

###### (iv) Summarised sensitivity analysis

The following table summarises the sensitivity of Menzies financial assets to interest rate risk. The table is based on the significant areas of risk being cash and cash equivalents. Interest rate risk is set at 1.75% movement based on leading economic data at 31 December 2014.

		Interest rate risk			
		-1.75%		1.75%	
31 December 2014	Carrying amount	Result	Equity	Result	Equity
<b>Financial assets</b>					
Cash and cash equivalents	28,974,181	( 507,048 )	( 507,048 )	507,048	507,048
		Interest rate risk			
		-1.75%		1.75%	
31 December 2013	Carrying amount	Result	Equity	Result	Equity
<b>Financial assets</b>					
Cash and cash equivalents	33,091,302	( 661,826 )	( 661,826 )	661,826	661,826

##### (b) Credit risk

Credit risk arises from the financial assets of Menzies, which comprise cash and cash equivalents, trade and other receivables, available-for-sale financial assets. 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 does not hold any credit derivatives to offset its credit exposure.

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

In addition, receivable balances are monitored on a ongoing basis with the result that Menzies' experience of bad debts has not been significant.

## Notes to the Financial Statements

### MENZIES SCHOOL OF HEALTH RESEARCH FOR THE YEAR ENDED 31 DECEMBER 2014

#### NOTE 29. FINANCIAL RISK (Cont'd.)

##### (c) Liquidity risk

Liquidity risk arises from the financial liabilities of Menzies and Menzies' subsequent ability to meet their obligations to repay their financial. Menzies manages its liquidity risk by monitoring the total cash inflows and outflows expected on a monthly basis. Menzies manages 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.

##### (d) Fair value estimation

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 30. REMUNERATION OF AUDITORS

Menzies is responsible for payment of audit services to the Auditor-General. Total payments amounted to \$35,164 (\$26,536 in 2013).

#### NOTE 31. COMMITMENTS

	2014	2013
	\$	\$
<b>Lease commitments</b>		
Commitments in relation to leases contracted for at the reporting date		
Within one year	191,164	235,590
Later than one year but not later than five years	110,657	300,708
Later than five years	15	-
	<b>301,836</b>	<b>536,298</b>
Representing:		
Cancellable operating leases	301,836	536,298
	<b>301,836</b>	<b>536,298</b>

##### (i) Operating leases

###### 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 bonds of an amount equal to 6 months' rent (\$79,200 inclusive GST) immediately upon the signing of the Agreement to lease. Option periods were reviewed on the 9 October 2013 at which time a additional term of 3 years commencing 01 August 2013 and expiring 31 July 2016 was entered into.

The rental for the first year of the renewed term (01/08/13-31/07/14) shall be \$175,380 excl GST.

Term of Lease: Two (2) years

Option Period: Three (3) terms; one of three (3) years and two of one (1) year each

Commencing Date: 23 July 2011

###### Vietnam

Lease of office Level 3, Department of Control and Prevention of Disease, Pasteur Institute, Hochiminh City, Vietnam.

Rental and Term of Payment: The initial rental shall be US\$5,040 to be paid in six (6) monthly equal

Term of Lease: Three (3) years

Option Period: Negotiable

Commencing Date: 1 December 2012

###### Building Red 9, Charles Darwin University, Casaurina Campus.

Operating lease relates to portion of the land in CUFT 736 003 (Lot 09198 Town of Nightcliff Plan S85/246) with a lease term of 20 years. Rent of \$1.00 per annum is payable to the lessor over the leasing period.

Term of Lease: Twenty (20) years

Option Period: Negotiable

Commencing Date: 1 April 2014

## Notes to the Financial Statements

### MENZIES SCHOOL OF HEALTH RESEARCH FOR THE YEAR ENDED 31 DECEMBER 2014

#### NOTE 31. COMMITMENTS (Cont'd.)

	2014	2013
	\$	\$
<i>(ii) other expenditure commitments</i>		
Within one year	10,000	55,000
Later than one year but not later than five years	40,000	40,000
Later than five years	-	-
	<b>50,000</b>	<b>95,000</b>

The agreement with the Lowitja Institute for future core partner payments expired 30 June 2014 at which time the future payments reduced from \$100,000 per annum to \$10,000 per annum.

#### *(iii) Capital commitments*

The following capital expenditure commitments with respect to the building projects were entered into:

Within one year	1,819,654	14,015,978
After one year	-	-
	<b>1,819,654</b>	<b>14,015,978</b>

#### NOTE 32. WORK IN PROGRESS

Menzies has been granted funds from the Australian 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.

Menzies has transferred ownership of the new buildings to CDU and NTG Department of Health respectively and will occupy the buildings for nominal rent.

Completion of the remaining construction; being the refurbishment of the existing building on the Royal Darwin Hospital campus; is expected by the end of Quarter 1, 2015.

#### Accounting Treatment - Construction

Receipt of funding income has been recognised as revenue at time of receipt in accordance with AASB 1004 Contributions. Expenditure on the building project to date has been recognised as work in progress within the balance sheet.

#### Charles Darwin University Building

##### *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 it is considered to be a common control transaction that will be accounted for within equity.

Menzies has constructed, at their cost, a new Administration / Research building on the Casuarina Campus, owned by CDU. At completion of construction on 31 March 2014 the new building was transferred over to CDU at no cost. The building has been derecognised and the carrying amount of \$15.9m has been recognised as a distribution to the owners within the statement of changes in equity. CDU have granted Menzies the right to use the building under a 20 year lease at a peppercorn rent being \$1.00 per annum.

## Notes to the Financial Statements

### MENZIES SCHOOL OF HEALTH RESEARCH FOR THE YEAR ENDED 31 DECEMBER 2014

#### NOTE 32. WORK IN PROGRESS (Cont'd.)

##### Royal Darwin Hospital Building Project

##### *Accounting Treatment on transfer of Ownership to Department of Health*

Menzies School of Health Research has constructed, at their cost, a new Administration / Research building on the Royal Darwin Hospital Campus of the Northern Territory Department of Health. At completion of construction of the new building on 31 October 2014 the building was transferred to the Northern Territory Department of Health at no cost. The Northern Territory Department of Health have granted Menzies School of Health Research, the right to use the building under a 20 year lease at a peppercorn rent being \$1.00 per annum thereby creating an intangible asset. The intangible asset value of \$16.0m and has been calculated as the present value of future fair value of lease payments. The difference between the carrying amount of the capital works (\$19.8m) and the intangible asset (\$16.0m) has been recognised as a loss on disposal of property plant and equipment in the profit and loss account.

##### Project Revenue and Costs

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

	Total	Received to 31/12/14	Received in Subsequent Periods
	\$ millions	\$ millions	\$ millions
<b>Revenue:</b>			
Commonwealth Government	39.5	6.8	32.7
NT Government	4.5	0	4.5
Charles Darwin University	1.2	0.8	0.4
Interest	2.8	0.1	2.7
	<b>48.0</b>	<b>7.7</b>	<b>40.3</b>
<b>Project Costs</b>	<b>48.0</b>	<b>9.8</b>	<b>38.2</b>
		<b>2014</b>	<b>2013</b>
		\$	\$
Unspent project income received		1.8	5.5
Project income received in subsequent period		0.0	8.0
<b>Committed Costs at 31/12/14</b>		<b>1.8</b>	<b>14.0</b>

##### **Restricted Reserve**

The balance of the unspent project costs of \$1,819,654 at 31 December 2014 (2013: \$5,499,989) forms part of reserves at year end. These funds are restricted for the use of constructing the new buildings as detailed above.

##### **Stage of completion:**

Charles Darwin University Building Project	100%
Royal Darwin Hospital Building Project - new building	100%
Royal Darwin Hospital Building Project - refurbishment	96%

#### **Note 33. ASSETS PLEDGED AS SECURITY**

Menzies have accepted unconditional undertakings in the form of bank guarantees (to pay on demand) in favour of Lahey Construction Pty Ltd as follows:

- a maximum of 1 x \$380,820 in respect of the contract for Menzies developments at Charles Darwin University (due for release 11 April 2015).
- a maximum of 3 x \$26,273 in respect of the contract for Menzies developments at Royal Darwin Hospital Extension to Palliative Care Hospice (released 24 November 2014).
- a maximum of 3 x \$537,884 in respect of the contract for Menzies developments at Royal Darwin Hospital (pending completion of works including defects liability period).