ANNUAL FINANCIAL REPORT 2013

For the year ended 31 December 2013

Burnet Institute
Medical Research. Practical Action.

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

Contents

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A full copy of this Financial Report is available on our website, or if you would prefer a printed copy, please call +61 3 9282 2111. This Financial Report has been prepared in accordance with the requirements set out in the Corporations Act, 2001 and the ACFID Code of Conduct. For further information on the Code please refer to the ACFID Code of Conduct available at www.acfid.asn.au.

Burnet Institute is a member of the Association of Australian Medical Research Institutes (AAMRI) which is the peak body representing Australia's pre-eminent independent medical research institutes. All members of AAMRI are internationally recognised as leaders in health and medical research. A.B.N. 49 007 349 984

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For more information about our work, please visit our website at burnet.edu.au. Or if you would like to discuss any aspect of our work you can call us on (03) 9282 2111.

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

About us

Our Mission:

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

Our Values:

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

Our Unique Approach:

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

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

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

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

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

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

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

Chair's Report

This year I would like to highlight three particularly important Burnet projects, which demonstrate the excellence and innovation of our work. These projects exemplify how Burnet combines biomedical research with on-the-ground global health improvements for marginal populations.

We have made exciting progress implementing the next phase of the Institute's innovative point-of-care test, VISITECT® CD4. This diagnostic test holds enormous promise. It provides a mechanism to overcome the main roadblock to providing life-saving antiviral drugs to the poorest and most disadvantaged populations in the world, and importantly, in preventing transmission of HIV to newborn infants. We have worked closely with our commercial partner, Omega Diagnostics PLC (Scotland) in transferring the technology for large-scale manufacture, and Omega now have capacity for producing millions of CD4 tests each year. We have also been awarded two major grants for validation and implementation of field studies in key populations across the world, from UNITAID/World Health Organization and the National Health and Medical Research Council (NHMRC). This simple, but high-tech diagnostic test, could literally improve the lives of tens of millions of people living in disadvantaged communities.

During the year, Burnet was awarded a '321' grant from the Nanjing Government in China to establish a new biotechnology company, Nanjing BioPoint Diagnostics, based in the Jiangsu Life Science Technology and Innovation Park. Building on more than 20 years of close academic and public health collaborations in China, and with our significant track record of innovation in diagnostics, Nanjing BioPoint Diagnostics will make rapid progress towards its aim of developing new tests for priority health conditions – starting with a new test for liver disease. This groundbreaking program realises one of the first biotech companies to be established by a medical research institute in China. It paves the way for further ventures by Burnet and others to capitalise on the complementary strengths of Australian medical research innovation and the rapidly expanding economy, healthcare delivery and manufacturing capacity of China.

Effective vaccines against hepatitis A and hepatitis B have had an enormous public health impact over the past 20 years, but a vaccine has proven elusive for hepatitis C virus (HCV), which now affects three per cent of the global population. A Burnet team continues to make steady progress in the development of a novel candidate vaccine that overcomes the genetic diversity and high mutation rate of HCV, a major roadblock to effective prevention. This work is poised to enter formal pre-clinical and clinical development, and builds on an intimate understanding of the biology of the virus gained through their world-leading virology research. The research has been funded by the NHMRC and other agencies over the past decade. This is also a good example of Burnet's understanding of basic health issues translating real-world health problems into targeted research.

I would like to thank my fellow board members for their contributions during the year. Their support and the time provided to the Institute is very much appreciated.

The importance of having strong relationships with all sides of politics cannot be underestimated. I would like to acknowledge the significant contribution Ms Natasha Stott Despoja AM has made in championing our government relations strategy, for heading our Engagement Committee, and providing advice on many different matters during her time on the board. Natasha stood down from her board position late last year to take up a new role as Australia's Ambassador for Women and Girls for which we extend our best wishes and congratulations. I also thank Henry Lanzer for his contribution to the board over many years, for his counsel on legal issues and for his support

as a member of the Budgeting and Investment Committee.

I would like to welcome three new board members to the Institute: Ms Jane Thomason, Mr Garry Hounsell and Mr Ben Foskett. These new appointments will bring an additional depth of experience and expertise to the board, especially in the areas of international development, governance and corporate affairs.

We are also very fortunate to have a very generous group of donors who share our mission of achieving better health for poor and vulnerable communities. Like our own staff, they are very much committed to the work of the Institute and share our passion for creating a healthier world. Thank you for your continued support and encouragement. In a period of uncertainty with regard to government support, your donations ensure that we can continue to innovate and develop new programs. To those who have also taken that next step of leaving a legacy to Burnet Institute in their Will, a special thank you. Bequests to the Institute have meant we have the financial capacity to grow and develop our research and public health programs, and plan for the future with much greater confidence.

Finally, I would like to thank Director and CEO, Professor Brendan Crabb and all the staff at Burnet for an exceptional year. We have continued to meet and excel against all our key performance indicators, testament to the talent and dedication of the researchers, public health and administration teams across the Institute.

As always, I am in awe of the dedication and professionalism of this wonderful group of people.

Our achievements demonstrate the excellence and innovation of our biomedical and public health work.

Mr Alastair Lucas AM
Chair,
Burnet Institute

IN APPRECIATION

Thank you to the organisations that support us:

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Director's Report

It is with great pleasure that I report on the activities and highlights of Burnet Institute over the past 12 months. While we continued to focus on our core activities, we also implemented a number of new strategic initiatives that build on our existing capacity and open up new opportunities for the Institute across the region.

As you'll see below, we continue to operate in a challenging environment. Despite that, it was an amazing year for Burnet. It was very pleasing to see a significant increase in competitive funding received from the National Health and Medical Research Council (NHMRC), a reflection of our research quality and innovation. Close to 33 per cent of grants submitted from Burnet researchers received funding, against a national average of 19 per cent. A total of 15 grants received funding with a combined value of AUD$7.08million, up almost AUD$2million on the previous year. We continued to meet other indicators of success with 200 publications in peer-reviewed journals, an increase of 10 per cent on 2012, and the significant progression of our translational research program activity.

A number of health priorities have emerged in our region, which require urgent attention and in which Burnet will play a major part. These include the emergence of multidrug-resistant tuberculosis; and the incredibly high rate of women and newborns who die as a result of childbirth in countries such as Papua New Guinea and Myanmar. We have developed a number of new initiatives to address these problems.

Tuberculosis (TB) has been neglected for many years and we now have an epidemic of TB emerging right on our doorstep. Globally, 58 per cent of TB cases and 40 per cent of multidrug-resistant cases are located in our region, requiring a multifaceted approach to address the problem. We have commenced building a strong team of TB clinicians, researchers and epidemiologists, and hosted the first regional forum on TB. One of the major outcomes of the forum was the development of collaborations between other research groups, public health partners, commercial organisations and regional governments, and the formation of the soon-to-be launched Australasian Tuberculosis Forum (ATF). Our plans are to develop a robust research and public health response to the issues, and progress the development of rapid diagnostic tests, new drug therapies and vaccines.

In another major new initiative, Burnet launched its *Healthy Mothers, Healthy Babies* program in Papua New Guinea in May. The program was officially launched by the then Australian Minister for Foreign Affairs, Senator the Hon Bob Carr and the Papua New Guinea Minister for Foreign Affairs, the Hon Rimbink Pato. The AUD$5million, five-year program is focused on developing research to identify the major causes of the high mortality rate in women and newborns during, or shortly after, childbirth and to formulate the most effective strategies. The initiative involves a cross-centre approach at Burnet and multiple collaborations with our partners in PNG, importantly, the PNG Institute for Medical Research, the National Department of Health, and the University of PNG.

We continued to progress the roll out of clinical trials of our CD4 rapid diagnostic point-of-care test in PNG, India and in

Africa, with funding received from the NHMRC and Gates Foundation, and have significantly progressed our hepatitis C candidate vaccine initiative.

In addition, we recently secured a partnership in China to develop in-country a rapid diagnostic test for the detection of liver disease. To enable this to progress, we have formed Nanjing BioPoint Diagnostics through the support of the Chinese Government which will utilise and adapt core Burnet Institute technologies to develop the specific test. This is a significant initiative for the Institute and consolidates many years of working within China, to help address some of the major health issues in the country.

The programs I have mentioned above underscore the significance of Burnet's internal and international collaborations that are critical to the Institute's success and how we operate today. These initiatives are very much overseen by our senior scientific and administrative staff, and the Institute's Board of Directors.

I would also congratulate Professor Paul Dietze on being awarded Burnet Institute's Frank Fenner Prize and Associate Professor Mark Stoové on receiving the Gust-McKenzie Medal. These prestigious awards recognise the significant contributions made to improving the lives of poor and vulnerable communities through research and public health.

I would like to thank the Board of Directors who have given an enormous amount of time to the Institute during the year. Their support and advice is very much appreciated. I would especially thank our Chair, Mr Alastair Lucas AM for his continuing support, guidance and mentoring. Alastair celebrated his 10-year anniversary as Burnet Chair during the year; an amazing track record of commitment. Alastair has an incredible passion and energy for Burnet and is a wonderful ambassador. Thank you for your outstanding contribution.

To the staff of the Institute and to the Executive Management Team, thank you for your continued support and commitment and for your outstanding achievements. I never cease to be amazed by the level of talent and enthusiasm demonstrated by our staff, often under difficult circumstances.

Funding availability continues to be the one major issue consistently facing all medical research institutes, not just in Australia but globally. We continued to lobby the State and Federal Governments in a number of forums for increases in the budget allocated to medical research, and that for international development to meet increased infrastructure costs and our commitment to foreign aid. While we know our messages are being heard, we are less optimistic that any increase will be seen in the short term and that financial pressure will persist in the sector for some time.

We are also looking forward to hearing the many stories of success that will accompany the thousands of delegates at the 20th International AIDS Conference in Melbourne during July, 2014. Importantly, we will also hear many stories of great need that, with your help, we hope to be able to address.

As we move into 2014, we do so with the knowledge that through our research and public health activities we are making a difference to the lives of millions of people.

Professor Brendan Crabb
Director and CEO,
Burnet Institute

COMMUNITY SUPPORT

Thank you to everyone who supported us in 2013.

The Board and staff of Burnet extends a heartfelt thank you to everyone who has made generous gifts and in-kind donations to enable us to address the many serious health challenges facing poor and vulnerable communities.

Your generosity has underpinned our pursuit of scientific breakthroughs, the purchasing of new technology, and developing of new approaches in infectious disease research and diagnostics. In Timor-Leste, your gifts enabled us to purchase a GeneXpert machine that will help diagnose children with tuberculosis, giving them a fighting chance against this devastating disease. Your support will also assist the field trials of our groundbreaking VISITECT® CD4 point-of-care HIV test in India, Kenya and South Africa which are about to begin.

Thank you for making these achievements possible.

BEQUESTS

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

We thank **Ruby Violet Ashcroft**, **Beatrice Louise Glascodine**, **Joan Margaret King**, **Robert MacDonald** and **Joy Sutherland Mary Stansfield** for their special support of Burnet's work through a gift in their Will.

Leadership

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Mr Alastair Lucas AM

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Associate Professor David Anderson
Professor Mike Toole AM

Associate Directors
Professor Suzanne Crowe AM
Professor Margaret Hellard

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Head, Business Development, Innovation and Research
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Head, Research Support and Facilities
Mr Carl Vine
Head, Information Technology
Mr Mark Tennent
General Manager, Centre for International Health
Professor Sharon Lewin
Co-Head, Centre for Biomedical Research

Year at a glance

HIGHER RATES OF **CHLAMYDIA IN GIRLS AGED 12-15 YEARS** ACCORDING TO SURVEILLANCE RESEARCH.

$14 million
in international development program grants.

MANY OF THE 200
children in PNG taking part in a study developed natural immunity to malaria.

$7.7million
across 14 NHMRC grants and fellowships.

*Researchers found many of the **380 alcohol-related smartphone apps** actually encouraged risky drinking!*

40%
OF YOUNG VICTORIANS SURVEYED SAY THEY SEXTED IN 2013.

'BIG DAY OUT' SURVEY SHOWS **38% OF YOUNG AUSTRALIANS AT RISK OF ACQUIRING AN STI.**

HIV:
9 LABS, 70 SCIENTISTS
TRYING TO FIND A CURE, VACCINE AND MORE EFFECTIVE TREATMENTS FOR HIV.

28 public health researchers working on HIV in Victoria.

78 health professionals working on our international health HIV projects.

201 PEER-REVIEWED SCIENTIFIC PAPERS PUBLISHED BY BURNET RESEARCHERS.

Community Engagement

Celebrating International Women's Day

More than 100 women joined with Burnet staff at a special luncheon to celebrate International Women's Day (IWD). The luncheon highlighted the Institute's achievements in women's health and raised awareness about the inequalities in health that women in developing countries still face.

Keynote speaker, Professor Suzanne Crowe AM, a revered HIV researcher, spoke passionately about empowering women though health knowledge that will transform their health and that of their children. Young inspiring researchers at Burnet joined Professor Crowe in discussing their work and its potential impact on the lives of young women.

Reflecting on 30 years of HIV and AIDS research

June 2013 marked 30 years since HIV was discovered. Burnet Institute reflected on the global response to HIV and AIDS at a special function held at Parliament House in Canberra.

Guest speakers included the Hon Tony Abbott MP, the Hon Tanya Plibersek MP, Senator the Hon Christine Milne, and long time Burnet supporter and leading Australian philanthropist, Mr Harold Mitchell AC.

They praised Burnet's significant contribution to health and medical research, especially in the field of HIV and AIDS. Burnet currently has more than 170 scientists and public health professionals working on HIV.

Burnet in Myanmar

Burnet Chairman Alastair Lucas AM, former Burnet Board member Natasha Stott Despoja AM, Burnet Director and CEO Professor Brendan Crabb, and local Burnet staff, were honoured to meet Daw Aung San Suu Kyi at her home in Nay Pyi Taw in February 2013.

The delegation talked about the health problems facing the country as it emerges from decades of military rule, in a meeting that lasted more than an hour. They discussed the complexity of maternal and child health issues relating to HIV and AIDS, and malaria, and the lack of skilled medical professionals in the region.

Burnet's work in Myanmar includes finding ways in which women who live in poor, remote or rural settings are able to give birth safely at home. Too many deaths occur through infection, loss of blood or issues related to blood pressure.

01 *Burnet Ambassador Belinda Collins (6th from left) joined staff and guests at the special International Women's Day luncheon.*

02 *The Hon Tony Abbott MP spoke in support of Burnet's extensive work in HIV research.*

03 *A Burnet delegation met with Daw Aung San Suu Kyi during a visit to Myanmar.*

2013 HIGHLIGHTS IN:

Sexual & Reproductive Health

Lack of access to, and quality of, sexual and reproductive health services significantly contributes to the global burden of ill health. Increased global efforts are needed urgently to achieve access for all women and men, including adolescents and those who are marginalised. Reducing the unmet need for contraception alone could avert half the world's annual maternal and child deaths.

Burnet is engaged in a broad range of research, evaluation programs and development interventions – from basic (laboratory) science projects, clinical trials and epidemiological studies, through to capacity building, education, training and policy development.

Preventing early and unintended pregnancy among adolescents in Vanuatu

Adolescent pregnancy is associated with poor health outcomes and socioeconomic disadvantage for girls and their families.

In 2012-2013, Burnet developed and implemented a community-based health promotion intervention in Vanuatu in partnership with Wan Smolbag. Building on Burnet's previous research in Vanuatu, the peer-led intervention targeted adolescent males and females aged 15-19 years in 28 urban and rural communities, to increase knowledge, improve attitudes and support behaviour change to reduce adolescent pregnancy.

The intervention was implemented as part of a cluster randomised controlled trial to assess the effectiveness of this approach.

Young girls in Vanuatu are now provided with access to reproductive health information.

HIV prevention studies

The Wright Group, led by Associate Professor Edwina Wright, is leading a ground breaking Victorian pre-exposure prophylaxis (PrEP) demonstration project to study the efficacy of daily antiretroviral therapy for the prevention of HIV in people who are at high risk of infection.

In collaboration with The Alfred hospital, Associate Professor Mark Stoové and investigators at other sites, this study brings together clinical, social and epidemiological aspects of the uptake of PrEP and will provide critical information for the introduction of PrEP in a comprehensive HIV prevention strategy in Australia.

Can lactic acid play a protective role against HIV?

The Tachedjian Laboratory has discovered that lactic acid, produced by beneficial lactobacilli bacteria (pictured above) found in the vaginas of women of reproductive age, is considerably more active in killing HIV at physiological concentrations compared to other acids.

These findings, published in the *Journal of Antimicrobial Chemotherapy*, suggest a protective role for lactic acid in the sexual transmission of HIV.

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2013 HIGHLIGHTS IN:

Maternal & Child Health

Despite considerable progress over the last two decades, preventing the deaths every year of more than 6.8 million mothers and children remains a critical global priority. The overwhelming majority of these deaths occur in developing countries and most could be prevented.

Engaging men in maternal and child health

In collaboration with University of the Witwatersrand in Johannesburg, Burnet is conducting a systematic review of interventions to increase male involvement that will inform new WHO guidelines. Our projects in Myanmar, Papua New Guinea and Zimbabwe include targeting men to improve their knowledge and support for maternal and child health (MCH). In collaboration with the PNG National Catholic Health and HIV Services, Burnet convened the first national male involvement conference in PNG.

Improving access to quality care for mothers and children

Burnet is working with local partners, government and communities to increase access to health care and mobilise support for pregnant women. In Zimbabwe, we use a novel Action Birth Card developed by our partner, The Organization for Public Health Interventions and Development (OPHID), to help prepare women for safe birth and assist communities to provide maternity waiting homes so pregnant women can be closer to obstetric care. In Zimbabwe and Myanmar, we are supporting the training for midwives and ensuring clinics can provide life-saving care. In Lao PDR, health workers are supported to provide outreach services to women and children in remote and rural areas. These projects were expected to reach more than 70,000 women, men and children in 2013.

Iron deficiency, anemia and malaria in pregnant women in PNG

In collaboration with the PNG Institute of Medical Research, we found unacceptably high rates of anemia (›90 per cent) and iron deficiency (›60 per cent), and a high burden of malaria during pregnancy. Surprisingly, we found that pregnant women with iron deficiency, paradoxically, had lower rates of low birth weight babies because iron deficiency reduced the risk of malaria, which is a major cause of low birth weight. These findings highlight the urgent need for effective interventions.

Healthy Mothers, Healthy Babies research initiative launched in Papua New Guinea

This five-year research initiative will address major and urgent health issues in MCH in East New Britain Province. The program will determine major disease burdens and identify risk factors for maternal, newborn and child deaths, and poor health, including anaemia, malaria, TB, malnutrition, postpartum haemorrhage, and low birth weight. This knowledge will enable the development of new interventions to address these major diseases, and new strategies to strengthen existing interventions and health services. The project is being conducted in partnership with the PNG Institute of Medical Research, and others in PNG.

The Healthy Mothers, Healthy Babies research initiative has started in East New Britain, PNG.

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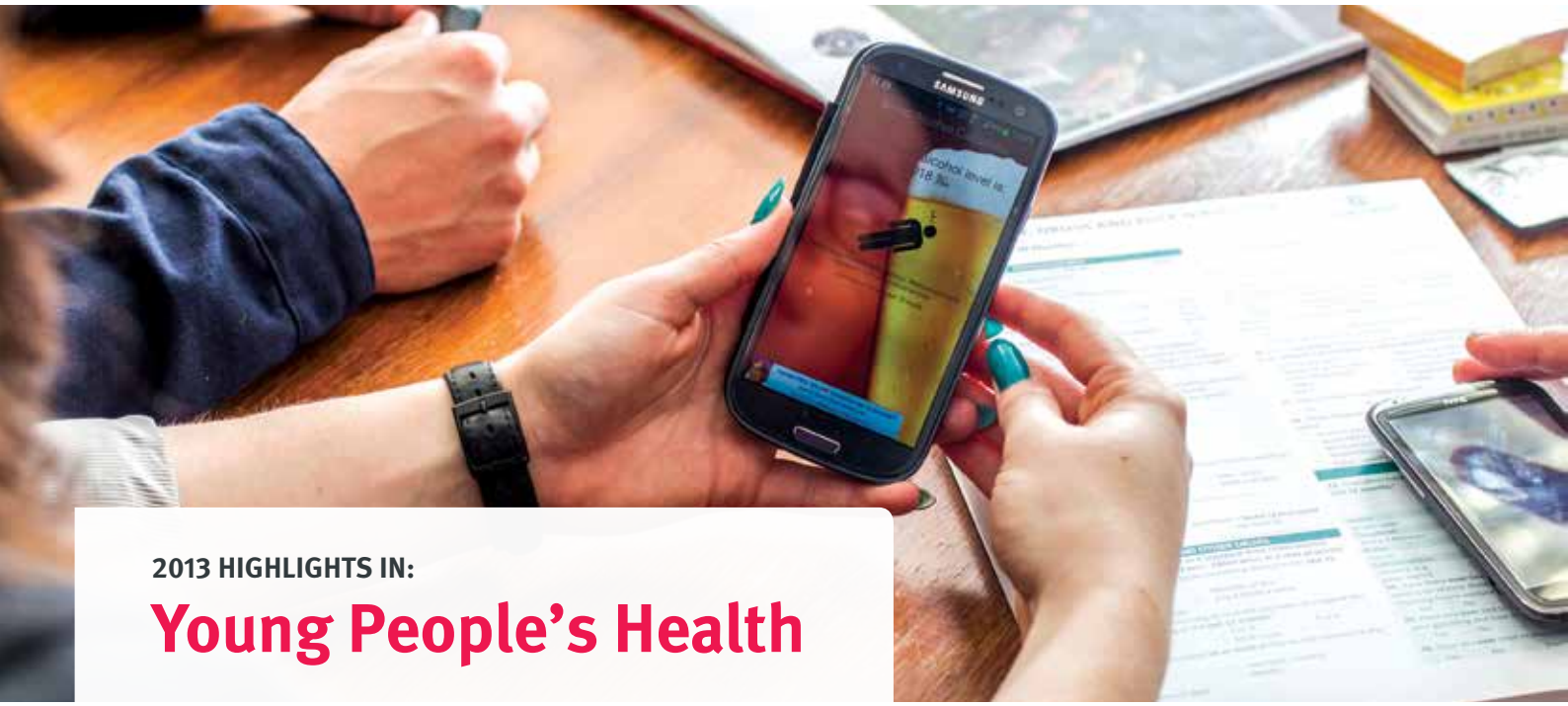

2013 HIGHLIGHTS IN:

Young People's Health

Many health problems peak or emerge in young adulthood, including alcohol, tobacco and other substance use disorders, mental health disorders and health issues related to sexual and injury risks. Burnet Institute undertakes research using innovative methods to understand the key issues affecting young people and implement programs to reduce risk events.

Understanding risky drinking in young people

The *Young Risky Drinkers* study involves following 800 very-high-risk Melbourne drinkers over several years. The study is trying to better understand these young people's drinking patterns, their experience of immediate problems that arise through drinking such as fights, and long-term problems.

A key component of this work is to understand the complex interrelationships between drinking, occupational roles, social roles, relationships and sexual behaviours, and aggression and violence.

Big Day Out survey.

Sexting – a focus in Sex, Drugs and Rock'n'Roll Survey

Sexting was a new focus of Burnet's survey at the 2013 Melbourne Big Day Out music festival. Through the research we identified that 'sexting' was viewed by many young people as a common and standard form of communication within a relationship or as a form of flirting. However, passing a sext on to a third party without permission was considered to be unacceptable behaviour.

Since 2005, Burnet has conducted surveys with more than 15,000 young people at this annual music festival about alcohol and illicit drug use, sexual risk behaviours, and knowledge and perceptions of alcohol consumption and sexual behaviour.

Social media project promoting sexual health in Indonesia

Research using text messaging for health promotion continues In Indonesia where Burnet is undertaking a project in collaboration with US-based research institute, RTI International, and a Jogjakarta-based university, Universitas Gadjah Mada. The research is measuring the impact of text messages in promoting sexual health and reproductive services to young people.

ACCESS – an innovative linked surveillance system

The key to reducing risk in young people is to first accurately measure that risk. Burnet, in collaboration with the Kirby Institute, NRL and others, has established ACCESS, an innovative linked surveillance system that accurately measures blood-borne virus (BBV) and sexually transmitted infection (STI) testing, incidence and behavioural predictors of incidence.

ACCESS will enable researchers to measure the impact of health promotion programs aimed at reducing sexual risk behaviour and increasing STI and BBV testing nationally.

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2013 HIGHLIGHTS IN:

Infectious Diseases

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

HIV: 'Thinking outside the box'

Burnet's unique approach to tackling HIV by 'thinking outside the box' transcends our laboratory research, population health collaborations and international community-based HIV prevention programs. Burnet has nine HIV laboratories, and 176 scientists and public health researchers working towards the same goal – preventing, treating and eradicating HIV. In a dynamic year of successes and breakthroughs, our VISITECT® CD4 point-of-care test is beginning field trials in developing countries; our researchers are determining the way in which HIV enters, replicates and persists in the brain; and working on a vaccine to tackle HIV transmission; Burnet opened Australia's first shop front rapid HIV testing clinic, PRONTO! in collaboration with Victorian AIDS Council/Gay Men's Health Centre; and Burnet Myanmar continues its work to deliver high quality HIV prevention programs.

Training volunteers for the home-based malaria project, PNG.

Tuberculosis: Improving outcomes in Asia and the Pacific

Burnet is expanding its focus on Tuberculosis (TB) as it increasingly becomes a significant infectious disease globally. More than eight million people are affected yearly and the burden of disease is especially high in the Asia and Pacific regions. Major challenges exist in the diagnosis of TB, the requirement for prolonged antibiotic treatment, access to treatment programs, the lack of a vaccine to prevent infection, and the emergence of multidrug-resistant TB (MDR-TB).

Burnet led a major TB symposium, 'Advances in TB: Australian and Regional Perspectives'. This attracted major national and international speakers and helped establish the Australasian TB Forum. Commissioned by the Government of PNG and DFAT-Australian Aid to perform a scenario analysis for programmatic responses to TB (including MDR-TB) in the Western Province of Papua New Guinea, Burnet's Associate Professor Emma McBryde and Dr James Trauer, used mathematical modelling to simulate TB transmission and control strategies along with a cost-effectiveness analysis. This coming year will see Melbourne Health and Burnet introduce the first DNA-based TB diagnostics (Xpert MTB/RIF) into the National Health Laboratory in Timor-Leste.

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

Home-management of malaria (HMM) is an integral part of malaria case management in PNG. Funded by The Global Fund, Burnet supported the implementation of training 200 community-based volunteers to provide rapid diagnostic testing and treatment in their communities. This enabled sick community members to access testing and treatment for malaria quickly, reducing the burden of care at health facilities and empowering communities.

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2013 HIGHLIGHTS IN:

Alcohol, Other Drugs & Harm Reduction

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

The Drugs and Public Health Interest Group (DPHG) fosters cross-Centre collaboration by sharing information about potential opportunities for Burnet in Australia and the Asia and Pacific regions.

Harm Reduction – an international focus

An evaluation of Médecins du Monde (MdM) Harm Reduction Programme for People Who Inject Drugs in Dar es Salaam, Tanzania in March 2013, focused on four main areas of enquiry – effectiveness, partnership, sustainability and gender. We provided recommendations for each of the 14 essential elements recommended by the United Nations as essential service provision for people who use drugs.

Through our work with UNICEF in Tanzania, Burnet's Mr Chad Hughes developed Interventions for Key Populations in Zanzibar guidelines that covered best practice for addressing HIV among people who inject drugs, people who sell sex, men who have sex with men, and prisoners. Mr Hughes also trained more than 70 local health sector and civil society staff to implement the guidelines that were adopted by the Zanzibar AIDS Control Programme and the Ministry of Health in Zanzibar.

Take-home naloxone in Australia

Professor Paul Dietze, Head of the Alcohol and other Drug Research Group, participated in a symposium at the 2013 Australian Professional Society on Alcohol and other Drugs (APSAD) conference focused on take-home naloxone programs. These programs, in which the overdose-reversal drug naloxone is distributed to friends and family members of people who inject drugs, are designed to improve overdose management and prevent fatalities. Professor Dietze is involved in the evaluation of programs in the ACT, New South Wales, Western Australia and Victoria.

Naloxone – a focus of CREIDU Colloquium

Take-home naloxone was a key focus of the 2013 Annual Colloquium of the Centre for Research Excellence into Injecting Drug Use (CREIDU), featuring Professor John Strang from the UK National Addiction Centre and speakers from the program in the ACT. CREIDU has supported Harm Reduction Victoria (HRV) distribute take-home naloxone through their existing overdose prevention program by providing evaluation and other resources.

HRV began take-home naloxone training in conjunction with ACCESS Health in St Kilda in August 2013.

A version of 'take-home' naloxone available in the UK.

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2013 HIGHLIGHTS IN:

Immunity, Vaccines & Immunisation

New vaccines are a prime target for research that addresses critical health threats to vulnerable populations from diseases such as malaria, polio, tuberculosis, hepatitis C, hepatitis B and HIV. Developing and testing new ways to deliver existing vaccines through immunisation programs is also needed to reach more communities and successfully integrate these approaches within health systems in developing countries.

New insights into the role of B cells and antibodies

Across our Centre for Biomedical Research new insights were discovered into the role of B cells and antibodies in immunity and vaccines. At the basic research level, the Hogarth Laboratory (Inflammation, Cancer and Infection) discovered a new type of receptor for antibodies made by B cells. The Ramsland Laboratory (Structural Immunology) characterised the structure of antibody-containing complexes on cancer cells, and the Gugasyan Laboratory (Lymphocyte Biology Group) found a molecule that, when absent, leads to the dysfunction of B cells and autoimmune disease. The Beeson Laboratory (Malaria Immunity and Vaccines) revealed how antibodies are able to block malaria infection of red blood cells.

Burnet is involved in an immunisation program in Myanmar and Lao PDR.

Progress towards a preventative hepatitis C vaccine

The Drummer/Poumbourios Laboratory (Viral Fusion) continues to work on a prophylactic vaccine for hepatitis C virus with a patent 'Recombinant HCV glycoprotein E2' granted in the USA. It was also awarded ACH2 grants to begin development of cell lines for the production of the vaccine in readiness for a human clinical trial.

Supporting immunisation services in global health programs

A national immunisation coverage survey in Fiji conducted by Dr Tony Stewart, Geoffrey Chan and Liz Comrie-Thomson from Burnet's Centre for International Health, updated the previous survey of 2008, and showed an overall improved coverage of vaccines.

Dr Ben Coghlan also created program designs for Save the Children's Afghanistan program which supports child health, including immunisation services.

Research continued into how best to scale-up vaccination against hepatitis B within 24 hours of birth, and we published advocacy and policy briefs based on the 2012 findings.

As the 'polio eradication end-game' gains momentum, Professor Mike Toole AM continued his involvement on the Independent Monitoring Board of the Global Polio Eradication Initiative. He reviewed the initiative in southern Afghanistan and found significant progress has been achieved.

Dr Chris Morgan was appointed Chair of the WHO Immunization Practices Advisory Committee.

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Centre for Biomedical Research

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

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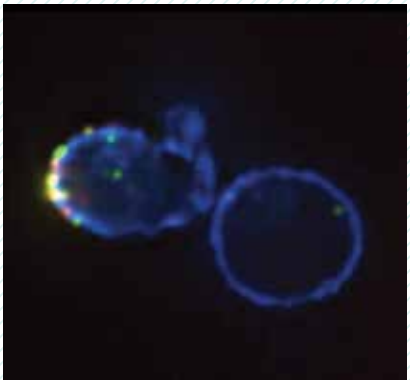
Major new discoveries and advances were achieved in 2013.



Fluorescent HIV to infect signalling protein CCL19.

Professor Paul Gorry supervising a student in the lab.

The Centre has a broad research program in infectious diseases, autoimmune and inflammatory diseases, and cancer, as well as research into understanding how the immune system fights infectious diseases and cancer, or malfunctions in autoimmune diseases. This includes the infectious diseases HIV, malaria, hepatitis B and C, tuberculosis and influenza, as well as arthritis and lupus, and breast, ovarian, cervical and prostate cancers.

Centre for Biomedical Research established

Heralding a new era of integration for Burnet's laboratory-based researchers, the former Centres for Virology and Immunology were merged in early 2013 to create the Centre for Biomedical Research. The merger brought together 25 research groups and more than 130 staff and students to work together in a highly competitive, innovative and cutting-edge environment. The new Centre continues the philosophy of integrating discovery-based research, translational research, and clinical and population research to achieve new advances in diseases of major importance globally and in Australia.

Creation of Collaborative Research Programs

The establishment of four Collaborative Research Programs (CRPs) focused on the major themes that encompass our primary areas of research, brings together researchers with common or complementary interests and expertise. The CRP initiative aims to enhance interactions and sharing of knowledge and expertise between research groups, and promote collaborations and partnerships across Burnet. This will maximise the achievements and significance of our research, and enhance the academic environment and research support for students, postdoctoral scientists and other research staff. Working groups have commenced and are involved in regular seminars, grant planning and review, and collaboration strengthening.

Collaborative Research Programs:

- *HIV, hepatitis, and other viruses*
- *Malaria and tropical diseases*
- *Immune function in health and disease*
- *Vaccines and diagnostics.*

Research achievements

Major new discoveries and advances were achieved in malaria, HIV, hepatitis C, and influenza, striking new insights into the function of the immune system that are relevant to developing new therapies and vaccines, and further advances in the development of vaccines and diagnostics. Find out more at www.burnet.edu.au/centres.

Publications

Our researchers were highly productive in 2013 with more than 100 publications in international journals, including some of the world's leading journals. This strongly reflects the high standards of work being performed, and the innovation and significance of achievements by the Centre's researchers.

Grants and funding

It was an exceptionally successful year in obtaining research funding from the National Health and Medical Research Council (NHMRC), international funding agencies and other sources. In the last round of NHMRC funding, 16 of the Centre's lab heads featured in successful NHMRC grants. We also received several grants in the latest round of funding from the Australian Centre for HIV and Hepatitis, funding from international agencies, including the National Institutes of Health USA, and the Bill & Melinda Gates Foundation, and other funding sources.

Awards

Dr Michelle Boyle, **Dr Renee White** and **Dr Michael Roche** all received prestigious NHMRC Early Career Fellowships.
Dr Roche was awarded the Frank Fenner NHMRC Early Career Fellowship, which is awarded to the highest ranked applicant from the Biomedical or Public Health Early Career Fellowship.
Dr Boyle was one of three Victorian scientists presented with a prestigious Premier's Award for Health and Medical Research Commendee Award.
Dr Lachlan Gray was awarded the International AIDS Society – Agence National de Recherche de SIDA HIV Cure Prize which was presented at the 7th IAS Conference on HIV Pathogenesis, Treatment and Prevention. The prize is awarded to the top-ranking abstract on HIV Cure submitted to the conference.
Dr Freya Fowkes was awarded a prestigious Future Fellowship from the Australia Research Council that will support her research for the next four years.

New approaches for HIV vaccines

The Drummer/Poumbourios Laboratory discovered a new method for enhancing the presentation of neutralising antibody epitopes on a HIV-1 vaccine candidate by forcing evolutionary changes in the viral surface glycoproteins. The findings provide a starting point for designing new, more effective vaccines aimed at stopping the spread of HIV-1.
Publication highlight: *Drummer HE, et al. PLoS Pathogens. 2013;9(4):e1003218.*

Identifying targets of immunity to malaria for vaccine development

Results from a comprehensive study of human immunity to malaria led by Professor James Beeson and Dr Jack Richards identified key targets of protective antibodies that have strong potential for development as malaria vaccines. The team evaluated immune responses to more than 90 different malaria antigens in 200 children in Papua New Guinea who were monitored over time for malaria infection. In related studies, the group showed that antibodies to some of these proteins block the ability of malaria to infect human red blood cells. However, malaria also has a trick up its sleeve, it is able to dodge immune responses by using different proteins to attach to red blood cells. Overcoming this evasion strategy will be important in developing an effective vaccine.

Publication highlights: *Richards JS, et al. Journal of Immunology. 2013, 191(2):795-809. Persson KE, et al. Journal of Immunology. 2013, 191(2): 785-94.*

Defining molecular mechanisms in malaria for drug targeting

The Gilson/Crabb Laboratory revealed the mechanism of a molecular switching system in malaria parasites that could be a future drug target. As malaria parasites grow inside human cells they need to make a range of decisions, such as when to invade new red blood cells and when to spread by mosquitoes. Kinases are enzymes that by switching other proteins on and off, play an important role in the parasites' decision making circuits. These findings identify ways to develop new malaria drugs that can block kinases.

Publication highlight: *Azevedo MF, et al (2013). Biochem J. 452:433-41.*

Delivering vaccines directly to dendritic cells

The Caminschi Laboratory has shown that delivering vaccines directly to dendritic cells is an extremely potent method of eliciting immunity. Ongoing work is focusing on identifying the mechanism that facilitates this immunity so that they can harness the knowledge for the rational design of new vaccine strategies. In collaboration with multiple teams they are looking to apply their knowledge to different technologies and different diseases.

Publication highlight: *Park HY, Light A, Lahoud MH, Caminschi I, Tarlinton DM, Shortman K. (2013). Evolution of B cell responses to Clec9A-targeted antigen. J Immunol. 2013 Nov 15;191(10):4919-25. doi: 10.4049/jimmunol.1301947.*

New therapeutic approaches to flush out HIV

In HIV-infected patients on treatment the virus is able to hide in resting T cells in a 'latent' form. Latency is the main reason why current treatment is unable to cure HIV. In a major achievement, the first clinical trial was completed of a cancer drug, Vorinostat, in HIV treatment. The drug was used to 'flush out' HIV from the latent reservoir of infected cells. The Lewin Laboratory has identified a number of additional signals required in order to establish latent infection. They initially identified the importance of the chemokine CCL19 and more recently, the role of dendritic cells. Dendritic cells are in close contact with T cells in lymphoid tissue and via this close contact can give the T cell a specific signal that opens the door to the virus. These models of latent infection are very important for finding new ways to lure the virus out of hiding.

Publication highlights: *Evans VA, et al. (2013). PLoS Pathogens 9(12): e1003799. Spina CA, Anderson JL et al. PLoS Pathog. 2013 Dec;9(12):e1003834.*

Understanding HIV drug resistance and guiding clinical management of HIV

Two important and related discoveries from the Gorry Laboratory included the discovery of the mechanism of HIV-1 resistance to the drug Maraviroc (CCR5 antagonist). Unlike resistance to other anti-HIV drugs, resistance to Maraviroc was not due to common genetic changes within the HIV sequence, but rather, different genetic changes that resulted in HIV adopting a common but altered function. They also produced new clinical tools that predict HIV response to Maraviroc; these tools are available on the Burnet website and will assist in the clinical management of HIV patients.

Publication highlight: *Roche, M., et al. 2013. Retrovirology. 10:43.*

Our Research Working Groups

Anderson Laboratory:
Diagnostics Development

Beeson Laboratory:
Malaria Immunity and Vaccines

Caminschi Laboratory:
Dendritic Cell Biology and Immunotherapy

Churchill Laboratory:
HIV Neuropathogenesis

Crowe Laboratory:
International Clinical Research and HIV

Drummer/Poumbourios Laboratory:
Viral Fusion

Ffrench Laboratory:
Viral Immunology

Fowkes Laboratory:
Malaria and Infectious Diseases Epidemiology

Gavin Laboratory:
Leukocyte Development in Health and Disease

Gilson/Crabb Laboratory:
Malaria Research

Gorry Laboratory:
HIV Molecular Pathogenesis

Gowans/Loveland Laboratory:
Hepatitis C

Gugasyan Laboratory:
Lymphocyte Biology

Hogarth Laboratory:
Inflammation, Cancer and Infection

iCRL – International Clinical Research Laboratory
WHO – Accredited Regional Reference Laboratory

Jaworowski Laboratory:
Infection, Inflammation and Innate Immunity

Lahoud Laboratory:
Dendritic Cell Receptors

Lewin/Cameron Laboratory:
HIV and Hepatitis B Immunopathogenesis

O'Keeffe Laboratory:
Dendritic Cell Research

Pietersz Laboratory:
Bio-Organic and Medicinal Chemistry

Ramsland Laboratory:
Structural Immunology

Tachedjian Laboratory:
Retroviral Biology and Antivirals

Tannock Laboratory:
Influenza

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

Centre for Population Health

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

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(L-R) Dr Megan Lim discusses Sexting project data with Alyce Vella and Timothy Yeung.

Open for business! Australia's first shop front rapid HIV test clinic.

HIV, hepatitis C, sexually transmitted infections, malaria, tuberculosis, and drug and alcohol use are serious health concerns in Australia, Asia and the Pacific.

Reducing the impact of these infectious diseases, particularly in highly vulnerable populations and disease-endemic areas, is an enormous challenge.

PRONTO! – Australia's first shop-front rapid HIV test clinic open for business

PRONTO!, opened by the Victorian Minister for Health, the Hon David Davis MP in August 2013, is a collaboration between Burnet Institute and the Victorian AIDS Council/Gay Men's Health Centre (VAC/GMHC). It provides a quick HIV test using a simple pinprick of blood with results available within 20 minutes. Burnet's team, led by Associate Professor Mark Stoové, Dr Claire Ryan, Ms Anna Wilkinson (PhD student) and Dr Alisa Pedrana, co-ordinated with the VAC on the design, building, staffing and operational procedures of PRONTO! in just six months.

More than 300 clients have attended PRONTO! in Fitzroy, Victoria since its opening. The aim of the service is also to reduce HIV transmissions by overcoming barriers to more frequent testing. Burnet's Dr Pedrana and Mr David Leitinger (honours student) will evaluate PRONTO! during its 24-month trial period, including the impact of the service on HIV testing frequency and service acceptability, and community engagement.

ACCESS surveillance system expanded

Previously focused on surveillance of chlamydia, ACCESS has received new funding to enable its testing of a broader range of sexually-transmitted infections and blood-borne viruses. Testing and positivity information will now be gathered for chlamydia, gonorrhoea, syphilis, hepatitis C virus and hepatitis B virus. Australian Collaboration for Enhanced Sentinel Surveillance of STIs and BBVs, is a collaboration with the Kirby Institute and NRL. Funding for the next three years has been received from health departments in NSW, Victoria, the Northern Territory and ACT.

Funding boost for malaria researcher

Head of Burnet's Malaria and Infectious Disease Epidemiology Group, Dr Freya Fowkes has received more than AUD$1.2 million for her research through an NHMRC grant and a prestigious ARC Future Fellowship. The funding will enable Dr Fowkes to undertake her research in malaria immuno-epidemiology, which aims to understand the immune response to malaria in pregnant women and infants, and to understand the interaction between immunity and the assessment of emerging drug resistance.

The over-riding hypothesis is that differences in malaria transmission will lead to differential acquisition of immunity and efficacy of malaria interventions within, and between, populations. Understanding population dynamics of immunity to malaria is pivotal to develop new interventions, to understand the effectiveness of current malaria

Papua New Guinea's Western Province has a high incidence of tuberculosis.

treatment, and control programs to reduce the global burden of malarial disease.

Mathematical modelling used to evaluate burden of tuberculosis in PNG's Western Province

Burnet's Associate Professor Emma McBryde has used mathematical modelling to analyse the incidence of tuberculosis (TB) in Papua New Guinea's Western Province. Associate Professor McBryde was commissioned to undertake two evaluations on behalf of the Government of Papua New Guinea, and supported by DFAT – Australian Aid of the high incidence of tuberculosis including drug-resistant forms. In the first evaluation, Associate Professor McBryde quantified the incidence of tuberculosis, the rates of multidrug-resistant tuberculosis (MDR-TB) in the Western Province, and made a preliminary estimate of the burden of disease in comparison to the other high burden health conditions.

In the second evaluation, she led a group to investigate different control strategies, developing mathematical and economic models of tuberculosis control in Western Province. Tuberculosis remains a major contributor to the infectious diseases burden in Papua New Guinea. The relative proximity of Australia and Papua New Guinea enables travel between the two nations from the remote treaty villages of the Western Province.

This travel to the outer Islands of the Torres Strait in Australia has brought attention to high incidence of tuberculosis in the region.

Risky drinking by young people

The second wave of data collection from the *Young Adults and Alcohol Study* was completed during 2013. The study has already provided unique data, highlighting the importance of packaged liquor in the high risk drinking of young Victorians. The second wave of data collection will allow an examination of how drinking patterns change over time and how these changes relate to changes in the life circumstances of participants.

Burnet evaluating take-home naloxone programs

Professor Paul Dietze is involved in the evaluation of take-home naloxone programs that have been established in the ACT, NSW, Western Australia and, most recently in Victoria.

Naloxone is an overdose reversal drug that is being distributed to friends and family members of people who inject drugs, and is designed to improve overdose management and prevent fatalities.

Our Working Groups

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

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

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

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

MALARIA AND INFECTIOUS DISEASES EPIDEMIOLOGY
Head: Dr Freya Fowkes
Understanding malaria dynamics in populations is key to implementing effective public health control measures.

MODELLING & BIOSTATISTICS
Head: Associate Professor Emma McBryde
Biostatistics is the application of statistics to a wide range of topics including public health research.

SEXUAL HEALTH
Co-Heads: Professor Margaret Hellard and Dr Megan Lim
This group focuses on work examining the epidemiology and consequences of risk behaviours among young people.

VIRAL HEPATITIS
Head: Professor Margaret Hellard
Our work focuses on improving understanding of hepatitis C, harm reduction strategies and ultimately a vaccine.

Centre for International Health

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

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01 *Staff at the Butuwin clinic in East New Britain, PNG.*

02 *Volunteers on the Engaging Men to Improve Health and Prevent Gender Based Violence project in PNG.*

03 *Mapping of health services and the barriers to their use in Myanmar.*

Our expertise spans HIV prevention and care, women's and children's health, sexual and reproductive health, drug use, primary health care, strengthening national health systems, and education across these fields. Innovation, inquiry and influence underpin our public health approach. Working closely with communities, civil society organisations, governments, international non-government organisations and UN agencies, we can respond effectively to local health issues.

Professor Robert Power appointed Head of the Centre

Long-term Burnet public health researcher Professor Power was appointed to head up the Centre for International Health, having previously held senior positions within the Institute. After 17 years as Head, Professor Mike Toole AM took on a new role as a Deputy Director of the Institute. During Professor Toole's extraordinary leadership the Centre expanded from five staff to a team of more than 150, with many based in overseas offices.

Papua New Guinea

East New Britain is the site for one of our two Global Fund projects to deliver *Home-based Malaria Management.* The team of 10 locally engaged staff, under the technical direction of Ms Lisa Davidson in Burnet's Melbourne office, provides training and supervision for more than 200 community-based volunteers. The aim of the project is to provide a first response to malaria via diagnosis and treatment especially targeting the under-five-year-old age group. The outcome of this pilot will provide the government important information to guide a national rollout of the approach. The Australian NGO Cooperation Program (ANCP)-funded initiative, *Engaging Men to Improve Health and Prevent Gender Based Violence in Papua New Guinea*, which works through sporting clubs, has finalised the research component and will, in 2014, commence providing the participants with information on the topics they have selected to improve their own health.

Since 2012, Burnet has partnered with Abt JTA and Department of Foreign Affairs and Trade (DFAT) on the Health and HIV/AIDS Implementation Service Provider (HHISP) program. Since the program's inception, Burnet's role in HHISP has included general technical support; identification of resources (individuals & consultants); assisting the development of research initiatives; and implementing initiatives, ranging from consultancies to longer-term research projects. Among the nine HHISP projects, is a four-year Medical Supplies Impact Evaluation, the development of the National Health and HIV Research Agenda, and the redesign of documents for The Institute of Medical Research (IMR) and the Health Education and Clinical Services program at the University of PNG. With the overarching objectives of improving maternal and child health outcomes, and delivering health and HIV services to rural and high risk populations, Burnet will continue to assist in the strengthening of the health system through HHISP until the program's closure in 2015.

Burnet continues to work with a wide range of stakeholders – national and East New Britain provincial government health departments, donors and locally-based health organisations including NGOs. We have a Memorandum of Understanding (MOU) to support the School of Public Health within the School of Medicine and this year strengthened that relationship through facilitation of a curriculum development workshop aimed at providing an in-service opportunity for the teaching staff. Burnet has a close relationship with the IMR and is currently supporting them in the appointment of a post-doctoral scientist.

First National Country Representative in Myanmar appointed

Dr Phone Myint Win, who has had a long association with Burnet Institute Myanmar (BIMM) since 2007, has taken on the role as National Country Representative and is based in Yangon. Building on the work of previous country representatives, Dr Phone has already made a significant contribution to Burnet's programs and oversaw the signing of a new four-year Memorandum of Understanding (MOU) with the Myanmar Ministry of Health that granted access for Burnet to work in all 14 regions of the country for the first time.

Myanmar

It's been a year of growth and change for the Myanmar Program. The scope of our HIV work is expanding by delivering services as well as providing capacity building and organisational support to civil society partners. Two long-running projects were completed, *Strengthening HIV Responses through Partnership (PFHAB)* and *Male participation in improving maternal and newborn health: A community-based intervention in Myanmar.*

Both projects have provided important services to the populations and local partners we work with, and more broadly to the sector.

Five new projects are to get underway that reflect our priority themes: 3MDG maternal, neonatal and child health with SAVE UK in Magwey; GFATM harm reduction, setting up Drop In Centres in five sites; 3MDG Harm Reduction are also setting up drop-in-centres in Yangon and providing capacity building to local partners; monitoring and evaluation operational research; and the UNDP National HIV Household Socio-Economic Survey. With Dr Karl Dorning leading Burnet's component of the recently commenced Myanmar Education Consortium there is an excellent base from which to build on our contribution to the health needs of the Myanmar population.

Compass: The Women's and Children's Health Knowledge Hub

The Women's and Children's Health Knowledge Hub (WCH Hub) concluded on 30 June 2013. The successful five-year partnership between Burnet, Menzies School of Health Research, and the Centre for International Child Health, University of Melbourne has contributed to a range of outcomes including: setting global, regional and national health research priorities; consolidating evidence through systematic reviews and knowledge synthesis; and promoting and implementing evidence-based interventions for maternal and child health in the region. A key strength of the WCH Hub research was the targeted policy engagement undertaken with our primary audiences in the region. Outputs have developed through extensive in-country dialogue with Ministries' of Health, and consultations with relevant UN agencies, development partners and other key stakeholders.

First-ever National Health and Medical Research Council (NHMRC) Project Grant secured

Headed by Associate Professor Stanley Luchters, the Centre secured its first cross-Centre NHMRC Project Grant valued at more than AUD$900,000. This research is a world-first intervention study to assess the effectiveness and impact of two newly-developed and unique low-cost, point-of-care tests for assessment of CD4 count (POC VISITECT® CD4 test developed by Burnet) and early infant diagnosis of HIV developed by Northwestern University. The study will be undertaken in Papua New Guinea and China. A key challenge for initiating antiretroviral (ARV) intervention to HIV-infected pregnant women is determining what ARV regimen to initiate. Due to the need for sophisticated laboratory instruments, highly trained personnel and associated high costs, both CD4 assessment and determination of HIV infection status are the main barriers to large-scale uptake and timely initiation of lifesaving ARV interventions. Both POC tests could save the lives of thousands of women and children in resource-constrained settings. The findings from the proposed study will provide critical evidence that is currently lacking in the field to inform programs in China, PNG and other developing countries in the region and globally.

China (Tibet)

The Tibet Health Capacity Building Program underwent its first year of implementation in 2013. The program is funded by the Australian and Chinese governments and is managed by the Burnet Institute in association with the Australian Red Cross. Activities have been designed to support and build the capacity of the Tibet Regional Health Bureau to implement the Region's 12th Five Year Plan for Health and beyond. In the first year we trained over 800 health managers across areas of health policy, health law, health information management, safe blood use, hospital infection control, human resource management, and financial management. One tangible and much needed resource that has been developed is a service guideline for county hospitals and clinics. These guidelines cover management and clinical areas, and will be used by the hospitals and clinics to make continuous improvements in service provision. We also supported the development of the Region's infectious disease outbreak response plan. This plan, when finalised, will have long-term impact within the Region's public health system, by standardising procedures for infectious disease outbreak control across the Region.

Our Working Groups

INTERNATIONAL OPERATIONS
Head: Professor Robert Power
Our focus is on improving the health of local vulnerable communities through effective public health action and capacity building across Asia and the Pacific regions.

EDUCATION & CAPACITY DEVELOPMENT
Head: Marion Brown
Responsible for the oversight, development and strategic direction of the Centre's education, training and capacity development programs in Melbourne and overseas.

HIV & HARM REDUCTION
Head: Mr Chad Hughes
Providing technical assistance, strategic direction and advice to countries and communities addressing the HIV epidemic, and/or drug and alcohol-related harms.

INFECTIOUS DISEASE/HEALTH SYSTEM STRENGTHENING
Head: Dr Chris Morgan
Improving health systems, especially health service delivery, is an essential research priority in all settings. We also target globally important infections such as malaria and tuberculosis (TB).

WOMEN'S AND CHILDREN'S HEALTH
Co-Heads: Associate Professor Stanley Luchters and Dr Elissa Kennedy
Improving the health of women and children in resource-poor settings through capacity building, technical advice, research and advocacy.

Associate Professor Stanley Luchters was Co-Head of the Centre for International Health until June 2013.

Business Development, Innovation and Research

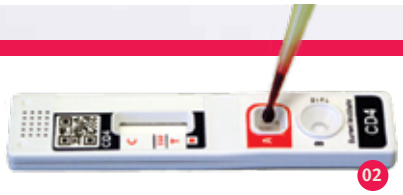
Commercialisation of innovative solutions to health problems is one of the mechanisms by which Burnet delivers its mission to improve health worldwide. Together with studies to facilitate effective implementation of these and other technologies, we aim to improve the health of poor and vulnerable communities.

Burnet's first biotechnology venture in China

Nanjing BioPoint Diagnostics has been established through a '321' grant awarded to Associate Professor David Anderson in April 2013 by the Nanjing Government in China.

Nanjing BioPoint Diagnostics has established an R&D facility in the Jiangsu Life Science Technology and Innovation Park. BioPoint's work will initially focus on the development of a novel point-of-care test for detecting liver disease in resource-poor settings, drawing on the experience of Burnet's diagnostics team led by Ms Mary Garcia.

VISITECT® CD4 attracts two major grants to conduct field trials



Burnet received US$1.6 million from UNITAID in December 2013 to conduct field trials of its licensed CD4 point-of-care test, VISITECT® CD4, in India and South Africa. This grant is part of US$20 million in funding for developers of easy-to-use HIV diagnostics designed for low-income countries. Burnet will coordinate the three-year project with partners, Omega Diagnostics PLC, UK; Y.R.G Care, India; The University of the Witwatersrand, South Africa and The Kirby Institute, NSW, Australia. Field studies of the VISITECT® CD4 test in antenatal settings in China and Papua New Guinea will be supported through a US$924,000 NHMRC Project Grant awarded to Burnet's Associate Professor Stanley Luchters in October 2013. It is our first NHMRC grant with colleagues at the National Centre for STDs in Nanjing, China and will also involve staff across Burnet's three Centres. The transfer of Burnet's technology to Omega Diagnostics has been completed to prepare for high-volume manufacturing and the anticipated demand for millions of VISITECT® CD4 tests each year.

CD4 diagnostic initiative with Cavidi

Burnet has partnered with leading Swedish HIV diagnostic company, Cavidi, to develop a simple instrument-based laboratory CD4 test based on our CD4 technology. Cavidi has well-established Viral Load technology, and this partnership will enable greater reach of both technologies and more streamlined handling of samples in the laboratory setting.

Patents

Australian and USA patents were granted for key technology around the development of a vaccine against hepatitis C, and further patents were granted for Burnet's CD4 diagnostic technology including South Africa, Australia and the USA.

01 *Burnet's Associate Professor David Anderson (far left), Ms Lisa Renkin (centre) and Mr Geoff Drenkhahn (far right) confirm the new biotech venture with our partners in China.*

02 *Millions of VISITECT® CD4 tests will be produced to meet demand in low-income countries.*

03 *(L- R) Burnet's Ms Serina Cucuzza and Associate Professor David Anderson meet with Cavidi CEO, Mr John Reisky de Dubnic and Cavidi Board member, Mr David Mandel, and Burnet's Dr Alison Greenway.*

Education and Training

Burnet Institute is involved in a broad range of education programs that include our involvement in the supervision of research projects for university-enrolled students, the delivery of a range of public and international health short courses and diplomas, as well as a commitment to education and training activities with institutes and communities in our region. Education is strongly aligned with the Institute's purpose of improving the health of disadvantaged, poor or otherwise vulnerable people throughout the world.

Research student projects

Our research staff play an important role in education by providing training in laboratory and public health research at the Honours and Postgraduate (Masters and PhD levels). Research students are enrolled at a university, normally in Victoria, but spend the majority of their time engaged in research in one of our three Centres; Biomedical Research, Population Health and International Health. In 2013, we had an enthusiastic group of 10 Honours students and 44 PhD students who were enrolled in six leading Australian universities: Monash University (29), The University of Melbourne (21), La Trobe University (1), RMIT University (1), University of New South Wales (1) and the Queensland University of Technology (1). Burnet research students and supervisors are supported by Burnet Institute's Research Students Committee (RSC), which has representation from our Postgraduate student body, each Burnet Centre, and includes our Honours and Postgraduate Coordinators.

Diploma in Tropical Medicine and Hygiene

The Melbourne Postgraduate Diploma in Tropical Medicine and Hygiene (DTM&H) commenced in February 2014. The DTM&H is led academically by the Nossal Institute for Global Health (Melbourne School of Population and Global Health) and taught through the complementary strengths of the University of Melbourne's Faculty of Medicine, Dentistry and Health Sciences, the Burnet Institute, and the Faculty of Tropical Medicine at Mahidol University in Thailand.

This new course brings together the tradition of the DTM&H and the contemporary fundamentals for today's practitioners of tropical and travellers' health. Embedded in the Diploma course are two Certificate courses (Specialist Certificate in Travel Medicine and the Specialist Certificate in Practice of Tropical Medicine and Hygiene) which can be completed as stand-alone Certificate courses.

Training 200 health professionals in Tibet.

Postgraduate international public health studies

Our intake of 163 students in 2013 in the international public health subjects coordinated by Burnet was slightly lower than in 2012. We also hosted an Australian Award Fellowship group comprising senior health planners from Lao PDR, who attended the Health of Women and Children course and additional sessions in health planning, nutrition and disability inclusive development.

Burnet supports many PhD and Masters students.

Support to the University of Papua New Guinea

Burnet is collaborating with the University of Papua New Guinea Division of Public Health (DoPH) to build the capacity of the Division to provide high quality postgraduate courses in public health. The program aims to raise the capacity of the DoPH to become a premier public health training facility for the public health workforce in PNG.

An initial workshop, involving a four-person public health teaching team was held in late October 2013. This workshop, conducted as a facilitated discussion, was an opportunity for DoPH to determine the nature of the support that was needed, the priorities for this support, and the best way it could be delivered. The three days of discussion resulted in new course structures for the Diploma in Public Health and the Master of Public Health, building on the strengths of the courses that have been implemented until now. The current academic and administrative arrangements in place for the courses, including entry requirements and course/unit assessment, were also reviewed and revised. The action plan that was developed by the team will be used to guide activities throughout 2014.

Student Night 2013.

Dr Paul Ramsland
Education Officer
Tel: +61 3 92822178
education@burnet.edu.au

Ms Marion Brown
Education and Capacity Development Team Leader
Tel: +61 3 92822167
mbrown@burnet.edu.au

Philanthropy

On behalf of the board and staff of the Burnet Institute, thank you for your generous support during the year. Your donations have meant we have been able to undertake many new initiatives, further develop existing programs, and purchase new technology, which helps us to progress our research into many different diseases.

Healthy Mothers, Healthy Babies

A major new initiative of the Institute is the *Healthy Mothers, Healthy Babies* program launched in Port Moresby, Papua New Guinea (PNG) in May 2013. This research program has been designed to identify the major reasons for extremely high levels of maternal and newborn deaths in PNG and to develop the most effective strategies to address the problem.

Healthy Mothers, Healthy Babies is a collaborative effort between organisations such as the Papua New Guinea Institute for Medical Research (PNG IMR), PNG National Department of Health and the University of Papua New Guinea.

Five million dollars is needed to support this research project.

The AUD$5million, five-year program was officially launched by the then Australian Minister for Foreign Affairs, Senator the Hon Bob Carr and the PNG Minister for Foreign Affairs, the Hon Rimbink Pato.

Since the program was launched, more than AUD$1.9million has been raised in support of the program through private philanthropic and corporate donations as well as funding from trusts and foundations such as the Macquarie Foundation and Finkel Foundation.

The GeneXpert machine can provide a diagnosis for TB in less than two hours.

Donations will enable us to train scientists Eugenia and Luis in Timor-Leste on the new GeneXpert technology.

Thank you for helping stop TB

Tuberculosis (TB) is a re-emerging disease that is killing more than one million people each year. More than 58 per cent of global cases of TB occur in the Asia and Pacific regions with an increasing threat of multidrug-resistant TB a major concern. Children are particularly vulnerable and difficult to diagnose. It is in this context that Burnet launched its *Campaign to Stop TB* in October 2013.

The campaign raised a remarkable $122,000 to help tackle TB in Timor-Leste, a country where the disease has reached endemic proportions and where thousands of children need better diagnosis.

As a result of the campaign, we were able to purchase a GeneXpert machine that will accurately and quickly diagnose TB. The GeneXpert will be stationed at Timor-Leste's National Health Laboratory where local staff will be trained on the new technology.

Travel grants

Travel grants are essential if our researchers are to present their research findings at major conferences and to meet with and learn from their international colleagues and peers.

For more than 10 years, the Harold Mitchell Foundation has been a generous supporter of our young researchers through the distribution of two annual grants. One successful recipient was PhD student Kieran Cashin who recently attended a leading conference in Boston on Retroviruses and Opportunistic Infections. The conference was attended by the world's leading investigators in the field of HIV pathogenesis and drug development.

While in the USA, Kieran met with bioinformatics collaborators to share a free online computer program that reduces the cost of HIV pre-treatment testing in resource-poor countries and aids access to anti-HIV drugs – a great opportunity for a young scientist still undertaking his PhD.

Super-resolution microscope

A Burnet supporter looking through the super-resolution microscope.

Thanks to the generous support of many donors including Equity Trustees' Harold and Cora Brennen Trust and the William Angliss Charitable Fund, we were able to purchase a super-resolution microscope for the Institute, one of only three in Victoria.

For the first time, our scientists are able to analyse microbes such as malaria, influenza and tuberculosis in high-definition. When studied under standard microscopy, malaria parasites appear blurry because they are extremely small. Using this new microscope, scientists will be able to precisely observe how the malaria parasite enters and infects red blood cells. With this knowledge, we can accelerate vaccine development and the identification of new drug targets; important research aimed at saving millions of lives.

Access to high-definition images will also assist influenza research, allowing early events in the replication of the influenza virus' genes to be studied directly in infected cultures or tissues, and help introduce new antiviral chemotherapies for the control of the virus.

We would not have been able to purchase this incredible technology without the wonderful support of our donors. Thank you!

Annual Financial Report 2013

For the year ended 31 December 2013

Contents

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

Directors' Report

The Directors present their report together with the consolidated financial statements of the Group comprising the Macfarlane Burnet Institute for Medical Research and Public Health Limited (Burnet Institute) and its subsidiaries (The Group) for the year ended 31 December 2013 and the Audit Report thereon.

Directors

The Directors of 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
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
Director, Research Australia
Member, Advisory Board, Fauna & Flora International Australia
Member, Australian Takeovers Panel

Professor Brendan Crabb, BSc(Hons), PhD
Executive Director and CEO since March 2008
Member, Engagement Committee
Member, Budget and Investment Committee
Secretary, Research Advisory Committee
President, Association of Australian Medical Research Institutes Pty Ltd
Director AMREP Animal Services Pty Ltd
Chair, Alfred Medical Research and Education Precinct Council
Chair, PATH/MVI Vaccine Science Portfolio Advisory Council, USA
Chair, Papua New Guinea Institute of Medical Research Buttressing Coalition
Member, Board of Management, Gene Technology Access Centre, Victoria
Member, Scientific Advisory Board, Malaria Program, Wellcome Trust Sanger Institute, UK
Member, Scientific Advisory Board, Monash Institute of Pharmaceutical Sciences
Adjunct Professor, The University of Melbourne
Adjunct Professor, Monash University

Mr Robin Bishop, LLB(Hon), BCom, BA
Director since 2012
Member, Budget and Investment Committee
Head and Executive Director, Macquarie Capital Australia and New Zealand
Member, Australian Takeovers Panel

Professor Peter Colman, BSc, PhD
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
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
Director, National Board of the Australia Latin America Business Council 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, Qantas Airways Limited
Director, Dulux Group Limited
Director, Treasury Wine Estates Limited
Director, Ingeus Limited
Member, Advisory Council, Rothschild Australia Limited
Member, Advisory Council, Charter Keck Cramer

Mr Henry Lanzer, BCom, LLB
Director since 2008 and resigned 2013
Member, Budget & Investment Committee
Managing Partner, Arnold Bloch Leibler
Director, Premier Investments
Director, The Just Group
Director, Tarrawarra Museum of Art
President, Mount Scopus Memorial College Foundation

Mr Robert L Milne, BEng(Civ), FIE(Aust), CP Eng
Director since 2000
Chair, IP & Commercialisation Committee
Member, Budget and Investment Committee
Chair, Cockram Corporation and subsidiaries

Professor Christina Mitchell, MBBS (Melb), PhD, FRACP
Director since 2011
Academic Vice-President and Dean, Faculty of Medicine, Nursing and Health Sciences, Monash University
Scientific Advisory Board Member, Peter McCallum Research Institute
Organising Committee Member, Hunter Cell Biology Meeting

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

Professor Philippa Pattison, BSc, PhD
Director since 2011
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 Natasha Stott Despoja AM, BA
Director since 2008 and resigned December 2013
Chair, Engagement Committee
Former Leader, Australian Democrats
Former Senator for South Australia
Director, beyondblue
Director, South Australian Museum
Member, Advisory Council, Museum of Australian Democracy
Member, Advertising Standards Board
Honorary Research Fellow, University of Adelaide

Dr Jane A Thomason, BSW, MPH, PhD
Director since 2013
Chief Executive Officer and Director, Abt JTA
Adjunct Associate Professor, Australian Centre for International and Tropical Health & Nutrition, 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, Technical Review Panel, Global Fund to Fight AIDS, TB, and Malaria
Member, Public Health Scientific and Technical Expert Group of the 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, Institute of Chartered Accountants Australia
Advisory Member, Global Foundation
Advisory Corporate Council Member, European Australian Business Council
Member, Chief Executive Women
Director, Opera Australia
Member, Australian Institute of Company Directors

Resigned as Director during 2013 or since year end:
Mr Henry Lanzer, *Director since 2008 and resigned August 2013*
Ms Natasha Stott Despoja AM, *Director since 2008 and resigned December 2013*

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	4	4	7	6	2	2	6	5	3	1	–	–
Brendan Crabb	4	4	–	–	2	1	6	5	3	3	1	1
Robin Bishop	4	4	–	–	–	–	6	4	–	–	–	–
Peter Coleman	4	2	–	–	–	–	–	–	3	1	1	1
Ross Cooke	4	4	7	7	–	–	–	–	–	–	–	–
John Dowling	4	4	–	–	–	–	–	–	–	–	1	1
Ben Foskett	1	1	–	–	–	–	6	4	–	–	–	–
Garry Hounsell	1	1	–	–	–	–	–	–	–	–	–	–
Henry Lanzer	2	0	–	–	–	–	4	0	–	–	–	–
Robert Milne	4	4	–	–	–	–	6	6	3	3	–	–
Christina Mitchell	4	2	–	–	–	–	–	–	–	–	–	–
Mary Padbury	4	2	–	–	–	–	–	–	3	2	–	–
Phillipa Pattison	4	4	–	–	–	–	–	–	–	–	1	1
Natasha Stott Despoja AM	4	4	–	–	2	2	–	–	–	–	–	–
Jane Thomason	3	1	–	–	–	–	–	–	–	–	–	–
Michael Toole AM	4	2	–	–	–	–	–	–	–	–	1	1
Mary Waldron	4	3	7	7	–	–	–	–	–	–	–	–

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

Directors' Report (cont.)

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. 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. Burnet Institute has been endorsed as a charitable institution by the Australian Taxation Office. As a charitable not-for-profit organisation, 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 surplus in the current year of $2,332,240 (2012: deficit $1,900,168). Depreciation and amortisation amounted to $2,349,026 (2012: $2,342,398). Income tax is not applicable. Decrease in revenue and expenditure for the year was largely attributable to an AusAID-funded program which concluded in 2012. Turnover for this program was $6.5m in 2012.

Dividends

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 on-going grants and projects.

State of Affairs

The Group continues to perform strongly in laboratory research and public health programs, as evidenced by the number and quality of peer-reviewed publications achieved in the year, and success with NHMRC grants as well as grants from various other sources. The integration of research into public health activities and in research translation, both in product development and effecting public health change, are examples of the Group's progress toward its strategic plan.

The favourable financial performance was due largely to the success in fundraising and the change in the fair value of the derivative instruments held by the Group.

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 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 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 33 and forms part of the Directors' Report for the year ended 31 December 2013.

Dated at Melbourne this 29th day of April 2014.

Signed in accordance with a resolution of the Directors.

Alastair Lucas AM — *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 2013 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

29 April 2014

Consolidated Statement of Comprehensive Income

(FOR THE YEAR ENDED 31 DECEMBER)

	NOTE	2013 $'000	2012 $'000
Operating revenue	3	33,106	38,857
Other income	3	4,456	4,036
Research and development laboratory consumables expenses		(2,689)	(3,309)
Personnel expenses	4	(17,821)	(20,524)
Depreciation and amortisation expenses		(1,064)	(1,072)
Depreciation and amortisation expenses – property management		(1,285)	(1,270)
Property management operating costs		(170)	(187)
Research and development non-laboratory expenses		(7,932)	(12,594)
Other expenses from ordinary activities	5	(3,846)	(3,161)
Results from operating activities		**2,755**	**776**
Financial income	7	478	574
Financial expenses	7	(901)	(3,250)
Net finance costs		**(423)**	**(2,676)**
Surplus/(Deficit) Before Income Tax		2,332	(1,900)
Income tax expense		–	–
Surplus/(Deficit) After Income Tax		**2,332**	**(1,900)**
Other comprehensive income			
Foreign currency translation differences – foreign operations		17	–
Total Comprehensive Income/(Loss) for the Period		**2,349**	**(1,900)**

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 38 to 54.

Consolidated Statement of Financial Position

(AS AT 31 DECEMBER)

	NOTE	2013 $'000	2012 $'000
CURRENT ASSETS			
Cash and cash equivalents	20(i)	16,748	11,888
Trade and other receivables	8	2,740	4,776
Inventories		36	33
Other Assets	10	323	449
TOTAL CURRENT ASSETS		19,847	17,146
NON-CURRENT ASSETS			
Trade and other receivables	8	1,777	1,282
Investments	9	2,265	2,472
Property, plant and equipment	11	65,720	67,476
TOTAL NON-CURRENT ASSETS		69,762	71,230
TOTAL ASSETS		89,609	88,376
CURRENT LIABILITIES			
Trade and other payables	12	4,306	3,704
Borrowings	13	469	300
Current tax liabilities	14	102	110
Provisions	15	2,306	2,480
Deferred income	16	10,246	9,654
Derivatives	17	–	165
TOTAL CURRENT LIABILITIES		17,429	16,413
NON-CURRENT LIABILITIES			
Borrowings	13	34,426	34,500
Provisions	15	1,270	1,312
Deferred income	16	10,833	11,661
Derivatives	17	2,375	3,563
TOTAL NON-CURRENT LIABILITIES		48,904	51,036
TOTAL LIABILITIES		66,333	67,449
NET ASSETS		23,276	20,927
EQUITY			
Retained earnings		3,320	3,119
Building reserve		19,939	17,808
Foreign Currency Translation Reserve		17	–
TOTAL EQUITY		23,276	20,927

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 38 to 54.

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)

	Retained Profits $'000	Building Reserve $'000	Foreign Currency Translation $'000	Total $'000
Balance at 1 January 2012	**4,653**	**18,174**	**–**	**22,827**
Total other comprehensive income for the period	–	–	–	–
Operating surplus/(deficit)	(1,534)	(366)	–	(1,900)
Total comprehensive income for the period	(1,534)	(366)	–	(1,900)
Balance at 31 December 2012	**3,119**	**17,808**	**–**	**20,927**
Total other comprehensive income for the period	–	–	17	17
Operating surplus/(deficit)	201	2,131	–	2,332
Total comprehensive income for the period	201	2,131	17	2,349
Balance at 31 December 2013	**3,320**	**19,939**	**17**	**23,276**

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 38 to 54.

Consolidated Statement of Cash Flows

(FOR THE YEAR ENDED 31 DECEMBER)

	NOTE	2013 $'000	2012 $'000
Cash Flows from Operating Activities			
Cash receipts in the course of operations		41,023	42,550
Cash payments in the course of operations		(34,062)	(45,444)
Cash generated from operating activities		6,961	(2,894)
Interest received		478	574
Interest paid		(2,255)	(2,338)
Net cash provided by/(used in) operating activities	20(ii)	5,184	(4,658)
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(668)	(1,096)
Proceeds from disposal of property, plant and equipment		40	118
Proceeds on sale of investment		209	–
Net cash provided by/(used in) investing activities		(419)	(978)
Cash Flows from Financing Activities			
Payment of finance lease liabilities		(170)	(18)
Proceeds of finance lease		565	–
Repayment of borrowings		(300)	(300)
Net cash provided by/(used in) financing activities		95	(318)
Net increase /(decrease) in cash held		4,860	(5,954)
Cash at the beginning of the financial year		11,888	17,842
Cash at the End of the Financial Year	20(i)	**16,748**	**11,888**

The Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 38 to 54.

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 Burnet Institute as at and for the year ended 31 December 2013 comprise 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 29 April 2014.

(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 on-going 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 Group. 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 on-going 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 pg 40) 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

1.4 Property, Plant and Equipment (cont.)

to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy Note 1.11). The cost of self-constructed assets under lease arrangements includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs (see below). Lease payments are accounted for as described in accounting policy Note 1.8(ii).

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

(iii) Subsequent costs

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

(iv) Depreciation

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

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

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

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

1.5 Employee Benefits

(i) Defined contribution plans

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

(ii) Long-term service benefits

The Group's net obligation in respect of long-term service benefits, other than defined benefit plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance date which have maturity dates approximating to the terms of the Group's obligations.

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

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

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

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

1.6 Revenue Recognition

(i) Contract R&D revenue/consultancies

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

(ii) Grant income

Reciprocal grants

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

Non-reciprocal grants

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

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

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

(iv) Donations

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

(v) Interest and other income

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

(vi) Asset sales

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

(vii) Rental income

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

1.7 Finance Income and Expenses

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

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

1.8 Expenses

(i) Operating lease payments

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

(ii) Finance lease payments

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

(iii) Borrowing costs

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

1.9 Income Tax

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.

1.11 Impairment (cont.)

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

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

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

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

(ii) Non-financial assets

The carrying amounts of non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

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

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

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

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

1.12 Comparatives

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

1.13 Segment Reporting

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

1.14 Basis of Consolidation

(i) Business Combinations

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

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

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

(ii) Non-controlling interests (NCI)

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

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

(iii) Subsidiaries

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

(iv) Loss of control

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

(v) Transactions eliminated on consolidation

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

1.15 Foreign Currency Transactions

(i) Foreign currency transactions

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

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

(ii) Foreign operations

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

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

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

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

2. New Standards and Interpretations Not Yet Adopted

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

Consolidated Notes to the Financial Statements (cont.)

(FOR THE YEAR ENDED 31 DECEMBER)

3. Revenue

	2013 $'000	2012 $'000
Grants – operating	13,819	17,051
Grants – Victorian Government operational infrastructure support	3,488	3,776
Donations	4,859	2,548
Contract R&D consultancies	10,126	15,031
Contract services	561	371
Other income – miscellaneous	253	80
Operating Revenue	**33,106**	**38,857**
Rental income	3,627	3,207
Prepaid rent amortisation	829	829
Other Income	**4,456**	**4,036**

4. Personnel Expenses

Salary and wages	16,797	20,061
Employee entitlements	1,024	463
	17,821	20,524

5. Other Expenses

Net loss on disposal of property, plant and equipment	35	12
Operating lease rental expenses	82	81
Facilities and laboratory support	1,615	1,639
Other administration	2,114	1,429
	3,846	3,161

6. Auditors' Remuneration

Audit Service

KPMG Australia:	$	$
Audit and review of financial reports	48,000	48,000
Other regulatory audit services	21,000	3,000
	69,000	51,000

7. Net Financing Costs

	NOTE	2013 $'000	2012 $'000
Interest income		478	574
Financial income		478	574
Increase/(decrease) in fair value of derivatives		1,354	(912)
Interest expense		(2,255)	(2,338)
Financial expenses		(901)	(3,250)
Net Financing Costs		**(423)**	**(2,676)**

8. Trade and Other Receivables

Current			
Funds on deposit		–	2,000
Trade receivables		2,740	2,776
Less: allowance for doubtful debts		–	–
	27	2,740	4,776
Non-Current			
Lease receivables	27	1,777	1,282

9. Investments

Non-Current Investments			
• Income Securities of National Australia Bank and Macquarie Bank, fair value as at 31 December		–	207
• 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	2,472
Reconciliation:			
Total investments opening balance		2,472	2,484
Write up/(down) of income securities to fair value		2	(12)
Sale of income securities		(209)	–
Total Investments Closing Balance		2,265	2,472

As at 31 December 2013, the Group held 12.5% (2012: 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

Prepayments		323	449

11. Property, Plant and Equipment

	Leasehold buildings $'000	Plant and equipment $'000	Total $'000
Cost			
Balance at 1 January 2012	71,336	9,868	81,204
Acquisitions	552	544	1,096
Disposals	–	(552)	(552)
Balance at 31 December 2012	71,888	9,860	81,748
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**
Depreciation			
Balance at 1 January 2012	(5,538)	(6,830)	(12,368)
Depreciation charge for the year	(1,707)	(635)	(2,342)
Disposals	–	438	438
Balance at 31 December 2012	(7,245)	(7,027)	(14,272)
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)**
Carrying amounts			
At 1 January 2012	65,798	3,038	68,836
At 31 December 2012	64,643	2,833	67,476
At 1 January 2013	64,643	2,833	67,476
At 31 December 2013	**62,930**	**2,790**	**65,720**

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.

12. Trade and Other Payables

	2013 $'000	2012 $'000
Trade creditors	1,461	743
Other payables	2,845	2,961
	4,306	3,704

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.

Current		
Finance lease liabilities	169	–
Current portion of secured bank loans (ACS2)	300	300
	469	300
Non-current		
Finance lease liabilities	226	–
Non-Current portion of secured bank loans (ACS2)	34,200	34,500
	34,426	34,500

Finance lease liabilities are payable as follows:

31 December 2012 ($'000)	Minimum Lease Payments	Interest	Principal
Less than one year	–	–	–
Between one and five years	–	–	–
More than five years	–	–	–
	–	–	–

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% (2012: N/A).

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 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. 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 2013 and 31 December 2012 is all invested in short-term deposits.

14. Current Tax Liabilities

	NOTE	2013 $'000	2012 $'000
FBT Provision	27	102	110

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

15. Provisions

Current		
Liability for long-service leave	1,413	1,530
Liability for annual leave	893	950
	2,306	2,480
Non-current		
Liability for long-service leave	1,270	1,312

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	3.6%	3.1%
Settlement term (years)	9	9
Number of employees		
Number of employees at year end (FTE)	157	157

Superannuation plans

The Group contributes to various accumulation style superannuation plans. Employer contributions are at the rate required to satisfy its obligations under the Superannuation Guarantee legislation, currently 9.25% of salary. The Group may make additional contributions by agreement with employees.

16. Deferred Income

	2013 $'000	2012 $'000
Current		
Other grants	8,606	7,773
Deferred donations	811	1,052
Rentals received in advance	829	829
	10,246	9,654

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	10,833	11,661

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

17. Derivatives

	2013 $'000	2012 $'000
Current		
Interest rate swap	–	165
Non-current		
Interest rate swap	2,118	3,172
Interest rate cap	257	391
	2,375	3,563

The Institute entered into an interest rate swap transaction in 2008 whereby $6.8 million of the secured bank loan to finance ACS2 is fixed at an interest rate of 6.07% (before line fees) until 31 December 2013. The Institute also entered into an interest rate cap transaction 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 another 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

	2013 $'000	2012 $'000
Leases as lessee		
Non-cancellable operating lease rentals payable:		
Less than one year	62	74
Between one and five years	–	62
More than five years	–	–
	62	136

Leases as lessor
The Institute leases out space that it controls to third parties.

Non-cancellable operating lease rentals receivable:		
Less than one year	3,442	2,953
Between one and five years	13,454	12,687
More than five years	47,801	50,692
	64,697	66,332

During the year $4.5 million was recognised as rental income in the Statement of Comprehensive Income (2012: $4.0 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	2013 $'000	2012 $'000
Cash	**27**	**16,748**	**11,888**

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

Cash flows from operating activities			
Surplus/(deficit) for the period		2,332	(1,900)
Adjustments for:			
Depreciation	11	2,349	2,342
Amortisation of rent in advance		(829)	(829)
Lease revenue not billed		(495)	(341)
Change in fair value of derivatives	7	(1,354)	912
(Gain)/loss on revaluation of investments	9	(2)	12
Amounts set aside in provisions		(216)	(614)
(Gain)/loss on disposal of property, plant and equipment		35	(4)
Foreign currency translation		17	–
Operating surplus/(deficit) before changes in working capital and provisions		**1,837**	**(422)**
(Increase)/decrease in trade and other receivables		2,036	(2,587)
(Increase)/decrease in inventories		(3)	28
(Increase)/decrease in other assets		126	(206)
(Decrease)/increase in grant deferred income		592	(1,302)
(Decrease)/increase in trade and other payables		604	(179)
(Decrease)/increase in current tax liabilities		(8)	10
Net Cash from Operating Activities		**5,184**	**(4,658)**

21. Remuneration of Key Management Personnel

	2013 $	2012 $
Short-term employee benefits	1,429,000	1,397,000
Termination benefits	–	–
	1,429,000	1,397,000

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 two companies in China which had no assets or liabilities at the time of acquisition. These investments are also recorded at a $nil carrying value, however, their activity is recorded in these financial statements.

22. Particulars in Relation to Controlled Entities (cont.)

Entity	Interest Held 2013 %	Interest Held 2012 %	Amount of Investment 2013 $	Amount of Investment 2012 $
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	–	–	–
Picoral Pty Ltd	100	–	–	–
Burnet Institute (Hong Kong) Limited	100	–	–	–
BioPoint Nanjing Diagnostic Technology Co. Limited	100	–	–	–

23. Related Party Transactions

The Group purchased services from AMREP AS Pty Ltd during the year on normal commercial terms amounting to $259,290 (2012: $298,500). During the year various Directors made donations to the Group totalling $181,000 (2012: $655,100). During the year the Group received grants totalling $969,360 (2012: N/A) 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 2013	Property Management 2012	Medical Research & Public Health 2013	Medical Research & Public Health 2012	Total 2013	Total 2012
External revenues	4,456	4,036	33,106	38,857	37,562	42,893
Inter-segment revenue	–	–	–	–	–	–
Interest income	274	306	204	268	478	574
Interest expense	(2,255)	(2,338)	–	–	(2,255)	(2,338)
Depreciation and amortisation	(1,285)	(1,270)	(1,064)	(1,072)	(2,349)	(2,342)
Reportable segment profit/(loss)	2,131	(366)	201	(1,534)	2,332	(1,900)
Other material non-cash items						
• Fair value adjustment of derivative	1,354	(912)	–	–	1,354	(912)
Reportable segment assets	55,438	55,966	34,171	32,410	89,609	88,376
Investment in associates	–	–	2,265	2,265	2,265	2,265
Capital expenditure	–	552	668	544	668	1,096
Reportable segment liabilities	49,332	51,642	17,001	15,807	66,333	67,449

26. Financial Risk Management

Overview

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

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

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

Credit risk

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor. Work is only undertaken for another entity once a contract for services has been signed. The demographics of the Group's debtor base, including the default risk of the industry and country in which debtors operate, have less of an influence on credit risk. Approximately 41% (2012: 54%) 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. 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 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:

Carrying amount	NOTE	2013 $'000	2012 $'000
Investments	9	2,265	2,472
Receivables	8	4,517	6,058
Cash and cash equivalents	20(i)	16,749	11,888
		23,531	20,418

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

Carrying amount		
Australia	4,325	5,456
Asia	144	434
North America	45	166
South America	2	–
Europe	1	2
	4,517	6,058

Impairment losses:

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

Carrying amount		
Not past due	3,938	5,438
Past due 0-30 days	246	389
Past due 31-60 days	159	60
More than 60 days past due	174	171
Less allowance for doubtful debts	–	–
	4,517	6,058

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 2012 ($'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	34,800	55,112	1,403	1,398	2,779	8,638	40,894
Trade and other payables	3,704	3,704	3,704	–	–	–	–
Current tax liabilities	110	110	110	–	–	–	–
	38,614	58,926	5,217	1,398	2,779	8,638	40,894

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

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

27. 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 Group. 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 2013, it is estimated that a general increase of one percentage point in interest rates would have increased the Group's surplus by approximately $44,000 (2012: $83,000).

As at 31 December 2013, it is estimated that a general increase of ten percentage points in the value of the AUD against other foreign currencies would have decreased the Group's surplus by approximately $51,730 (2012: $56,400).

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 2012 ($'000)				
Financial assets at fair value through the profit or loss	207	–	–	207
Derivative financial liabilities	–	3,728	–	3,728
31 December 2013 ($'000)				
Derivative financial liabilities	–	2,375	–	2,375

28. Parent Entity Disclosures

	NOTE	2013 $'000	2012 $'000
Result of the parent entity			
Surplus/(deficit) for the period		2,391	(1,900)
Other comprehensive income		–	–
Total comprehensive income for the period		2,391	(1,900)
Financial position of the parent entity at year end			
Current assets		19,850	17,146
Total assets		89,612	88,376
Current liabilities		17,429	16,413
Total liabilities		66,333	67,449
Total equity of the parent entity comprising of:			
Retained earnings		3,340	3,119
Building reserve		19,939	17,808
Total equity		23,279	20,927

As at, and throughout, the financial year ending 31 December 2013 the parent entity of the Group was the Burnet Institute.

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

	2013 $'000	2012 $'000
Revenue		
Donations and gifts – monetary	49	80
Donations and gifts – non-monetary	–	–
Bequests and legacies	–	–
Grants:		
• AusAID	6,747	12,030
• Other Australian	563	251
• Other Overseas	2,142	2,223
Investment Income	–	–
Other Income	1,320	428
Revenue for international political or religious proselytisation programs	–	–
Total revenue	**10,821**	**15,012**
Expenditure		
International aid and development programs expenditure		
International programs:		
• Funds to international programs	9,510	10,918
• Program support costs	708	812
Community education	–	–
Fundraising costs:		
• Public	–	14
• Government, multilaterals and private	–	298
Accountability and administration	297	498
Non-monetary expenditure	–	–
Total international aid and development programs expenditure	**10,515**	**12,540**
Expenditure for international political or religious proselytisation programs	–	–
Domestic programs expenditure	403	3,086
Total expenditure	**10,918**	**15,626**
Excess/(Shortfall) of revenue over expenditure	**(97)**	**(614)**

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.

ACFID CODE
integrity • values • accountability

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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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 34 to 55, 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 2013 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

29th day of April 2014

Signed in accordance with a resolution of the Directors:

Alastair Lucas AM
Director

Ross Cooke
Director

Independent Auditor's Report

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 2013, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and the Burnet Institute International Development Activities Operating Statement for the year ended on that date, notes 1 to 28 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 31 December 2013 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

Burnet Institute
Medical Research. Practical Action.

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