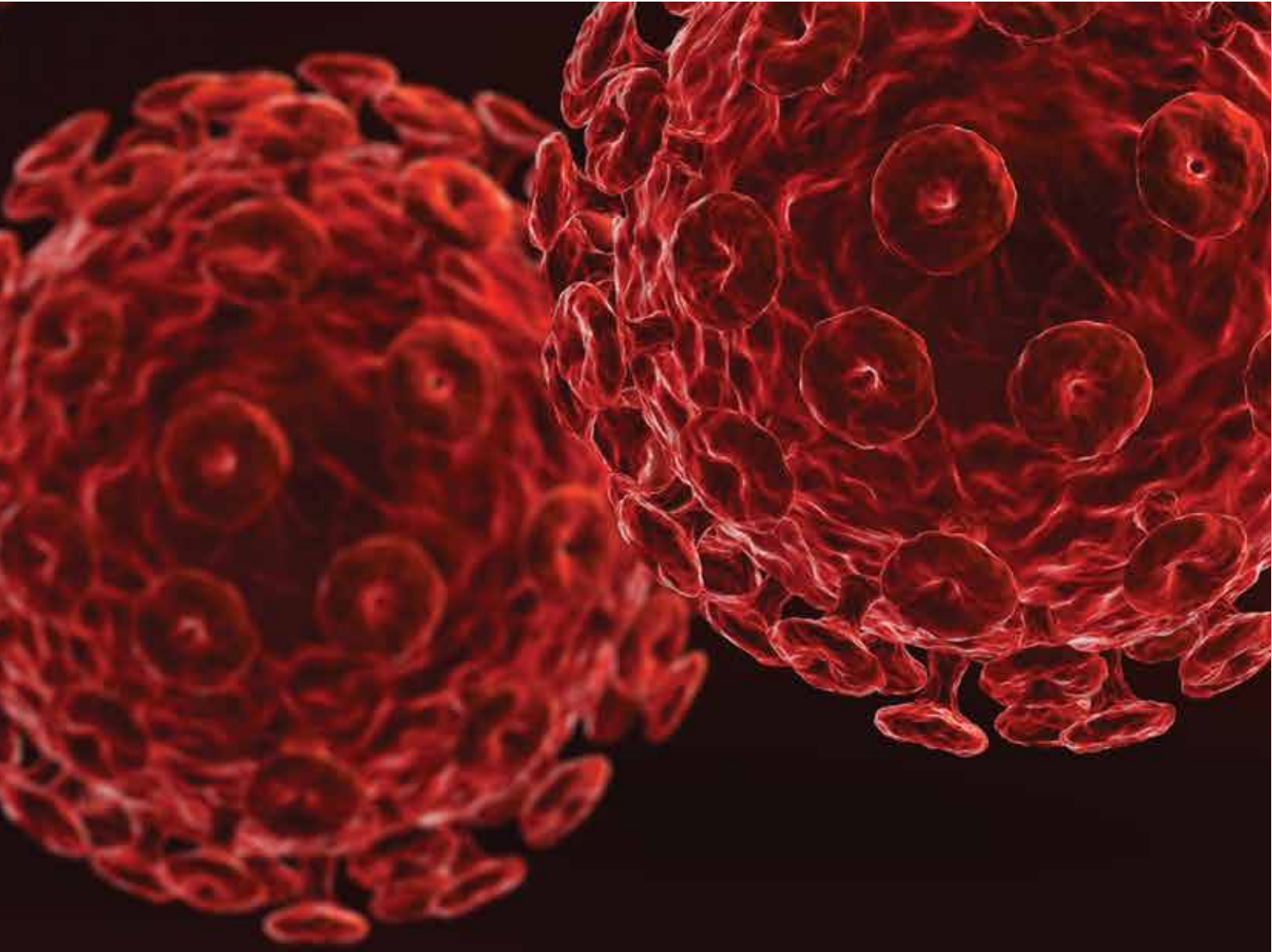

excellence innovation impact

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2014

Burnet Institute
Medical Research. Practical Action.

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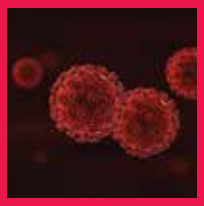

Cover: A stylised image of HIV.

Director and CEO:
Professor Brendan Crabb AC, BSc(Hons), PhD
Deputy Directors:
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Burnet Institute gratefully acknowledges funds received from the Victorian Government principally under its Operational Infrastructure Support Program, and from the Federal Government principally through the Department of Foreign Affairs and Trade, and NHMRC.

A full copy of this Financial Report is available on our website, or if you would prefer a printed copy, please call +61 3 9282 2111. This Financial Report has been prepared in accordance with the requirements set out in the Corporations Act, 2001 and the ACFID Code of Conduct. Burnet Institute is a member of the Australian Council for International Development (ACFID) and is a committed signatory to the ACFID Code of Conduct, which is a voluntary, self-regulatory sector code of good practice. The Code requires members to meet high standards of corporate governance, public accountability and financial management. More information on the Code, including how to make a complaint, can be obtained from www.acfid.asn.au or emailing complaints@acfid.asn.au. Burnet Institute also has its own complaints handling policy which can be activated by phoning Paul Rathbone on +61 3 9282 2111 or emailing feedback@burnet.edu.au.

Burnet Institute is a member of the Association of Australian Medical Research Institutes (AAMRI), the peak body representing Australia's pre-eminent independent medical research institutes. All members of AAMRI are internationally recognised as leaders in health and medical research.

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For more information about our work visit burnet.edu.au or ring +61 3 9282 2111.

ABOUT US

Burnet Institute is an Australian, unaligned, independent, not-for-profit organisation whose purpose is to improve the health of disadvantaged, poor or otherwise vulnerable people throughout the world.

OUR MISSION

To achieve better health for poor and vulnerable communities in Australia and internationally through research, education and public health.

OUR VALUES

We are passionate in our commitment to working and growing together to create a healthier world. We value excellence, innovation and social justice, and share a desire to extend the boundaries of knowledge and understanding.

OUR UNIQUE APPROACH

Linking medical research with public health action enables us to respond with comprehensive and innovative solutions to address complex health issues through:

1) generating new knowledge and health intervention tools,
2) applying the best available evidence to community-level public health programs.

Burnet Institute is a formally accredited medical research organisation with the National Health and Medical Research Council (NHMRC) and as a non-government organisation (NGO) with the Australian Department of Foreign Affairs and Trade – Australian Aid. We are the only organisation in Australia with this dual accreditation.

We have particular expertise in infectious diseases of global health significance (especially HIV, malaria, tuberculosis, hepatitis, influenza and emerging infectious diseases), and in understanding the immune responses and developing therapies to these infections and other human diseases, including some cancers.

Burnet also focuses on women's and children's health; alcohol, drugs and harm reduction; sexual and reproductive health; and young people's health.

While based in Melbourne, Burnet Institute has long-term offices in Myanmar, Papua New Guinea and Lao PDR, as well as activities in Asian and Pacific countries. Approximately a third of our staff is based in these overseas offices.

Burnet Institute is named in honour of Sir Frank Macfarlane Burnet OM, AK, KBE who received the Nobel Prize for Medicine in 1960.

CHAIR'S REPORT

Right: *Former Chair, Mr Alastair Lucas AM touring Burnet's programs in Myanmar.*

Thank you for your support and commitment and for sharing our passion for creating a healthier world.

Burnet Institute is an amazing organisation with which I have been associated for 15 years. During this time, the Institute has transformed from a relatively small organisation to become one of the world's leading medical research and public health institutes. This has largely been the result of the drive, strong leadership and vision of Mr Alastair Lucas AM. Alastair stood down as Chair in September 2014 due to ill health. His contribution to Burnet Institute has been enormous, helping steer the Institute through many challenges over the 12 years of his tenure as Chair and three years as a non-executive director. Through his strategic leadership, advice, and financial acumen, Burnet Institute has established a global reputation for excellence across its research and public health activities. We can never thank Alastair enough for his amazing contributions, and we wish him and his family the very best as he takes on this new and unexpected challenge.

I am pleased as Acting Chair to present the Annual Financial Report of Burnet Institute for 2014.

The funding of medical research in Australia has been an ongoing problem for many years, so the announcement in the 2014-15 Federal Budget of a Medical Research Future Fund (MRFF) was a welcomed and long overdue initiative. The Fund, once established, will be an integral factor in our ability to deliver the most effective health care and medical research in the world.

Innovation and translation are key elements of Burnet Institute's research and public health activities. Two highlights from 2014 that reflect this are our Healthy Mothers, Healthy Babies program in Papua New Guinea and the development of our new biotechnology company in China, Nanjing BioPoint Diagnostic Technology Ltd. The philanthropically funded Healthy Mothers, Healthy Babies program aims to address the high levels of maternal and newborn deaths in PNG. I'm delighted to report that activities are now underway in Kokopo, East New Britain with new research staff, the development of laboratory facilities, and the recruitment of 700 pregnant mothers into the program. More than 1500 women die in childbirth in PNG every year and more than 98 per cent of these deaths are preventable with better and faster access to health care. The innovative program will identify the major causes of these deaths through research, so the most cost-effective strategies can be implemented. While we have raised more than AUD$2 million from donors, we are still seeking an additional AUD$8 million that will see the five-year program through to completion.

Burnet Institute is leading the sector in rapid diagnostic test development in Australia with tests for hepatitis E in production, a CD4 test for HIV diagnosis well into clinical trials, and new tests in the pipeline. The Institute – through Nanjing BioPoint Diagnostic Technology Ltd in China, and with a Chinese venture capital partner – is well under way to developing additional diagnostic

technologies, initially for liver disease and other significant diseases. Established on a sound financial footing through a Hong Kong-based holding company, BioPoint is operating from new laboratories in Nanjing. It is our intention that BioPoint will become a leader in new technologies, which can be applied to regional health priorities. I would like to thank our board member Mr Ben Foskett, who has taken on the role of Chair of BioPoint Hong Kong, for his significant input and advice in helping to establish this new initiative. Burnet Institute's capacity to undertake many of these innovative programs is only made possible through the generous support of donors. Thank you for your support and commitment and for sharing our passion for creating a healthier world.

We moved into the new financial year in a strong position following a successful year of grant rounds and improved philanthropic support.

I acknowledge the support provided from the State Government of Victoria through its Operational Infrastructure Support Scheme, the Federal Government Department of Foreign Affairs and Trade (Australian Aid) and the National Health and Medical Research Council. Without these funding bodies, organisations such as Burnet Institute would not exist.

We are very privileged to have a talented leadership team, led by Director and CEO Professor Brendan Crabb AC. Brendan's enthusiasm and strategic leadership has led to an increased breadth of research and public health activities across the Institute, and to a greater awareness of our work among key stakeholder groups, especially in the political arena. Brendan's contributions to medical research and international health, as well as his advocacy through the Association of Australian Medical Research Institutes were recognised on Australia Day 2015 when he was awarded a Companion of the Order of Australia (AC), the youngest Australian-born recipient to receive the award. I am also proud to be part of a talented and dedicated group of non-executive directors who are passionate about the work of Burnet Institute and who freely donate their time as board members. I would like to thank all members of the Board for their extraordinary contributions during the year, especially for taking on additional responsibilities when our Chair, Alastair Lucas, needed to step down from his role.

We welcome two new board members to the Institute, Professor Sharon Lewin and Ms Louise Pratt. Professor Lewin is well known to us as our former Co-Head of the Centre for Biomedical Research but now as Director of the Peter Doherty Institute. Her research expertise will add significant depth to the Board. Ms Pratt is a former Senator for Western Australia and a passionate advocate for social justice and improving the health of poor and vulnerable communities. Her experience will considerably add to the breadth of talent on the Board.

I would also like to thank Dr Jane Thomason, who left the Board in March 2015, for her contributions to the Institute. Jane's expertise in international development was especially valuable.

In closing, Burnet is poised to continue its upward trajectory in terms of both quality and quantity of its research and health improvement programs. We continue to set stretch goals for all our endeavours and look forward to increasing our contribution to improving the health of poor and vulnerable communities throughout our region.

Mr Robert Milne
Acting Chair
Burnet Institute

IN APPRECIATION

Thank you to the organisations that support us:

Trusts and Foundations

- Australian Communities Foundation
- Bell Charitable Trust
- Bill & Melinda Gates Foundation
- CASS Foundation Ltd
- Eirene Lucas Foundation
- Freemasons Public Charitable Foundation
- Harold and Cora Brennen Trust managed by Equity Trustees
- Harold Mitchell Foundation
- Ian Potter Foundation
- Invergowrie Foundation
- Joe White Bequest
- Lord Mayor's Charitable Foundation
- Nancy E Pendergast Charitable Trust managed by Perpetual Trustees
- Peter Falvey Foundation managed by Perpetual Trustees
- Rotary Club of Preston
- SBA Foundation managed by Perpetual Trustees
- Shepherd Foundation
- State Trustees – John Burge Trust
- Telematics Trust
- Veski Fellowships
- William Angliss (Victoria) Charitable Fund

Corporates

- Arnold Bloch Leibler
- Ashurst
- Cockram Construction
- Lynton Crabb Photography
- Macquarie Bank
- Piper Alderman

DIRECTOR'S REPORT

Financially and programmatically it has been a strong year for Burnet Institute. Our annual turnover exceeds AUD$42 million and our competitive funding from the National Health and Medical Research Council increased by 10 per cent in 2014 to AUD$7,829,044. It was also a record year for the Institute with 216 peer-reviewed publications.

Papua New Guinea continues to be a significant focus of our work. With support from the Federal Government, Burnet Institute is supporting the RID-TB project in Western Province, where transmission of drug-resistant tuberculosis is on the rise. RID-TB involves implementing a patient-centred model of care and the strengthening of governance, infection control, and supply of quality medicines, laboratory services and information systems. Our Healthy Mothers, Healthy Babies (HMHB) program aims to address the high mortality rate of mothers and their newborns during and after childbirth. We welcome Dame Carol Kidu DBE as Patron of the HMHB program. Dame Carol is a well-respected advocate for women's and children's health in Papua New Guinea and will help lift the profile and reach of the program. Our home-based malaria management program is researching the feasibility and best approaches for bringing new rapid diagnostic tests and modern antimalarial medicines to families in rural villages, through training community-based staff, and boosting the capacity of first-line health facilities.

We have been operating in Myanmar since 2003. Working with local community groups and with government, we continue to be a leader in developing creative local solutions to complex development issues such as HIV, women's and children's health, tuberculosis, enhancing education and health services to reduce harms associated with drug use, and strengthening the monastic school education program. Led by our highly experienced country representative Dr Phone Myint Win, our Myanmar program has more than 150 local staff and is our largest international program.

Our rapid diagnostic technologies program now includes the development of new tests for the early detection and treatment of tuberculosis, syphilis and liver disease. The program has expanded into China through Nanjing BioPoint Diagnostic Technology Ltd, which will further develop our intellectual property focusing on point-of-care testing for priority diseases in that country.

My two-year tenure as President of the Association of Australian Medical Research Institutes (AAMRI) ended in December. We have made considerable

progress in advocating for medical research in Australia to both Federal and State Governments, highlighting the significant contribution that research has made, and continues to make, to the community and to the economy, and also the spiraling costs of doing research.

We are aware of the tight fiscal environment in which both the State and Federal Government operate, and so were very supportive of the Federal Government's proposed Medical Research Future Fund announced in the May 2014-2015 Budget. This has the potential to be a 'game changer' for medical research in Australia and ensure our competitive position on the global stage. However, there is uncertainty surrounding the funding mechanism and the timing and level of funds that might flow to research. We are also pursuing other opportunities to ensure long-term financial sustainability and making a considerable investment in fundraising to build the level of philanthropic support to Burnet.

Thank you to all Burnet Institute staff – research, programmatic and administrative – for your enthusiasm, dedication and support. I'm proud to be working with such a talented group of people who share a common goal of eliminating poverty through improved health. A special thank you to the Executive Management Committee who play an important role in overseeing the day-to-day business of the Institute.

I am extremely grateful for the support of an outstanding and skilled Board of Directors. I know each director is passionate about Burnet and its mission, and contributes an extraordinary amount of time voluntarily to the role. To those directors who serve on the various board subcommittees, thank you for your additional contributions.

In September 2014, our long-serving Chair, Mr Alastair Lucas AM had to stand aside from his responsibilities due to ill health. I'm grateful to Mr Robert Milne for taking on the role of Acting Chair. It is difficult to express in words our gratitude to Alastair for his immense contributions.

He has played a very significant role in transforming the Institute. From a relatively small organisation the Institute has grown significantly during Alastair's chairmanship, taking on new challenges and opportunities, and expanding its reach across the globe. Alastair's talented and innovative approach to business has helped steer the Institute through many difficult times financially, and his advocacy for our work and for medical research more generally has reached the highest levels of government. There is no doubt that Alastair's passion and quiet but fierce determination has helped ensure the Institute's long-term sustainability. I know everyone at the Institute is in awe of his amazing contributions and wishes him the very best as he takes on this new challenge.

Congratulations to Professor Robert Power on receiving the Institute's Frank Fenner Award and to Dr Freya Fowkes on being awarded the Gust-McKenzie Medal for 2014. These prestigious awards recognise their outstanding contributions to our mission.

I would like to thank Professor Sharon Lewin, the former Co-Head of the Centre for Biomedical Research, for her support and contribution to the Institute. Sharon was appointed the inaugural Director of the Peter Doherty Institute for Infection and Immunity in September and I wish her well in her new role. She will continue to support Burnet Institute as a non-executive director.

We are privileged to have an amazing and dedicated group of donors who provide support to the Institute and are our strongest advocates. Thank you for your continued support. Our ability to create and implement innovative approaches to improving health is just not possible without this support.

Professor Brendan Crabb AC
Director and CEO

COMMUNITY SUPPORT

Thank you to everyone who supported us in 2014.

The Board and staff of Burnet extend a heartfelt thank you to everyone who has made a gift to our programs. Your generosity underpins our pursuit of scientific discoveries and public health advances. In Papua New Guinea, your gifts enabled us to start the first phase of our Healthy Mothers, Healthy Babies research program that will have a transformational impact in a country where thousands of mothers and children needlessly die every year. In our laboratories, you are helping us to develop a vaccine against hepatitis C and find a cure for HIV. In Myanmar, Lao PDR, Zimbabwe and China, your gifts have meant that we can improve the health of poor and vulnerable communities.

Thank you for making these achievements possible.

BEQUESTS

Every bequest, however small or large, is appreciated and makes a difference to Burnet's capacity to improve the health of the world's most disadvantaged people.

We thank the late Christopher James Beever, Thomas John Beresford, Henry Boyd Birch, William and Georgena Bradshaw, Peter Edward Darby, Janet Mary Fitzwater, Joyce Adelaide Healey, Leonard Ian Roach, Rodney John Ruff, John Ward Thompson, John Knox Trezise, Yvonne Pamela Tull and Margaret Wilkinson for their special support of Burnet's work through a gift in their Will.

LEADERSHIP

CHAIR

Mr Robert Milne (from Sept 2014)
Mr Alastair Lucas AM (until Sept 2014)

DIRECTOR AND CHIEF EXECUTIVE OFFICER

Professor Brendan Crabb AC

DEPUTY DIRECTORS

Associate Professor David Anderson
Professor Mike Toole AM

ASSOCIATE DIRECTORS

Professor Suzanne Crowe AM
Professor Margaret Hellard

EXECUTIVE MANAGEMENT

Professor Brendan Crabb AC
Director and CEO

Associate Professor David Anderson
Deputy Director, and
Head, Business Development, Innovation and Research

Professor Mike Toole AM
Deputy Director

Professor Suzanne Crowe AM
Associate Director

Professor Margaret Hellard
Associate Director, and
Head, Centre for Population Health

Professor Paul Dietze
Deputy Head, Centre for Population Health

Professor Robert Power
Head, Centre for International Health

Professor James Beeson
Head, Centre for Biomedical Research

Associate Professor Heidi Drummer
Deputy Head, Centre for Biomedical Research

Mr Geoff Drenkhahn
Chief Operating Officer

Mr Paul Rathbone
Executive Officer, and
Head, Public Affairs and Development

Mr Peter Spiller
Chief Financial Officer, and
Company Secretary

Mr Paul Duffy
Head, Human Resources

SENIOR MANAGEMENT

Associate Professor Bruce Loveland
Head, Research Support and Facilities

Mr Mark Tennent
General Manager, Centre for International Health

Mr Carl Vine
Head, Information Technology

Dr Margarete White
Manager, Occupational Health and Safety

YEAR AT A GLANCE

24 labs

340+
scientists & public health professionals

71 students

216
peer-reviewed publications in 2014 – record for Burnet!

$40+ million
spent on improving health for poor and vulnerable people

$7.6 million
in NHMRC grants and fellowships

Burnet establishes Nanjing BioPoint Diagnostic Technology Ltd to develop
low-cost **diagnostic tests**

21,000+
people tested in Home Management of Malaria program

300
community-based volunteers trained

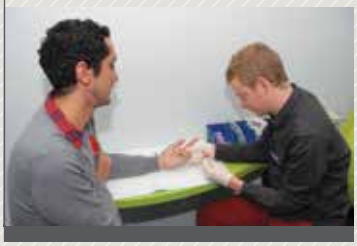
$10 million
research program underway to address
maternal & child mortality
in Papua New Guinea

Healthy Mothers Healthy Babies

Field testing of Burnet-developed
VISITECT® CD4 POC test
gets underway

370+
HIV-positive pregnant women
taking part in our AAMI (Accelerating ART initiation among Mothers and Infants) Study in Myanmar, PNG and China

Work progressing on
a new vaccine for **hepatitis C**
in our labs



1,600+ tests
in first year of PRONTO!
Australia's first shop-front, rapid HIV testing clinic

COMMUNITY ENGAGEMENT

PROFESSOR ROBERT POWER DELIVERS FENNER LECTURE

SEPTEMBER 2014: Head of the Centre for International Health, Professor Robert Power received the prestigious Frank Fenner Award, named after one of Australia's greatest scientists, the late Emeritus Professor Frank Fenner AC. The Award recognises the significant contribution made by a member of staff to the vision and mission of the Institute.

DONOR FUNCTIONS

APRIL & OCTOBER 2014: Events were held during the year to highlight some of the key areas of our work to supporters and their friends. Many research and public health innovations are not possible without philanthropic support and we welcomed the opportunity to share our progress in the areas of women's and children's health, malaria, tuberculosis, hepatitis and HIV.

INTERNATIONAL AIDS 2014 CONFERENCE

JULY 2014: Since its early years, Burnet Institute's world-class researchers have been leaders in HIV research. At the International AIDS 2014 Conference in Melbourne, which attracted more than 14,000 people from across the globe, Burnet showcased its laboratory-based research, public health and international development activities.

Image 1: APRIL 2014: Our laboratories were open to the public on the Day of Immunology.

Image 2: JANUARY 2014: Our HIV and sexual health researchers were at the Midsumma LGBTI Carnival in Melbourne.

Image 3: JANUARY 2014: Burnet conducted its 'Sex, Drugs and Rock 'n Roll' young people's health survey at the Big Day Out music festival in Melbourne.

INTERNATIONAL WOMEN'S DAY

MARCH 2014: Our International Women's Day luncheon has become a major event on the Burnet calendar, with 100 women joining us this year. Keynote speaker, Burnet Institute's Professor Margaret Hellard spoke passionately about the need to advocate for equal opportunities for women for a quality education and health equality.

WORLD AIDS DAY

DECEMBER 2014: Burnet Institute supported Living Positive Victoria and partner organisations in hosting a special World AIDS Day community event in Melbourne's Federation Square. Keynote speaker, Burnet's Associate Professor Mark Stoové (pictured) spoke about the many challenges of Getting to Zero – the global target set by UNAIDS. More than 35 million people are living with HIV around the world.

HMHB PARLIAMENTARY LAUNCH

SEPTEMBER 2014: The innovative Healthy Mothers, Healthy Babies program was launched at Parliament House, Canberra, with more than 100 guests attending, including Senator Fiona Nash who represented the Prime Minister. Pictured are the Leader of the Opposition, the Hon Bill Shorten MP (far left); Mrs Chloe Bryce Shorten (second left), Australia's Ambassador for Women and Girls, Ms Natasha Stott Despoja AM (second from right) and Burnet's Director and CEO, Professor Brendan Crabb AC.

WORLD HEALTH DAY

APRIL 2014: The global burden of vector-borne diseases such as malaria and dengue fever was the focus of a public World Health Day Forum. Leading Australian experts, including Burnet researcher Professor James Beeson (pictured), addressed many of the key issues and priorities for our region including disease control, vaccines, new therapeutics and drug resistance, as well as emerging diseases.

Healthy Mothers Healthy Babies

The rate of maternal and child death in Papua New Guinea is staggeringly high. Each year, more than 1,500 mothers die and up to 5,000 newborns perish in the first month of life.

Two-thirds of these newborn deaths could be prevented with effective interventions.

In response to these appalling mortality rates, Burnet launched its philanthropically funded, AUD$10 million collaborative research program, Healthy Mothers, Healthy Babies (HMHB) aimed at providing lifesaving health care for women and children in PNG.

HMHB involves strong collaborations with partners at the district, provincial and national level in PNG, with initial research programs based in Kokopo, East New Britain.

The program addresses three major needs:

- Developing and testing better ways to provide interventions of proven effectiveness to communities that currently lack access.
- Defining the major disease burdens that contribute to maternal and infant mortality, such as anaemia, malaria, TB, STIs, malnutrition, and maternal complications of childbirth.
- Developing new and more effective interventions to improve maternal and child health.

Five separate but complementary studies will generate evidence that has immediate use in East New Britain to improve services, and that can inform future health policy in PNG and similar settings.

1. Observational Cohort Study

More than 700 pregnant women will take part in the study, from their first visit at an antenatal clinic until their baby is one year old. This study will identify and quantify major preventable causes of illness in mothers, newborns and infants attending health care facilities, and the relationship of illness in pregnancy to predicting poor pregnancy outcomes for mother and infant, and poor infant growth and development.

2. Health Systems Study

Evaluate reproductive, maternal, neonatal and child health services, and identify strategies to improve services aimed at reducing sickness and death.

3. Community-based Study

Determine access to maternal, newborn and child health care services, and identify the major barriers to accessing these health services.

4. Young People's Study

Determine sexual and reproductive health knowledge, attitudes, practices and outcomes among young people to enable the development of interventions to improve health.

5. Impact & Implementation Modelling

Develop and optimise strategies to implement effective interventions to achieve the greatest health benefits.

EACH YEAR

5000

BABIES DIE IN PNG

in the first

MONTH

OF LIFE

PNG has one of the **highest maternal mortality rates in the world**

A woman in Papua New Guinea is **80 times more likely to die in childbirth** than a woman in Australia

Another

7000

children

won't reach their

5th birthday

The appalling rate of maternal and newborn mortality in PNG is not improving – **more than 500 deaths per 100,000 live births.**

2 out of 3

OF NEWBORN DEATHS

in PNG are **preventable**

10%

OF BABIES

suffer from low birth weight

43%

have stunted growth

Communicable diseases – *pneumonia, malaria, TB, syphilis, diarrhoeal diseases, meningitis and HIV* – **account for 50% of deaths.**

HMHB Field Site: Kokopo, East New Britain

Burnet's research team is led by Professor James Beeson, Dr Michelle Hendel and Dr Chris Morgan. Ten local staff are based in Kokopo and Burnet is currently fitting out a laboratory within St Mary's Hospital to collect and analyse blood and other samples for infections and nutritional deficiencies.

The team is working in partnership with five of the busiest health facilities in the Province, two urban hospitals and three rural facilities, that deliver more than 6,000 babies every year.

Image 1: *Our Kokopo office is supporting the first of five research studies.*

Image 2: *Blood and other samples from pregnant mothers and newborns are being analysed in the new HMHB laboratory.*

Opposite: *Dr Michelle Hendel (left) checking a young newborn with her mum at a Kokopo clinic.*

1

2

ALCOHOL, OTHER DRUGS & HARM REDUCTION

Burnet is committed to addressing the adverse health affects of alcohol and other drug use through the application of behavioural and clinical research, treatment practice and community-based harm reduction programs based on sound evidence.

CREIDU – Centre for Research Excellence into Injecting Drug Use

This five-year collaborative NHMRC-funded project is entering its final year. CREIDU aims to improve the health of people who inject drugs through research that generates new evidence and informs public health policy and practice. During 2014 it facilitated collaborations between researchers and workers in the fields of justice health, mental health, blood-borne virus infection, alcohol and drug use, addiction and policy research. Burnet's Professor Margaret Hellard, Professor Paul Dietze and Professor Robert Power are among the chief investigators of CREIDU. Find out more at www.creidu.edu.au.

Injecting drug use our focus in Indonesia

Harm reduction focusing on injecting drug use, a major vector for HIV infection in Indonesia, is one of the four components of the HIV Cooperation Program for Indonesia (HCPI). HCPI is a support project funded by the Department of Foreign Affairs and Trade – Australian Aid that works in partnership with the Government of Indonesia and is managed jointly by GRM/Futures and Burnet, as one part of the broader Australia-Indonesia Partnership for HIV. Each of the approaches to harm reduction, including needle syringe programs, methadone maintenance treatment, care, support and treatment, and diversion to treatment from the criminal justice system, continue to prove their effectiveness. Significant implementation strategies for diversion of drug users from imprisonment continued during 2014, including the start of a pilot program in East Java that concludes in July 2015.

Key role in take-home naloxone programs

Naloxone has been used for reversal of opioid overdose in emergency settings for more than 40 years. In 2014 the drug was listed on Australia's Pharmaceutical Benefits Scheme, enabling wider access beyond health professionals to include friends and family of those who use opioids (often termed 'take-home' naloxone). Burnet has played a key role in some of the take-home naloxone programs that have been established in Australia, in particular those targeting peers and friends of people who inject opioids, such as heroin. This involvement was reflected in an invitation for Burnet to participate in the World Health Organization's Guidelines Development Group for take-home naloxone programs. The WHO Guidelines were published in late 2014 and represent a benchmark for the development of take-home naloxone programs around the world.

Iranian youth the focus of HIV prevention course

A short course was developed and delivered for UNICEF in Iran on 'HIV Prevention Interventions and Harm Reduction for Adolescent and Young Amphetamine Users'. More than 70 participants attended the course from the Ministry of Health – Centres for Disease Control, National AIDS Programme, Prisons Department, State Welfare Organisation, and representatives from provincial medical universities, networks of people living with HIV, UNICEF, United Nations Office on Drugs and Crime (UNODC), the World Health Organization (WHO) and UNAIDS.

PRINCIPALS:
Professor Paul Dietze
Professor Robert Power

INFECTIOUS DISEASES

Infectious diseases are among the leading causes of mortality in developing countries, especially in poor and vulnerable communities. More than 35 million people are living with HIV, and each year more than eight million people will be affected by tuberculosis and 660,000 people, mostly children, will die from malaria.

First HIV PrEP study in Australia underway

Burnet is closely involved in Australia's first HIV pre-exposure prophylaxis (PrEP) study. Working with researchers Ms Carol El-Hayek and Associate Professor Mark Stoové, Dr Edwina Wright is leading this Victoria-based study of 100 people at risk of HIV infection. Each participant has agreed to take a daily antiretroviral tablet, TRUVADA , to reduce the risk of HIV transmission. They will receive TRUVADA, which has been shown to reduce HIV transmission in gay men, heterosexuals and injecting drug users in previous studies overseas by at least 70 per cent, for at least 12 months. Members of the Victorian PrEP study, known as VicPrEP, will undergo regular evaluations by their doctors and the research team to determine how effective, safe and acceptable this new HIV prevention strategy is in the Australian community setting.

PNG's Western Province the focus of TB program

Papua New Guinea is in the midst of a major TB epidemic with a high burden of drug-resistant TB (DR-TB) identified in several provinces, including Western Province. Working in partnership with the Western Provincial Health Office, Daru General Hospital and the National Department of Health, Burnet is providing technical guidance across all areas of the TB program with the aim of building local capacity and strengthening the health system. Burnet is applying the best available evidence to the PNG context to support the implementation of a patient-centred model of care that aligns with national and international TB standards. Burnet is also supporting the strengthening of governance, infection control, supply of quality medicines, laboratory services and information systems.

Malaria: Home-management approach a success in East New Britain, PNG

This partnership with the Global Fund for AIDS, TB and Malaria focuses on training village-based volunteers to use rapid diagnostics tests for malaria and administering antimalarial drugs. The aim is to reduce severe disease and death from malaria among children younger than five years in target communities and to increase appropriate use of new medicines for those children. Burnet has been involved in implementing training of more than 200 community-based volunteers. The aim is also to improve the quality of service provision by community-based distributors and increase informed demand for health care for children younger than five years who are suffering from fever.

World tuberculosis specialist, Professor Steve Graham joins Burnet

One of the most respected TB specialists in the world, with a particular expertise and focus on childhood TB, Professor Steve Graham has joined Burnet. As a Senior Principal Research Fellow, Professor Graham will focus on strengthening Burnet's engagement in tuberculosis (TB) control activities, particularly in PNG and Myanmar. A paediatrician with more than 20 years of clinical and research experience in the field, Professor Graham is involved in implementation and operational research to address the current wide policy-practice gaps in TB control in the African and Asian-Pacific regions. He is also a member of the WHO's Strategic and Technical Advisory Group on TB.

PRINCIPALS:
Associate Professor Heidi Drummer
Dr Jack Richards

IMMUNITY, VACCINES & IMMUNISATION

Developing vaccines against infectious diseases including malaria, polio, tuberculosis, hepatitis C, hepatitis B and HIV, or to cancer, requires a deep understanding of how key elements of the immune system are able to interact.

New ways to deliver existing vaccines through immunisation programs are needed to reach more communities and successfully integrate these approaches within health systems in developing countries.

How antibodies signal the immune system

The Hogarth Laboratory has discovered new properties of antibodies and their Fc receptors, molecules that allow antibodies to signal to the immune system. They have identified a new Fc receptor form as well as new aspects of antibody function. Together with collaborators at Alfred Health, Monash University, University of Melbourne, Austin Health, ANZAC Institute and international collaborators in the Netherlands, the USA and UK, they are actively translating this work for new therapies and better understanding of disease processes.

Collaboration with ARTES Biotechnology to advance new malaria vaccines

Burnet and ARTES Biotechnology (Germany) have joined forces to develop a new type of malaria vaccine in a project funded by the PATH Malaria Vaccine Initiative (MVI). The project is led by Professor James Beeson and will use exciting novel technology developed at Burnet by Deputy Director, Associate Professor David Anderson and colleagues. ARTES holds the international patent rights and adapted the platform to vaccine production (known as the Metavax® platform). The project will focus on strategies to produce vaccines that can block the transmission of malaria infection from mosquitoes to people.

Understanding how dendritic cells see infected cells

Understanding how dendritic cells see signs of 'danger' (eg. infected cells) in their environment, and how these 'danger receptors' can be utilised to develop more effective vaccines and immunotherapies. In collaboration with Associate Professor K. Radford (Mater Research-UQ), the Lahoud and Caminschi Laboratories have demonstrated in proof-of-principle studies that utilising a danger receptor 'Clec9A' on human dendritic cells can lead to induction of potent cytotoxic T cell immune responses. Funding from NHMRC (Australia) and Worldwide Cancer Research (UK) has been secured to develop this approach for pre-clinical studies of cancer immunotherapy.

Integrating immunisation in maternal and child health programs

Burnet is involved in promotion of immunisation (with other child health priorities) to communities in Myanmar and Lao PDR. In 2014 Burnet also helped evaluate the role of interrupted vaccine supply on immunisation in PNG, and worked with Save the Children's program in Afghanistan to research access to health services, including vaccination.

Burnet provides expertise in support of global immunisation. Professor Mike Toole AM contributes through independent monitoring of the Global Polio Eradication Initiative which oversaw more than 100 countries switching to newer polio vaccines. Dr Chris Morgan, as chair of WHO's Immunization Practices Advisory Committee, helped coordinate WHO's expert review of innovations for better immunisation services, including the fast-track studies of two new Ebola vaccines.

PRINCIPALS:
Dr Chris Morgan
Dr Meredith O'Keeffe
Professor Paul Gorry

MATERNAL & CHILD HEALTH

Without proper access to quality health care, more than 6.6 million women and children continue to suffer and die each year from preventable illnesses and diseases in developing countries.

Burnet is working to better understand, and address, the underlying factors that contribute to maternal and child mortality and chronic illness, overcome barriers that prevent access to essential services, and improve the delivery and quality of care for mothers and babies, particularly in difficult settings and populations with limited access to health services.

In some countries, such as Papua New Guinea, maternal and child death rates are very high, yet lives could be saved with effective interventions.

Innovative point-of-care tests to improve health outcomes for mothers and babies

Millions of pregnant women living with HIV or syphilis, and their infants, do not receive timely access to life-saving drugs, contributing to an estimated 7,500 maternal deaths, 300,000 perinatal deaths and 240,000 new HIV infections in infants every year.

In many settings, poor access to laboratory testing for HIV and syphilis is a major reason for critical delays in women and infants receiving effective interventions. To address this barrier, Burnet is developing and assessing novel, low cost, point-of-care (POC) tests that can be used by nurse-midwives in antenatal clinics in even the most hard-to-reach communities.

In 2014 Burnet was awarded a Grand Challenges Initiative Saving Lives at Birth grant to develop a new POC test that will enable health workers to diagnose active syphilis in pregnant women and immediately start simple treatment to prevent poor health outcomes such as stillbirth, low birth weight, and newborn death.

Accelerating ART initiation among Mothers and Infants (AAMI Study)

Despite the availability of antiretroviral drugs (ARV) and clear treatment guidelines, many HIV-infected expectant mothers and their newborn infants do not receive timely access to these drugs. Work has also started on the NHMRC-funded AAMI study that will assess the effectiveness of the Burnet-developed VISITECT® CD4 POC test and an early infant diagnosis of HIV test (developed by Northwestern University, USA) to accelerate access to antiretroviral interventions for HIV-infected pregnant women and their infants in China, Papua New Guinea (PNG) and Myanmar.

Reaching mothers and babies with quality care

Funded by DFAT, Burnet continues to work with local partners, governments and communities to improve the health of pregnant women and newborns in PNG, Myanmar, Lao PDR and Zimbabwe. In addition to strengthening the capacity of health providers to deliver quality services through better training and supervision, our projects have developed and tested innovative ways to overcome community-level barriers that prevent women accessing care, particularly at the time of childbirth.

Supporting local communities in Zimbabwe to establish maternity waiting homes has increased the number of women in remote and rural areas giving birth at a facility with a trained midwife. Burnet worked with the Australian Broadcasting Corporation in Myanmar to pilot an educational radio program to improve community knowledge and attitudes about maternal and child health. Workshops with pregnant women and expectant fathers in PNG have resulted in an increase in women attending facilities to give birth and positive involvement of male partners in maternal and newborn health.

PRINCIPALS:
Professor James Beeson
Dr Elissa Kennedy

SEXUAL & REPRODUCTIVE HEALTH

Reducing the unmet need for contraception could avert half the world's annual maternal and child deaths. But limited access to quality sexual and reproductive health services contributes significantly to the global burden of ill health.

A range of Australian-based and international research and development activities aim to improve sexual and reproductive health outcomes for those most in need.

This includes basic (laboratory) science studies, clinical trials, epidemiological studies, capacity building and policy development.

Towards new drugs for HIV prevention

The Tachedjian Laboratory received NHMRC funding to develop a new class of pre-exposure prophylaxis (PrEP) drugs for HIV prevention by employing a novel paradigm in drug discovery. Anti-HIV drugs currently being progressed or approved for PrEP are similar to those being used to treat people already infected with HIV, which means transmission of drug-resistant HIV could emerge. The drugs being developed in this study are aimed at targeting a vital viral enzyme and block transmission of circulating resistant strains in a way that is different to current HIV drugs.

PRONTO! HIV rapid testing service gets underway

Burnet, in collaboration with the Victorian AIDS Council, implemented PRONTO!, Australia's first community-based 'shop front' rapid HIV testing service, as part of a state government-funded trial. The peer-led service, targeting the gay community, provides men with a test result during a 30-minute appointment. It aims to enhance the convenience of testing, reduce barriers to frequent testing, and provide early detection of HIV infection. During its first year of operation more than 1,200 men underwent 1,600 HIV tests at PRONTO! and the service received very favourable responses from clients. In 2015, the PRONTO! rapid testing service will be trialled in a mobile facility at Victoria's high-profile GLBTI community carnival, Midsumma, in Melbourne.

Unmet need for contraception among female sex workers in China

Burnet, in collaboration with the International Centre for Reproductive Health (Belgium) and partners in Kunming (China), assessed sexual and reproductive health knowledge and factors associated with unmet need for modern contraception among adolescent female sex workers in China. This work highlighted an urgent need for access to quality sexual and reproductive health services, and received an award at the 20th International AIDS Conference in Melbourne.

Menstrual hygiene study among adolescent girls in Indonesia

Recognising the growing impact of menstrual hygiene management (MHM) on health and psychosocial outcomes among women and girls in low-to-middle income countries, UNICEF Indonesia commissioned Burnet, in partnership with SurveyMETER, WaterAid Australia and Aliansi Remaja Independen (ARI), to assess MHM knowledge and practices in adolescent girls in Indonesia. Among a range of findings, the study found inadequate washing facilities to support MHM and a strong desire to keep menstruation secret. It also found that menstrual symptoms contribute to anxiety and reluctance among girls to participate in education and social activities with peers. The study has identified key MHM interventions to improve social and educational participation among girls in Indonesia.

PRINCIPALS:
Associate Professor Gilda Tachedjian
Associate Professor Mark Stoové
Associate Professor Stanley Luchters

YOUNG PEOPLE'S HEALTH

Many health problems and risk behaviours peak or emerge in young adulthood, including use of alcohol, tobacco and other drugs, mental health problems, and sexual risk behaviours and related health problems.

Burnet undertakes research using innovative methods to understand the key issues affecting young people and implements programs to reduce risk events.

A tailored mobile phone alcohol intervention

Burnet is currently working with young people to develop and trial an alcohol intervention delivered via mobile phones. In this innovative project, young people will receive SMS alerts while on a night out drinking. In response to real-time drinking data collection, they will receive tailored messages encouraging them to monitor or reduce their alcohol intake and ensure they get home safely.

A decade-long commitment to Big Day Out health surveys

Burnet completed a 10th year of 'Sex, Drugs, and Rock'n'Roll' surveys at Melbourne's Big Day Out music festival. More than 15,000 young people have participated in Burnet's Big Day Out survey and received showbags containing safer sex and other health information. The 2014 survey included new questions on synthetic drugs, online pornography, bullying and mental health, as well as questions about sexual behaviour and alcohol consumption. The survey will be conducted online in 2015 as The Big Day Out festival will not be held.

Improving adolescent-friendly health services in Nepal

Adolescents aged 10-19 years make up a quarter of the population in Nepal. Despite significant health needs, including high rates of adolescent pregnancy, adolescents have among the poorest access to quality, non-discriminatory health services. Burnet worked with local organisations, the Center for Research on Environment Health and Population Activities and SISo Nepal in 2014, to identify key challenges facing adolescents and health facilities. These included lack of knowledge about adolescent-friendly health services (AFHS), inadequate skills and supervision of health workers, and low levels of privacy in facilities. This led to the development and piloting of national AFHS certification criteria, and monitoring tools to help health facilities achieve and maintain minimum standards of quality care for adolescents.

Chlamydia infection in adolescents

Burnet research has shown that age of first sexual experience is declining in Australia; the average age is now 16 years. Using data from the Australian Collaboration for Coordinated Enhanced Sentinel Surveillance (ACCESS), research indicated that the highest chlamydia rates are among young women aged 14 and 15 years. This is possibly due to less routine chlamydia testing in adolescents and complications caused by legal policies, consent, and privacy.

PRINCIPAL: Professor Margaret Hellard

CENTRE FOR BIOMEDICAL RESEARCH

Through integrating discovery-based research, translational research, and clinical and population research, we aim to achieve new advances in treatments, vaccines, diagnostic tests and prevention strategies to address diseases of major global importance.

The Centre has a broad research program in infectious diseases, autoimmune and inflammatory diseases, and cancer. This includes the infectious diseases HIV, malaria, hepatitis B and C, tuberculosis and influenza, as well as the autoimmune diseases arthritis and lupus, and breast, ovarian, cervical and prostate cancer.

There were major achievements in 2014 across the key themes of our research reflected in publications, successes in national and international funding, and advances in the development of vaccines, therapeutics and diagnostics.

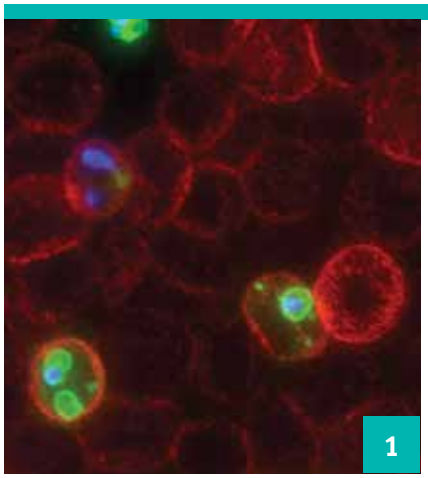


Image 1: *Malaria parasite (green) invading red blood cells and replicating.*

Image 2: *Dr Paul Gilson is focusing on discovering new drug targets against malaria.*

Opposite: *Malaria researcher Dr Freya Fowkes was awarded the prestigious Gust-McKenzie Medal.*

Associate Professor Heidi Drummer was appointed as Deputy Head of the Centre. Heidi's extensive experience and passion for medical research and virology will help ensure a strong future for the Centre. Former Co-Head of the Centre, Professor Sharon Lewin was appointed Director of the Peter Doherty Institute for Infection and Immunity, but she will continue to collaborate closely with colleagues at Burnet. Former Deputy Head of the Centre, Professor Paul Gorry, was appointed Director of Research Higher Degrees at RMIT University. Paul's laboratory research remains based at Burnet and he continues to work closely with Burnet researchers.

Collaborative Research Programs

The innovative collaborative research programs (CRPs) feature across four major themes of the Centre's work:

- HIV and Hepatitis
- Malaria and Tropical Diseases
- Vaccines, Diagnostics and Therapeutics
- Immune function in Health, Ageing and Disease.

The CRPs aim to maximise research achievements and their translation into health improvements. They also promote collaborations and partnerships, strengthening the academic environment and research support for staff and students.

Publications

Our researchers were highly productive with more than 100 publications in international journals, including some of the world's leading journals, with several publications receiving considerable media coverage. This is a strong indicator of innovative and high quality research.

Grants and Funding

In the last round of the NHMRC funding, 14 laboratory heads featured in successful grants. We also received six grants from the Australian Centre for HIV and Hepatitis, two from the CASS Foundation, and two new NHMRC Senior Research Fellowships. Significant international grants were obtained from the National Institutes of Health (USA), two grants from PATH Malaria Vaccine Initiative, and Saving Lives at Birth (Bill & Melinda Gates Foundation, Grand Challenges Canada, Government of Norway, USAID and DFID).

Awards:

- **Dr Freya Fowkes** – Burnet's prestigious Gust-McKenzie Medal.
- **Dr Michael Roche** – Frank Fenner NHMRC Early Career Fellowship.
- **Dr Faith Osier** – Royal Society Pfizer Prize.
- **Associate Professor Heidi Drummer** – Robert Dixon Award for hepatitis research.
- **Dr Anna Hearps** – CASS Foundation Travel Award and CROI Young Investigator Award.
- **Dr Jacqueline Flynn** – CASS Foundation Travel Award.
- **Ms Katharina Borm** – EMBL Australia PhD Travel Grant.
- **Dr Lachlan Gray** – selected to attend 6th HOPE Meeting with Nobel Laureates in Japan.
- **Ms Elisha de Valle** – KeyStone Symposia Travel Award.
- **Dr Gaoqian Feng** – Travel awards from The Ian Potter Foundation and Australia-Europe Malaria Research Cooperation.
- **Dr Clovis Palmer** – Young Investigator Scholarship.

Research Highlights:
New strategy for developing vaccines

Dendritic cells (DC) are the both the 'sentinels' and the 'generals' of the immune system. Using approaches to delivering vaccines directly to DC is exquisitely efficient at generating immune responses that might protect against infections or fight cancer cells. We have identified attributes essential for vaccine efficacy and shown that our delivery system works in primates to induce potent immunity.

> **Antibodies targeting Clec9A promote strong humoral immunity without adjuvant in mice and non-human primates.**
> Li J, Ahmet F, Sullivan LC, Brooks A, Kent S, De Rose R, et. al.
> *Eur J Immunol*. 2014 Dec; Epub ahead of print

Understanding HIV infection of immune cells – implications for HIV cure strategies

CD4+ T cells, a specific type of immune cell, are an important target for HIV infection and are long-term reservoirs of HIV. This study investigated which CD4+ T cells were infected by HIV in a unique cohort, and whether this changed during progression of HIV disease, or through changes in the expression of co-receptors used for HIV entry into cells. The study highlighted the potential for the newly described TSCM CD4+ T cells as a long-lived viral reservoir, impacting on the development of strategies for HIV cures.

Differences in co-receptor specificity contribute to alternative tropism of HIV-1 subtype C for CD4 + T-cell subsets, including stem cell memory T-cells.
Cashin K, Paukovics G, Jakobsen MR, Ostergaard L, Churchill MJ, et. al.
Retrovirology. 2014 Nov; 11(1):97

HIV infection impacts on energy levels in immune cells

Immune cells take up low levels of glucose through a protein, known as Glucose transporter 1 (Glut1). In these two related papers Palmer et al. showed for the first time that HIV affects the way immune cells use energy and this causes deterioration of the immune system in persons with HIV infection, even if they are on antiretroviral treatment and have undetectable viral loads. This discovery also has general implications for finding new ways to fight other diseases such as diabetes, cardiovascular diseases and arthritis.

Glucose transporter 1-expressing proinflammatory monocytes are elevated in combination antiretroviral therapy-treated and untreated HIV+ subjects.
Palmer CS, Anzinger JJ, Zhou J, Gouillou M, Landay A, et. al.
J Immunol. 2014 Nov; 193(11):5595-5603

Increased glucose metabolic activity is associated with CD4+ T-cell activation and depletion during chronic HIV infection.
Palmer CS, Ostrowski M, Gouillou M, Tsai L, Yu D, Zhou J, et. al.
AIDS. 2014 Jan; 28(3):297-309

Blocking malaria's protein machinery a strategy for developing new drugs

Malaria is caused by parasites that infect and destroy our red blood cells. To replicate rapidly and avoid the immune system, the parasites extensively renovate, or modify, red blood cells. The renovations are performed by parasite proteins exported into the blood cell, but how the proteins get there has been a mystery. To solve this, we turned off parasite genes that make a protein complex called PTEX and this stopped proteins from entering, which proves PTEX is a protein exporter. The parasites lacking PTEX died, suggesting that PTEX might be a new drug target for treating malaria. This work received significant media coverage in Australia and internationally.

PTEX is an essential nexus for protein export in malaria parasites.
Elsworth B, Matthews K, Nie CQ, Kalanon M, Charnaud SC, et. al.
Nature. 2014 Jul; 511(7511):587-591

Insights into malaria immunity to advance malaria vaccine development

These two related studies led to significant new insights into immunity to malaria to advance the development of effective vaccines. Studies by Osier et al. showed that antibodies produced by the immune system can coat malaria parasites in the blood, effectively tagging them for destruction by white blood cells (monocytes and macrophages). This type of immune response was strongly linked to protection from malaria in Kenyan children. Studies by Cutts et al. identified potential antigens that could be valuable in the development of vaccines or diagnostic test for malaria caused by *Plasmodium vivax*, an important but neglected disease that is prevalent through much of Asia and the Pacific.

Opsonic phagocytosis of Plasmodium falciparum merozoites: mechanism in human immunity and a correlate of protection against malaria.
Osier FH, Feng G, Boyle MJ, Langer C, Zhou J, Richards JS, et. al.
BMC Medicine. 2014 Jul 1;12:108

Immunological markers of Plasmodium vivax exposure and immunity: a systematic review and meta-analysis.
Cutts JC, Powell R, Agius PA, Beeson JG, Simpson JA, Fowkes FJ.
BMC Medicine. 2014 Sep 9;12:150.

OUR RESEARCH WORKING GROUPS

Anderson Laboratory: Diagnostics Development

Beeson Laboratory: Malaria Immunity and Vaccines

Caminschi Laboratory:
Dendritic Cell Biology and Immunotherapy

Churchill Laboratory: HIV Neuropathogenesis

Crosby Laboratory: Hepatitis B Antivirals

Crowe Laboratory: International Clinical Research

Drummer/Poumbourios Laboratory:
Virus Entry and Vaccines

Ffrench Laboratory: Viral Immunology

Fowkes Laboratory:
Malaria and Infectious Diseases Epidemiology

Gilson/Crabb Laboratory: Malaria Research

Gorry Laboratory: HIV Molecular Pathogenesis

Gowans/Loveland Laboratory: Hepatitis C

Gugasyan Laboratory: Lymphocyte Biology

Hogarth Laboratory: Inflammation, Cancer and Infection

International Clinical Research Laboratory (iCRL)

Jaworowski Laboratory:
Infection, Inflammation and Innate Immunity

Lahoud Laboratory: Dendritic Cell Receptors

Lewin Laboratory: HIV and Hepatitis B

O'Keeffe Laboratory: Dendritic Cells Research

Pietersz Laboratory:
Bio-Organic and Medicinal Chemistry

Ramsland Laboratory: Structural Immunology

Tachedjian Laboratory: Retroviral Biology and Antivirals

Tannock Laboratory: Influenza

Wright Group: Strategies for HIV prevention & management of acute and chronic HIV infection

CENTRE HEAD:
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CENTRE FOR POPULATION HEALTH

We aim to improve the health of the community by conducting high-quality innovative research that addresses the major public health problems associated with infectious diseases, drugs and related behaviours.

HIV, hepatitis C, sexually transmitted infections, malaria, tuberculosis, and drug and alcohol use are serious health concerns in Australia, in Asia and the Pacific. Reducing the impact of these behaviours and infectious diseases, particularly in highly vulnerable populations and disease endemic areas, is an enormous challenge.

The Centre addresses these major health problems by implementing novel, multidisciplinary scientific programs that use cutting-edge epidemiology, high-quality laboratory science, excellent clinical and social research and strong public health principles.

Left: *The COUNT study measured undiagnosed HIV infection among gay men.*

Tracking resistance to artemisinin collaboration

TRAC (Tracking Resistance to Artemisinin Collaboration) is an NHMRC-funded multinational study investigating the interaction between immunity to malaria and the assessment of emerging antimalarial (artemisinin) resistance. The study is a partnership with the Mahidol-Oxford Research Unit (Thailand), World-Wide Antimalarial Resistance Network (WWARN) and the University of Melbourne. The Centre for Population Health's role consists of immunological laboratory and statistical analyses, led by Dr Freya Fowkes. TRAC seeks to test the hypothesis that early signs of low-grade resistance can go unnoticed in populations with high levels of antibodies, or conversely, an incorrect impression of reduced drug efficacy (effectiveness) could occur in populations with declining malaria transmission and immunity. The study has recruited approximately 2,000 patients from 16 study sites across South-East Asia and Africa with varying degrees of artemisinin resistance. Preliminary analysis shows that there is variation in the immune response to malaria, both within and across populations, and that these variations have the potential to mask the emergence of artemisinin resistance.

Understanding trends in methamphetamine markets

Dr Nick Scott analysed forensic data on Victoria Police drug seizures and data on drug purchasing from a cohort of people who inject drugs to produce new insights into methamphetamine use in Victoria. Results highlighted that, while the mean price paid by consumers of methamphetamine increased slightly over 2009-2013, the purity of the drug increased dramatically (more than threefold), meaning that the purity-adjusted price decreased substantially. This means that it is likely that purchasers use much bigger doses of methamphetamine than they would have previously, and this change could underpin the increases in methamphetamine-related problems seen in Victoria recently. Importantly, these changes were noted for both of the main forms of methamphetamine, 'speed' (powder) and 'ice' (crystalline), highlighting the importance of focusing on all forms of methamphetamine rather than the crystalline form alone.

Improving the emergency response to GHB overdoses

A landmark study published in *Academic Emergency Medicine* showed how endo-tracheal intubation (a time-consuming and invasive medical procedure) was associated with longer stays in hospital emergency departments (EDs) and a greater likelihood of hospital admission (with no improvement in outcome) for people who have experienced Gamma-hydroxy-Butyrate (GHB) overdose. This unique study compared outcomes for patients at an ED where intubation was conducted routinely for managing GHB overdoses with another ED where patients had their overdose symptoms managed conservatively (largely through observation and supportive care). The findings suggest that conservative management decreases the chances of admission to hospital, reducing costs and allowing patients to resume normal functioning more quickly.

The COUNT Study

The Centre for Population Health began recruitment into COUNT, the NHMRC-funded national community-based undiagnosed infection and HIV testing study. COUNT builds on the success of Suck It & See, the Centre's 2008 HIV seroprevalence study. The study is a partnership with the University of New South Wales' Centre for Social Research in Health (CSRH), the Kirby Institute, and the National Serology Reference Laboratory. The Centre's role in the study is to lead recruitment into the project, using the expertise obtained through Suck it & See, and is led by Burnet's Associate Professor Mark Stoové and coordinated by Mr Jason Asselin (Research Officer). COUNT seeks to measure the prevalence of HIV and undiagnosed HIV infection, and examine the correlates and context of undiagnosed HIV infection among gay men in Australia. The study recruits at GLBT (gay, lesbian, bisexual and transsexual) community events, as well as at bars, clubs and sex-on-premises venues. Participants provide an oral fluid specimen which is tested for HIV antibodies and complete the CSRH's Gay Community Periodic Survey behavioural survey, which are then linked. Participants can also opt to receive the result of the screening test performed on their sample. The study has completed recruitment in Canberra, Melbourne and Sydney, enrolling more than 2,000 participants. Recruitment will continue in Perth, Brisbane and Adelaide.

Left: *People who inject drugs have a higher risk of contracting hepatitis C.*

SEXTING

Sexting is the sharing of sexual images via mobile phones or social media. The Centre's innovative work in this area has shown that sexting is common among young Australians (40 percent reported sexting) and that it is considered a normal part of a modern relationship. Young people did not think that sexting itself was problematic, but that problems arise when trust is violated and images are shared without consent. Worryingly, about one in three young people surveyed said they might share a sext they had received.

The Social Connectivity, Online Perceptions & Experiences (SCOPE) project has just begun, which will attempt to educate young people using memes in an interactive campaign about sexting and other misuses of new technologies. Memes are an idea, behaviour or style that spreads from person to person within a culture. Specifically, the project will educate young people about the permanence of images and posts online, legal and social consequences of sexting, pornography setting unrealistic expectations for relationships, and dealing with cyber bullying.

The role of the injecting network in hepatitis C transmission

In developed countries people who inject drugs (PWID) are at highest risk of hepatitis C infection. The development of new highly efficacious treatments for hepatitis C has given rise to the concept of treatment as prevention, meaning hepatitis C can be eliminated through a combination of treatment, opioid substitution therapy, and needle and syringe programs. The Centre has undertaken innovative research to understand the role of PWIDs' injecting networks in hepatitis C transmission and whether using the injecting network to allocate treatment can facilitate hepatitis C elimination. The Centre's modelling showed that using a 'bring your friends' strategy, in which PWIDs and their injecting partners were treated at the same time, led to a greater reduction in hepatitis C prevalence than treating PWIDs randomly. The likely reason for this was the reduction in hepatitis C reinfection. In 2015, the Centre will undertake a clinical trial – The Hepatitis C Treatment and Prevention (TAP) Study – to ascertain if the modelling results can be replicated in the community.

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OUR WORKING GROUPS

ALCOHOL AND OTHER DRUGS
Co-Heads: Professor Paul Dietze and Dr Peter Higgs
This group studies the nature and extent of alcohol and drug use in Australia with a view to developing effective policy responses.

HIV
Head: Associate Professor Mark Stoové
Conducts innovative research aimed at understanding the transmission and prevention of HIV.

INFECTIOUS DISEASES SURVEILLANCE
Manager: Ms Carol El-Hayek
This group manages HIV, viral hepatitis and STI surveillance systems, and conducts evaluations of projects and programs.

JUSTICE HEALTH
Head: Associate Professor Mark Stoové
Undertakes research to build the evidence base for policy and practice to improve outcomes for prisoners and ex-prisoners.

MALARIA AND INFECTIOUS DISEASES EPIDEMIOLOGY
Head: Dr Freya Fowkes
Undertakes research into malaria dynamics in populations and the implementation of effective public health control measures.

MODELLING & BIOSTATISTICS
Head: Associate Professor Emma McBryde
Applies statistical and modelling techniques to a wide range of topics, including public health research.

SEXUAL HEALTH & YOUNG PEOPLE'S HEALTH
Co-Heads: Professor Margaret Hellard and Dr Megan Lim
Many health problems and risk behaviours peak or emerge in young adulthood. Our research involves using innovative methods to study the key issues affecting young people and implementing programs to reduce risk events.

VIRAL HEPATITIS
Head: Professor Margaret Hellard
Our work focuses on increasing our understanding of hepatitis viruses and their transmission, and improving the management and care of people who are already infected.

CENTRE FOR INTERNATIONAL HEALTH

We respond to health problems in developing countries through the provision of technical advice and support, organisational capacity building, applied research, policy analysis and development, and training and education programs.

The Centre focuses on the most marginalised populations in the Asia-Pacific region, combining sound evidence-informed research with innovative interventions in policy and practice, seated in a framework of participation, collaboration and responsiveness.

Image 1: *Men's involvement in maternal and child health is a key initiative in PNG.*

Image 2: *PNG's maternal mortality rate is 80 times Australia's.*

Opposite: *Burnet has been working in Myanmar for more than 10 years.*

Overview

Our expertise spans the prevention and care of infectious diseases, women's and children's health, sexual and reproductive health, drug use, primary health care and strengthening national health systems. Innovation, inquiry and influence underpin our public health approach, integrating research and education at every juncture. Working closely with communities, civil society organisations, governments, international non-government organisations and UN agencies, we can respond effectively to local health issues.

We work in several focal countries and also support ongoing activities in healthy ageing in Sri Lanka and HIV prevention in Indonesia. During 2014, we also worked in Afghanistan, Vanuatu, Nepal and Iran.

Key thematic areas:

Women's and Children's Health (WCH)

The WCH team implemented projects focusing on sexual and reproductive health with an emphasis on preventing unintended pregnancy, reducing the burden of sexually transmitted infections (particularly HIV and syphilis), and care around the time of childbirth. One thematic priority in 2014 included promoting male involvement in improving maternal and neonatal health outcomes. A World Health Organization (WHO)-commissioned global systematic review assessed the effect of male involvement interventions on maternal and child health care-seeking outcomes, and directly contributed to the development of new WHO health promotion guidelines. Also, in collaboration with research partners in Zimbabwe, Tanzania and Bangladesh, we evaluated activities designed to increase male engagement in maternal and child health, to advance an understanding of factors leading to strategies to improve the impact of male engagement.

Infectious Disease and Harm Reduction

Our programs focus on HIV and other blood-borne viruses, malaria and multidrug-resistant tuberculosis. In rural communities in East New Britain, Papua New Guinea (PNG), more than 300 community volunteers were supported to test febrile (feverish) cases for malaria, and tested up to 1,000 people a month. In Western Province we worked with stakeholders to establish a robust and comprehensive response to the TB epidemic, in a challenging context where many cases are resistant to the standard range of treatment options.

For the first time in Myanmar, Burnet started direct service delivery of harm reduction interventions for people who use drugs across five locations. More than 2,500 people who inject drugs received services focusing on HIV and other blood-borne virus prevention, through the provision of clean injecting equipment and safer sex commodities, testing and support, and referral for opioid substitution therapy (methadone).

Education and Capacity Development

Complementing our regular teaching and training activities, Burnet hosted 14 senior health professionals, government officials and researchers from Kenya, Zimbabwe and South Africa in Melbourne as part of the Australian Awards Fellowship Program. The Fellows represented some of our major partners in Africa: WITS Health Consortium, OPHID Trust, International Rescue Committee, International Centre for Reproductive Health, and the Ministries of Health from Zimbabwe and Kenya. The three-week program, featuring workshops aimed at sharing and building expertise in operational research, integrating maternal and child health and HIV, and leadership skills, also included attendance at the 20th International AIDS Conference (AIDS 2014). In 2014, our staff supervised nine PhD candidates from a range of countries in our region.

Australian National Co-operation Program (ANCP)

Burnet's ANCP projects in Myanmar, Papua New Guinea, Lao PDR and Zimbabwe resulted in improved capacity of health providers to deliver quality Maternal Newborn and Child Health (MNCH) services to clients. Community outreach activities and intervention tools focused on identifying barriers to service uptake, and problem solving using existing community resources to increase demand and uptake for health services. Health workers were trained in basic maternal and newborn emergency obstetric care, resulting in women from more remote areas delivering in a health facility with qualified health staff. In Zimbabwe, the project refurbished maternity waiting homes, supported by community involvement. In PNG, the health promotion/education sessions with expectant mothers at health clinic antenatal checks resulted in more women opting for facility-based births. Encouragingly, the Burnet MNCH projects also resulted in more male partners attending antenatal clinics with their partners and attending the birth of their child.

Focal programs:

Myanmar

In a further year of expansion, Burnet extended its thematic and research activities, including two projects in the new thematic areas of malaria and TB. In partnership with local NGO, Karuna Myanmar Social Services we are delivering a three year, 3MDG-funded, community-based malaria prevention, early diagnosis and quality treatment project for the most hard-to-reach populations across the states of Kayah, Kayin and in Bago Division. In the peri-urban areas of Yangon, DFAT is funding the provision of a holistic model of community-based multidrug-resistant TB treatment adherence and care to support township level health systems. With support from the Global Fund and 3MDG, delivering harm reduction services for people who inject and use drugs started across five Drop-in Centre sites in Yangon, Mandalay and Sagaing Divisions. A major activity of our research focus was the UNDP-commissioned National HIV Socio-Economic Household Survey.

Papua New Guinea

A long-term focus country for Burnet, our programs and presence continue to expand. Among the successful research initiatives implemented this year were the first surveillance studies into direct transmission of drug-resistant HIV in PNG; the scale-up of the Healthy Mothers, Healthy Babies program examining key variables influencing the unacceptably high levels of maternal morbidity and mortality in PNG; and approval for studies trialling point-of-care tests for sexually transmitted infections, early infant diagnosis of HIV, and CD4 T cell counts to inform ongoing HIV treatment.

Burnet research highlighting the need to address multidrug-resistant TB in Western Province helped influence national PNG policy, leading to the expansion of the response. We are currently involved as a major partner in implementing this response. A program for community-based management of malaria in East New Britain Province which Burnet is overseeing is targeting more than 123,000 people across three districts. More than 21,500 people have been tested and 10,254 treated since July 2013. We continue to work with national institutions such as the Institute for Medical Research, the School of Medicine and Health Sciences, and the National Department of Health to promote long-term improvements in national systems for public health education, service delivery, and health research.

Below: *Burnet conducts VISITECT® training in Kenya through a Saving Lives At Birth grant.*

China (Tibet Autonomous Region)

The Tibet Health Capacity Building Program provides support to improve management and clinical capacity within the Tibet Autonomous Region's health system. In May 2014, an external technical review of the program commissioned by the program's funder, DFAT, concluded that the program is "the right program, at the right time, in the right place, with the right people". The review commended the program's stakeholder engagement and alignment with national and regional policies, noting that whilst the program was only in its second year of implementation, already some evidence of sustainable impact was apparent. Key areas of work included support to county hospitals working to achieve official service classification, strengthening skills of trainers working in the health sector, and commencing clinical skills training for township clinic workers.

Lao PDR

Maternal and child health and young people were the key focus of our work in Lao PDR this year, culminating in the completion of the Youth Situation Analysis with the Lao Youth Union and UNFPA. Our maternal and child health program in Vilabouli continues with support from MMG Ltd and DFAT. Also working with UNFPA, the Jean Hailes Centre and the National Centre for Advancement of Women in Laos, a qualitative survey on Lao women's experience of domestic violence was completed. As part of a team led by RMIT University, we investigated the employment and social impacts on women in Vilabouli of mining operations in the local area and, at a national level, participated in a review and evaluation of the national HIV strategy.

Africa

Our engagement in Kenya, South Africa and Zimbabwe (supported by the Drakensburg Trust, the Peter Falvey Foundation, and SBA Foundation) was expanded, resulting in more women from remote areas being able to give birth in a health facility with more qualified staff. Burnet continues to work in partnership with local agencies to provide infrastructure support to rural health clinics and maternity waiting homes, and competency-based basic emergency obstetric and newborn care training for health staff. One project has developed an Action Birth Card (ABC), an innovative goal-setting tool for use by pregnant women to identify barriers to service uptake, to problem solve using existing community resources, and to record and reflect on their performance. Evaluation showed that women demonstrated significantly higher service uptake during their recent pregnancy using the ABC planning card compared to a previous pregnancy without the card.

OUR MANAGEMENT TEAM

Professor Robert Power
Mr Mark Tennent
Ms Lia Burns
Dr Elissa Kennedy
Ms Mary-Ann Nicholas
Associate Professor Stanley Luchters
Mr Chad Hughes

CENTRE HEAD:
Professor Robert Power
Tel: +61 3 9282 2169
robert@burnet.edu.au

BUSINESS DEVELOPMENT, INNOVATION AND RESEARCH

‘Medical Research, Practical Action’ drives our commitment to translational research that delivers tangible improvements to health outcomes, especially in areas that address our mission to improve the health of poor and vulnerable communities worldwide.

The Office for Business Development, Innovation and Research (OBDIR) coordinates a range of translational research activities from Burnet’s biomedical programs including research and development (R&D), technology licensing and start-up ventures. OBDIR also facilitates collaborations with public health programs in key areas of biomedical innovation; provides research administration for Burnet with our funding partners including NHMRC, NIH, and trusts and foundations; and legal support in all areas.

In 2014, Burnet attracted new NHMRC funding of more than AUD$7.8 million, one of the highest success rates nationally among applicant institutions. Seventy-one per cent was allocated to Project Grants and the remaining 29 per cent of funding featured across Research Fellowships, Early Career Fellowships and PhD scholarships. Additional translational research grants included the US-based National Institutes of Health, UNITAID/World Health Organization, and ‘Saving Lives at Birth’ (a collaboration between the Bill & Melinda Gates Foundation, USAID, UKAID, Grand Challenges Canada and the Government of Norway). Burnet also continued to be strongly competitive in translational research funding from the Australian Centre for HIV and Hepatitis Virology (ACH2), including further support for preclinical development of the Delta3 candidate vaccine against hepatitis C virus.

Among Burnet’s proprietary technologies, patents covering intellectual property in diagnostics (the CD4 test), and the suite of patents covering the Delta3 HCV vaccine candidate, have been granted in many key territories and are approaching grant in further jurisdictions through 2015.

ACCESS Point-of-Care

Burnet established a new, cross-Institute initiative that builds on our growing expertise in the development, field-testing and implementation of point-of-care tests. The ACCESS Point-of-Care initiative, managed by Ms Serina Cucuzza, brings together our experts in biotechnology, public health and international health to accelerate the validation and global uptake of potentially life-saving innovations. The lead projects are multiple Burnet grants in CD4 testing (UNITAID, NHMRC, Saving Lives at Birth); syphilis (Saving Lives at Birth); and liver disease (Nanjing BioPoint), and we are already seeing great advantages by having this coordination across multiple grants and partners.

Nanjing BioPoint

Following the establishment of Nanjing BioPoint with Chinese Government funding support in 2013, we were successful in completing an investment agreement for approximately AUD$6 million with GuoMinXinHe Investment Fund, Beijing. This will enable the accelerated development and manufacturing of new point-of-care tests, with the initial product aimed at screening for liver disease. The Nanjing R&D facility has been completed and our first local Chinese staff have commenced training at Burnet’s laboratories in Melbourne.

Left: *Nanjing BioPoint is based at the Jiangsu Life Sciences and Technology Innovation Park.*

EDUCATION AND TRAINING

Education is a priority at Burnet with students undertaking the research components of their university degrees at the Honours and Postgraduate (Masters and PhD) levels in a range of projects. Students are based in one of Burnet's three Centres, but contribute broadly to the research productivity and health goals of the Institute. Our supervisors provide high-level research and career training in a collaborative team environment. We also actively engage in education and training programs, delivering public and international short courses and university-accredited postgraduate units.

Research student projects

In 2014, 71 students were engaged in biomedical laboratory-based projects, epidemiology and field-based projects. Our supervisors worked in teams to successfully train and mentor 17 Honours students enrolled in four universities:

- Monash University, 10
- University of Melbourne, 5
- Deakin University, 1
- University of Notre Dame Australia, 1.

Burnet's PhD student body continues to grow in size and productivity with 54 students enrolled in six universities:

- Monash University, 32
- University of Melbourne, 18
- RMIT University, 1
- University of New South Wales, 1
- Queensland University of Technology, 1
- LaTrobe University, 1

Research students and supervisors are supported by Burnet's Research Students Committee (RSC) which has representation from the Postgraduate student body, each Burnet Centre, and Honours and Postgraduate Coordinators.

Burnet students continue to have a positive impact on our research output. In 2014, more than a quarter of the peer-reviewed scientific publications produced by Burnet (55 of 216) involved at least one and often multiple students as authors. Many students received national and international awards based on their poster and oral presentations at important conferences and congresses in their disciplines. Several students who completed or submitted their PhDs this year are pursuing careers in research through postdoctoral positions at leading research institutes and universities internationally.

Postgraduate international public health studies

Burnet continues to coordinate and deliver 10 accredited postgraduate international public health units for Monash University's Master of Public Health and Master of International Health. These courses encompass the breadth of Burnet's global health expertise, including women's and children's health, infectious diseases, HIV, nutrition, alcohol and other drugs, refugee health, health economics, and primary health care. They focus on key communication, training and field methods skills for global health practitioners and researchers. The courses attracted 229 enrolments, which

included domestic and international postgraduate students, and short course participants from government and non-government organisations in Asia, Africa and the Pacific region.

The Health of Women and Children in Developing Countries unit was recognised by Monash University's Office of the Vice-Provost (Learning and Teaching), receiving an outstanding performance rating, one of the highest of the 1,630 unit offerings this year. Burnet also provided ongoing support to the new Postgraduate Diploma in Tropical Medicine and Hygiene unit, which will equip health professionals with the skills they need to address priority infectious diseases such as HIV, malaria and tuberculosis. The Diploma is led by the Nossal Institute for Global Health in partnership with Burnet and the Faculty of Tropical Medicine at Mahidol University in Thailand.

Burnet, through the Centre for International Health, provided technical input into the new national Global Health Practice curriculum, recently endorsed by the National Council of the Australasian Faculty of Public Health Medicine of the Royal Australasian College of Physicians. The curriculum addresses a critical gap in current professional development of Australian medical practitioners, providing a set of core competencies to prepare practitioners for global health practice.

Image 1: *Professor Paul Dietze training several of our young public health researchers.*

EDUCATION OFFICER:
Dr Paul Ramsland

EDUCATION IN NUMBERS

71 students

54 PhD students

17 Honours students

10 accredited postgraduate international public health units

3 centres

229 enrolments in public health courses

216 peer-reviewed publications in 2014 – record for Burnet!

55 peer-reviewed publications featured a **student** as an **author**

PHILANTHROPY

Philanthropic support of our research and public health programs enables us to develop innovative solutions to some of the world's greatest health problems. We simply cannot do this without the generous support of our donors. Thank you for your contributions and sharing our passion for creating a healthier world.

Healthy Mothers, Healthy Babies

The first phase of our innovative Healthy Mothers, Healthy Babies program has commenced after a period of planning, community and partner engagement, and the raising of almost AUD$2 million in funds from donors.

Healthy Mothers, Healthy Babies is a five-year, AUD$10 million initiative that seeks to address the very high level of death and disease among mothers and children in Papua New Guinea (PNG). It is a philanthropically funded, collaborative research program, investigating and identifying problems and potential solutions for improved care of mothers and babies during pregnancy, childbirth, and shortly after birth.

Thanks to the generous support of private, corporate and charitable trust donors, we were able to fit out a new laboratory at St Mary's Hospital in Kokopo, Rabaul; employ key laboratory and research staff; and begin recruiting a cohort of 700 mothers attending their first antenatal clinic across five health facilities in East New Britain province.

This is a truly transformational initiative that will create a healthier future for mothers and babies in PNG. Thank you!

Right: *Thanks to our donors the Healthy Mothers, Healthy Babies program is underway.*

Left: *Associate Professor Heidi Drummer and her team are leading the search for a new hepatitis C vaccine.*

Improving hepatitis C prevention and treatment

More than 220,000 Australians are infected with the hepatitis C virus and each year around the world an estimated 350,000–500,000 people die. Advances in prevention and treatment are at the heart of Burnet's hepatitis C research.

Thanks to the generous support of many donors, we are moving into the next crucial phase of our preventative vaccine research. This next phase will involve developing a vaccine that is safe and ready to be tested on people who are living with hepatitis C.

Donor support has also enabled us to maintain a cohort of people who are most at risk of contracting hepatitis C – people who inject drugs. Working with this group is critical in evaluating programmatic and policy interventions, and in supporting our scientific research on improving responses to the issues of hepatitis C infection.

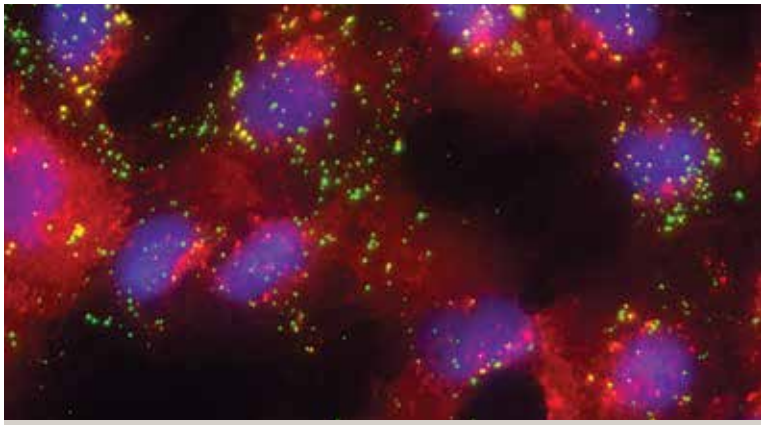
Turning the tide against HIV

More than 35 million people are living with HIV and tragically, it claims the lives of two million people each year.

Burnet's research and public health programs into HIV and AIDS are recognised internationally as some of the most innovative and progressive programs in the world. Our continued success in the field would not be possible without the support of our donors.

Gifts from donors have enabled our scientists to undertake cutting edge research in our laboratories; play a major role in preventing HIV transmission in Victoria; and deliver HIV prevention programs in low-income countries such as Myanmar, Lao PDR and Papua New Guinea. Thank you!

Below: *Our study into the effects of HIV in the brain (pictured) is aimed at preventing severe HIV-associated dementia.*



We have been Burnet Institute supporters for well over a decade and it holds a very special place in our hearts.

We consider the breadth and scope of their work in Australia and abroad to be absolutely unique.

We know our gifts will be used to address the real health needs of real people in some of the most marginalised and disadvantaged parts of the world.

– BILL AND JENNY COOK

ANNUAL FINANCIAL REPORT 2014

FOR THE YEAR ENDED 31 DECEMBER 2014

CONTENTS

MACFARLANE BURNET INSTITUTE
FOR MEDICAL RESEARCH AND
PUBLIC HEALTH LTD
A.B.N. 49 007 349 984

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of the Group comprising the Macfarlane Burnet Institute for Medical Research and Public Health Limited (Burnet Institute) and its subsidiaries (The Group) for the year ended 31 December 2014 and the Audit Report thereon.

Directors

The Directors of the Burnet Institute, all of whom act in an honorary capacity, along with the Executive Directors, who receive remuneration as paid members of staff, held office at any time during or since the end of the financial year are:

Mr Alastair Lucas AM, BCom, FCPA

Chair, Burnet Institute Board of Directors (on extended leave from Sep 2014)

Director since 1998

Chair, Budget & Investment Committee; Member, Audit, Compliance and Risk Committee

Member, Engagement Committee

Chair, Investment Banking, Goldman Sachs Australia

Chair, Cell Care Australia

Member, Advisory Board, Fauna & Flora International Australia

Mr Robert L Milne, BEng(Civ), FIE(Aust), CP Eng

Acting Chair, Burnet Institute Board of Directors (from Sep 2014)

Director since 2000

Chair, IP & Commercialisation Committee

Member, Budget and Investment Committee

Chair, Cockram Corporation and subsidiaries

Professor Brendan Crabb AC, BSc(Hons), PhD, FHMS

Executive Director and CEO since March 2008

Member, Engagement Committee, Budget and Investment Committee

Secretary, Research Advisory Committee

Member, Board of the Association of Australian Medical Research Institutes (AAMRI) Pty Ltd

Chair, Victorian Chapter of the Association of Australian Medical Research Institutes (AAMRI) Pty Ltd

Director, AMREP Animal Services Pty Ltd

Chair, Alfred Medical Research & Education Precinct Council

Chair, PATH/MVI Vaccine Science Portfolio Advisory Council (VSPAC), USA

Chair, Papua New Guinea Institute of Medical Research Buttressing Coalition

Member, Board of Research Australia Ltd

Member, Board of Management, Gene Technology Access Centre (GTAC), Victoria

Member, Scientific Advisory Board, Malaria Program, Wellcome Trust Sanger Institute, UK

Member, Scientific Advisory Board, Monash Institute of Pharmaceutical Sciences (MIPS)

Adjunct Professor, The University of Melbourne

Adjunct Professor, Monash University

Mr Robin Bishop, LLB(Hons), BCom, BA

Director since 2012

Member, Budget and Investment Committee

Head and Executive Director, Macquarie Capital Australia and New Zealand

Chairman, National Gallery of Victoria Business Council

Professor Peter Colman, BSc(Hons), PhD, FAA, FRS, FTSE

Director since 2011

Chair, Research Advisory Committee; Member, IP & Commercialisation Committee

Head, Structural Biology Division, WEHI

Former Chief, Division of Biomolecular Engineering, CSIRO

Mr Ross Cooke, BCom, ACA

Director since 1998

Chair, Audit, Compliance and Risk Committee

General Manager, Operations – Provider Networks & Integrated Care Medibank Private Ltd

Director and President, Wintringham, and Wintringham Housing Ltd

Mr John K Dowling, FREI, FAPI

Director since 2000

Member, Research Advisory Committee

Managing Partner, K L Dowling & Co

Mr Benjamin Foskett, BBus, FAICD, Exec Fellow ANZSoG, Victorian Fellow of IPAA

Director since 2013

Member, Budget & Investment Committee

Chairman, Hong Kong BioPoint & Nanjing BioPoint

Executive Director, Pathway Services Pty Ltd

Vice President, Victorian Chapter of the Australia China Business Council (ACBC)

Former Member of Council, Victoria University and Chair of Council's Strategy Committee

Former Director, National Board of the Australia Latin America Business Council (ALABC) and the Board's Vice Chairman for Victoria

Mr Garry Hounsell, BBus(Acc), FCA, CPA, FAICD

Director since 2013

Chairman, PanAust Limited
Director, Dulux Group Limited
Director, Treasury Wine Estates Limited
Director, Spotless Holdings Limited
Member, Advisory Council, Rothschild Australia Limited
Member, Advisory Council, Charter Keck Cramer

Professor Sharon Lewin, FRACP, PhD

Director since 2014

Director, Doherty Institute for Infection and Immunity, The University of Melbourne
Consultant Physician, Department of Infectious Diseases, The Alfred
Adjunct Professor, Department of Infectious Diseases, Monash University
Former Head, Department of Infectious Diseases, Monash University, Melbourne
Former Co-head, Centre for Biomedical Research, Burnet institute

Professor Christina Mitchell, MBBS, PhD, FRACP

Director since 2011

Academic Vice-President and Dean,
Faculty of Medicine, Nursing and Health Sciences, Monash University

Ms Mary Padbury, BA, LLB

Director since 2011

Member, IP & Commercialisation Committee
Vice Chairman Ashurst
World Intellectual Property Organisation Domain Name Panelist
Director, Australasian Gastrointestinal Trials Group (GI Cancer Institute)
Member, Chief Executive Women
Member, Professional Standards Board for Patent and Trade Mark Attorneys
Member, Melbourne University Law School Foundation
Deputy Member, Board of Examiners for legal profession in Victoria

Professor Philippa Pattison, BSc, PhD

Director since 2011, resigned April 2014

Member, Research Advisory Committee
Deputy Vice Chancellor (Academic), University of Melbourne
Professor, Psychological Sciences, University of Melbourne
Associate Editor, Social Networks
Member, Editorial Board, Journal of Classification
Member, Graduate Careers Australia Survey Reference Group
Member, Queen's College Council
Member, Trinity College Council
Governor, University College
Member of Council, Melbourne Girls Grammar School

Ms Louise Pratt, BA

Director since 2014

Former Senator for Western Australia
Former Member Legislative Council, Western Australia
Political consultant

Dr Jane A Thomason, BSW, MPH, PhD

Director since 2013, resigned February 2015

Chief Executive Officer and Director, Abt JTA
Adjunct Associate Professor, Australian Centre for International and Tropical Health & Nutrition (ACITHN), University of Queensland

Professor Michael Toole AM, MBBS, BMedSci, DTM&H

Executive Director since 2011

Member, Research Advisory Committee
Adjunct Professor, School of Public Health, Monash University
Member, Independent Monitoring Board of the Global Polio Eradication Initiative
Member, Funding Comm. Research for Health in Humanitarian Crises (DfID and Wellcome Trust)
Member, Public Health Scientific & Technical Expert Group, Secretariat of the Pacific Community
Founding Board Member, Médecins Sans Frontières Australia

Ms Mary Waldron, BEcon &SS, FCPA

Director since 2011

Member, Audit, Compliance and Risk Committee
Managing Partner PwC, Reputation, Regulation and Risk
Member, PwC Australian Firm Executive Board
Chairman, Centre for Ethical Leadership Advisory Board
Board Member, Chartered Accountants Australia & New Zealand
Director, Opera Australia
Advisory Corporate Member, The Global Foundation
Corporate Council Member, European Australian Business Council
Member, Chief Executive Women
Member, Australian Institute of Company Directors

Resigned as Director during 2014 or since year end:

Professor Philippa Pattison, Director since 2011, resigned April 2014

Dr Jane A Thomason, Director since 2013, resigned February 2015

Directors' Meetings

The number of Directors' meetings (including meetings of Committees of Directors) and number of meetings attended by each of the Directors of the Burnet Institute during the financial year are:

Directors	Board of Directors		Audit, Compliance and Risk Committee		Engagement Committee		Budgeting and Investment Committee		IP and Commercialisation Committee		Research Advisory Committee	
	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
Alastair Lucas AM	5	4	3	3	1	1	4	4	–	–	–	–
Brendan Crabb AC	5	5	–	–	1	1	5	4	3	3	1	1
Robin Bishop	5	3	–	–	–	–	5	4	–	–	–	–
Peter Colman	5	4	–	–	–	–	–	–	3	2	1	1
Ross Cooke	5	4	7	7	–	–	–	–	–	–	–	–
John Dowling	5	3	–	–	–	–	–	–	–	–	1	1
Ben Foskett	5	4	–	–	–	–	5	5	3	3	–	–
Garry Hounsell	5	3	–	–	–	–	–	–	–	–	–	–
Sharon Lewin	–	–	–	–	–	–	–	–	–	–	–	–
Robert Milne	5	3	–	–	–	–	5	5	3	3	–	–
Christina Mitchell	5	1	–	–	–	–	–	–	–	–	–	–
Mary Padbury	5	1	–	–	–	–	–	–	3	1	–	–
Phillipa Pattison	1	1	–	–	–	–	–	–	–	–	–	–
Louise Pratt	–	–	–	–	–	–	–	–	–	–	–	–
Jane Thomason	5	3	–	–	–	–	–	–	–	–	–	–
Michael Toole AM	5	3	–	–	–	–	–	–	–	–	1	0
Mary Waldron	5	4	7	6	–	–	–	–	–	–	–	–

(A) Meetings held – reflects the number of meetings held during the time the Director held office during the year.
(B) Meetings attended.

Principal Activities

The principal activities of the Group during the financial year were medical research and associated public health activities directed at the diagnosis, treatment and control of infectious diseases and cancer in humans. The Burnet Institute is a not-for-profit organisation combining programs of clinical and laboratory research in virology and immunology with epidemiology, social research and public health programs. The Burnet Institute has been endorsed as a charitable institution by the Australian Taxation Office. As a charitable not-for-profit organisation, the Burnet Institute does not pay dividends and all non-executive directors serve in an honorary capacity. There was no significant change in the nature of this activity during the year.

Operating Results

The Group recorded a deficit in the current year of $1,343,568 (2013: surplus $2,332,240). Depreciation and amortisation amounted to $2,402,869 (2013: $2,349,026). Income tax is not applicable.

Dividends

The Burnet Institute is limited by guarantee, has no share capital and declares no dividends.

Objectives

The principal objective of the Group remains improving the health of vulnerable communities via research, public health and education. Progress against this objective is reported on at each Board meeting (as well as other reporting mechanisms) using

a variety of key indicators including the number of research grants awarded, research or project contracts won, fellowships awarded, publications, league table for Operational Infrastructure Support (Victorian State Government) and the progress reports and achievements made on ongoing grants and projects.

State of Affairs

The Group had a strong year programmatically and financially with publication numbers and financial performance exceeding targets.

Scientifically, the Group is progressing towards the goals established in the Strategic Plan 2011-16, as measured in the continued growth and improving quality of publications and the number of grants and fellowships awarded. The public health activities continue to produce a growing number of diverse technical reports to governments and other external bodies, which contribute to health policy both in Australia and internationally.

The strong fundraising performance was a key factor in financial performance for the year exceeding targets. The property business continues to operate as a self-sustainable activity. Non-cash items of depreciation, amortisation and the change in the fair value of the derivative instruments held by the Group were the main reason for an overall deficit, a favourable result when compared to budget.

In the opinion of the Directors there were no other significant changes in the state of affairs of the Group that occurred during the financial year.

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Group, the results of those operations, or the state of the Group in future financial years.

Likely Developments

The Group continues to explore strategic and operational opportunities that will address the inherent challenge of generating the appropriate levels of indirect funding to support our core medical research and public health grants.

Directors' Benefits

Since the end of the previous financial year no Director of the Burnet Institute has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable in their capacity as full time employees as shown in the accounts) because of a contract made by the Burnet Institute, its controlled entities or a related body corporate with the Director or with a firm of which the Director is a member, or with an entity in which the Director has a substantial interest.

Indemnification and Insurance of Officers

The Directors have not included details of the nature of the liabilities covered or the amount of the premiums paid in respect of the Directors' and Officers' liability and legal expenses insurance other than to confirm that a policy is in force.

Rounding Off

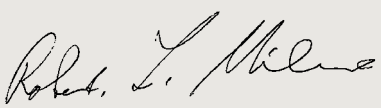
The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

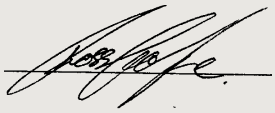
The lead auditor's independence declaration is set out on page 37 and forms part of the Directors' Report for the year ended 31 December 2014.

Dated at Melbourne this 14th day of April 2015.

Signed in accordance with a resolution of the Directors.



Robert Milne
Director



Ross Cooke
Director

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of the Macfarlane Burnet Institute for Medical Research and Public Health Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Alison Kitchen
Partner

Melbourne

14 April 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(FOR THE YEAR ENDED 31 DECEMBER)

	NOTE	2014 $'000	2013 $'000
Operating revenue	3	37,097	33,106
Other income	3	4,486	4,456
Research and development laboratory consumables expenses		(3,182)	(2,689)
Personnel expenses	4	(19,828)	(17,821)
Depreciation and amortisation expenses		(1,118)	(1,064)
Depreciation and amortisation expenses – property management		(1,285)	(1,285)
Property management operating costs		(169)	(170)
Research and development non-laboratory expenses		(9,250)	(7,932)
Other expenses from ordinary activities	5	(5,344)	(3,846)
Results from operating activities		1,407	2,755
Financial income	7	442	478
Financial expenses	7	(3,193)	(901)
Net finance costs		(2,751)	(423)
Surplus/(Deficit) Before Income Tax		(1,344)	2,332
Income tax expense		–	–
Surplus/(Deficit) After Income Tax		(1,344)	2,332
Other comprehensive income			
Foreign currency translation differences – foreign operations		58	17
Total Comprehensive Income/(Loss) for the Period		(1,286)	2,349
Surplus/(Deficit) After Income Tax Attributable to:			
Members of the Company		(1,340)	2,332
Non-controlling interests		(4)	–
Surplus/(Deficit) After Income Tax		(1,344)	2,332
Total Comprehensive Income/(Loss) Attributable to:			
Members of the Company		(1,286)	2,349
Non-controlling interests		–	–
Total Comprehensive Income/(Loss) for the Period		(1,286)	2,349

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 42 to 61.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(AS AT 31 DECEMBER)

	NOTE	2014 $'000	2013 $'000
CURRENT ASSETS			
Cash and cash equivalents	20(i)	19,378	16,748
Trade and other receivables	8	2,370	2,740
Inventories		33	36
Investments	9	265	–
Other Assets	10	456	323
TOTAL CURRENT ASSETS		22,502	19,847
NON-CURRENT ASSETS			
Trade and other receivables	8	1,779	1,777
Investments	9	2,265	2,265
Property, plant and equipment	11	63,991	65,720
TOTAL NON-CURRENT ASSETS		68,035	69,762
TOTAL ASSETS		90,537	89,609
CURRENT LIABILITIES			
Trade and other payables	12	3,252	4,306
Borrowings	13	480	469
Current tax liabilities	14	99	102
Provisions	15	2,753	2,306
Deferred income	16	10,749	10,246
Derivatives	17	112	–
TOTAL CURRENT LIABILITIES		17,445	17,429
NON-CURRENT LIABILITIES			
Borrowings	13	33,946	34,426
Provisions	15	1,376	1,270
Deferred income	16	10,004	10,833
Derivatives	17	3,426	2,375
TOTAL NON-CURRENT LIABILITIES		48,752	48,904
TOTAL LIABILITIES		66,197	66,333
NET ASSETS		24,340	23,276
EQUITY			
Retained earnings		4,318	3,320
Building reserve		19,517	19,939
Foreign Currency Translation Reserve		75	17
Non-controlling interests		430	–
TOTAL EQUITY		24,340	23,276

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 42 to 61.

The Macfarlane Burnet Institute for Medical Research and Public Health Limited is a signatory to the Australian Council for International Development (ACFID) Code of Conduct. The Code requires members to meet high standards of corporate governance, public accountability and financial management. In accordance with the ACFID code of conduct, the Institute had nil balances in the following categories as at the end of the financial year which are required to be disclosed separately:

- Current Assets: assets held for sale, and other financial assets;
- Non-Current Assets: other financial assets, investment property, intangibles, and other non-current assets;
- Current Liabilities: other financial liabilities and other current liabilities;
- Non-Current Liabilities: trade and other payables, other financial liabilities and other non-current liabilities.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(AS AT 31 DECEMBER)

	Attributable to Members				
	Retained Profits $'000	Building Reserve $'000	Foreign Currency Translation $'000	Non-Controlling Interests $'000	Total Equity $'000
Balance at 1 January 2013	**3,119**	**17,808**	**–**	**–**	**20,927**
Total other comprehensive income for the period	–	–	17	–	17
Operating surplus/(deficit)	201	2,131	–	–	2,332
Total comprehensive income for the period	201	2,131	17	–	2,349
Balance at 31 December 2013	**3,320**	**19,939**	**17**	**–**	**23,276**
Total other comprehensive income for the period	–	–	58	–	58
Acquisition of non-controlling interest	1,916	–	–	434	2,350
Operating surplus/(deficit)	(918)	(422)	–	(4)	(1,344)
Total comprehensive income for the period	998	(422)	58	430	1,064
Balance at 31 December 2014	**4,318**	**19,517**	**75**	**430**	**24,340**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 42 to 61.

CONSOLIDATED STATEMENT OF CASH FLOWS
(FOR THE YEAR ENDED 31 DECEMBER)

	NOTE	2014 $'000	2013 $'000
Cash Flows from Operating Activities			
Cash receipts in the course of operations		44,022	41,023
Cash payments in the course of operations		(41,011)	(34,062)
Cash generated from operating activities		3,011	6,961
Interest received		442	478
Interest paid		(2,028)	(2,255)
Net cash provided by /(used in) operating activities	20(ii)	1,425	5,184
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(786)	(668)
Proceeds from disposal of property, plant and equipment		110	40
(Acquisition)/disposal of investment		–	209
Net cash provided by /(used in) investing activities		(676)	(419)
Cash Flows from Financing Activities			
Payment of finance lease liabilities		(169)	(170)
Proceeds from sale of subsidiary shares to non-controlling entity		2,350	–
Proceeds of finance lease		–	565
Repayment of borrowings		(300)	(300)
Net cash provided by /(used in) financing activities		1,881	95
Net increase /(decrease) in cash held		2,630	4,860
Cash at the beginning of the financial year		16,748	11,888
Cash at the End of the Financial Year	20(i)	19,378	16,748

The Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 42 to 61.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
(FOR THE YEAR ENDED 31 DECEMBER)

1. REPORTING ENTITY

The Macfarlane Burnet Institute for Medical Research and Public Health Limited (Burnet Institute) is a company limited by guarantee and is domiciled in Australia. The address of the Burnet Institute's registered office is 85 Commercial Road, Melbourne, Victoria, Australia 3004. The consolidated financial statements of the Burnet Institute as at and for the year ended 31 December 2014 comprise the Burnet Institute and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Group is a not-for-profit entity and is primarily involved in medical research and associated public health activities directed at the diagnosis, treatment and control of infectious diseases and cancer in humans.

1.1 Basis of Preparation

(i) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements were authorised for issue by the Board of Directors on 14 April 2015.

(ii) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the Statement of Financial Position:

- derivative financial instruments are measured at fair value;
- income securities are measured at fair value.

The method used to measure fair values is discussed further in Note 1.2.

During the preparation of the Financial Report the Directors made an assessment of the ability of the Group to continue as a going concern, which included an assessment of the continuity of business operations, realisation of assets and settlement of liabilities in the normal course of business. The Directors also assessed the loan interest and principal repayments, swap and cap arrangements, and rental income over the next five to ten years and the obligations associated with the various loan covenants. The Directors also considered the likelihood of financial support and funding from the State and Federal Governments on which the Group is dependent for its ongoing operations. As a result of their review they are of the opinion that the going concern basis of accounting is appropriate in the preparation of the Financial Report.

(iii) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the functional currency of the Parent Entity. The Burnet Institute is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(iv) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following Notes:

- Note 1.11 – Impairment
- Note 15 – Provisions

(v) Changes in accounting policies

The principal standards that have been adopted for the first time in these financial statements are:

- AASB 13 Fair Value Measurement:
  Replaces fair value measurement guidance in individual AASBs with a single source of fair value measurement guidance and sets out disclosure requirements for fair value measurements. It does not introduce new fair value measurements, nor does it eliminate the practicality exceptions to fair value that currently exist in certain standards.
- AASB 119 Employee Benefits:
  The amendments to AASB 119 revise the accounting for a number of employee benefit transactions:

- Amended definitions for short-term and long-term benefits, with more benefits, such as annual leave now measured as long-term benefits; and
- Earlier recognition of termination benefits in relation to restructuring.

1.2 Financial Instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss and loans and receivables.

Available for Sale Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair values in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and at call deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities

The Group initially recognises financial liabilities on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Financial liabilities comprise loans and borrowings and trade and other payables.

(iii) Derivative financial instruments

The Group has chosen to hedge its interest rate risk exposure on the ACS2 loan facility by cap and swap transactions (refer Note 17). These are the only derivative financial instruments that the Group is involved in and are considered by the Directors to be a prudent means to manage risk associated with fluctuations in interest rates.

The derivative financial instruments do not qualify for hedge accounting. Derivatives are recognised initially at fair value, attributable transaction costs are recognised in the Statement of Comprehensive Income when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes are recognised immediately in the Statement of Comprehensive Income. The fair value of interest rate swaps and caps is based on lender quotes.

1.3 Inventories

Inventories are comprised of laboratory materials and are valued at the lower-of-cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

1.4 Property, Plant and Equipment

(i) Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation (see below) and accumulated impairment losses (see accounting policy Note 1.11). Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy Note 1.11). The cost of self-constructed assets under lease arrangements includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs (see below). Lease payments are accounted for as described in accounting policy Note 1.8(ii).

Other leases are operating leases and are not recognised in the Statement of Financial Position.

(iii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense when incurred.

(iv) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The depreciation rates used for the current and comparative years are as follows:

Buildings	2% to 2.5%
Plant and equipment	10% to 20%
Computer equipment	33.3%
Motor vehicles	20%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

1.5 Employee Benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefits expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

(ii) Long-term service benefits

The Group's net obligation in respect of long-term service benefits, other than defined benefit plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and

is discounted using the rates attached to the Commonwealth Government bonds at the balance date which have maturity dates approximating to the terms of the Group's obligations.

(iii) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate an employee before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

1.6 Revenue Recognition

(i) Contract R&D revenue/consultancies

R&D contract income is recognised in the Statement of Comprehensive Income to the extent that R&D expenditure to which it relates has been incurred. Until this time, funds drawn down in accordance with the relevant R&D funding agreement are recognised in the Statement of Financial Position as deferred income.

(ii) Grant income

Reciprocal grants

Grants received on the condition that specified services be delivered, or conditions fulfilled, are considered reciprocal. Such grants are initially recognised in the Statement of Financial Position as deferred income and revenue is recognised as services are performed or conditions are fulfilled.

Non-reciprocal grants

Where a grant is received where there is no performance obligation or return obligation, revenue is recognised when the grant is received or receivable.

(iii) Government contributions towards capital works (capital grants)

Government contributions to assist in the acquisition or construction of non-current assets are recognised as an asset and revenue when all conditions of the grants have been satisfied.

(iv) Donations

Donations are recognised as income in the Statement of Comprehensive Income, as and when received, unless they are for specific purposes in which case they will be recognised when the conditions are fulfilled.

(v) Interest and other income

Interest and other income is recognised in the Statement of Comprehensive Income as it accrues, taking into account the effective yield on the financial asset.

(vi) Asset sales

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised as other income or other expenses in the Statement of Comprehensive Income.

(vii) Rental income

Rental income is recognised as income in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

1.7 Finance Income and Expenses

Finance income comprises interest income of funds invested and gains on revaluation of investments. Interest income is recognised as it accrues in the Statement of Comprehensive Income, using the effective interest method.

Finance expenses comprise interest expense on borrowings and changes in the fair value of derivative financial instruments. All interest expense on borrowings is recognised in the Statement of Comprehensive Income, using the effective interest method.

1.8 Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Income as an integral part of the total lease expense and spread over the lease term.

(ii) Finance lease payments

Minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Borrowing costs

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised are those incurred in relation to those borrowings, net of any interest earned on those borrowings. Where funds are borrowed for the acquisition of a qualifying asset, borrowing costs are capitalised using a weighted average.

1.9 Income Tax

The Burnet Institute is exempt from paying income tax under Section 50-5 of the Income Tax Assessment Act, 1997.

1.10 Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

1.11 Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy and adverse changes in the payment status of borrowers or issuers in the Group.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for any impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflect in an allowance account against receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed in the profit or loss.

(ii) Non-financial assets

The carrying amounts of non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is

estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are recognised as a reduction in the carrying amounts of the assets in the CGU on a pro-rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Under AASB 136, the Group can elect to have the carrying amount of non-current assets' impairment reviewed at each reporting date using a depreciated replacement cost valuation. If any such indication exists, the asset will be tested for impairment by comparing its recoverable amount to its carrying amount. Reversal of a previously recorded impairment will be recorded in the Statement of Comprehensive Income where appropriate. In respect of not-for-profit entities, where the future economic benefits of an asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use shall be determined as the depreciated replacement cost of the asset.

1.12 Comparatives

Where applicable, comparatives have been adjusted to disclose them on the same basis as current period figures.

1.13 Segment Reporting

The Group determines and presents operating segments based on the information that is internally presented to the CEO, who is the Group's chief operating decision maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

1.14 Basis of Consolidation

(i) Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity related to the subsidiary. Any resulting surplus or deficit is recognised in the Statement of Comprehensive Income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

1.15 Foreign Currency Transactions

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in the Statement of Comprehensive Income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Australian dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in Other Comprehensive Income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, the foreign currency differences arising from such items form part of the net investment in the foreign operation. Accordingly, such differences are recognised in Other Comprehensive Income and accumulated in the translation reserve in equity.

2. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

There are no standards, amendments to standards and interpretations which have been identified as those which may impact the entity in the period of initial application.

3. REVENUE

	2014 $'000	2013 $'000
Grants – operating	15,989	13,819
Grants – Victorian Government operational infrastructure support	3,229	3,488
Donations	4,694	4,859
Contract R&D consultancies	12,095	10,126
Contract Services	554	561
Other income – miscellaneous	536	253
Operating Revenue	**37,097**	**33,106**
Rental income	3,657	3,627
Prepaid rent amortisation	829	829
Other Income	**4,486**	**4,456**

4. PERSONNEL EXPENSES

	2014 $'000	2013 $'000
Salary and wages	17,548	16,797
Employee entitlements	2,280	1,024
	19,828	17,821

5. OTHER EXPENSES

	2014 $'000	2013 $'000
Net loss on disposal of property, plant and equipment	2	35
Operating lease rental expenses	81	82
Facilities and laboratory support	2,220	1,615
Other administration	3,041	2,114
	5,344	3,846

6. AUDITORS' REMUNERATION

	2014 $'000	2013 $'000
Audit Service		
KPMG Australia:	$	$
Audit and review of financial reports	50,000	48,000
Other regulatory audit services	8,760	21,000
	58,760	69,000

7. NET FINANCING COSTS

	2014 $'000	2013 $'000
Interest income	442	478
Financial Income	442	478
Increase/(Decrease) in fair value of derivatives	(1,165)	1,354
Interest expense	(2,028)	(2,255)
Financial Expenses	(3,193)	(901)
Net Financing Costs	**(2,751)**	**(423)**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (cont.)
(FOR THE YEAR ENDED 31 DECEMBER)

8. TRADE AND OTHER RECEIVABLES

	NOTE	2014 $'000	2013 $'000
Current			
Trade receivables		2,465	2,740
Less: allowance for doubtful debts		(95)	–
	27	2,370	2,740
Non-Current			
Lease receivables	27	1,779	1,777

9. INVESTMENTS

	NOTE	2014 $'000	2013 $'000
Current Investments			
• Investment in shares		265	–
Non-Current Investments			
• Investment in AMREP AS Pty Ltd – animal facility 306 fully paid shares at cost		2,265	2,265
• Fully paid ordinary shares in Ascend Biopharmaceuticals Pty Ltd valued at cost		–	–
	27	2,265	2,265
Reconciliation:			
Total investments opening balance		2,265	2,472
Write up/(down) of income securities to fair value		–	2
Sale of income securities		–	(209)
Total Investments Closing Balance		2,265	2,265

As at 31 December 2014, the Group held 12.5% (2013: 12.5%) of Ascend Biopharmaceuticals Pty Ltd (formerly IgAvax Pty Ltd). The amount of investment in this company was $nil and the contribution to the surplus of the Group was $nil.

10. OTHER ASSETS

	2014 $'000	2013 $'000
Prepayments	456	323

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings $'000	Plant and equipment $'000	Total $'000
Cost			
Balance at 1 January 2013	71,888	9,860	81,748
Acquisitions	–	668	668
Disposals	–	(418)	(418)
Balance at 31 December 2013	71,888	10,110	81,998
Balance at 1 January 2014	71,888	10,110	81,998
Acquisitions	–	786	786
Disposals	–	(706)	(706)
Balance at 31 December 2014	**71,888**	**10,190**	**82,078**
Depreciation			
Balance at 1 January 2013	(7,245)	(7,027)	(14,272)
Depreciation charge for the year	(1,713)	(636)	(2,349)
Disposals	–	343	343
Balance at 31 December 2013	(8,958)	(7,320)	(16,278)
Balance at 1 January 2014	(8,958)	(7,320)	(16,278)
Depreciation charge for the year	(1,713)	(690)	(2,403)
Disposals	–	594	594
Balance at 31 December 2014	**(10,671)**	**(7,416)**	**(18,087)**
Carrying amounts			
At 1 January 2013	64,643	2,833	67,476
At 31 December 2013	62,930	2,790	65,720
At 1 January 2014	62,930	2,790	65,720
At 31 December 2014	**61,217**	**2,774**	**63,991**

The existing leasehold within the Burnet Tower is subject to a 50 year lease ending in 2060. The Alfred Centre Stage 2 (ACS2) leasehold building floors are subject to a 40 year lease for levels 4 to 6 (ending 2050) and a 50 year lease for level 7 (ending 2060).

The Group completed the construction of the ACS2 project which comprises 14,490 square metres of net lettable area contained in levels 4 to 7 of the ACS2 project. The original carrying value of the Group's interest in the ACS2 project was based on the March 2010 valuation of the future cash flows, discounted to their present value. Depreciation has been recorded on this asset since it was first recognised.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (cont.)
(FOR THE YEAR ENDED 31 DECEMBER)

12. TRADE AND OTHER PAYABLES

	2014 $'000	2013 $'000
Trade creditors	1,020	1,461
Other payables	2,232	2,845
	3,252	4,306

13. BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings which are measured at amortised cost.

	2014 $'000	2013 $'000
Current		
Finance lease liabilities	180	169
Current portion of secured bank loans (ACS2)	300	300
	480	469
Non-current		
Finance lease liabilities	46	226
Non-Current portion of secured bank loans (ACS2)	33,900	34,200
	33,946	34,426

Finance lease liabilities are payable as follows:

31 December 2014 ($'000)	Minimum Lease Payments	Interest	Principal
Less than one year	189	9	180
Between one and five years	47	1	46
More than five years	–	–	–
	236	10	226

31 December 2013 ($'000)	Minimum Lease Payments	Interest	Principal
Less than one year	189	20	169
Between one and five years	236	10	226
More than five years	–	–	–
	425	30	395

Financing arrangements

Bank loans

Interest rate on finance lease liabilities was 6.27% (2013: 6.27%).During 2008, the Institute entered into an arrangement with its bank to borrow $35.25 million at the prevailing 90-day BBSW plus 0.85 per cent line fee. This bank loan is secured by a fixed and floating charge over all of the Burnet Institute's assets. The loan is for a period of ten years effective May 2011. Refer Note 17 for details of the swap and cap associated with this loan. The Burnet Institute is compliant with all bank covenants. One of the bank covenants requires the Institute to maintain an investment balance of at least $5 million, which as at 31 December 2014 and 31 December 2013 is all invested in short-term deposits.

14. CURRENT TAX LIABILITIES

	NOTE	2014 $'000	2013 $'000
FBT Provision	27	99	102

There are no income tax liabilities as the Institute is a tax exempt entity.

15. PROVISIONS

	2014 $'000	2013 $'000
Current		
Liability for long-service leave	1,826	1,413
Liability for annual leave	927	893
	2,753	2,306
Non-current		
Liability for long-service leave	1,376	1,270
The present values of employee entitlements not expected to be settled within twelve months of balance date have been calculated using the following weighted averages:		
Assumed rate of increase in wage and salary rates	3.1%	3.1%
Average discount rate	2.4%	3.6%
Settlement term (years)	9	9
Number of employees		
Number of employees at year end (FTE)	168	157

Superannuation plans
The Group contributes to various accumulation style superannuation plans. Employer contributions are at the rate required to satisfy its obligations under the Superannuation Guarantee legislation, currently 9.5% of salary. The Group may make additional contributions by agreement with employees.

16. DEFERRED INCOME

	2014 $'000	2013 $'000
Current		
Other grants	9,132	8,606
Deferred donations	788	811
Rentals received in advance	829	829
	10,749	10,246
General research operating grants are deferred where there is an obligation to repay amounts which are not spent in accordance with the conditions specified.		
Non-current		
Rentals received in advance	10,004	10,833

The rentals received in advance relate to: The Baker IDI Heart and Diabetes Institute's contribution to the ACS2 project which covers a 21 year lease of part of level 4; and to Monash University in respect of space given up in the Burnet Tower in exchange for 13 years rent free space in the ACS2 project.

17. DERIVATIVES

	2014 $'000	2013 $'000
Current		
Interest rate cap	112	–
Non-current		
Interest rate swap	3,426	2,118
Interest rate cap	–	257
	3,426	2,375

The Institute entered into an interest rate cap transaction in 2008 whereby $27.2 million of the secured bank loan to finance ACS2 is subject to a capped BBSW rate of 7.5% per annum for a fixed rate of 0.58% until 31 December 2015. In 2010, the Institute entered into an interest rate swap transaction whereby $20.4 million of the secured bank loan to finance ACS2 is fixed at an interest rate of 6.025% (before line fees) until 30 September 2020. The cap and swap transactions were taken out to provide long-term protection from exposure to rising interest rates.

18. CAPITAL AND RESERVES

Building reserve

The building reserve relates to building and relocation grants received and expenses incurred in connection with the premises occupied by the Institute. Where a building is permanently vacated the related reserve will be derecognised.

Foreign Currency Translation Reserve

The Foreign Currency Translation Reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

19. OPERATING LEASES

	2014 $'000	2013 $'000
Leases as lessee		
Non-cancellable operating lease rentals payable:		
Less than one year	81	62
Between one and five years	289	–
More than five years	–	–
	370	62
Leases as lessor		
The Institute leases out space that it controls to third parties.		
Non-cancellable operating lease rentals receivable:		
Less than one year	3,601	3,442
Between one and five years	12,860	13,454
More than five years	44,794	47,801
	61,255	64,697

During the year $4.5 million was recognised as rental income in the Statement of Comprehensive Income (2013: $4.5 million)

20. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(i) **Reconciliation of cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding overdrafts. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	NOTE	2014 $'000	2013 $'000
Cash	**27**	**19,378**	**16,748**
(ii) Reconciliation of operating surplus/(deficit) after income tax to net cash from operating activities:			
Cash flows from operating activities			
Surplus/(deficit) for the period		(1,344)	2,332
Adjustments for:			
Depreciation	11	2,403	2,349
Amortisation of rent in advance		(829)	(829)
Lease revenue not billed		(2)	(495)
Increase in provision for doubtful debts		(95)	–
Change in fair value of derivatives	7	1,163	(1,354)
(Gain)/Loss on revaluation of investments	9	–	(2)
Donation of investments		(265)	–
Amounts set aside in provisions		553	(216)
Gain/Loss on disposal of property, plant and equipment		2	35
Foreign currency translation		58	17
Operating surplus/(deficit) before changes in working capital and provisions		**1,644**	**1,837**
(Increase)/decrease in trade and other receivables		465	2,036
(Increase)/decrease in inventories		3	(3)
(Increase)/decrease in other assets		(133)	126
(Decrease)/increase in grant deferred income		503	592
(Decrease)/increase in trade and other payables		(1,054)	604
(Decrease)/increase in current tax liabilities		(3)	(8)
Net Cash from Operating Activities		**1,425**	**5,184**

21. REMUNERATION OF KEY MANAGEMENT PERSONNEL

	2014 $	2013 $
Short-term employee benefits	1,476,000	1,429,000
Termination benefits	–	–
	1,476,000	1,429,000

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (cont.)
(FOR THE YEAR ENDED 31 DECEMBER)

22. PARTICULARS IN RELATION TO CONTROLLED ENTITIES

The Group has an interest in six subsidiary companies which were originally formed to manage R&D projects in partnership with other parties. Other than intellectual property these companies have no material assets or liabilities. As there is no reliable measure of the value of this intellectual property, the carrying value of the investment in the following companies is recorded as $nil: The Group also has acquired 3 companies in China which had no assets or liabilities at the time of acquisition. The results of these Chinese companies are recorded in these financial statements.

Entity	Interest Held		Amount of Investment	
	2014 %	2013 %	2014 $	2013 $
Macfarlane Burnet Syndicate No. 1 Pty Ltd	100	100	–	–
Macfarlane Burnet Syndicate No. 2 Pty Ltd	100	100	–	–
Hep R&D Pty Ltd	100	100	–	–
Actract Pty Ltd	100	100	–	–
Hepgenics Pty Ltd	100	100	–	–
Picoral Pty Ltd	100	100	–	–
Burnet Institute (Hong Kong) Limited	100	100	–	–
Biopoint Nanjing Diagnostic Technology Co. Limited	78.75	100	–	–
Biopoint Hong Kong Limited	78.75	–	–	–

During the year a third party contributed equity to Biopoint Hong Kong Limited which resulted in them owning 21.25% of the shares in Biopoint Hong Kong Limited and thus a 21.25% interest in Biopoint Nanjing Diagnostic Technology Co. Limited, and Burnet recording a gain from their dilution of $2.35 million which is recorded in equity.

23. RELATED PARTY TRANSACTIONS

The Group purchased services from AMREP AS Pty Ltd during the year on normal commercial terms amounting to $167,210 (2013: $259,290). During the year various directors made donations to the Group totalling $121,100 (2013: $181,000). During the year the Group received fees totalling $1,163,541 (2013: $969,360) from a Director related entity.

24. SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to significantly affect the operations of the Group, the results of those operations, or the state of the Group in future financial years.

25. SEGMENT INFORMATION

The Group has two reportable segments, as described below, which represent the two main focuses of the Group. For each segment the CEO reviews internal management reports on a regular basis. The Group operates out of one geographical area, Australia, with projects being implemented in various areas, including Australia, Asia, Africa and the Pacific. The following summary describes the operations in each of the Group's reportable segments.

- Property Management – Includes rental income and expenses associated with the space leased
- Medical Research and Public Health – Includes activities around the conduct of medical research and the provision of public health work.

Information regarding the results of each reportable segment are included below. Performance is measured based on segment surplus or deficit in addition to a number of non-financial metrics.

Information about reportable segments ($'000)	Property Management		Medical Research & Public Health		Total	
	2014	2013	2014	2013	2014	2013
External revenues	4,486	4,456	37,097	33,106	41,583	37,562
Inter-segment revenue	–	–	–	–	–	–
Interest income	252	274	190	204	442	478
Interest expense	(2,028)	(2,255)	–	–	(2,028)	(2,255)
Depreciation and amortisation	(1,285)	(1,285)	(1,118)	(1,064)	(2,403)	(2,349)
Reportable segment profit/(loss)	(422)	2,131	(922)	201	(1,344)	2,332
Other material non-cash items						
• Fair value adjustment of derivative	(1,165)	1,354	–	–	(1,165)	1,354
Reportable segment assets	54,396	55,438	36,141	34,171	90,537	89,609
Investment in associates	–	–	2,265	2,265	2,265	2,265
Capital expenditure	–	–	786	668	786	668
Reportable segment liabilities	49,003	49,332	17,194	17,001	66,197	66,333

26. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- interest-rate risk

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this Financial Report. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework and is also responsible for developing and monitoring risk management policies. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Board oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash on deposit and from the Group's receivables from customers and investment securities. In relation to credit risk arising from cash on deposit, the Group only deposits with highly rated counterparties as approved by the Board.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor. Work is only undertaken for another entity once a contract for services has been signed. The demographics of the Group's debtor base, including the default risk of the industry and country in which debtors operate, have less of an influence on credit risk. Approximately 45% (2013: 41%) of the Group's revenue is attributable to transactions with a single debtor, being the Commonwealth Government. However, geographically there is only concentration of credit risk in Australia. Most of the Group's debtors have been transacting with the Group for a number of years, and losses have occurred infrequently. In monitoring debtor credit risk, debtors' ageing profiles are reviewed as well as any existence of previous financial difficulties. The Group has established an allowance for impairment that represents its estimate of possible losses in respect of trade and other receivables. This allowance is the aggregate of specific possible losses from identified debtors.

Investments

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a solid credit rating in consultation with the Board and other advisors. Management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Management monitor cash flow requirements on a daily basis to optimise its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations without the need to draw down from its investments; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains the following line of credit:

- $250,000 overdraft facility that is secured against the assets of the Group. Interest would be payable at the base lending rate plus 0.75% margin.

Capital risk management

During 2008, the Burnet Institute entered into an arrangement with its bank to borrow $35.25 million at the prevailing 90-day BBSW plus 0.85 per cent line fee. This bank loan is secured by a fixed and floating charge over all of the Burnet Institute's assets. The loan translated from a construction facility to a term facility in May 2011 and is for a period of 10 years. Refer to Note 17 for details of the swap and cap associated with this loan. Principal is repaid over the course of the term facility according to an agreed schedule as set out in the Loan Agreement. Management monitor the loan facility on a regular basis to ensure that all loan covenants and reporting requirements are met.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group can enter into derivatives in order to manage market risks in consultation with the Board and other advisors. As explained above, the only derivative financial instruments the Group is currently involved in are a cap and a swap transaction (Note 17) to manage potential interest rate fluctuations on the ACS2 loan facility. Group risk is also minimised due to limited holdings of foreign currency and equities.

Interest rate risk

The Group has adopted a policy to mitigate its interest rate risk by entering into interest rate swaps and caps to manage its overall exposure. Refer Note 17.

27. FINANCIAL INSTRUMENTS

Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	NOTE	2014 $'000	2013 $'000
Carrying amount			
Investments	9	2,530	2,265
Receivables	8	4,149	4,517
Cash and cash equivalents	20(i)	19,378	16,748
		26,057	23,530
The Group's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:			
Carrying amount			
Australia		3,899	4,325
Asia		87	144
North America		161	45
South America		–	2
Europe		2	1
		4,149	4,517
Impairment losses:			
The ageing of the Group's trade receivables at the reporting date was:			
Carrying amount			
Not past due		3,760	3,938
Past due 0-30 days		130	246
Past due 31-60 days		120	159
More than 60 days past due		234	174
Less allowance for doubtful debts		(95)	–
		4,149	4,517

There was no impairment loss recognised on investments. The allowance in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the financial asset directly.

Liquidity risk

The following are the contractual maturities of financial liabilities measured at amortised cost, including estimated interest payments and excluding the impact of netting agreements:

31 December 2014 ($'000)	Carrying amount	Contractual cash flows	6 mths or less	6–12 mths	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities							
Secured bank loan	34,200	49,539	1,382	1,382	2,885	11,723	32,167
Trade and other payables	3,252	3,252	3,252	–	–	–	–
Current tax liabilities	99	99	99	–	–	–	–
Finance lease liabilities	226	236	94	94	48	–	–
	37,777	53,126	4,827	1,476	2,933	11,723	32,167

31 December 2013 ($'000)	Carrying amount	Contractual cash flows	6 mths or less	6–12 mths	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities							
Secured bank loan	34,500	52,311	1,392	1,387	2,758	8,833	37,941
Trade and other payables	4,306	4,306	4,306	–	–	–	–
Current tax liabilities	102	102	102	–	–	–	–
Finance lease liabilities	395	424	94	94	188	48	–
	39,303	57,143	5,894	1,481	2,946	8,881	37,941

Contractual cash flows for the secured bank loan are estimated assuming an average interest rate of 7.21% over the life of the loan with principal repayments as set out in the loan agreement.

Foreign currency risk

The Group is exposed to foreign currency risk on revenue, purchases and bank accounts that are denominated in a currency other than the functional currency of the Parent Entity. The currency giving rise to this risk is primarily US dollars (USD). At any point in time the Group has a natural hedge on USD transactions as it holds a USD bank account to pay USD denominated expenses.

Sensitivity analysis

For the year ended 31 December 2014, it is estimated that a general increase of one percentage point in interest rates would have decreased the Group's deficit by approximately $28,000 (2013: $44,000).

As at 31 December 2014, it is estimated that a general increase of ten percentage points in the value of the AUD against other foreign currencies would have increased the Group's deficit by approximately $28,470 (2014: $51,730).

Fair values

The fair value of relevant recognised assets and liabilities are approximate to the values shown in the Statement of Financial Position.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quotes prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
31 December 2014 ($'000)				
Share investment	265			265
Derivative financial liabilities	–	3,538	–	3,538
31 December 2013 ($'000)				
Derivative financial liabilities	–	2,375	–	2,375

28. PARENT ENTITY DISCLOSURES

	2014 $'000	2013 $'000
Result of the parent entity		
Surplus/(deficit) for the period	(859)	2,391
Other comprehensive income	–	–
Total comprehensive income for the period	(859)	2,391
Financial position of the parent entity at year end		
Current assets	20,467	19,850
Total assets	88,502	89,612
Current liabilities	17,292	17,429
Total liabilities	66,044	66,333
Total equity of the parent entity comprising of:		
Retained earnings	2,941	3,340
Building reserve	19,517	19,939
Total equity	22,458	23,279

As at, and throughout, the financial year ending 31 December 2014 the parent entity of the Group was the Burnet Institute.

BURNET INSTITUTE INTERNATIONAL DEVELOPMENT ACTIVITIES OPERATING STATEMENT (FOR THE YEAR ENDED 31 DECEMBER)

	2014 $'000	2013 $'000
Revenue		
Donations and gifts – monetary	203	49
Donations and gifts – non-monetary	–	–
Bequests and legacies	–	–
Grants:		
• DFAT	7,282	6,747
• Other Australian	645	563
• Other Overseas	3,806	2,142
Investment Income	–	–
Other Income	1,554	1,320
Revenue for international political or religious proselytisation programs	–	–
Total revenue	**13,490**	**10,821**
Expenditure		
International aid and development programs expenditure		
International programs:		
• Funds to international programs	12,441	9,510
• Program support costs	1,007	708
Community education	–	–
Fundraising costs:		
• Public	–	–
• Government, multilaterals and private	–	–
Accountability and administration	358	297
Non-monetary expenditure	–	–
Total international aid and development programs expenditure	**13,806**	**10,515**
Expenditure for international political or religious proselytisation programs	–	–
Domestic programs expenditure	197	403
Total expenditure	**14,003**	**10,918**
Excess/(Shortfall) of revenue over expenditure	**(513)**	**(97)**

Notes:

No single appeal or form of fundraising for a designated purpose generated 10% or greater of the Burnet Institute's total income.

This operating statement represents IFRS financial information and is extracted specifically for the operations of the Centre for International Health as required by the ACFID Code of Conduct.

The deficit represents the Burnet Institute's additional financial contribution to the program.

ACFID CODE

The Macfarlane Burnet Institute for Medical Research and Public Health Limited is a signatory to the Australian Council for International Development Code of Conduct. The Code requires members to meet high standards of corporate governance, public accountability and financial management. More information about the ACFID Code of Conduct can be obtained from ACFID.

www.acfid.asn.au
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DIRECTORS' DECLARATION
(FOR THE YEAR ENDED 31 DECEMBER)

1. In the opinion of the Directors of the Burnet Institute:

(a) the Financial Statements and Notes, set out on pages 38 to 62, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Group at 31 December 2014 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and

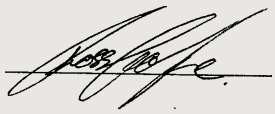
(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 14th day of April 2015.

Signed in accordance with a resolution of the Directors.

Robert Milne
Director



Ross Cooke
Director

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the members of the Macfarlane Burnet Institute for Medical Research and Public Health Ltd

Report on the financial report

We have audited the accompanying financial report of the Macfarlane Burnet Institute for Medical Research and Public Health Ltd (the company), which comprises the consolidated statement of financial position as at 31 December 2014, and consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the Burnet Institute International Development Activities Operating Statement for the year ended on that date, notes 1 to 28 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

KPMG

Alison Kitchen
Partner

Melbourne
14 April 2015

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