



Auditor-General

Independent Auditor's Report to the Minister for Health Menzies School of Health Research Year Ended 31 December 2018

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Opinion

I have audited the accompanying Financial Report of Menzies School of Health Research.

The Financial Report comprises the statement of financial position as at 31 December 2018, 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 Certificate to the Board of Governors.

In my opinion, the accompanying Financial Report of 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 financial position of Menzies School of Health Research as at 31 December 2018, 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 Menzies School of Health Research 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 Menzies School of Health Research 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 the Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- (c) assessing the ability of Menzies School of Health Research 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 the Board of Governors either intends to liquidate Menzies School of Health Research or cease operations, or has no realistic alternatives but to do so.



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Other Information

Other Information is financial and non-financial information in Menzies School of Health Research'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 pages 7 to 9 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 internal controls operating within Menzies School of Health
 Research.
- 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 ability of Menzies School of Health Research 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 Menzies School of Health Research 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.

/ /

Julie Crisp Auditor-General for the Northern Territory

Darwin, Northern Territory

7 March 2019

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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 2018 reporting period where required;
- 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;
- 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 incurring expenditure.

Signed this 5th day of March 2019.

Professor Alan Cass

Director

Location: Darwin

Mr Blake Repine

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 2018:

2018 BOARD MEETINGS				
BOARD MEMBER	POSITION	Α	В	
Mr Peter Plummer	Chairperson	4	4	
Ms Donna Ah Chee	Deputy Chairperson	3	4	
Mr Richard Ryan AO	Co-Treasurer	3	4	
Mr Rowan Johnston	Co-Treasurer	4	4	
Mr Ken Davies	Board Member	4	4	
The Hon Trevor Riley	Board Member	3	4	
Prof Alan Cass	Board Member	4	4	
Prof Simon Maddocks	Board Member	4	4	
Prof Catherine Stoddart	Board Member	0	4	
Ms Olga Havnen (resigned 10 September 2018)	Board Member	1	3	
A=Number of meetings attended, B=Number of meetings held during the time the member held office.				

2018 SUB-COMMITTEE MEETINGS				
	Finance Committee		Risk & Audit Committee	
COMMITTEE MEMBER	А	В	Α	В
Mr Richard Ryan AO	3	4		
Mr Rowan Johnston	4	4		
Mr Tom Ganley	3	4		
Ms Tiziana Hucent	4	4		
Prof Alan Cass	4	4	4	4
Mr Robert Hudson (resigned 20 February 2018)			1	1
Mr Amin Islam (appointed 19 February 2018)			4	4
Mr Ken Davies			3	4
The Hon Trevor Riley			3	4
Mr Peter Hopton (resigned 4 June 2018)			2	2
Ms Sophie Cleveland			1	4
Ms Catherine Weber (appointed 27 August 2018)			1	1
Mr Ross Springolo (ex officio member)			3	4
A=Number of meetings attended, B=Number of meetings held during the time the member held office.				

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 2018 year.

STATEMENT ON BEHALF OF THE BOARD OF GOVERNORS

Operating Results

In 2018 Menzies posted an operating surplus of \$1,879,149 represented by the following:

	2018	2017
	\$	\$
Research and Education surplus/(deficit)	3,583,299	(981,955)
Non-research and education surplus	805,641	186,315
Depreciation and amortisation	(2,563,730)	(2,577,823)
Gain/(Loss) on disposal of assets	53,939	(1,003)
Interest earned on capital funding		302
	1,879,149	(3,374,164)

The movement in operating result between 2017 (\$3,374,164 deficit) and 2018 (\$1,879,149 surplus) is largely due to the timing difference that arises between the receipt of research project income and incurring project expenditure across multi-year research projects. With income and associated expenditure falling in different financial years, surplus and deficit results also vary year on year.

The introduction of AASB 15 Revenue from Contracts with Customers from 1 January 2019, is expected to lessen the year on year variances in results, as the new standard will require Menzies revenue to be recognised as it is earned, rather than simply as it is received.

The movement in the non-research and education result is largely due to an increase in Research Support Program (RSP) block grant funding, based on increasingly strong research activity in prior years, which underpins the calculation and allocation of RSP funding to Menzies.

Review of Operations

Overall, 2018 was a positive year for Menzies, with significant progression towards achieving the majority of the key targets in the Menzies 2021 Strategic Plan being made. Key measures and activities included increasing HDR student numbers, redeveloping the Indigenous Employment Strategy and introducing measures to improve and enhance intra-office communications.

2018 was also a successful year for Menzies with regards to National Health and Medical Research Council (NHMRC) funding outcomes. Menzies achieved an outstanding success rate of 41.5%, more than double the national success rate of 19.5%, and was awarded total funding of \$18.7 million from the NHMRC. Menzies also attained significant philanthropic donations during this year.

Likely Developments and Expected Results of Operations

Menzies continues to operate in a challenging and competitive medical research funding environment. Changes to the National Health and Medical Research Councils' research funding structures, the medical research future fund as well as continuing strategies to diversify Menzies' income base all remain key areas of focus for the Board and senior management.

Significant Changes in the State of Affairs

There were no significant changes in Menzies affairs during the 2018 year.

STATEMENT ON BEHALF OF THE BOARD OF GOVERNORS

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:

- Gene Technology Act 2000 No. 169, Compilation No.13 (Registered 13 July 2016);
- Transport of Dangerous Goods by Road and Rail (National Uniform Legislation) Act;
- Industry code of practice for the management of biohazardous waste (including clinical and related) wastes, 7th Edition 2014;
- Biosecurity Act 2015 No. 61, Compilation No.6 (Registered 12 September 2018);
- Northern Territory Environment Protection Authority Act (as in force 30 November 2018);
- Environment Protection and Biodiversity Conservation Act 1999;
- International Air Transport Association (IATA) Dangerous Goods Regulations; and
- Regulations pertaining to Defence Export Controls registration.

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.

Proceedings on Behalf of Menzies School of Health Research

There were no legal proceedings undertaken by Menzies in the 2018 year and no legal proceedings taken against Menzies.

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

Signed this 5th day of March 2019.

Peter Plummer

Chair

Board of Governors

Location: Darwin

Richard Ryan AO

Co-Treasurer

Board of Governors

Location: Darwin

Rowan Johnston

Co-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 2018

Income from continuing operations	Note	2018 \$	2017 \$
Australian Government financial assistance			
National Health & Medical Research Council	2	12,421,771	10,959,791
Other Government Agencies	2	5,896,116	2,448,708
NT Government financial assistance	3	6,325,715	5,161,924
Fees and charges	4	2,932,808	3,090,634
Investment income	5	910,455	816,782
Consultancy and contract research	6	7,929,234	10,353,570
Other revenue	7	5,813,071	4,265,807
Total revenue from continuing operations		42,229,170	37,097,216
Gain/(Loss) on disposal of assets	8	53,939	(1,003)
Total income from continuing operations		42,283,109	37,096,213
Expenses from continuing operations			
Employee related expenses	9	24,436,817	24,904,426
Depreciation and amortisation	10	2,563,730	2,577,823
Repairs and maintenance	11	1,299,116	1,261,071
Direct research costs	12	5,236,469	5,843,061
Other expenses	13	6,867,828	5,883,996
Total expenses from continuing operations		40,403,960	40,470,377
		4.070.446	(0.074.461)
Operating result from continuing operations		1,879,149	(3,374,164)
Operating result attributable to members	_	1,879,149	(3,374,164)
Revaluation of investment	23	(6,298)	3,732
Total comprehensive income/(loss) attributable to members	_	1,872,851	(3,370,432)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 \$	2017 \$
Assets		•	•
Current Assets			
Cash and cash equivalents	14	3,996,924	2,473,893
Trade and other receivables	15	516,429	625,870
Other financial assets	16	34,727,000	31,727,000
Other non-financial assets	18	592,785	692,571
Total Current Assets		39,833,138	35,519,334
Non-Current Assets			
Other financial assets	16	35,528	39,907
Property, plant and equipment	19	981,232	1,683,874
Intangible assets	17	26,647,831	28,337,831
Total Non-Current Assets		27,664,591	30,061,612
Total Assets		67,497,729	65,580,946
Liabilities			
Current Liabilities			
Trade and other payables	20	731,262	841,545
Provisions	22	4,329,631	4,072,346
Other liabilities	21	178,229	212,730
Total Current Liabilities	_	5,239,122	5,126,621
Non-Current Liabilities	20	225.224	400 770
Provisions	22	335,204	403,773
Total Non-Current Liabilities	_	335,204	403,773
Total Liabilities	_	5,574,326	5,530,394
Net Assets		61,923,403	60,050,552
Equity			
Reserves	23	8,462,739	7,657,326
Retained earnings	24	53,460,664	52,393,226
Total Equity		61,923,403	60,050,552

STATEMENT OF CHANGES IN EQUITY

As at 31 December 2018

	Note	Retained Earnings \$	Reserves \$	Total \$
Balance at 1 January 2018	_	52,393,226	7,657,326	60,050,552
Operating result for the year	25	1,879,149	-	1,879,149
Net Revaluation loss on investments	23	-	(6,298)	(6,298)
Total Comprehensive Income		54,272,375	7,651,028	61,923,403
Transfers	24	(811,711)	811,711	
Balance at 31 December 2018		53,460,664	8,462,739	61,923,403
Balance at 1 January 2017		56,589,121	6,831,863	63,420,984
Operating result for the year	25	(3,374,164)	-	(3,374,164)
Net Revaluation gain on investments	23	-	3,732	3,732
Total Comprehensive Income		53,214,957	6,835,595	60,050,552
Transfers	24 _	(821,731)	821,731	
Balance at 31 December 2017		52,393,226	7,657,326	60,050,552

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2018

Cash flows from operating activities	Notes	2018 \$	2017 \$
Australian Government grants		18,503,001	13,345,614
NT Government funding		6,325,715	5,161,924
Receipts from Student Fees		2,932,809	3,090,634
Interest received		908,536	815,351
Consultancies and contract research		7,884,991	10,248,315
Other receipts		5,813,072	4,265,807
Payments to suppliers		(13,520,521)	(13,308,550)
Payments to employees		(24,207,423)	(24,583,143)
Net cash provided by/(used in) operating activities	27	4,640,180	(964,048)
Cash flows from financing activities		-	-
Cash flows from investing activities			
Menzies investments funds held with Charles Darwin Uni.	16, 29	2,000,000	(7,000,000)
Term Deposit with Australian Financial Institution	16	(5,000,000)	-
Proceeds from sale of plant and equipment		61,273	-
Payments for property, plant and equipment	19	(178,422)	(207,988)
Net cash outflow from investing activities	_	(3,117,149)	(7,207,988)
Net increase/(decrease) in cash and cash equivalents		1,523,031	(8,172,036)
Cash and cash equivalents at the beginning of the year	_	2,473,893	10,645,929
Cash and cash equivalents at end of the year	14	3,996,924	2,473,893

For the Year Ended 31 December 2018

Note 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 12th April 2017) stipulates that the Council of 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.

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 5th March 2019.

New Accounting Standards

Several new standards, amendments to standards or interpretations have been promulgated by the Australian Accounting Standards Board but are not yet mandatorily effective and Menzies did not adopt any standard early in this financial period. Refer to Note 1 (b) for further information.

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 or loss.

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Menzies' accounting policies. The estimates and underlying assumptions are reviewed on an ongoing basis.

For the Year Ended 31 December 2018

Note 1: Summary of significant accounting policies (continued)

Currency

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

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) New accounting standards

In the current year Menzies has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period.

Initial application AASB 9 Financial Instruments

AASB9 Financial Instruments replaces AASB139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Menzies has applied AASB9 retrospectively, with an initial application date of 1 January 2018. No differences arose on the adoption of AASB 9, as a result no restatement of comparative information is required.

(i) Classification and measurement

Under AASB9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income (OCI). The classification is based on two criteria: Menzies business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of Menzies business model was made as of the date of initial application, 1 January 2018.

The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB9 did not have a significant impact on Menzies.

Menzies continued measuring at fair value all financial assets previously held at fair value under AASB139.

The following are the changes in the classification of Menzies financial assets:

- (a) Trade receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning 1 January 2018.
- (b) Menzies investment funds held with Charles Darwin University as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning 1 January 2018.
- (c) Equity investments in listed companies classified as available for sale (AFS) financial assets as at 31 December 2017 are classified and measured as Equity instruments designated at fair value through OCI beginning 1 January 2018. Menzies elected to classify irrevocably its listed equity investments under this category at the date of initial application as it intends to hold these investments for the foreseeable future.

There was no impact on Menzies assets, reserves or retained earnings as a result of adopting AASB 9.

Menzies has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for Menzies financial liabilities.

For the Year Ended 31 December 2018

Note 1: Summary of significant accounting policies (continued)

(ii) Impairment

The adoption of AASB9 has fundamentally changed the way in which impairment losses for financial assets are determined, by replacing AASB139's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

AASB9 requires Menzies to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of AASB9, Menzies recognised nil additional impairment on trade receivables.

Impairment losses do not reduce the carrying amount of debt instruments at fair value through OCI in the statement of financial position, which remains at fair value.

Accounting standards for adoption in future reporting periods

The following standards have been issued but are not mandatory for 31 December 2018 reporting periods. Menzies has elected not to early adopt any of these standards:

Standard	Application date
AASB15 'Revenue from Contracts with Customers'	1 Jan 2019
AASB16 'Leases'	1 Jan 2019
AASB1058 'Income of Not-for-Profit Entities'	1 Jan 2019
AASB2016-8 'Amendments to Australian Accounting Standards – Australian implementation guidance for not-for-profit entities [AASB 9 & AASB 15]'	1 Jan 2019

AASB 1058 'Income for Not-for-Profit Entities' and AASB 15 'Revenue from Contracts with Customers'

AASB 1058 *Income for Not-for-Profit Entities* and AASB 15 *Revenue from Contracts with Customers* are effective for annual reporting periods beginning on or after 1 January 2019 and consequently will be reported in Menzies' financial statements for the first time in 2019.

Under AASB 1058, for transactions where the consideration to acquire an asset is significantly less than fair value principally to enable Menzies to further its objectives, Menzies must first recognise the asset in accordance with the applicable Australian Accounting Standard, and then recognise any related amounts including contributions by owners, revenue or contract liability arising from a contract with a customer, a lease liability, a financial instrument or a provision, before recognising income immediately for any excess of the initial carrying amount of the asset over any related amounts recognised.

Related amounts for revenue or contract liabilities arising from a contract with a customer will be recognised under AASB 15, which requires that revenue be recognised as a specific performance obligation(s) is satisfied and goods or services are transferred to the customer, not immediately upon receipt as currently occurs. Consequently, more revenue will initially be recognised as liabilities (income received in advance) in the Statement of Financial Position after adoption of this standard.

While the full impacts are yet to be determined, potential impacts identified include:

- Grants received to construct or acquire a non-financial asset will be recognised as a liability, and subsequently recognised as revenue as the performance obligations under the grant are satisfied. At present, such grants are recognised as revenue on receipt.
- Grants with an enforceable agreement and sufficiently specific performance obligations will be recognised as revenue progressively as the associated performance obligations are satisfied. At present, such grants are recognised as revenue on receipt.

For the Year Ended 31 December 2018

Note 1: Summary of significant accounting policies (continued)

- Grants that have an enforceable agreement but no specific performance obligations but have restrictions on the timing of expenditure will continue to be recognised as revenue on receipt as time restrictions on the use of funds are not sufficiently specific to create a performance obligation.
- Grants that are not enforceable or not sufficiently specific will not qualify for deferral, and will continue to be recognised as revenue on receipt.

AASB 16 Leases

AASB 16 Leases is effective for annual reporting periods beginning on or after 1 January 2019 and consequently will be reported in Menzies's financial statements for the first time in 2019. When effective, the standard will supersede AASB 117 Leases, and requires the majority of leases to be recognised on the Statement of Financial Position.

For lessees with operating leases, a right-of-use asset will now come onto the Statement of Financial Position together with a lease liability for all leases with a term of more than 12 months, unless the underlying assets are of low value. The Statement of Profit and Loss will no longer report operating lease rental payments, instead a depreciation expense will be recognised relating to the right-of-use asset and interest expense relating to the lease liability.

As disclosed at Note 26, Menzies holds non-cancellable operating leases with minimum lease payments of \$259,770 due in future years. It is expected that all leases underlying the minimum lease payments disclosed at Note 26 will meet the requirements for recognition on the Statement of Financial Position.

(c) 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.

(d) 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.

For the Year Ended 31 December 2018

Note 1: Summary of significant accounting policies (continued)

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.

(e) 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.

(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. Menzies 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.

For the Year Ended 31 December 2018

Note 1: Summary of significant accounting policies (continued)

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.

(f) 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.

Menzies is under no legal obligation to make up any shortfall in the funds' assets to meet payments due to employees.

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

(h) 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.

(i) Trade receivables

Trade receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. At initial recognition trade receivables are measured at their transaction price and subsequently these are classified and measured as debt instruments at amortised cost. Trade receivables are due for settlement within no more than 30 days.

Menzies applies a simplified approach in calculating expected credit losses ("ECLs").

Therefore, Menzies does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Menzies has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For the Year Ended 31 December 2018

Note 1: Summary of significant accounting policies (continued)

(j) 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 non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, 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.

For further information on accounting policies of impairment of financial assets, refer to Note 1 (i) Trade receivables and Note 1 (l) Other financial assets.

(k) Intangible assets

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.

At completion of construction of the new building on 31 October 2014, the building was transferred to the Northern Territory Government Department of Health at no cost. The Northern Territory Government 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 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 Northern Territory Government Department of Health. In turn, the Northern Territory Government Department of Health 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 lease payments based on market valuation of the property as determined on 31 December 2015.

A variation to the lease which expired on 13 August 2018 granted Menzies the right to use the building to 16 September 2034.

(I) Other financial assets

(i) Investment funds held with Charles Darwin University

Menzies holds investment funds with its parent entity. These investment funds are managed within the parent entity term deposit investment portfolio, invested by and in the name of the parent entity in term deposits held with Australian financial institutions. Investment funds are held solely for payments of principal and interest, and are measured at amortised cost. Menzies applies the general approach for impairment.

Interest is paid by the parent entity to Menzies quarterly based on the weighted average interest rate of the entire investment portfolio of the parent entity. Menzies can make additional investments at any stage, and is required to provide notice of 35 days when draw down on the funds is required. A minimum transaction limit of \$500,000 applies.

For the Year Ended 31 December 2018

Note 1: Summary of significant accounting policies (continued)

(ii) Australian listed equity securities available for sale

Menzies holds publicly listed shares that have been donated to Menzies. Upon initial recognition, an election can be made to classify irrevocably these equity investments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under AASB 9 Financial Instruments and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the income statement when the right of payment has been established, except when Menzies benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Menzies has elected to classify irrevocably its equity investments under this category. These financial assets are included in non-current assets unless management intends to dispose of the investment(s) within 12 months of the balance sheet date.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

For the Year Ended 31 December 2018		
Note 2: Australian Government financial assistance		
	2018	2017
Nan Carital	\$	\$
Non Capital National Health & Medical Research Council Grants	12,421,771	10,959,79
	12,721,771	10,555,75
Other Australian Government Financial Assistance Australian Research Council	127,426	
Department of Foreign Affairs and Trade	2,802,739	600,00
Department of Prime Minister and Cabinet	90,951	334,94
Department of Health	2,875,000	1,513,76
Total Other Australian Government Financial Assistance	5,896,116	2,448,70
Total Australian Government Financial Assistance	18,317,887	13,408,49
Note 3: Northern Territory Government financial assistance		
Northern Territory Government other grant funding	6,325,715	5,161,92
Total Northern Territory Government Financial Assistance	6,325,715	5,161,9
Note 4: Fees and Charges		
Course fees and charges		
Fee-paying overseas students	25,305	14,7
Fee-paying domestic postgraduate students Total course fees and charges	1,803,248 1,828,553	1,784,3 1,799,0
Other Fees and charges	1,020,555	1,733,0
Administration receipts	44,513	127,3
Reimbursements	1,059,742	1,164,1
Total other fees and charges	1,104,255	1,291,50
Total Fees and Charges	2,932,808	3,090,63
Note 5: Investment income		
Interest on investments	858,357	815,0
Interest on capital funding	-	3
Distribution from Menzies School of Health Research Foundation Dividends	50,180 1,918	1,4
Total Investment Income	910,455	816,78
Total investment income	910,433	010,7

For the Year Ended 31 December 2018

Note 6: Consultancy and Contract Research	2018 \$	2017 \$
Consultancies Contract Research	170,426 7,758,808	118,978 10,234,592
Total Consultancy and Contract Research	7,929,234	10,353,570
Note 7: Other Revenue		
Menzies Foundation Research Block Grants and Project Transfers – Charles Darwin University Donations Other	- 5,237,977 569,807 5,287	75,000 3,978,452 209,565 2,790
Total Other Revenue	5,813,071	4,265,807
Note 8: Other Gains and Losses Gain/(Loss) on disposal of property, plant & equipment	53,939	(1,003)
Note 9: Employee Related Expenses		
Research Salaries Superannuation Payroll tax Worker's compensation Long service leave expense Leave loading Annual leave	14,701,943 1,819,864 959,306 78,107 366,251 270,333 1,680,455	15,403,547 1,880,600 928,914 77,273 393,136 273,264 1,796,354
Total Research	19,876,259	20,753,088
Education and Training Salaries Superannuation Payroll tax Worker's compensation Long service leave expense Leave loading Annual leave	968,170 130,460 59,459 5,231 30,653 16,343 120,745	818,364 107,381 50,523 4,105 17,770 15,275 101,450
Total Education	1,331,061	1,114,868

For the Year Ended 31 December 2018

Note 9: Employee Related Expenses		
	2018	2017
	\$	\$
Non Research and Education	2 420 720	2 160 100
Salaries Superannuation	2,430,730 389,134	2,169,100 296,301
Payroll tax	14,799	67,006
Worker's compensation	11,229	10,882
Long service leave expense	16,121	130,440
Leave loading	27,117	31,941
Annual leave	340,367	330,800
Total Non-Research and Education	3,229,497	3,036,470
Total Employee Benefits	24,436,817	24,904,426
Note 10: Depreciation and Amortisation		
Note 10. Depreciation and Amortisation		
Amortisation - Prepaid rent	1,690,000	1,690,000
Depreciation - Plant & Equipment	857,126	875,059
Depreciation - Motor Vehicles	16,604	12,764
Total Depreciation and Amortisation	2,563,730	2,577,823
Note 11: Repairs and Maintenance		
General	51,738	48,022
Maintenance Contracts	1,247,378	1,213,049
		1,210,013
Total Repairs and Maintenance	1,299,116	1,261,071
Note 12: Direct Research Costs		
Laboratory cost	544,607	993,509
Research project costs:		
Participant expenses	54,257	44,041
Database & Design work	316,041	250,425
Research return	181,250	263,300
Overseas collaborator payments	1,462,927	1,783,348
Domestic collaborator payments	2,528,799	2,352,887
Publication & Translations	148,588	155,551
Total Direct Research Costs	5,236,469	5,843,061

For the Year Ended 31 December 2018

Note 13: Other Expenses

Note 13: Other Expenses		
	2018	2017
	\$	\$
Advertising	59,781	20,680
Consultants	1,047,983	799,985
Education	18,464	37,206
Information Technology & Communications	211,143	209,209
Insurance	166,596	138,438
Lease rentals	443,973	419,259
Lowitja Institute	10,000	10,000
Licences, Memberships, Fees and Charges	105,547	103,254
Scholarships	444,325	397,600
Staff training	88,507	39,243
Printing, stationery, postage & freight	305,805	399,334
Subcontracting costs	410,849	316,916
Travel – direct research related	2,067,864	1,744,033
Travel – other	257,213	226,142
Utilities and facilities management	451,250	451,759
Other Operating expenses	778,528	570,938
Total Other Expenses	6,867,828	5,883,996
Note 14: Cash and Cash Equivalents		
Cash at Bank	3,996,924	2,473,893
Total Cash and Cash Equivalents	3,996,924	2,473,893

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 three (3) months.

Note 15: Trade and Other Receivables

Current		
Trade receivables	430,384	615,499
GST receivable	86,045	10,371
Total current trade and other receivables	516,429	625,870

For the Year Ended 31 December 2018

Note 15: Trade and Other Receivables

Aged Analysis

As at 31 December 2018 trade receivables of \$212,594 (2017: \$91,800) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default no indicators of future default. The ageing of these receivables is as follows:

	2018 \$	2017 \$
Less than 1 month	217,790	523,699
1 to 3 months	212,594	12,789
3 to 6 months	-	79,011
Greater than 6 months		-
	430,384	615,499

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

Impaired receivables

As at 31 December 2018, there are no impaired receivables.

Note 16: Other Financial Assets

Current Menzies investment funds held with Charles Darwin University Term Deposits with Australian Financial Institutions	29,727,000 5,000,000	31,727,000
Total Current Other Financial Assets	34,727,000	31,727,000
Non-current	25 520	20.007
Australian listed equity securities available for sale	35,528	39,907
Total Other Financial Assets	34,762,528	31,766,907
Note 17: Intangible Assets		
Other - Research building right of use	33,341,589	33,341,589
Accumulated amortisation and impairment	(6,693,758)	(5,003,758)
Total intangibles	26,647,831	28,337,831
Note 18: Other Non-financial Assets		
Prepayments	55,360	193,818
Accrued Income	450,985	400,763
Deposits	86,440	97,990
Total other non-financial assets	592,785	692,571
Total Other Hon-Inidical assets	332,763	032,371

For the Year Ended 31 December 2018

Note 19: Property, Plant and Equipment

Movements in carry 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 &	Motor	
	Equipment	Vehicles	Total
	\$	\$	\$
Year ended 31 December 2018			
Opening net book amount	1,673,489	10,385	1,683,874
Additions	106,037	72,385	178,422
Disposals	-	(131,360)	(131,360)
Depreciation charge	(857,126)	(16,604)	(873,730)
Write-Back Acc.Depreciation	<u>-</u>	124,026	124,026
Balance at the end of the year	922,400	58,832	981,232
Year ended 31 December 2017			
Opening net book amount	2,341,563	23,149	2,364,712
Additions	207,988	-	207,988
Disposals	(1,189,544)	(42,590)	(1,232,134)
Depreciation charge	(875,059)	(12,764)	(887,823)
Write-Back Acc.Depreciation	1,188,541	42,590	1,231,131
Balance at the end of the year	1,673,489	10,385	1,683,874

In 2017, a review of Menzies' asset register identified assets with a net book value of \$1,003 requiring write-off (cost \$1,232,134, accumulated depreciation \$1,231,131).

Movement in the cost/valuation:

	Plant &	Motor	Leasehold	
	Equipment	Vehicles	Improvements	Total
	\$	\$	\$	\$
At 31 December 2018				
Cost	5,008,490	155,211	708,035	5,871,736
Valuation	1,498,822	-	-	1,498,822
Accumulated depreciation	(5,584,912)	(96,379)	(708,035)	(6,389,326)
Balance at the end of the year	922,400	58,832	-	981,232
Restated				
At 31 December 2017				
Cost	4,902,453	182,371	708,035	5,084,824
Valuation*	1,498,822*	31,815*	-	1,530,637
Accumulated depreciation	(4,727,786)	(203,801)	(708,035)	(4,931,587)
Balance at the end of the year	1,673,489	10,385	-	1,683,874

^{*} Amounts reported for Plant & Equipment and Motor Vehicles at valuation in the 31 December 2017 financial statements have been restated to reflect the correct allocation between Plant & Equipment and Motor Vehicles.

For the Year Ended 31 December 2018

Note 20: Trade and Other Payables

2018	2017
\$	\$
213,178	170,608
1,035	1,055
517,049	669,882
731,262	841,545
	\$ 213,178 1,035 517,049

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.

Note 21: Other Liabilities

Other liabilities	178,229	212,730
Total Other Liabilities	178,229	212,730
Note 22: Provisions		
Current Provisions expected to be settled within 12 months		
Annual leave	2,322,492	2,194,027
Long service leave	1,967,720	1,758,850
Provision for Grant repayment and transfer	39,419	119,469
Total Current	4,329,631	4,072,346
Non-Current		
Employee benefits	335,204	403,773
Total Non-Current	335,204	403,773

For the Year Ended 31 December 2018

Note 23: Reserves

Note 25. Neserves	2018 \$	2017 \$
Revaluation Reserve	•	•
Opening balance	18,812	52,903
Less: Transfer to retained earnings	-	(34,091)
Balance at the end of the financial year	18,812	18,812
Capital Asset Reserve		
Opening balance	7,545,392	6,657,569
Plus: Annual Contribution transferred from retained earning	873,730	887,823
Balance at the end of the financial year	8,419,122	7,545,392
Investment Revaluation Reserve		
Opening balance	31,103	38,166
Increment/(Decrement) of investments on hand	(6,298)	3,732
Less: Transfer to retained earnings	-	(10,795)
Balance at the end of the financial year	24,805	31,103
Restricted Reserve Building		
Opening balance	62,019	83,225
Less: Committed expenditure released	(62,019)	(21,206)
Balance at the end of the financial year	-	62,019
Total Reserves	8,462,739	7,657,326

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

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.

Investment Revaluation Reserve

The Investment Revaluation Reserve is used to record movements in the fair value of investments as outlined in Note 1 (I) (ii).

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. With the construction completed in 2015, no further defects being identified, and fit out completed, committed funds of \$62,019 as at 31 December 2017 were no longer considered committed, and were transferred to retained earnings.

For the Year Ended 31 December 2018

Note 24: Retained Earnings

	2018 \$	2017 \$
Balance at the Beginning of the Financial Year Operating Result Transfers to Reserves	52,393,226 1,879,149 (811,711)	56,589,121 (3,374,164) (821,731)
Balance at the End of the Financial Year	53,460,664	52,393,226

Transfers of (\$811,711) (2017: (\$821,731)) include an amount equal to the depreciation expense (\$873,730) (2017: (\$887,823)) to Capital Asset Reserves, \$62,019 (2017:\$21,206) movement of the Restricted Building Reserve as committed expenditure is released, nil (2017: \$34,091) movement of the Revaluation Reserve, and nil (2017: 10,795) movement of the Investment Revaluation Reserve.

Note 25: Analysis of Net Surplus/(Deficit)

The surplus for the year ending 31 December 2018 includes income against research projects that have a life beyond the end of the financial year, and as such will incur expenditure in future years. Revenue received for research projects is recognised as revenue in the year of receipt.

Reconciliation of Total Net (Deficit)/Surplus	1,879,149	(3,374,164)
Represented by:		
Interest earned on capital funding (note 5)	-	302
Research and Education surplus/(deficit)	3,583,299	(981,955)
Non-research surplus/(deficit)	805,642	186,315
Depreciation and amortisation (note 10)	(2,563,731)	(2,577,823)
(Loss)/Gain on disposal of assets (note 8)	53,939	(1,003)
	1,879,149	(3,374,164)
Note 26: Commitments		
Expenditure Commitments		
not later than one year	10,000	10,000
between one year and five years	-	10,000
later than 5 years	-	-
Total	10,000	20,000
Lowitja Institute for future core partner payments \$10,000 per annum.		20,000
Operating leases Minimum lease payments under non-cancellable operating leases:		
not later than one year	208,328	281,728
between one year and five years	51,409	238,051
later than 5 years	33	36
Total	259,770	519,815

For the Year Ended 31 December 2018

Note 26: Commitments

Capital commitments

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

	2018	2017
	\$	\$
within one year	-	62,019
after one year	-	<u>-</u>
Total capital commitments	_	62,019
		02,013
Note 27: Reconciliation of Operating Result to Net Cash Flows from Operating	· Activities	
Note 27. Reconciliation of operating result to Net easily lows from operating	Activities	
Operating Result	1,879,149	(3,374,164)
Depreciation and amortisation	2,563,731	2,577,823
(Gain)/Loss on disposal of assets	(53,939)	1,003
Dividends reinvested	(1,918)	(1,431)
	4,387,023	(796,769)
Changes in Assats and Liabilities		
Changes in Assets and Liabilities Decrease/(Increase) in receivables	185,115	(62,886)
Decrease/(Increase) in prepayments	138,458	76,055
Decrease/(Increase) in other assets	11,550	(11,550)
(Increase)/Decrease in accrued revenue	(50,221)	(98,282)
Increase/(Decrease) in trade and other payables	41,441	162,019
(Decrease)/ Increase in accrued expenses	(152,833)	105,759
(Decrease)/ Increase in GST receivable	(75,674)	33,388
Increase/(Decrease) in other liabilities	5,978	(6,973)
Increase/(Decrease) in employee provisions	229,393	321,283
(Decrease)/ Increase in grant repayment provisions	(80,050)	(686,092)
	253,157	(167,279)
Net Cash Generated From Operating Activities	4,640,180	(964,048)

For the Year Ended 31 December 2018

Note 28: Key Management Personnel Disclosures

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

Mr Peter Plummer - Chairperson

Ms Donna Ah Chee - Deputy Chairperson

Mr Richard Ryan AO - Treasurer

Prof Alan Cass - Director/Board Member

Prof Simon Maddocks - Board Member

Mr Rowan Johnston - Board Member

Mr Ken Davies - Board Member

The Hon Trevor Riley - Board Member

Ms Olga Havnen - Board Member (resigned September 2018)

Prof Catherine Stoddart -Board Member

Mr David Blair - Chief Operating Officer (resigned April 2018)

Mr Blake Repine – Chief Operating Officer (commenced November 2018)

Mr Brendon Douglas – Deputy Director Strategy

Ms Heather D'Antoine – Associate Director Aboriginal Programs, Division Leader

Prof Nick Anstey - Division Leader

Prof Anne Chang - Division Leader

Prof Gary Robinson - Division Leader

A/Prof David Thomas - Division Leader

A/Prof Anna Ralph - Division Leader

Mr Jason Chin – Deputy Chief Operating Officer (April – October 2018)

Ms Tegan Harris – Deputy Chief Operating Officer (April – October 2018)

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 or sub-committee 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:

	2018	2017
Remuneration of Board Members		
Nil Remuneration of Executive Officers	9	9
	_	
\$40,000 to \$49,999	1	-
\$50,000 to \$59,000	1	-
\$70,000 to \$79,000	1	-
\$90,000 to \$99,999	1	-
\$100,000 to \$109,999	1	-
\$110,000 to \$119,999	1	-
\$120,000 to \$129,999	-	1
\$160,000 to \$169,999	1	2
\$170,000 to \$179,999	2	-
\$180,000 to \$189,999	-	1
\$210,000 to \$219,999	-	1
\$220,000 to \$229,999	-	1
\$230,000 to \$239,999	1	-
\$430,000 to \$439,999	-	1
\$450,000 to \$459,999	-	1
\$500,000 to \$509,999	1	-

For the Year Ended 31 December 2018

Note 28: Key Management Personnel Disclosures

b) Remuneration of responsible persons (cont.)

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. Key Management Personnel listed at a) above includes a Charles Darwin University employee. Remuneration for this position has not been included in the table presented at b) above.

c) Loans and other transactions with key management personnel

During the 2018 finance year no loans or other related party transactions were made to any Board members or specified Officers.

d) Key management personnel compensation

		Restated
	2018	2017
	\$	\$
Short-term employee benefits (salary and allowances)	1,503,917	1,736,043*
Post-employee benefits (defined contribution retirement benefits)	186,893	205,691
Other long term benefits (long service leave entitlements)	48,210	88,249*
Total	1,739,020	2,029,983

^{*}Short-term employee benefits and Other long term benefits have been restated to reflect the comparable current year expense for 2017.

Note 29: Related Parties

Board Members and Key Management Personnel

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

Parent entity

As of 1 January 2004 Menzies became a controlled entity of Charles Darwin University. Whilst Menzies retains its own Act of Parliament, Charles Darwin University 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.

Transactions with related parties

The following transactions took place with Charles Darwin University:

Income		
Student Fee Income	1,150,974	980,441
Research Support Program - Research Block Grant Funds	5,095,236	3,954,952
Research Training Program - Research Block Grant Funds	677,579	818,625
Interest earned on Menzies investment funds	774,466	680,036
Salary reimbursements	668,248	605,945
Project funding transfers	138,304	8,959
Other	132,426	15,000
	8,637,233	7,063,958
Expenditure		
IT services	1,048,468	1,044,848
Other	407,622	324,440
	1,456,090	1,369,288

For the Year Ended 31 December 2018

Note 29: Related Parties

Research Block Grant funding received by Charles Darwin University from the Department of Education and Training for the Research Training Program and the Research Support Program, is based on the combined performance of Charles Darwin University and Menzies in research income and higher degree by research (HDR) completions for the two (2) prior completed years, averaged.

The terms and conditions governing the payment of Research Block Grant Funds from Charles Darwin University to Menzies are outlined in attachment three of the Memorandum of Understanding signed between Menzies and Charles Darwin University in March 2004.

Student fee income was earned by Menzies from students enrolled with Charles Darwin University but undertaking all course work with the Education division of Menzies. The terms and conditions governing the payment of Student fees is covered in attachments one and two of the Memorandum of Understanding.

Effective from September 2015 Menzies liquid investments can be pooled with Charles Darwin University investments. In the year ending 31 December 2018 Menzies earned \$774,466 (2017: \$680,036) in interest on funds it has pooled with Charles Darwin University for investment. As at 31 December 2018 Charles Darwin University holds a total of \$29,727,000 (2017: \$31,727,000) which it has invested in term deposits on behalf of Menzies (disclosed at Note 16).

Note 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 Commonwealth Government.

Note 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

Note 32: Remuneration of Auditors

Menzies is responsible for payment of audit services to the Auditor-General. Total fees payable for the 2018 audit are estimated at \$65,000 (\$54,050 for 2017).

In 2018, Menzies is also responsible for the payment to the Auditor-General in respect of audit services provided to Bridging the Gap Foundation Limited. Total fees are estimated at \$12,000.

Note 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.

For the Year Ended 31 December 2018

Note 33: Financial Risk

Risk management is carried out by the executive Officers 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\$/GBP£/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%.

		Interest Rate Risk			
Financial Assets		-2.00%		2.00%	
31 December 2018	Carrying Amount	Result	Equity	Result	Equity
Cash & Cash Equivalents	3,996,923	(79,938)	(79,938)	79,938	79,938

		Interest Rate Risk			
Financial Assets		-2.00%		2.00%	
31 December 2017	Carrying Amount	Result	Equity	Result	Equity
Cash & Cash Equivalents	2,473,893	(49,478)	(49,478)	49,478	49,478

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.

For the Year Ended 31 December 2018

Note 33: Financial Risk

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.

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