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FINANCIAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2015

Burnet Institute
Medical Research. Practical Action.

ANNUAL FINANCIAL REPORT 2015
For the year ended 31 December 2015

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

CONTENTS

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 2015 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 Robert L Milne, *BEng (Civ), FIE (Aust), CP Eng*
Chair, Burnet Institute Board of Directors
Director since 2000
Chair, IP & Commercialisation Committee, Budget & Investment Committee and Engagement Committee
Former Chair, Cockram Corporation and subsidiaries

Mr Alastair Lucas AO, *BCom, FCPA*
Director from 1998 to July 2015
Former Chair, Investment Banking, Goldman Sachs Australia

Professor Brendan Crabb AC, *BSc(Hons), PhD*
Executive Director and CEO since 2008
Member, Engagement Committee, Budget and Investment Committee
Secretary, Research Advisory Committee
Chair, Victorian Chapter, 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
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)
Member, Scientific Advisory Board, Centre for Cancer Biology, SA Pathology and UniSA
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 of the 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
Director and President, Wintringham, and Wintringham Housing Ltd

Mr John K Dowling, *FREI, FAPI*
Director since 2000, resigned December 2015
Member, Research Advisory Committee
Managing Partner, K L Dowling & Co

Associate Professor Helen Evans, *BA, B Soc Admin*
Director since 2015
Associate Professor (Hon) The Nossal Institute for Global Health, The University of Melbourne
Director, The Fred Hollows Foundation
Former Deputy CEO, GAVI, The Vaccine Alliance
Former Deputy Executive Director, The Global Fund to Fight AIDS, Tuberculosis and Malaria

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
Member of Council, Victoria University, and Chair of Council's Strategy Committee
Vice President, Victorian Chapter of the Australia China Business Council (ACBC)
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 R Lewin, *FRACP, PhD, FAAHMS*
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
Chair, Health Translation Advisory Committee, National Health and Medical Research Council of Australia
Member, Council, National Health and Medical Research Council of Australia
Member, Board, Snowdome Foundation
Chair, Ministerial Advisory Committee on Blood Borne Viruses and Sexually Transmitted Infections
Member, Strategic and Technical Advisory Committee, HIV Program, World Health Organisation

Professor Christina Mitchell, *MBBS (Melb), 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, Business Council of Australia
Member, Chief Executive Women
Member, Professional Standards Board for Patent and Trade Mark Attorneys
Member, Melbourne University Law School Foundation
Member, Victorian Legal Admissions Board

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

Mr Michael Ziegelaar, *LLB (Hons), BEcon, LLM*
Director since 2015
Head, Corporate (Melbourne) and Co-Head, Equity Capital Markets (Aust) Herbert Smith Freehills

Resigned as Director during 2015 or since year end:
Mr Alastair Lucas, Director from 1998 to July 2015
Mr John K Dowling, Director from 2000 to December 2015
Dr Jane A Thomason, Director from 2013 to 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	2	1										
Brendan Crabb	5	5			0	0	5	3	1	0	0	0
Robin Bishop	5	5					5	5				
Peter Colman	5	4							1	1	0	0
Ross Cooke	5	3	6	6								
John Dowling	5	5									0	0
Helen Evans	2	2										
Ben Foskett	5	5					5	4				
Garry Hounsell	5	2										
Sharon Lewin	5	1										
Robert Milne	5	5			0	0	5	3	1	0		
Christina Mitchell	5	3										
Mary Padbury	5	1							1	1		
Louise Pratt	5	5										
Michael Toole	5	3									0	0
Mary Waldron	5	1	6	6								
Michael Ziegelaar	2	1										

(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 $1,787,661 (2014: deficit $1,343,568). Depreciation and amortisation amounted to $2,506,610 (2014: $2,402,869). Income tax is not applicable. The 2015 result is after consolidating a $918,818 deficit in the Biopoint subsidiary companies. 2015 is the first full year of operations for the Biopoint subsidiary companies with funding received in 2014.

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 highly successful year with respect to publications and continued to perform well with NHMRC success, exceeding the national average for the third year in a row against an increasingly tough environment. Research highlights included the establishment of new companies (Biopoint and 360Biolabs), continued strong progress with HepSeeVax, Hepatitis C elimination trials, the Healthy Mothers Healthy Babies program in PNG and the recruitment of David Wilson’s Optima-research team.

Financially, the result for 2015 was generally in line with budget. The property business continues to operate as a self-sustainable activity.

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 8 and forms part of the Directors' Report for the year ended 31 December 2015.

Dated at Melbourne this 12th day of April 2016.

Signed in accordance with a resolution of the Directors.

Rob Milne
Director

Ross Cooke
Director

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

To: the Directors of 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 2015 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

KPMG

A. Kitchen

Alison Kitchen
Partner

Melbourne

12 April 2016

Consolidated Statement of Comprehensive Income

(FOR THE YEAR ENDED 31 DECEMBER)

	NOTE	2015 $'000	2014 $'000
Operating revenue	3	34,630	37,097
Other income	3	4,420	4,486
Research and development laboratory consumables expenses		(2,756)	(3,182)
Personnel expenses	4	(20,575)	(19,828)
Depreciation and amortisation expenses		(1,222)	(1,118)
Depreciation and amortisation expenses – property management		(1,285)	(1,285)
Property management operating costs		–	(169)
Research and development non-laboratory expenses		(9,601)	(9,250)
Other expenses from ordinary activities	5	(4,345)	(5,344)
Results from operating activities		(734)	1,407
Financial income	7	362	442
Financial expenses	7	(1,416)	(3,193)
Net finance costs		(1,054)	(2,751)
Surplus/(Deficit)Before Income Tax		(1,788)	(1,344)
Income tax expense		–	–
Surplus/(Deficit)After Income Tax		(1,788)	(1,344)
Surplus/(Deficit)After Income Tax Attributable to:			
Members of the Company		(1,593)	(1,340)
Non-controlling interests		(195)	(4)
Surplus/(Deficit)After Income Tax		(1,788)	(1,344)
Other comprehensive income			
Foreign currency translation differences – foreign operations		150	58
Total Comprehensive Income/(Loss) for the Period		(1,638)	(1,286)
Total Comprehensive Income/(Loss) Attributable to:			
Members of the Company		(1,475)	(1,286)
Non-controlling interests		(163)	–
Total Comprehensive Income/(Loss) for the Period		(1,638)	(1,286)

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 13 to 31.

Consolidated Statement of Financial Position

(AS AT 31 DECEMBER)	NOTE	**2015** $'000	**2014** $'000
CURRENT ASSETS			
Cash and cash equivalents	18(i)	17,133	19,378
Trade and other receivables	8	2,910	2,370
Inventories		28	33
Investments	9	–	265
Other Assets - prepayments		481	456
TOTAL CURRENT ASSETS		20,552	22,502
NON-CURRENT ASSETS			
Trade and other receivables	8	1,818	1,779
Investments	9	2,265	2,265
Property, plant and equipment	10	62,525	63,991
TOTAL NON-CURRENT ASSETS		66,608	68,035
TOTAL ASSETS		87,160	90,537
CURRENT LIABILITIES			
Trade and other payables		2,294	3,252
Borrowings	11	496	480
Current tax liabilities - FBT	12	75	99
Provisions	13	2,838	2,753
Deferred income	14	11,933	10,749
Derivatives	15	–	112
TOTAL CURRENT LIABILITIES		17,636	17,445
NON-CURRENT LIABILITIES			
Borrowings	11	33,450	33,946
Provisions	13	1,162	1,376
Deferred income	14	9,176	10,004
Derivatives	15	3,034	3,426
TOTAL NON-CURRENT LIABILITIES		46,822	48,752
TOTAL LIABILITIES		64,458	66,197
NET ASSETS		22,702	24,340
EQUITY			
Retained earnings		1,111	4,318
Building reserve		21,131	19,517
Foreign Currency Translation Reserve		225	75
Non-controlling interests		235	430
TOTAL EQUITY		22,702	24,340

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 13 to 31.

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 Reserve $'000	Non-Controlling Interests $'000	Total Equity $'000
Balance at 1 January 2014	**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**
Total other comprehensive income for the period	–	–	150	–	150
Operating surplus/(deficit)	(3,207)	1,614	–	(195)	(1,788)
Total comprehensive income for the period	(3,207)	1,614	150	(195)	(1,638)
Balance at 31 December 2015	**1,111**	**21,131**	**225**	**235**	**22,702**

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 13 to 31.

Consolidated Statement of Cash Flows

(FOR THE YEAR ENDED 31 DECEMBER)

	NOTE	2015 $'000	2014 $'000
Cash Flows from Operating Activities			
Cash receipts in the course of operations		40,659	44,022
Cash payments in the course of operations		(40,119)	(41,011)
Cash generated from operating activities		540	3,011
Interest received		362	442
Interest paid		(1,921)	(2,028)
Net cash (used in) / provided by operating activities	18(ii)	(1,019)	1,425
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(1,124)	(786)
Proceeds from disposal of property, plant and equipment		113	110
Disposal of investment		265	–
Net cash used in investing activities		(746)	(676)
Cash Flows from Financing Activities			
Payment of finance lease liabilities		(180)	(169)
Proceeds from sale of subsidiary shares to non-controlling entity		–	2,350
Repayment of borrowings		(300)	(300)
Net cash (used in) / provided by financing activities		(480)	1,881
Net (decrease) / increase in cash held		(2,245)	2,630
Cash at the beginning of the financial year		19,378	16,748
Cash at the End of the Financial Year	18(i)	17,133	19,378

The Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 13 to 31.

Notes to the Consolidated 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 2015 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 12 April 2016.

(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; and
- 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 13 – Provisions

(v) Changes in accounting policies

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

- AASB 2014 – 1 Amendments to Australian Accounting Standards – Part C: Materiality

This is part of the AASB's program to delete references to AASB 1031 in all Australian Accounting Standards prior to final withdrawal of AASB 1031.

1.1. Basis of Preparation (cont)

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 15). 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

1.5 Employee Benefits (cont)

(ii) Long-term service benefits (cont)
discounted using the rates attached to high quality Corporate bond rates 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 Research and Development (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.

1.11 Impairment (cont)

(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.

1.14 Basis of Consolidation (cont)

(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.

Notes to the Consolidated Financial Statements

(FOR THE YEAR ENDED 31 DECEMBER)

3. Revenue

	2015 $'000	2014 $'000
Grants – operating	15,165	15,989
Grants – Victorian Government operational infrastructure support	2,906	3,229
Donations	3,820	4,694
Contract R&D consultancies	11,673	12,095
Contract Services	564	554
Other income – miscellaneous	502	536
Operating Revenue	34,630	37,097
Rental income	3,591	3,657
Prepaid rent amortisation	829	829
Other Income	4,420	4,486

4. Personnel Expenses

Salary and wages	18,723	17,548
Employee entitlements	1,852	2,280
	20,575	19,828

5. Other Expenses

Net loss on disposal of property, plant and equipment	–	2
Operating lease rental expenses	81	81
Facilities and laboratory support	1,941	2,220
Other administration	2,323	3,041
	4,345	5,344

6. Auditors' Remuneration

Audit Service		
KPMG Australia:	$	$
Audit and review of financial reports	50,000	50,000
Other regulatory audit services	–	8,760
	50,000	58,760

7. Net Financing Costs	2015 $'000	2014 $'000
Interest income	362	442
Financial Income	362	442
Increase/(Decrease) in fair value of derivatives	505	(1,165)
Interest expense	(1,921)	(2,028)
Financial Expenses	(1,416)	(3,193)
Net Financing Costs	(1,054)	(2,751)

8. Trade and Other Receivables	NOTE	2015 $'000	2014 $'000
Current			
Trade receivables		2,910	2,465
Less: allowance for doubtful debts		–	(95)
	25	2,910	2,370
Non-Current			
Lease receivables	25	1,818	1,779

9. Investments			
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		–	–
	25	2,265	2,265

As at 31 December 2015, the Group held 8.2% (2014: 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. Property, Plant and Equipment	Leasehold buildings $'000	Plant and equipment $'000	Total $'000
Cost			
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
Balance at 1 January 2015	71,888	10,190	82,078
Acquisitions	–	1,124	1,124
Disposals	–	(731)	(731)
Balance at 31 December 2015	71,888	10,583	82,471

Notes to the Consolidated Financial Statements

(FOR THE YEAR ENDED 31 DECEMBER)

10. Property, Plant and Equipment (cont)	Leasehold buildings $'000	Plant and equipment $'000	Total $'000
Depreciation			
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)
Balance at 1 January 2015	(10,671)	(7,416)	(18,087)
Depreciation charge for the year	(1,712)	(795)	(2,507)
Disposals	–	648	648
Balance at 31 December 2015	(12,383)	(7,563)	(19,946)
Carrying amounts			
At 1 January 2014	62,930	2,790	65,720
At 31 December 2014	61,217	2,774	63,991
At 1 January 2015	61,217	2,774	63,991
At 31 December 2015	59,505	3,020	62,525

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.

11. Borrowings	2015 $'000	2014 $'000

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

	2015 $'000	2014 $'000
Current		
Finance lease liabilities	46	180
Current portion of secured bank loans (ACS2)	450	300
	496	480
Non-current		
Finance lease liabilities	–	46
Non-Current portion of secured bank loans (ACS2)	33,450	33,900
	33,450	33,946

11. Borrowings (cont)

Finance lease liabilities are payable as follows:

31 December 2015 ($'000)	Minimum Lease Payments	Interest	Principal
Less than one year	47	1	46
Between one and five years	–	–	–
More than five years	–	–	–
	47	1	46

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

Financing arrangements
Bank loans
Interest rate on finance lease liabilities was 6.27%(2014: 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 15 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 2015 and 31 December 2014 is all invested in short-term deposits.

12. Current Tax Liabilities

	NOTE	2015 $'000	2014 $'000
FBT Provision	25	75	99

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

13. Provisions

	2015 $'000	2014 $'000
Current		
Liability for long-service leave	1,869	1,826
Liability for annual leave	969	927
	2,838	2,753
Non-current		
Liability for long-service leave	1,162	1,376

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	3.7%	2.4%
Settlement term (years)	9	9
Number of employees		
Number of employees at year end (FTE)	167	168

Superannuation plans

13. Provisions (cont)

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.

14. Deferred Income

	2015 $'000	2014 $'000
Current		
Other grants	10,757	9,132
Deferred donations	347	788
Rentals received in advance	829	829
	11,933	10,749

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	9,176	10,004

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.

15. Derivatives

Current		
Interest rate cap	–	112
Non-current		
Interest rate swap	3,034	3,426

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.

16. 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.

17. Operating Leases

	NOTE	2015 $'000	2014 $'000
Leases as lessee			
Non-cancellable operating lease rentals payable:			
Less than one year		189	81
Between one and five years		299	289
More than five years		–	–
		488	370
Leases as lessor			
The Institute leases out space that it controls to third parties.			
Non-cancellable operating lease rentals receivable:			
Less than one year		3,660	3,601
Between one and five years		11,945	12,860
More than five years		41,944	44,794
		57,549	61,255

During the year $4.4 million was recognised as rental income in the Statement of Comprehensive Income (2014: $4.5 million)

18. 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	2015 $'000	2014 $'000
Cash	25	17,133	19,378

(ii) Reconciliation of operating surplus/(deficit) after income tax to net cash from operating activities:

	NOTE	2015 $'000	2014 $'000
Cash flows from operating activities			
Surplus/(deficit) for the period		(1,788)	(1,344)
Adjustments for:			
Depreciation	10	2,507	2,403
Amortisation of rent in advance	4	(829)	(829)
Lease revenue not billed		(39)	(2)
Increase in provision for doubtful debts		–	(95)
Change in fair value of derivatives	7	(505)	1,163
Donation of investments		–	(265)
Amounts set aside in provisions		(129)	553
(Gain)/Loss on disposal of property, plant and equipment		(28)	2
Foreign currency translation		150	58
Operating surplus/(deficit) before changes in working capital and provisions		(661)	1,644
(Increase)/decrease in trade and other receivables		(540)	465
(Increase)/decrease in inventories		5	3
(Increase)/decrease in other assets		(25)	(133)
(Decrease)/increase in grant deferred income		1,184	503
(Decrease)/increase in trade and other payables		(958)	(1,054)
(Decrease)/increase in current tax liabilities		(24)	(3)
Net Cash from Operating Activities		(1,019)	1,425

19. Remuneration of Key Management Personnel

	2015 $	2014 $
Short-term employee benefits	1,517,000	1,476,000
Termination benefits	–	–
	1,517,000	1,476,000

20. 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. The results of these Chinese companies are recorded in these financial statements.

Entity	Interest Held 2015 %	Interest Held 2014 %	Country of Incorporation
Macfarlane Burnet Syndicate No. 1 Pty Ltd	100	100	Australia
Macfarlane Burnet Syndicate No. 2 Pty Ltd	100	100	Australia
Hep R&D Pty Ltd	100	100	Australia
Actract Pty Ltd	100	100	Australia
Hepgenics Pty Ltd	100	100	Australia
Picoral Pty Ltd	100	100	Australia
Burnet Institute (Hong Kong) Limited	100	100	Hong Kong
Biopoint Nanjing Diagnostic Technology Co. Limited	78.75	78.75	China
Biopoint Hong Kong Limited	78.75	78.75	Hong Kong

During 2014 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 was recorded in equity. The consolidated result for the Biopoint subsidary companies was a deficit of $918k, of which $195k is attributable to the non-controlling interest.

21. Related Party Transactions

The Group purchased services from AMREP AS Pty Ltd during the year on normal commercial terms amounting to $113,831 (2014: $167,210). During the year various Directors made donations to the Group totalling $77,700 (2014: $121,100). During the year the Group received fees totalling $499,525 (2014: $1,163,541) from a Director related entity.

22. 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.

23. 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.

23. Segment Information (cont)

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	
	2015	2014	2015	2014	2015	2014
External revenues	4,420	4,486	34,630	37,097	39,050	41,583
Inter-segment revenue	–	–	–	–	–	–
Interest income	228	252	134	190	362	442
Interest expense	(1,921)	(2,028)	–	–	(1,921)	(2,028)
Depreciation and amortisation	(1,285)	(1,285)	(1,222)	(1,118)	(2,507)	(2,403)
Reportable segment profit/(loss)	1,614	(422)	(3,402)	(922)	(1,788)	(1,344)
Other material non-cash items						
• Fair value adjustment of derivative	505	(1,165)	–	–	505	(1,165)
Reportable segment assets	53,710	54,396	33,450	36,141	87,160	90,537
Investment in associates	–	–	2,265	2,265	2,265	2,265
Capital expenditure	–	–	1,124	786	1,124	786
Reportable segment liabilities	47,358	49,003	17,100	17,194	64,458	66,197

24. 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 43% (2014: 45%) 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.

24. Financial Risk Management (cont)

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 15 for details of the swap and cap associated with this loan. Principle 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 15) 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 15.

25. 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:

Carrying amount	NOTE	2015 $'000	2014 $'000
Investments	9	2,265	2,530
Trade and Other Receivables	8	4,728	4,149
Cash and cash equivalents	18(i)	17,133	19,378
		24,126	26,057

25. Financial Instruments (cont)

The Group's maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:

Carrying amount	2015 $'000	2014 $'000
Australia	4,349	3,899
Asia	274	87
North America	105	161
South America	–	–
Europe	–	2
	4,728	4,149

Impairment losses:

The ageing of the Group's trade receivables at the reporting date was:

Carrying amount		
Not past due	4,184	3,760
Past due 0-30 days	248	130
Past due 31-60 days	59	120
More than 60 days past due	237	234
Less allowance for doubtful debts	–	(95)
	4,728	4,149

There was no impairment loss recognised on investments. The allowance accounts in respect of trade receivables are 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 2015 ($'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	33,900	46,775	1,371	1,514	2,996	8,727	32,167
Trade and other payables	2,294	2,294	2,294	–	–	–	–
Current tax liabilities	75	75	75	–	–	–	–
Finance lease liabilities	46	47	47	–	–	–	–
	36,315	49,191	3,787	1,514	2,996	8,727	32,167

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

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.

25. Financial Instruments (cont)

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 2015, it is estimated that a general increase of one percentage point in interest rates would have decreased the Group's deficit by approximately $27,000 (2014: $28,000).

As at 31 December 2015, 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 $100,832 (2014: $28,470).

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 2015 ($'000)				
Derivative financial liabilities	–	3,034	–	3,034
31 December 2014 ($'000)				
Share investment	265			265
Derivative financial liabilities	–	3,538	–	3,538

26. Parent Entity Disclosures

	2015 $'000	2014 $'000
Result of the parent entity		
Surplus/(deficit) for the period	(900)	(859)
Other comprehensive income	–	–
Total comprehensive income for the period	(900)	(859)
Financial position of the parent entity at year end		
Current assets	19,406	20,467
Total assets	85,941	88,502
Current liabilities	17,561	17,292
Total liabilities	64,383	66,044
Total equity of the parent entity comprising of:		
Retained earnings	427	2,941
Building reserve	21,131	19,517
Total equity	21,558	22,458

As at, and throughout, the financial year ending 31 December 2015 the parent entity of the Group was the Burnet Institute.

Burnet Institute International Development Activities Operating Statement *(FOR THE YEAR ENDED 31 DECEMBER)*

	2015 $'000	2014 $'000
Revenue		
Donations and gifts – monetary	84	203
Donations and gifts – non-monetary	–	–
Bequests and legacies	–	–
Grants:		
• DFAT	6,163	7,282
• Other Australian	1,108	645
• Other Overseas	3,626	3,806
Investment Income	–	–
Other Income	1,562	1,554
Revenue for international political or religious proselytisation programs	–	–
Total revenue	12,543	13,490
Expenditure		
International aid and development programs expenditure		
International programs:		
• Funds to international programs	11,575	12,441
• Program support costs	808	1,007
Community education	–	–
Fundraising costs:		
• Public	–	–
• Government, multilaterals and private	–	–
Accountability and administration	400	358
Non-monetary expenditure	–	–
Total international aid and development programs expenditure	12,783	13,806
Expenditure for international political or religious proselytisation programs	–	–
Domestic programs expenditure	702	197
Total expenditure	13,485	14,003
(Shortfall)/ Excess of revenue over expenditure	(942)	(513)

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 MEMBER

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
Tel: (02) 6285 1816
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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 9 to 31, 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 2015 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
12th day of April 2016
Signed in accordance with a resolution of the Directors:

Rob Milne
Director

Robert. L. Milne

Ross Cooke
Director

KPMG

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

Report on the financial report

We have audited the accompanying financial report of Macfarlane Burnet Institute for Medical Research and Public Health Ltd (the Company), which comprises the consolidated statement of financial position as at 31 December 2015, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 26 comprising a summary of significant accounting policies and other explanatory information, the Burnet Institute International Development Activities Operating Statement, 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 2015 and of its performance for the year ended on that date; and

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

KPMG

KPMG

Alison Kitchen
Partner

Melbourne

12 April 2016

Burnet Institute
Medical Research. Practical Action.

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OVERSEAS OFFICES

Burnet has offices or representatives in Myanmar, Papua New Guinea, China (Tibet Autonomous Region) and Lao PDR. For more information contact us at info@burnet.edu.au or call + 61 3 9282 2111.