

Annual Financial Report

Menzies School of Health Research

31 December 2016

ABN 70 413 542 847



Auditor-General

Independent Auditor's Report to the Minister for Health Menzies School of Health Research Year Ended 31 December 2016

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Opinion

I have audited the accompanying Financial Report of Menzies School of Health Research ("the Entity").

The Financial Report comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year ended, notes comprising a summary of significant accounting policies and other explanatory information, and the statement on behalf of the board of governors.

In my opinion, the accompanying Financial Report of the Entity 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 financial position of the Entity as at 31 December 2016, and of its financial performance and its 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*.

Basis for Opinion

I conducted the audit in accordance with *Australian Auditing Standards*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of my report.

I am independent of the Entity in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to the audit of the Financial Report in Australia. I have fulfilled my other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Board of Governors for the Financial Report

The Board of Governors of the Entity is responsible for:

- (a) the preparation of the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards; the *Australian Charities and Not-for-profits Commission Act 2012*; the *Australian Charities and Not-for-Profits Commission Regulation 2013*, the requirements of the *Higher Education Support Act 2003* and other State and Commonwealth Government legislative requirements.
- (b) implementing necessary internal control to enable the preparation of Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- (c) assessing the Entity's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Entity or cease operations, or have no realistic alternatives but to do so.



Auditor-General

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Other Information

Other Information is financial and non-financial information in the Entity's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Board of Governors is responsible for the Other Information.

The Other Information I obtained prior to the date of this Auditor's Report was the "*Statement on Behalf of the Board of Governors*" shown on page 4 of the Financial Report.

My opinion on the Financial Report does not cover the Other Information and, accordingly, I do not express any form of assurance conclusion thereon.

In connection with the audit of the Financial Report, my responsibility is to read the Other Information. In doing so, I consider whether the Other Information is materially inconsistent with the Financial Report or the knowledge obtained in the audit, or otherwise appears to be materially misstated.

I am required to report if I conclude that there is a material misstatement of this Other Information and, based on the work I have performed on the Other Information that I obtained prior to the date of this Auditor's Report, I have nothing to report.

Auditor's Responsibilities for the audit of the Financial Report

My objective is:

- (a) to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- (a) to issue an Auditor's Report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Auditor-General

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report however, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

A handwritten signature in blue ink, appearing to read 'Julie Crisp'.

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

8 March 2017

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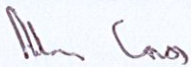
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Certificate to the Board of Governors

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 Statements Guidelines for Australia Higher Education Providers for the 2016 reporting period;
- The attached financial statements are in accordance with the accounts and records of Menzies School of Health Research 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 the 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.

Signed this sixth day of March 2017.



Professor Alan Cass
Director
Location: Darwin



David Blair
Chief Operating Officer
Location: Darwin

Statement on Behalf of the Board of Governors

The following persons were members of the Menzies School of Health Research (Menzies) Board of Governors, Finance Committee and Risk and Audit Committee for the year ended 31 December 2016:

2016 BOARD MEETINGS						
BOARD MEMBERS	POSITION	A	B	C	D	
Mr Peter Plummer	Chairperson	3	3	1	1	
Ms Clare Martin (stepped down from Board 30 June 2016)	Board Member	2	3			
Mr Richard Ryan AO	Treasurer	3	3	1	1	
Prof Alan Cass	Board Member	3	3	1	1	
Prof Simon Maddocks	Board Member	3	3	1	1	
Prof Sharon Bell (stepped down from Board 7 March 2016)	Board Member	1	3			
Prof David Celermajer	Board Member	3	3			
Ms Hilary Hannam	Board Member	3	3			
Mr Robert Wells	Board Member	3	3			
Mr Rowan Johnston	Board Member	3	3	1	1	
Mr Ken Davies	Board Member	2	3	1	1	
Dr Leonard Notaras AM	Board Member	2	3			
Ms Donna Ah Chee	Deputy Chairperson	3	3	0	1	
Mr Trevor Riley (appointed 17 October 2016)	Board Member			1	1	

A = Number of Meetings Attended; B = Number of Meetings held during the time the member held office.

C = Number of Meetings attended post 17 October 2016; D = Number of Meetings held during the time the member held office since 17 October 2016.

On 17th October 2016 amendments to the Menzies School of Health Research Act came into force. Amongst other things, these amendments changed the composition of the Board and accordingly the existing Board was effectively terminated and the new Board appointed by the Charles Darwin University Council.

2016 SUB-COMMITTEE MEETINGS	Finance Committee		Risk & Audit Committee	
	A	B	A	B
Mr Richard Ryan AO	2	3		
Mr Rowan Johnston	3	3		
Mr Tom Ganley	2	3		
Ms Tracy Scott	3	3		
Prof Alan Cass	3	3	2	3
Mr Robert Hudson			3	3
Ms Louise Dutton			2	3
Mr Ken Davies (appointed 30 June 2016)			2	2
Ms Clare Martin (resigned 30 June 2016)			0	1
Mr Peter Hopton (on leave of absence)			0	3
Mr Robert Wells (term ended 17 October 2016)			1	2
Mr Ross Springolo (ex officio member)			3	3
Ms Sophie Cleveland			1	3
Mr Trevor Riley (appointed 17 October 2016)			1	1

A = Number of Meetings Attended; B = Number of Meetings held during the time the member held office.

Statement on Behalf of the Board of Governors

Principal Activities

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

- a) Promoting a broad understanding of health that reflects underlying socioeconomic, environmental, health and disease;
- b) Conducting high quality multidisciplinary research, research training, and public health education with a focus on indigenous, remote and tropical health;
- c) Advancing the local, national and international application of research findings to improve health;
- d) Advocating for research that will contribute to better health for people of the region; and
- e) 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 2016 year.

Review of Operations

In 2016 Menzies reported a surplus of \$3.8 million. The surplus includes a one off funding contribution of \$5 million from the Northern Territory Government to fund research that delivers strong economic and health return for the Territory.

Excluding the one off funding of \$5 million, Menzies posted an operational deficit of \$1,138,933 represented by the following:

Interest earned on capital funding	1,294
Research and Education surplus	1,203,690
Non-research surplus	212,729
Depreciation and Amortisation	(2,556,646)
	<u>(1,138,933)</u>

On 17th October 2016 amendments to the Menzies School of Health Research Act came into force. Amongst other things, these amendments change the composition of the Board, requiring Board members to have skills in areas such as commerce, finance, accounting, law, marketing, philanthropy, scientific, biomedical or clinical health research.

The 2017- 2021 Strategic Plan will be finalised in early 2017, providing a 5 year road map for Menzies.

Likely Developments and Expected Results of Operations

Menzies continues to operate in a challenging funding environment and diversifying Menzies income base remains a key focus of both the board and senior management. Whilst progress has been made in securing additional funding, the research sector remains highly competitive and diversifying Menzies' remains a key focus of both the board and senior management.

Significant Changes in the State of Affairs

There were no significant changes in Menzies affairs during the 2016 year.

Matters Subsequent to the End of the Financial Year

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of Menzies, the results of those operations, or the state of the affairs of Menzies in future financial years.

Environmental Regulations

Menzies is subject to the following environment regulations:

- a) Commonwealth Gene Technology Act 2000 (amended 2008);
- b) Transport of Dangerous Goods by Road and Rail (Nation Uniform Legislation) Act 2010;
- c) Industry Code of Practice for the Management of Clinical & Related Wastes 5th Edition 2007;
- d) Biosecurity Act 2015 (in effect from 16th June 2016);
- e) IATA Dangerous Goods Regulations;
- f) Regulations pertaining to DECO registration.

Statement on Behalf of the Board of Governors

Insurance of Officers

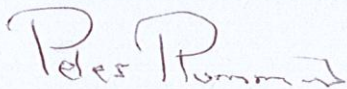
Menzies has Not-for-Profit insurance to insure the members of the Board of Governors and the officers of Menzies against any claim arising from Menzies related activities. Cover is limited to \$5,000,000 in any one year and in 2016 the premium was \$6,970.

Proceedings on Behalf of Menzies School of Health Research

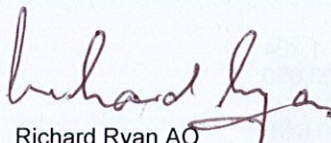
There were no legal proceedings undertaken by Menzies in the 2016 year and no legal proceedings taken against Menzies.

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

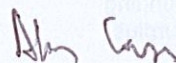
Signed this sixth day of March 2017.



Peter Plummer
Chair
Board of Governors
Location: Darwin



Richard Ryan AO
Treasurer
Board of Governors
Location: Darwin



Professor Alan Cass
Director
Location: Darwin

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2016

	Note	2016 \$	2015 \$
Income from continuing operations			
Australian Government financial assistance			
National Health & Medical Research Council Grants	2	11,687,385	12,451,542
Other government agencies	2	3,986,501	4,899,826
NT Government financial assistance	3	9,787,331	4,640,060
Fees and charges	4	3,501,465	3,916,103
Investment income	5	769,509	706,971
Consultancy and contract research	6	9,408,806	6,668,651
Other revenue	7	3,944,465	3,491,095
Total revenue from continuing operations		43,085,462	36,774,248
Gain on disposal of assets	8	8,000	8,901,734
Total income from continuing operations		43,093,462	45,675,982
Employee related expenses	9	(23,335,161)	(22,584,391)
Depreciation and amortisation expense	10	(2,556,646)	(2,366,006)
Repairs and maintenance	11	(1,178,544)	(1,122,791)
Direct research costs	12	(5,695,057)	(5,799,455)
Other expenses	13	(6,466,987)	(5,857,493)
Total expenses from continuing operations		(39,232,395)	(37,730,136)
Operating result from continuing operations		3,861,067	7,945,846
Operating result attributable to members		3,861,067	7,945,846
Revaluation of investment	23	5,967	5,003
Total comprehensive income attributable to members		3,867,034	7,950,849

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

For the year ended 31 December 2016

	Note	2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents	14	10,645,929	5,526,088
Trade and other receivables	15	596,372	1,285,006
Other financial assets	16	24,727,000	22,727,000
Other non-financial assets	18	658,795	231,835
Total current assets		36,628,096	29,769,929
Non-current assets			
Other financial assets	16	34,744	27,745
Property, plant and equipment	19	2,364,712	2,905,960
Intangible assets	17	30,027,832	31,717,832
Total non-current assets		32,427,288	34,651,537
Total assets		69,055,384	64,421,466
Liabilities			
Current liabilities			
Trade and other payables	20	594,160	544,697
Provisions	22	4,424,968	3,463,251
Other liabilities	21	120,852	378,464
Total current liabilities		5,139,980	4,386,412
Non-current liabilities			
Provisions	22	494,420	481,104
Total non-current liabilities		494,420	481,104
Total liabilities		5,634,400	4,867,516
Net assets		63,420,984	59,553,950
Equity			
Reserves	23	6,831,863	6,077,224
Retained earnings	24	56,589,121	53,476,726
Total equity		63,420,984	59,553,950

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the Year Ended 31 December 2016

2016

	Note	Retained Earnings \$	Reserves \$	Total \$
Balance at 1 January 2016		53,476,726	6,077,224	59,553,950
Operating result for the year	25	3,861,067	-	3,861,067
Net revaluation gain on investments	23	-	5,967	5,967
Total Comprehensive Income		57,337,793	6,083,191	63,420,984
Transfers	24	(748,672)	748,672	-
Balance at 31 December 2016		56,589,121	6,831,863	63,420,984

2015

	Note	Retained Earnings \$	Reserves \$	Total \$
Balance at 1 January 2015		44,929,749	6,814,786	51,744,535
Operating result for the year	25	7,945,846	-	7,945,846
Net revaluation gain on investments	23	-	5,003	5,003
Total Comprehensive Income		52,875,595	6,819,789	59,695,384
Distributions to owners	24	(141,434)	-	(141,434)
Transfers	24	742,565	(742,565)	-
Balance at 31 December 2015		53,476,726	6,077,224	59,553,950

Statement of Cash Flows

For the Year Ended 31 December 2016

	Note	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Australian Government grants		16,093,962	20,190,631
NT Government funding		9,787,331	4,640,060
Fees and charges		3,501,465	3,916,103
Interest received		768,478	706,971
Consultancies and contract research		9,408,806	6,668,652
Other receipts		3,662,621	4,656,188
Payments to suppliers		(12,619,736)	(17,292,687)
Payments to employees		(23,165,688)	(22,203,428)
Net cash generated from operating activities	27	7,437,239	1,282,490
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of plant and equipment		8,000	500
Purchase of property, plant and equipment		(325,398)	(2,004,083)
Charles Darwin University - Menzies investment funds		(2,000,000)	(22,727,000)
Net cash used by investing activities		(2,317,398)	(24,730,583)
Net increase/(decrease) in cash and cash equivalents held		5,119,841	(23,448,093)
Cash and cash equivalents at beginning of year		5,526,088	28,974,181
Cash and cash equivalents at end of financial year	14	10,645,929	5,526,088

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the Year Ended 31 December 2016

1. Summary of Significant Accounting Policies

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 Australia and the Asia Pacific region.

The principal place of business is Building 58, Royal Darwin Hospital Campus, Rocklands Drive, Tiwi, Northern Territory 0810, Australia.

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 (as in force from 17th October 2016) stipulates that Charles Darwin University will be responsible for appointing at least five (5) with a maximum of nine (9) of the board positions required under section 11 (1) (c) of 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.

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.

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 AASB Interpretations); the Australian Charities and Not-for-Profits Commission Act 2012 (ACNC Act); the Australian Charities and Not-for-Profits Commission Regulation 2013, 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 6th March 2017.

New Accounting Standards:

Several new standards, amendments to standards or interpretations have been promulgated by the Australian Accounting Standard Board but are not yet mandatorily effective and Menzies did not adopt any standard early in this financial period. Menzies has not evaluated the impact of these new standards yet and intends to adopt these standards, interpretations and amendments, if applicable, when they become mandatorily effective. Those which may be relevant to Menzies are stated below.

AASB 15 Revenue from Contracts with Customers

AASB 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principle is to provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. Menzies will adopt the standard on or before the effective date, in line with parent entity Charles Darwin University.

Notes to the Financial Statements

For the Year Ended 31 December 2016

AASB 16 Leases

AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of low-value assets are exempt from the lease accounting requirement. The new lease standard is effective for annual periods on or after 1 January 2019 with early adoption permitted. Menzies will adopt the standard on or before the effective date, in line with parent entity Charles Darwin University.

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.

Comparatives

Where applicable, prior period financial statement amounts have been reclassified to conform to current period presentation and to better reflect the current operations and structure.

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 organisation's 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:

i) Grants

Menzies treats operating grants received from Australian Government and other entities as income in the year of receipt. Grants 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.

A provision in respect of grants is recognised if, as a result of past event, Menzies has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

ii) 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.

iii) Other income

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

c) Employee benefits

i) Short-term obligations

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.

Notes to the Financial Statements

For the Year Ended 31 December 2016

ii) Other long-term obligations

The liabilities for long-term obligations are those that are not expected to be settled wholly before twelve months after the end of the annual reporting period. Other long-term employee benefits include such things as annual leave and long service leave liabilities.

The obligations are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. 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.

Regardless of the expected timing of settlements, provisions made in respect of employee benefits are classified as a current liability, unless there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability.

iii) Retirement benefit obligations

Menzies does not have any retirement benefit obligations.

iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts benefits in exchange for the termination of employment. 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.

Termination benefits are measured on initial recognition and subsequent changes are measured and recognised in accordance with the nature of the employee benefit. Benefits not expected to be settled wholly before twelve months after balance date are discounted to present value.

d) Taxation

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

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 Australian Tax Office, the GST 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 presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities which are disclosed as operating cash flows.

Menzies incurs Payroll Tax at the rate determined by the state and territory governments for payments made to and benefits received by employees.

e) Depreciation and amortisation

Depreciation is calculated on a straight line basis (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

Notes to the Financial Statements

For the Year Ended 31 December 2016

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 buildings (prepaid rent); for the newly constructed Menzies School of Health building and the refurbished Building 58 located on the Royal Darwin Hospital campus; will be amortised over the life of the lease using a systematic basis (the lease term).

f) Impairment of assets

Menzies assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. 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.

g) 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 assets are taken into account in determining the result for the year.

h) 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.

i) 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 twelve 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.

In 2015 the Board of Menzies School of Health Research agreed to a change to the investment method for liquid investments. Effective from September 2015 Menzies liquid investments can be pooled with Charles Darwin University (CDU) investments and such funds are reported under Other Financial Assets.

j) Trade receivables

Trade receivables are recognised initially at fair value being original invoice amount, subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement within no more than 30 days. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impairment of receivables is established when there is objective evidence that Menzies will not be able to collect all amounts due. Bad debts are written off as they occur.

k) 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.

l) 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.

Notes to the Financial Statements

For the Year Ended 31 December 2016

n) Investments and other financial assets

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.

In 2015 the Finance Committee of Menzies School of Health Research agreed to a change to the investment method for liquid investments. Effective from September 2015, Menzies' liquid investments can be pooled with Charles Darwin University (CDU) investments. The investments will be in the name of the CDU and not in the name of Menzies. Interest is applied quarterly based on the weighted average interest rate obtained from all CDU funds. Menzies can make additional investments at any stage. Menzies is required to provide notice of 35 days when draw down on the funds is required. A minimum transaction limit of \$500,000 applies.

o) Intangible assets - right of use of research building (prepaid rent)

Menzies has constructed, at their cost, a new Administration/Research building and refurbished an existing Administration/Research building known as Building 58 on the Royal Darwin Hospital Campus of the Northern Territory Government Department of Health (NTG DoH).

At completion of construction of the new building on 31 October 2014, the building was transferred to the NTG DoH at no cost. The NTG DoH 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 based on market valuation of the property as determined on 31 December 2014.

Refurbishment of the existing building known as the John Mathews Building, Building 58, reached completion on 23 March 2015. The cost of refurbishment has been transferred to the NTG DoH. In turn, the NTG DoH has granted Menzies the right to use the building 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 based on market valuation of the property as determined on 31 December 2015.

A variation to the current lease which expires in 13 August 2018 will grant Menzies the right to use the building to 16 September 2034.

p) Superannuation

Menzies contributes to several superannuation funds on a pay-as-you-go basis. Employee contributions are based on various percentages of their gross salaries. After serving a qualifying period, all employees are entitled to benefits on retirement, disability or death. Under these schemes Menzies legal obligation is limited to the amounts that it agrees to contribute to the fund and the actuarial and investment risks fall on the employee.

Most of the funds provide defined benefits based on years of service, employee contributions and final average salary. Menzies is under no legal obligation to make up any shortfall in the funds' assets to meet payments due to employees.

Notes to the Financial Statements

For the Year Ended 31 December 2016

2. Australian Government Financial Assistance

Non Capital

	2016 \$	2015 \$
National Health & Medical Research Council Grants	11,687,385	12,451,542
Other Australian Government Financial Assistance:		
Australian Research Council	40,000	90,000
Australian Agency for International Development (AusAid)	400,000	239,541
Department of Education and Training	-	223,812
Department of Social Services	-	95,665
Department of Prime Minister and Cabinet	1,195,260	711,920
Department of Health	2,351,241	3,538,888
Total Other Australian Government Financial Assistance	3,986,501	4,899,826
Total Australian Government Financial Assistance	15,673,886	17,351,368

3. Northern Territory Government Financial Assistance

NT Government Other Grant Funding	9,787,331	4,640,060
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4. Fees and Charges

Course fees and charges

Fee-paying overseas students	28,280	65,689
Fee-paying domestic postgraduate students	1,543,464	1,529,754
Total course fees and charges	1,571,744	1,595,443
Administration fees	584,718	619,144
Reimbursements	1,345,003	1,701,516
Total Fees and Charges	3,501,465	3,916,103

5. Investment Income

Interest on investments	767,184	686,616
Interest on capital funding	1,294	20,355
Dividends	1,031	-
Total Investment Income	769,509	706,971

Notes to the Financial Statements

For the Year Ended 31 December 2016

6. Consultancy and Contract Research

	2016 \$	2015 \$
Consultancies	160,736	250,844
Contract Research	9,248,070	6,417,807
Total Consultancy and Contract Research	9,408,806	6,668,651

7. Other Revenue

Menzies Foundation - Endowments	75,000	75,000
Charles Darwin University	3,528,290	3,056,121
Donations	336,420	347,757
Other	4,755	12,217
Total Other Revenue	3,944,465	3,491,095

8. Gain on Disposal of Assets

Gain on disposal of assets	8,000	8,901,734
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For the year ending 31 December 2016, the gain on disposal of assets relates to the disposal of one motor vehicle.

For the year ending 2015, the gain on disposal of property, plant and equipment is mainly due to the difference between building refurbishment costs of \$8.4m subsequently transferred to the Northern Territory Government Department of Health, and the recognition of an intangible asset at fair value of \$17.3m in respect of the right to use that refurbished building at a peppercorn rent.

Notes to the Financial Statements

For the Year Ended 31 December 2016

9. Employee Related Expenses

	2016 \$	2015 \$
Research		
Salaries	14,399,238	11,676,754
Superannuation	1,776,884	1,438,950
Payroll tax	858,073	709,436
Worker's compensation	83,535	86,317
Long service leave expense	366,223	323,363
Leave loading	252,523	202,075
Annual leave	1,648,156	1,406,627
Total Research	19,384,632	15,843,522
Education and Training		
Salaries	668,860	630,393
Superannuation	100,205	93,414
Payroll tax	44,721	40,690
Worker's compensation	4,015	4,660
Long service leave expense	15,365	17,322
Leave loading	11,837	11,152
Annual leave	86,667	83,856
Total Education and Training	931,670	881,487
Non Research and Education		
Salaries	2,271,618	4,274,486
Superannuation	348,094	602,890
Payroll tax	95,031	136,450
Worker's compensation	13,033	31,599
Long service leave expense	3,015	297,096
Leave loading	31,393	65,207
Annual leave	256,675	451,654
Total Non-Research and Education	3,018,859	5,859,382
Total Employee Related Expenses	23,335,161	22,584,391

10. Depreciation and Amortisation

Amortisation - Prepaid rent	1,690,000	1,490,059
Depreciation - Plant & Equipment	849,358	787,689
Depreciation - Motor Vehicles	17,288	88,258
Total Depreciation and Amortisation	2,556,646	2,366,006

Notes to the Financial Statements

For the Year Ended 31 December 2016

11. Repairs and maintenance

	2016	2015
	\$	\$
General	70,015	50,785
Maintenance Contracts	1,108,529	1,072,006
Total Repairs and Maintenance	1,178,544	1,122,791

12. Direct research costs

Laboratory cost	772,303	736,601
Research project costs:		
Participant expenses	32,662	39,909
Database & Design work	148,709	178,002
Research return	959,637	1,056,429
Share grant / Overseas	3,624,016	3,557,772
Publications & Translations	157,730	230,742
Total Direct Research Costs	5,695,057	5,799,455

13. Other Expenses

Advertising	143,118	81,001
Consultants	830,395	818,677
Education	120,769	115,960
Information Technology & Communications	246,278	187,448
Insurance	178,325	90,680
Lease rentals	422,470	484,841
Lowitja Institute	10,000	20,000
Licenses, memberships & subscriptions	105,843	96,466
Scholarships	469,380	391,656
Staff training	66,544	47,565
Printing, stationery, postage & freight	309,928	257,739
Subcontracting costs	491,755	313,286
Travel	1,957,480	1,968,758
Utilities and facilities management	371,347	376,567
Other operating expenses	743,355	606,850
Total Other Expenses	6,466,987	5,857,494

Notes to the Financial Statements

For the Year Ended 31 December 2016

14. Cash and Cash Equivalents

	2016 \$	2015 \$
Cash at bank	1,805,692	2,803,035
Short-term deposits	8,840,237	2,723,053
Total Cash and Cash Equivalents	10,645,929	5,526,088

The above figures are reconciled to cash at the end of the year as shown in the statement of cash flows.
Term deposits have fixed rates of interest and maturity dates within the ensuing 12 months.

15. Trade and Other Receivables

Current

Trade receivables	552,613	1,285,006
GST receivable	43,759	-
Total current trade and other receivables	596,372	1,285,006

Aged Analysis

The ageing analysis of receivables is as follows: As at 31 December 2016 trade receivables of \$57,293 (2015: \$69,485) 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 1 month	495,320	1,125,521
1 to 3 months	20,763	62,885
3 to 6 months	36,530	6,600
	552,613	1,285,006

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

16. Other Financial Assets

Financial assets at fair value through profit or loss

Current

Charles Darwin University - Menzies investment funds	24,727,000	22,727,000
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Non-Current

Australian listed equity securities available for sale	34,744	27,745
Total other financial assets	24,761,744	22,754,745

17. Intangible Assets

Other - Research building right of use	33,341,589	33,341,589
Accumulated amortisation and impairment	(3,313,757)	(1,623,757)
Total intangibles	30,027,832	31,717,832

Notes to the Financial Statements

For the Year Ended 31 December 2016

18. Other Non-financial Assets

	2016 \$	2015 \$
Prepayments	269,873	141,622
Accrued Income	302,482	20,638
Deposits	86,440	69,575
	658,795	231,835

19. Property, Plant and Equipment

Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant and Equipment \$	Motor Vehicles \$	Total \$
Year ended 31 December 2016			
Balance at the beginning of the year	2,865,523	40,437	2,905,960
Additions	325,398	-	325,398
Disposals	-	(41,435)	(41,435)
Depreciation charge	(849,358)	(17,288)	(866,646)
Write-back Acc. depreciation	-	41,435	41,435
Balance at the end of the year	2,341,563	23,149	2,364,712

	Capital Works in Progress \$	Plant and Equipment \$	Motor Vehicles \$	Total \$
Year ended 31 December 2015				
Balance at the beginning of year	7,101,996	3,128,924	128,694	10,359,614
Additions	1,839,102	524,288	-	2,363,390
Disposals	(8,941,098)	-	(55,674)	(8,996,772)
Depreciation charge	-	(787,689)	(88,258)	(875,947)
Write-back Acc. depreciation	-	-	55,675	55,675
Balance at the end of the year	-	2,865,523	40,437	2,905,960

Notes to the Financial Statements

For the Year Ended 31 December 2016

19. Property, Plant and Equipment

Movements in carrying amounts of property, plant and equipment

Movement in the cost/valuation reconciliations:

	Plant and Equipment \$	Motor Vehicles \$	Leasehold Improvements \$	Total \$
At 31 December 2016				
- Cost	4,702,498	98,717	708,035	5,509,250
- Valuation	2,680,334	158,059	-	2,838,393
- Accumulated depreciation	(5,041,269)	(233,627)	(708,035)	(5,982,931)
Balance at the end of the year	2,341,563	23,149	-	2,364,712
	Plant and Equipment \$	Motor Vehicles \$	Leasehold Improvements \$	Total \$
At 31 December 2015				
- Cost	4,377,100	140,152	708,035	5,225,287
- Valuation	2,680,334	158,059	-	2,838,393
- Accumulated depreciation	(4,191,910)	(257,774)	(708,035)	(5,157,719)
Balance at the end of the year	2,865,524	40,437	-	2,905,960

20. Trade and Other Payables

	2016 \$	2015 \$
Current		
Trade payables	28,942	90,480
Deposits	1,095	4,007
GST payable	-	2,471
Accrued expenses	564,123	447,739
Total trade and other payables	594,160	544,697

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying amounts are considered to be a reasonable approximation of fair value.

21. Other liabilities

Other liabilities	108,314	53,609
Income received in advance	12,538	324,855
Total other liabilities	120,852	378,464

Notes to the Financial Statements

For the Year Ended 31 December 2016

22. Provisions

	2016 \$	2015 \$
Current provisions expected to be settled within 12 months		
Long service leave	1,469,881	1,309,652
Annual Leave	2,149,526	2,153,599
Provision for Grant repayment and transfer	805,561	-
Total current provisions	4,424,968	3,463,251
Non-current provisions		
Employee benefits	494,420	481,104

23. Reserves

Revaluation Reserve		
Opening balance	52,903	52,903
Balance at the end of the financial year	52,903	52,903
Capital Assets Reserve		
Opening balance	5,790,923	4,915,033
Plus: Annual contribution transferred from retained earnings	866,646	875,890
Balance at 31 December	6,657,569	5,790,923
Investment Revaluation Reserve		
Opening balance	32,199	27,196
Increment	5,967	5,003
Balance at 31 December	38,166	32,199
Restricted Reserve Building		
Opening balance	201,199	1,819,654
Less: Committed expenditure released	(117,974)	(1,618,455)
Balance at 31 December	83,225	201,199
Total Reserves	6,831,863	6,077,224

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 Asset Reserve

Transfers to Capital Asset Reserves are for an amount equal to the depreciation expense for the year - 2016: \$866,646 (2015: \$875,890). 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 the amount equal to the depreciation expense recorded for that year.

Notes to the Financial Statements

For the Year Ended 31 December 2016

23. Reserves

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. Transfers of \$5,967 (2015: \$5,003) relate to the revaluation of shares for the year ending 31 December 2016.

Restricted Reserve Building

The Restricted Reserve Building represents funds that are restricted for the use of completion of construction and fit out of the new buildings at Royal Darwin Hospital. All restricted funds are committed for the intended purpose.

24. Retained Earnings

	2016 \$	2015 \$
Retained Earnings at the beginning of the financial year	53,476,726	44,929,749
Operating Result	3,861,067	7,945,846
Distribution of earnings	-	(141,434)
Transfers to Reserve	(748,672)	742,565
Retained earnings at end of the financial year	56,589,121	53,476,726

Transfers of (\$748,672) (2015: \$742,565) include an amount equal to the depreciation expense (\$866,646) (2015: (\$875,890)) to Capital Asset Reserves and \$117,974 (2015: \$1,618,455) movement of the Restricted Building Reserve as committed expenditure is expended.

25. Analysis of Net Surplus

The Surplus for the year ending 31 December 2016 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.

Reconciliation of Total Net (Deficit) Surplus	3,861,067	7,945,846
Represented by:		
Interest earned on capital funding (note 5)	1,294	20,355
Research and Education surplus	1,203,690	1,716,083
Non-research surplus/(deficit)	204,729	(326,321)
NTG Research Investment funding	5,000,000	-
Depreciation and amortisation (note 10)	(2,556,646)	(2,366,005)
Gain on disposal of assets (note 8)	8,000	8,901,734
	3,861,067	7,945,846

Notes to the Financial Statements

For the Year Ended 31 December 2016

26. Commitments

Expenditure commitments

	2016 \$	2015 \$
not later than one year	10,000	10,000
between one year and five years	20,000	40,000
later than 5 years	-	-
Total	30,000	50,000

Lowitja Institute for future core partner payments \$10,000 per annum

Operating leases

Minimum lease payments under cancellable operating leases:

not later than one year	243,593	110,653
between one year and five years	464,720	4
later than five years	39	14
	708,352	110,671

147 Wharf Street, Brisbane

Operating lease relates to part of the first floor of the building at 147 Wharf Street, Brisbane, QLD.

The rental for the first year of the renewed term (01/08/16-31/07/19) shall be \$165,500 excl GST.

Term of Lease: Three (3) years

Option Period: one option of three (3) years

Commencing Date: 1 August 2016

Building Red 9, Charles Darwin University, Casuarina 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

Menzies Building, Royal Darwin Hospital Campus.

Operating lease relates to portion of Lot 9731 Town of Nightcliff 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: 17 September 2014

John Mathews Building 58, Royal Darwin Hospital Campus.

Operating lease relates to portion of Lot 9731 Town of Nightcliff 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: Ten (10) years

Option Period: Extension to 16 September 2034

Commencing Date: 14 August 2008

Notes to the Financial Statements

For the Year Ended 31 December 2016

26. Commitments

Photocopiers - Darwin

Operating lease relates to lease of photocopiers in Darwin, NT.

Rent of \$4,632.50 per month is payable to the lessor over the leasing period.

Term of Lease: 52 months

Option Period: Negotiable

Commencing Date: November 2015

Photocopiers - Brisbane

Operating lease relates to lease of photocopiers in Brisbane, QLD.

Rent of \$1,875 per month is payable to the lessor over the leasing period.

Term of Lease: 60 months

Option Period: Negotiable

Commencing Date: 1 August 2016

Capital commitments

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

	2016 \$	2015 \$
Within one year	83,225	201,474
After one year	-	-
Total capital commitments	83,225	201,474

27. Reconciliation of Operating Result to Net Cash Flows from Operating activities

Operating Result	3,861,067	7,945,848
Depreciation and amortisation expense	2,556,646	2,366,006
Gain on disposal of assets	(8,000)	(8,901,734)
Dividend reinvested	(1,031)	-
	6,408,682	1,410,120

Changes in assets and liabilities

Decrease in receivables	732,393	2,755,205
Increase in prepayments	(128,251)	52,192
Increase in other assets	(16,865)	23,212
Increase in accrued revenue	(281,844)	1,165,093
Decrease in trade and other payables	(9,744)	(25,103)
Increase in accrued expenses	116,383	(1,548,546)
Increase in GST receivable	(46,230)	(3,014,705)
Decrease in other liabilities	(312,318)	84,058
Increase in employee provisions	169,472	380,964
Increase in grant repayment provisions	805,561	-
	1,028,557	(127,630)
Net cash generated from operating activities	7,437,239	1,282,490

Notes to the Financial Statements

For the Year Ended 31 December 2016

28. Key Management Personnel Disclosures

a) The following people were responsible persons of Menzies during the year:

Mr Peter Plummer - Chairperson
 Ms Clare Martin - Deputy Chairperson
 Ms Donna Ah Chee - 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 Celermajer - Board Member
 Ms Hilary Hannam - Board Member
 Mr Robert Wells - Board Member
 Mr Rowan Johnston - Board Member
 Mr Ken Davies - Board Member
 Dr Leonard Notaras AM - Board Member
 Mr Trevor Riley - Board Member
 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
 A/Prof David Thomas - Division Leader
 Prof Gary Robinson - Division Leader

Board members may include employees who may be ex-officio members or elected staff members. Neither Board members nor Board sub-committee members have 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

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:

	2016	2015
Remuneration of Board Members		
Nil to \$9,999	13	12
Remuneration of Executive Officers		
\$ 120,000 to \$129,999	-	1
\$ 140,000 to \$149,999	2	1
\$ 150,000 to \$159,999	1	2
\$ 190,000 to \$199,999	1	-
\$ 210,000 to \$219,999	1	2
\$ 230,000 to \$239,999	-	1
\$ 380,000 to \$389,999	-	1
\$ 430,000 to \$439,999	1	1
remuneration band below.		

Menzies receives reimbursements for a portion of salary costs for key personnel holding clinical roles at the Royal Darwin Hospital. Reimbursements are not included in the table above.

Notes to the Financial Statements

For the Year Ended 31 December 2016

28. Key Management Personnel Disclosures

(c) Loans and other transactions with key management personnel

During the 2016 financial year no loans or other related party transactions were made to any Board members or executive officers.

(d) Key management personnel compensation

	2016 \$	2015 \$
Short-term employee benefits	1,844,300	2,069,142
Post employee benefits	263,201	222,567
Total	2,107,501	2,291,709

29. Related Parties

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 appoint all non-prescribed positions to the Board of Directors, with the Vice Chancellor of Charles Darwin University and the Director of Menzies being the prescribed members.

Board Members and Key Management Personnel

Disclosures relating to Board members and specified executives are set out in note 28.

Transactions with related parties

In the year ending 31 December 2016, Menzies received student fee income of \$1,527,682 from CDU (2015: \$1,580,102). 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

For the Year Ended 31 December 2016

29. Related Parties

	2016 \$	2015 \$
Menzies received:		
Student fee income	1,527,682	1,580,102
Research Infrastructure Block Grant	1,494,388	1,421,829
Sustainable Research Excellence	1,276,104	1,067,472
Joint Research Engagement	627,798	384,820
Salaries	505,326	918,555
Project Transfers	773,572	416,640
Awards	20,000	25,000
	6,224,870	5,814,418
Payments to CDU		
Service level agreements, printing and joint appointments	1,339,112	1,476,526
Charles Darwin University - Menzies investment funds	2,000,000	22,727,000
	3,339,112	24,203,527

In 2015 the Board of Menzies agreed to a change to the investment method for liquid investments. Effective from September 2015 Menzies liquid investments can be pooled with Charles Darwin University (CDU) investments. As at 31 December 2016 Menzies has transferred \$24,727,000.00 to CDU to be invested on behalf of Menzies.

30. Economic Dependency

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

31. Events Occurring after the end of the Reporting Period

No matter or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect:

- (a) operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the state of affairs in future financial years

32. Remuneration of Auditors

Menzies is responsible for payment of audit services to the Auditor-General. Total payments amounted to \$52,000 (\$45,363 in 2015).

Notes to the Financial Statements

For the Year Ended 31 December 2016

33. 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.

Market risk

a) 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.

b) 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.

c) 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.

d) 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 2.00% based on leading economic data at 31 December 2016.

Financial Assets		Interest Rate Risk			
		-2.00%		2.00%	
31 December 2016	Carrying	Result	Equity	Result	Equity
Cash & Cash Equivalents	10,645,929	(212,919)	(212,919)	212,919	212,919

Financial Assets		Interest Rate Risk			
		-2.00%		2.00%	
31 December 2015	Carrying	Result	Equity	Result	Equity
Cash & Cash Equivalents	5,526,088	(110,522)	(110,522)	110,522	110,522

Notes to the Financial Statements

For the Year Ended 31 December 2016

33. Financial Risk

Credit risks

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 trades 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 an ongoing basis with the result that Menzies' experience of bad debts has not been significant.

Liquidity risk

Liquidity risk arises from the financial liabilities of Menzies and Menzies' subsequent ability to meet its obligations to repay their financial liabilities as and when they fall due.

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.

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.