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ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
31 DECEMBER 2014



**Burnet Institute**  
Medical Research. Practical Action.

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# ANNUAL FINANCIAL REPORT 2014

FOR THE YEAR ENDED 31 DECEMBER 2014

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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*

## DIRECTORS' REPORT (cont.)

### **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

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## DIRECTORS' REPORT (cont.)

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

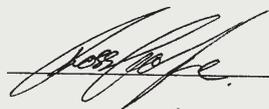
The lead auditor's independence declaration is set out on page 37 and forms part of the Directors' Report for the year ended 31 December 2014.

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**



*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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

## 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)
<b>Results from operating activities</b>		1,407	2,755
Financial income	7	442	478
Financial expenses	7	(3,193)	(901)
<b>Net finance costs</b>		(2,751)	(423)
Surplus/(Deficit) Before Income Tax		(1,344)	2,332
Income tax expense		–	–
<b>Surplus/(Deficit) After Income Tax</b>		(1,344)	2,332
Other comprehensive income			
Foreign currency translation differences – foreign operations		58	17
<b>Total Comprehensive Income/(Loss) for the Period</b>		(1,286)	2,349
<b>Surplus/(Deficit) After Income Tax Attributable to:</b>			
Members of the Company		(1,340)	2,332
Non-controlling interests		(4)	–
<b>Surplus/(Deficit) After Income Tax</b>		(1,344)	2,332
<b>Total Comprehensive Income/(Loss) Attributable to:</b>			
Members of the Company		(1,286)	2,349
Non-controlling interests		–	–
<b>Total Comprehensive Income/(Loss) for the Period</b>		(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
<b>CURRENT ASSETS</b>			
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
<b>TOTAL CURRENT ASSETS</b>		<b>22,502</b>	<b>19,847</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	8	1,779	1,777
Investments	9	2,265	2,265
Property, plant and equipment	11	63,991	65,720
<b>TOTAL NON-CURRENT ASSETS</b>		<b>68,035</b>	<b>69,762</b>
<b>TOTAL ASSETS</b>		<b>90,537</b>	<b>89,609</b>
<b>CURRENT LIABILITIES</b>			
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	–
<b>TOTAL CURRENT LIABILITIES</b>		<b>17,445</b>	<b>17,429</b>
<b>NON-CURRENT LIABILITIES</b>			
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
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>48,752</b>	<b>48,904</b>
<b>TOTAL LIABILITIES</b>		<b>66,197</b>	<b>66,333</b>
<b>NET ASSETS</b>		<b>24,340</b>	<b>23,276</b>
<b>EQUITY</b>			
Retained earnings		4,318	3,320
Building reserve		19,517	19,939
Foreign Currency Translation Reserve		75	17
Non-controlling interests		430	–
<b>TOTAL EQUITY</b>		<b>24,340</b>	<b>23,276</b>

*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				Total Equity \$'000
	Retained Profits \$'000	Building Reserve \$'000	Foreign Currency Translation \$'000	Non- Controlling Interests \$'000	
<b>Balance at 1 January 2013</b>	<b>3,119</b>	<b>17,808</b>	–	–	<b>20,927</b>
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
<b>Balance at 31 December 2013</b>	<b>3,320</b>	<b>19,939</b>	<b>17</b>	–	<b>23,276</b>
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
<b>Balance at 31 December 2014</b>	<b>4,318</b>	<b>19,517</b>	<b>75</b>	<b>430</b>	<b>24,340</b>

*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
<b>Cash Flows from Operating Activities</b>			
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)
<b>Net cash provided by /(used in) operating activities</b>	20(ii)	1,425	5,184
<b>Cash Flows from Investing Activities</b>			
Payments for property, plant and equipment		(786)	(668)
Proceeds from disposal of property, plant and equipment		110	40
(Acquisition)/disposal of investment		–	209
<b>Net cash provided by /(used in) investing activities</b>		(676)	(419)
<b>Cash Flows from Financing Activities</b>			
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)
<b>Net cash provided by /(used in) financing activities</b>		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
<b>Cash at the End of the Financial Year</b>	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

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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.

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (cont.)

### (FOR THE YEAR ENDED 31 DECEMBER)

#### 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

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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.

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (cont.)

### (FOR THE YEAR ENDED 31 DECEMBER)

#### (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
<b>Operating Revenue</b>	<b>37,097</b>	<b>33,106</b>
Rental income	3,657	3,627
Prepaid rent amortisation	829	829
<b>Other Income</b>	<b>4,486</b>	<b>4,456</b>

#### 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
<b>Audit Service</b>		
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)
<b>Net Financing Costs</b>	<b>(2,751)</b>	<b>(423)</b>

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (cont.)

(FOR THE YEAR ENDED 31 DECEMBER)

### 8. TRADE AND OTHER RECEIVABLES

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

### 9. INVESTMENTS

	NOTE	2014 \$'000	2013 \$'000
<b>Current Investments</b>			
• Investment in shares		265	–
<b>Non-Current Investments</b>			
• 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
<b>Reconciliation:</b>			
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
<b>Cost</b>			
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)
<b>Balance at 31 December 2014</b>	<b>71,888</b>	<b>10,190</b>	<b>82,078</b>
<b>Depreciation</b>			
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
<b>Balance at 31 December 2014</b>	<b>(10,671)</b>	<b>(7,416)</b>	<b>(18,087)</b>
<b>Carrying amounts</b>			
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
<b>At 31 December 2014</b>	<b>61,217</b>	<b>2,774</b>	<b>63,991</b>

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
<b>Current</b>		
Finance lease liabilities	180	169
Current portion of secured bank loans (ACS2)	300	300
	480	469
<b>Non-current</b>		
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
<b>Current</b>		
Liability for long-service leave	1,826	1,413
Liability for annual leave	927	893
	2,753	2,306

<b>Non-current</b>		
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
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### 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
<b>Current</b>		
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
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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.

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (cont.)

(FOR THE YEAR ENDED 31 DECEMBER)

### 17. DERIVATIVES

	2014 \$'000	2013 \$'000
<b>Current</b>		
Interest rate cap	112	–
<b>Non-current</b>		
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
<b>Leases as lessee</b>		
Non-cancellable operating lease rentals payable:		
Less than one year	81	62
Between one and five years	289	–
More than five years	–	–
	370	62
<b>Leases as lessor</b>		
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
<b>Cash</b>	<b>27</b>	<b>19,378</b>	<b>16,748</b>
<b>(ii) Reconciliation of operating surplus/(deficit) after income tax to net cash from operating activities:</b>			
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
<b>Operating surplus/(deficit) before changes in working capital and provisions</b>		<b>1,644</b>	<b>1,837</b>
(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)
<b>Net Cash from Operating Activities</b>		<b>1,425</b>	<b>5,184</b>

## 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.

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## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (cont.)

### (FOR THE YEAR ENDED 31 DECEMBER)

#### 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
<b>Carrying amount</b>			
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:

<b>Carrying amount</b>			
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:

<b>Carrying amount</b>			
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.

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (cont.)

### (FOR THE YEAR ENDED 31 DECEMBER)

#### 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
<b>Non-derivative financial liabilities</b>							
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
<b>Non-derivative financial liabilities</b>							
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
<b>31 December 2014 (\$'000)</b>				
Share investment	265			265
Derivative financial liabilities	–	3,538	–	3,538
<b>31 December 2013 (\$'000)</b>				
Derivative financial liabilities	–	2,375	–	2,375

## 28. PARENT ENTITY DISCLOSURES

	2014 \$'000	2013 \$'000
<b>Result of the parent entity</b>		
Surplus/(deficit) for the period	(859)	2,391
Other comprehensive income	–	–
Total comprehensive income for the period	(859)	2,391
<b>Financial position of the parent entity at year end</b>		
Current assets	20,467	19,850
Total assets	88,502	89,612
Current liabilities	17,292	17,429
Total liabilities	66,044	66,333
<b>Total equity of the parent entity comprising of:</b>		
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
<b>Revenue</b>		
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	–	–
<b>Total revenue</b>	<b>13,490</b>	<b>10,821</b>
<b>Expenditure</b>		
<b>International aid and development programs expenditure</b>		
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	–	–
<b>Total international aid and development programs expenditure</b>	<b>13,806</b>	<b>10,515</b>
Expenditure for international political or religious proselytisation programs	–	–
Domestic programs expenditure	197	403
<b>Total expenditure</b>	<b>14,003</b>	<b>10,918</b>
<b>Excess/(Shortfall) of revenue over expenditure</b>	<b>(513)</b>	<b>(97)</b>

### 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.



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.

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### **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.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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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



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



**Burnet Institute**  
Medical Research. Practical Action.

## AUSTRALIA

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## OVERSEAS OFFICES

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Burnet has offices in Myanmar (Burma),  
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