Burnet Institute
Medical Research. Practical Action.

Annual Financial Report 2008

FOR THE YEAR ENDED 31 DECEMBER 2008

Macfarlane Burnet Institute for Medical Research
and Public Health Ltd A.B.N. 49 007 349 984

Contents

Directors' Report

The Directors present their report together with the Financial Report of the Macfarlane Burnet Institute for Medical Research and Public Health Limited (Burnet Institute) for the year ended 31 December 2008 and the Audit Report thereon.

DIRECTORS

The Directors of the Burnet Institute, all of whom act in an honorary capacity, along with the Executive Director and Deputy 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, BCom, FCPA
Director since 1998
Chair, Burnet Institute Board of Directors
Member, Investment Committee, Grant Committee, Fundraising Committee, ACS2 Project Committee, Burnet Institute
Vice Chair and Managing Director, Goldman Sachs JB Were
Member, Takeovers Panel
Member, Monash Dean's Advisory Board

Professor Peter Doherty, AC, FAA, FRS
Director since 2002
Deputy Chair, Burnet Institute Board of Directors
Member, Research Advisory Committee, Burnet Institute
Nobel Laureate, Department of Microbiology and Immunology, University of Melbourne

Professor Brendan Crabb, PhD
Executive Director and CEO, Burnet Institute since March 2008
Member, Research Advisory Committee, and ACS2 Project Committee, Burnet Institute
Adjunct Professor, University of Melbourne
Adjunct Professor, La Trobe University
Editor-in-Chief, International Journal for Parasitology

Ms Denise Allen
Director since 2006
Chair, Investment Committee, Burnet Institute
Director, Medical Research Commercialisation Fund (MRCF)
Former Chair and Managing Director, Legg Mason Asset Management Australia Ltd
Director, Utilities of Australia
Director, AvSuper

Associate Professor David Anderson, PhD
Director since 2006
Deputy Executive Director, Burnet Institute
NHMRC Senior Research Fellow
Member, IP and Commercialisation Committee, Burnet Institute
Chief Scientific Officer, Select Vaccines Ltd
Associate Professor, Department of Microbiology and Immunology, University of Melbourne
Director, Hepitope Limited

Dr Tracey Batten, MBBS, MHA, FRACMA, FAICD, MBA
Director since 2004 and resigned 9 December 2008
Member, IP and Commercialisation Committee, Burnet Institute
CEO, Eastern Health

Mrs Bronwyn Constance, FCPA, FAICD, FCIS
Director since 2006 and resigned 15 April 2008
Member, Audit, Finance and Risk Committee, Burnet Institute
Director and Chair, Audit Committee for the Cooperative Research Centre for Advanced Automotive Technology
Director and Chair, Audit Committee, Plantic Technologies Ltd
Director and Member, Audit Committee, Melbourne Markets Authority

Mr Ross E Cooke, BCom, ACA
Director since 1998
Chair, Audit, Finance and Risk Committee, and Member, ACS2 Project Committee and Grant Committee, Burnet Institute
Director, Paxton Partners
Director and President, Wintringham
Director and President, Wintringham Housing Ltd

Directors' Report

Mr John K Dowling, FREI, FAPI
Director since 2000
Member, Research Advisory Committee, Burnet Institute
Managing Partner, K L Dowling & Co

Mr Neil Edwards, BEcon(Hons), FAICD, FIPAA
Director since 2006
Member, Audit, Finance and Risk Committee and ACS2 Project Committee, Burnet Institute
CEO, Chifley Business School
CEO, ETM Search and Selection
Chairman, Regional Channels Authority

Dr Alan Finkel, AM, PhD, FTSE, BE(Hons)
Director since 2008
Chancellor, Monash University
Director, Florey Neuroscience Institute
Chair, Child Abuse Research Australia Centre

Professor P Mark Hogarth, PhD
Director since 2006
Acting Executive Director, Burnet Institute – September 2007 to March 2008
Deputy Executive Director, Burnet Institute
NHMRC Senior Principal Research Fellow
Former Executive Director, Austin Research Institute
Adjunct Professor, University of Melbourne
Adjunct Professor, Monash University
Director, IgAvax Pty Ltd
Member, IP and Commercialisation Committee, and Member, ACS2 Project Committee, Burnet Institute

Mr Garry Hounsell, BBus, CPA
Director since 2005
Chair, Fundraising Committee, Burnet Institute
Director, Qantas Airways Ltd and Chair, Qantas Audit Committee and Member, Qantas Nominations Committee
Director, Orica Ltd
Director, Nufarm Ltd
Deputy Chair, Mitchell Communications Group
Former Senior Partner, Ernst & Young, and CEO, Arthur Andersen

Professor, the Hon Barry O Jones, AO, FAA, FAHA, FTSE, FASSA, FRSA, FRSV, FAIM
Director since 2000
Chair, Vision 2020 Australia
Chair, Port Arthur Historic Site Management Authority
Professorial Fellow, University of Melbourne
Former Vice Chancellor's Fellow, University of Melbourne
Former Commonwealth Minister for Science
Former Chair, Victorian Schools Innovation Commission

Mr Henry Lanzer, BCom, LLB
Director since 2008
Member, Development Committee, Burnet Institute
Managing Partner, Arnold Block Leibler
Director, Premier Investments
Director, The Just Group
President, Mount Scopus Memorial College Foundation
Director, Tarrawarra Museum of Art

Professor James McCluskey, BMedSc, MBBS, MD, FRACP, FRCPA
Director since 1998
Chair, Research Advisory Committee, Burnet Institute
Professor and Associate Dean (Research) Faculty of Medicine Dentistry and Health Sciences, University of Melbourne

Mr Robert L Milne, BEng (Civ), FIE (Aust), CP Eng
Director since 2000
Member, IP and Commercialisation Committee, and Chair, ACS2 Project Committee, Burnet Institute
Chair, Hooker Cockram
Director, Great Connections

Mrs Maria Myers, AO, BA, BSW, LLB
Director since 2004
Member, Fundraising Committee, Burnet Institute

Ms Natasha Stott Despoja, BA
Director since 2008
Former Senator for South Australia
Former Leader, Australian Democrats
Director, Beyond Blue
Honorary Research Fellow, University of Adelaide
Member, Advertising Standards Board

Mr Ian Wightwick, ASTC (App Chem), BEcon, MAdmin, MAICD
Director since 2006 and resigned 9 December 2008
Member, IP and Commercialisation Committee, Burnet Institute
Former Chair, Austin Research Institute
Former Managing Director, PaperlinX
Chair and Director, Plantic Technologies Ltd

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 Committee		Research Advisory		I P & Commercialisation		Project		Investment		Grant	
	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
Mr Alastair Lucas	6	4	-	-	-	-	-	-	14	13	11	11	2	2
Professor Peter Doherty AC	6	1	-	-	1	0	-	-	-	-	-	-	-	-
Professor Brendan Crabb	5	5	-	-	1	1	-	-	-	-	-	-	-	-
Ms Denise Allen	6	5	-	-	-	-	-	-	-	-	11	11	-	-
Associate Professor David Anderson	6	5	-	-	-	-	2	1	-	-	-	-	-	-
Dr Tracey Batten	5	5	-	-	-	-	2	1	-	-	-	-	-	-
Mrs Bronwyn Constance	1	1	1	1	-	-	-	-	-	-	-	-	-	-
Mr Ross Cooke	6	6	7	7	-	-	-	-	14	9	-	-	2	2
Mr John Dowling	6	6	-	-	1	1	-	-	-	-	-	-	-	-
Mr Neil Edwards	6	4	7	6	-	-	-	-	14	12	-	-	-	-
Dr Alan Finkle	1	0	-	-	-	-	-	-	-	-	-	-	-	-
Professor P Mark Hogarth	6	4	-	-	1	1	2	2	14	11	-	-	-	-
Mr Garry Hounsell	6	1	-	-	-	-	-	-	-	-	-	-	-	-
Professor Barry Jones AO	6	2	-	-	-	-	-	-	-	-	-	-	-	-
Mr Henry Lanzer	1	0	-	-	-	-	-	-	-	-	-	-	-	-
Professor James McCluskey	6	5	-	-	1	1	-	-	-	-	-	-	-	-
Mr Robert Milne	6	4	-	-	-	-	2	2	14	11	-	-	-	-
Mrs Maria Myers AO	6	4	-	-	-	-	-	-	-	-	-	-	-	-
Ms Natasha Stott Despoja	1	1	-	-	-	-	-	-	-	-	-	-	-	-
Mr Ian Wightwick	5	3	-	-	-	-	2	0	-	-	-	-	-	-

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

PRINCIPAL ACTIVITIES

The principal activities of the Burnet Institute during the financial year were medical research and associated public health activities directed at the diagnosis, treatment and control of infectious diseases and cancer in humans. The Burnet Institute is a not-for-profit organisation combining programs of clinical and laboratory research in virology and immunology with epidemiology, social research and public health programs. There was no significant change in the nature of this activity during the year.

OPERATING RESULTS

The operating surplus of the Burnet Institute amounted to $9,546,049 (2007: surplus $1,419,568). This is represented by a surplus on operating activities before depreciation of $883,708 (2007: surplus $2,384,853) and a surplus on the building development of $9,693,934 (2007: surplus $nil). Depreciation amounted to $1,031,593 (2007: $965,285). Income tax is not applicable.

Directors' Report

DIVIDENDS

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

STATE OF AFFAIRS

During the year the Burnet Institute achieved financial close on their building project on The Alfred Hospital campus, enabling the project to proceed. The Institute is building approximately 13,900 square metres of net letable area. Construction of the Base Building and fit-out are anticipated to be completed by 31 March 2010. The total cost of the project is projected to be approximately $85 million of which approximately $35 million will be financed by bank borrowings. Approximately 10,500 square metres of this space will be rented to tenants. The project as at 31 December 2008 is on budget and on schedule.

In the opinion of the Directors there were no other significant changes in the state of affairs of the Burnet Institute that occurred during the financial year under review. Significant within these accounts are the State and Federal Government grants awarded to the Institute. These grants are in support of expanding the Institute's facilities to accommodate the merged Burnet/Austin Institute on the one site and the associated expenditure on these facilities. The amount of grant funds which remain unspent as at 31 December, 2008 pending further negotiations with developers is shown at Note 16 and the amount which has been brought to account is shown at Note 5 and Note 12.

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors note that Australia and New Zealand Banking Group Limited (ANZ) has exercised its right under its loan contract with the Burnet Institute to request a new valuation of the property of the Burnet Institute over which ANZ holds security. The Burnet Institute is able to borrow under that loan contract only up to a predetermined loan-to-value ratio, and in the event that the new valuation figure is significantly lower than the equivalent figure in the most recent valuation received by the Burnet Institute, then the Burnet Institute may need to source funding of a greater proportion of the development costs for its building project from other resources.

Except for the above and the continuing construction of the building project, 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 Burnet Institute, the results of those operations, or the state of the Burnet Institute, in future financial years.

LIKELY DEVELOPMENTS

Operations

The Directors of the Burnet Institute do not anticipate any major changes in the basis of the Burnet Institute's operations other than those detailed in this Report.

DIRECTORS' BENEFITS

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

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

ROUNDING OFF

The Institute 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 7 and forms part of the Directors' Report for the year ended 31 December 2008.

Dated at Melbourne this 21st day of April 2009.

Signed in accordance with a resolution of the Directors.

Alastair Lucas
Director

Ross Cooke
Director

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 Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2008 there have been:

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

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

KPMG

KPMG

PJ McDonald

Paul J McDonald
Partner

Melbourne
21 April 2009

Income Statement

As at 31 December 2008

	Notes	2008 $'000	2007 $'000
Revenue	**3**	**37,223**	**34,198**
Other income	3	2,230	1,081
Operating revenue		39,453	35,279
Research and development laboratory consumables used		(4,913)	(5,471)
Employee expenses		(19,971)	(18,670)
Depreciation and amortisation expenses		(1,032)	(965)
Research and development other expenses		(10,809)	(5,407)
Other expenses from ordinary activities		(2,739)	(2,886)
Utility expenses		(872)	(769)
Results from operating activities		(883)	1,111
Financial income	7	937	875
Financial expenses	7	(1,416)	(566)
Net financing costs		(479)	309
Capital grants and income on capital grants	3	11,966	2,074
Building costs	5	(1,058)	(2,074)
Capital profit/(loss) before income tax		10,908	-
Profit/(loss) before income tax		9,546	1,420
Income tax attributable to operating profit		-	-
Profit/(loss) after income tax		**9,546**	**1,420**

The Income Statement is to be read in conjunction with the Notes to the Financial Statements set out on pages pages 12 to 23.

Balance Sheet

As at 31 December 2008

	Notes	2008 $'000	2007 $'000
CURRENT ASSETS			
Cash assets – operating	20(i)	11,144	8,120
Cash assets – capital grants	20(i)	31,309	33,605
Trade and other receivables	8	4,231	3,354
Investments	9	2,764	2,814
Other	10	206	875
TOTAL CURRENT ASSETS		49,654	48,768
NON-CURRENT ASSETS			
Property, plant and equipment	11	17,386	17,076
Construction in progress	12	11,040	-
TOTAL NON-CURRENT ASSETS		28,426	17,076
TOTAL ASSETS		78,080	65,844
CURRENT LIABILITIES			
Trade and other payables	13	2,382	1,505
Interest-bearing liabilities	14	60	1,245
Employee benefits	15	3,368	2,855
Deferred income – capital grants	16	28,988	33,605
Deferred income – other grants	16	13,655	7,563
TOTAL CURRENT LIABILITIES		48,453	46,773
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	14	-	-
Employee benefits	15	649	450
Derivatives	17	1,036	-
TOTAL NON-CURRENT LIABILITIES		1,685	450
TOTAL LIABILITIES		50,138	47,223
NET ASSETS		**27,942**	**18,621**
EQUITY			
Retained profits		8,773	8,921
Building Reserve		19,098	9,404
Fair value reserve		71	296
TOTAL EQUITY		**27,942**	**18,621**

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages pages 12 to 23.

Statement of Changes in Equity

As at 31 December 2008

	Retained Profits $'000	Building Reserve $'000	Fair Value Reserve $'000	Total $'000
Balance at 1 January 2007	7,501	9,404	246	17,151
Fair value adjustment	-	-	50	50
Operating profit/(loss)	1,420	-	-	1,420
Balance at 31 December 2007	**8,921**	**9,404**	**296**	**18,621**
Balance at 1 January 2008	8,921	9,404	296	18,621
Fair value adjustment	-	-	(225)	(225)
Operating profit/(loss)	(148)	9,694	-	9,546
Balance at 31 December 2008	**8,773**	**19,098**	**71**	**27,942**

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 12 to 23.

Statement of Cash Flows

As at 31 December 2008

	Notes	2008 $'000	2007 $'000
Cash flows from Operating Activities			
Cash receipts in the course of operations		54,604	41,772
Cash payments in the course of operations		(47,146)	(37,753)
Cash generated from operations		7,458	4,019
Interest received		937	525
Interest paid		(78)	(122)
Net cash provided by operating activities	20(ii)	8,317	4,422
Cash flows from Investing Activities			
Payments for property, plant and equipment		(1,406)	(1,103)
Payment for construction in progress		(11,040)	-
Proceeds from disposal of property, plant and equipment		49	116
Proceeds received for relocation including investment income		7,350	13,961
Payments for relocation		(1,058)	(2,074)
Proceeds from sale of investments		-	277
Payments for investments		(299)	(1,878)
Net cash provided by/(used in) investing activities		(6,404)	9,299
Cash flows from Financing Activities			
Finance lease proceeds		-	137
Finance lease payments		(65)	(12)
Repayment of borrowings		(1,120)	(170)
Net cash provided by/(used in) financing activities		(1,185)	(45)
Net increase/(decrease) in cash held		728	13,676
Cash at the beginning of the financial year		41,725	28,049
Cash at the end of the financial year	20(i)	**42,453**	**41,725**

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 12 to 23.

SIGNIFICANT ACCOUNTING POLICIES

The Financial Report was authorised for issue by the Directors on 21 April 2009.

1. STATEMENT OF COMPLIANCE

The Financial Report is a general purpose Financial Report which has been prepared in accordance with Australian Accounting Standards (AASBs), (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. International Financial Reporting Standards (IFRSs) form the basis of Australian Accounting Standards (AASBs) adopted by the AASB.

1.1 BASIS OF PREPARATION

The Financial Report is presented in Australian dollars and is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading, and financial instruments classified as available-for-sale.

The Burnet Institute is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005) 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.

The preparation of a Financial Report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Burnet Institute.

1.2 FINANCIAL INSTRUMENTS

(i) Non-Derivative Financial Instruments
Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables. Non-derivative financial instruments are recognised initially at fair value.

A financial instrument is recognised if the Institute becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Institute's contractual rights to the cash flows expire or if the Institute transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Institute commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Institute's obligations in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprises cash balances and at call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Burnet Institute's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Held-for-trading financial assets
Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the Income Statement.

Available-for-sale financial assets
Other financial instruments held by the Burnet Institute are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the Income Statement.

(ii) Derivative Financial Instruments
The Institute holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value: attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes are recognised immediately in profit or loss.

The fair value of interest rate swaps and caps is based on lender quotes.

1.3 INVENTORIES

The inventory of laboratory materials is valued at the lower-of-cost and net realisable value as determined on the first-in-first-out basis.

1.4 PROPERTY, PLANT AND EQUIPMENT

(i) Owned assets
Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property.

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 Burnet Institute assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy Note 1.13). The property held under finance leases and leased out under operating lease is classified as investment property and stated at the fair value model. Lease payments are accounted for as described in accounting policy note 1.9(i). Property held under operating leases that would otherwise meet the definition of investment property may be classified as investment property on a property-by-property basis.

(iii) Subsequent costs
The Burnet Institute 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 Burnet Institute and the cost of the item can be measured reliably. All other costs are recognised in the Income Statement as an expense as incurred.

(iv) Depreciation
Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The depreciation rates used for each class of asset are as follows:

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

The residual value, if not insignificant, is reassessed annually.

1.5 EMPLOYEE BENEFITS

(i) Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement as incurred.

(ii) Long-term service benefits
The Burnet Institute's net obligation in respect of long-term service benefits, other than pension 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 Sheet date which have maturity dates approximating to the terms of the Burnet Institute'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 Burnet Institute 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 Burnet Institute as the benefits are taken by the employees.

1.6 PAYABLES

Payables are stated at cost.

1.7 REVENUE RECOGNITION

(i) Contract R&D revenue
R&D contract income is recognised in the Income Statement 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 Balance Sheet as deferred income.

1.7 REVENUE RECOGNITION (CONT)

(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 as a liability and revenue is recognised as services are performed or conditions 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 and dividends
Donations and dividends are recognised as income in the Statement of Financial Performance, as and when received.

(v) Interest and other income
Interest and other income is recognised in the Statement of Financial Performance as it accrues, taking into account the effective yield on the financial asset.

(vi) Asset sales
The net gain or loss from the disposal of property, plant and equipment is recorded as other income or other expense, and recognised on the date that an unconditional agreement of sale is signed or when the revenue is received, whichever is sooner.

1.8 FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested (including available-for-sale), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets taken through the profit or loss. Dividend income is recognised in the profit or loss on the date that the Institute's right to receive the payment is established, which in the case of quoted securities is the ex-dividend date.

Finance Expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets and losses on hedging instruments that are recognised in the profit or loss. All borrowing costs are recognised in the profit or loss using the effective interest rate method.

1.9 EXPENSES

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

(ii) Net financing costs
Net financing costs comprise interest payable on borrowings calculated using the effective interest method, dividends on redeemable preference shares, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the Income Statement.

Interest income is recognised in the Income Statement as it accrues, using the effective interest method. Dividend income is recognised in the Income Statement on the date the entity's right to receive payments is established which in the case of quoted securities is the ex-dividend date. The interest expense component of finance lease payments is recognised in the Income Statement using the effective interest method.

1.10 INCOME TAX

The Burnet Institute is exempt from paying income tax under section 23(e) of the Income Tax Assessment Act 1936.

1.11 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 Balance Sheet.

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.

1.12 ECONOMIC DEPENDENCY

The Burnet Institute is dependent on financial support and funding from the State and Federal Governments for its ongoing operations.

1.13 IMPAIRMENT

The carrying amounts of non-current assets valued on a cost basis are reviewed at reporting date to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds its recoverable amount the asset is written down to the lower amount, with the write-down recognised in the Income Statement in the period in which it occurs. Where a group of assets working together supports the generation of cash inflows, the recoverable amount is assessed in relation to that group of assets. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

Under AASB 1036, the Institute 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.

1.14 COMPARATIVE FIGURES

Comparative figures, where required and appropriate, have been reclassified so as to be comparable with the figures presented for the current financial year. This reclassification was required in relation to the retained earnings on the balance sheet. Retained earnings have now been separated into retained earnings from operating activities and earnings from capital projects. The retained profits of $27,871 (2007: $18,325) have been reclassified into Building Reserve $19,098 (2007: $9,404) and retained profits $8,773 (2007: $8,921).

2. SEGMENT REPORTING

The Burnet Institute is a not-for-profit organisation whose principle activities are medical research and associated public health activities directed at the diagnosis, treatment and control of infectious diseases in humans. There were no significant changes in the nature of these activities during the financial year.

3. REVENUE

	2008 $'000	2007 $'000
Grants – operating	19,876	19,464
Donations	2,756	2,774
Consultancies	14,591	11,960
Operating revenue	37,223	34,198
Other income – miscellaneous	2,230	1,081
Grants – capital	9,616	2,074
Investment Fund Revenue	2,350	-
Capital Grants and income on capital grants	11,966	2,074

4. OTHER EXPENSES

Depreciation and amortisation: property, plant and equipment	1,032	965
Net loss on disposal of property, plant and equipment	15	6
Operating lease rental expenses	342	449
Employee entitlements	1,719	1,424
Loss on revaluation of investments	124	444

5. SIGNIFICANT ITEMS

Commonwealth Government/State Government grants	9,616	2,074
Building costs – Alfred Centre development	(1,058)	(2,074)

In 2005, the Burnet Institute entered into an agreement with Bayside Health that would enable the future expansion of the Alfred Centre to provide additional accommodation for the Burnet Institute following the merger with the Austin Research Institute. The agreement was on the basis that the Burnet Institute would substantially fund the cost of this expansion. During 2008, the Burnet Institute incurred a further $12.1 million in connection with the redevelopment of the Alfred Centre. State and Commonwealth Government funding was used as a part contribution to these costs. The Burnet Institute has taken a conservative position in the treatment of this expenditure by writing it off, up to the date of financial close, 28 April 2008, after which all costs relating to the building have been capitalised. Refer Note 12 for amount capitalised to 31 December 2008.

6. AUDITORS' REMUNERATION

	Notes	2008	2007
KPMG Australia:		$	$
Audit and review of financial reports		37,850	36,750
Other regulatory audit services		8,750	15,290
		46,600	52,040

7. NET FINANCING COSTS

		$'000	$'000
Interest income		937	525
Other investments:			
Net gain on disposal		-	350
Financial income		937	875
Loss on revaluation of investments		(124)	(444)
Net change in fair value of derivatives		(1,036)	-
Interest expense		(256)	(122)
Financial expenses		(1,416)	(566)
Net financing (costs)/income		(479)	309

8. RECEIVABLES

Current			
Trade receivables		4,256	3,443
Less: allowance for doubtful debts		(25)	(89)
	27	4,231	3,354

9. INVESTMENTS

Current investments			
Equity securities available for sale:			
(11.8 million fully paid ordinary Select Vaccines Ltd shares, fair valued at 31 December 2008)		71	296
(Income Securities of National Australia Bank and Macquarie Bank, fair valued at 31 December 2008)		176	300
(Fully paid ordinary shares in IgAvax Pty Ltd and 4G Vaccines Pty Ltd valued at cost)		-	-
(Investment as a result of control over the Sir Zelman Cowen Cancer Foundation (SZCCF), valued at fair value of the net assets of the Foundation)		469	388
Investment in AMREP AS Pty Ltd – animal facility 306 fully paid and 145 partly paid ordinary shares at cost		2,048	1,830
		2,764	2,814
Reconciliation:			
Opening balance		2,814	1,607
Purchase of investments		218	1,830
Proceeds on disposal of shares		-	(277)
Writedown of Select Vaccines shares to fair value		(225)	(444)
Writedown of Income Securities to fair value		(124)	-
Increment in value of Select Vaccines shares		-	50
Increase in value of Investment in SZCCF to fair value		81	48
Closing Balance		2,764	2,814

During 2007, the Institute purchased a 50% interest in the AMREP AS Pty Ltd animal facility at The Alfred hospital campus. During 2008 an additional contribution was made to fund facilities works and the Institute's interest was maintained at 50%. This contribution allows the Institute access to the animal facility.

During 2008, the Institute controlled 17.1% of IgAvax Pty Ltd. The amount of investment in this company was $nil and the contribution to the surplus of the Institute was $nil.

During 2008, the Institute controlled 37.5% of 4G Vaccines Pty Ltd. The amount of investment in this company was $nil and the contribution to the surplus of the Institute was $nil.

10. OTHER ASSETS

	2008	2007
	$'000	$'000
Prepayments	133	772
Stock	73	103
	206	875

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $'000	Plant and equipment $'000	Total $'000
Cost			
Balance at 1 January 2007	16,319	8,628	24,947
Acquisitions	-	1,103	1,103
Disposals	-	(439)	(439)
Balance at 31 December 2007	16,319	9,292	25,611
Balance at 1 January 2008	16,319	9,292	25,611
Acquisitions	-	1,406	1,406
Disposals	-	(958)	(958)
Balance at 31 December 2008	16,319	9,740	26,059
Depreciation and impairment losses			
Balance at 1 January 2007	(1,410)	(6,477)	(7,887)
Depreciation charge for the year	(320)	(645)	(965)
Disposals	-	317	317
Balance at 31 December 2007	(1,730)	(6,805)	(8,535)
Balance at 1 January 2008	(1,730)	(6,805)	(8,535)
Depreciation charge for the year	(321)	(711)	(1,032)
Disposals	-	894	894
Balance at 31 December 2008	(2,051)	(6,622)	(8,673)
Carrying amounts			
At 1 January 2007	14,909	2,151	17,060
At 31 December 2007	14,589	2,487	17,076
At 1 January 2008	14,589	2,487	17,076
At 31 December 2008	14,268	3,118	17,386

12. CONSTRUCTION IN PROGRESS

	Notes	2008 $'000	2007 $'000
Construction in Progress		11,040	-

13. PAYABLES

	Notes	2008 $'000	2007 $'000
Trade creditors		470	178
Other creditors		1,912	1,327
	27	2,382	1,505

14. INTEREST-BEARING LIABILITIES

This Note provides information about the contractual terms of the Burnet Institute's interest-bearing loans and borrowings.

	Notes	2008 $'000	2007 $'000
Current liabilities			
Finance lease liabilities		60	125
Current portion of secured bank loans		-	1,120
	27	60	1,245

Finance lease liabilities

Finance lease liabilities are payable as follows:

31 December 2007 ($'000)	Minimum Lease Payments	Interest	Principal
Less than one year	75	9	66
Between one and five years	62	3	59
More than five years	-	-	-
	137	12	125
31 December 2008 ($'000)			
Less than one year	62	2	60
Between one and five years	-	-	-
More than five years	-	-	-
	62	2	60

14. INTEREST-BEARING LIABILITIES (CONT)

Financing arrangements
Bank loans
The bank loan was secured by a floating charge over the Burnet Institute's assets.
Bank interest rate up to the date of full repayment of the secured bank loans was a fixed rate of 8.15% (2007: 8.15%) and on finance lease liabilities was 8.36% (2007: 8.36%).

During 2008 the Institute entered into an arrangement with its bank to borrow approximately $35.25 million at the prevailing 90 day BBSW plus 0.85 percent line fee. Refer Note 17 for details of the Swap and Cap associated with this loan.

15. EMPLOYEE BENEFITS

	2008	2007
Current	**$'000**	**$'000**
Liability for long-service leave	2,226	1,825
Liability for annual leave	1,142	1,030
	3,368	2,855
Non-Current		
Liability for long-service leave	649	450

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%
Discount rate	3.5%	6.6%
Settlement term (years)	7	7

Number of employees

Number of employees at year end (FTE)	216	206

Superannuation plans
The Institute contributes to various accumulation style superannuation plans. Refer to Note 25 for details on the defined benefit plan that is contributed to by the Institute on behalf of a few employees. The Institute is under no legal obligation to make up any shortfall in the assets of these plans to meet payments due to employees. Employer contributions are at the rate required to satisfy its obligations under the Superannuation Guarantee legislation, currently 9% of salary. The Institute may make additional contributions by agreement with employees.

16. DEFERRED INCOME – CAPITAL AND OTHER GRANTS

	2008	2007
Current	**$'000**	**$'000**
State/Federal Government grants	28,988	33,605
Other grants	13,655	7,563

In 2008, the Institute received $5.0 million in Federal Government funding for the Alfred Centre Stage 2 (ACS2) development. This $5.0 million relates to the Baker Heart Research Institute/International Diabetes Institutes's share of the cost which is being borne by the Burnet Institute. In prior years, the Institute received $32.7 million in State and Federal Government grants for the purpose of expanding the research facilities of the Institute. $10.7 million relates to the Baker Heart Research Institute/International Diabetes Institute's space. As at 31 December 2008, these grants plus the accumulated interest have been partially spent. The above balances are committed to financing the ACS2 development and will be brought to account to match expenditure on the project as it is incurred.

17. DERIVATIVES

Interest Rate Swap	413	-
Interest Rate Cap	623	-
	1,036	-

The Institute entered into an interest rate swap transaction whereby 20% of the loan amount 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 80% of the loan amount is subject to a capped BBSW rate of 7.5% per annum for a fixed rate of 0.58%. The loan, swap and cap will be drawn down in 2009.

18. CAPITAL AND RESERVES

Fair value reserve
The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

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 derecognized.

19. OPERATING LEASES

	Notes	2008 $'000	2007 $'000
Leases as lessee			
Non-cancellable operating lease rentals payable:			
Less than one year		276	374
Between one and five years		363	639
More than five years		-	-
		639	1,013

20. NOTES TO THE 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 Balance Sheet as follows:

	2008 $'000	2007 $'000
State/Federal Government grants short-term deposits at call	31,309	33,605
Other cash	11,144	8,120
	42,453	41,725

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

	Notes	2008 $'000	2007 $'000
Cash flows from operating activities			
Profit for the period		9,546	1,420
Adjustments for:			
Depreciation	4	1,032	965
Change in Fair Value of Derivatives	17	1,036	-
Loss on revaluation of investments	4	124	444
Amounts set aside in provisions		712	257
Provision for doubtful debts	8	25	89
Loss on disposal of property, plant and equipment	4	15	6
Operating profit before changes in working capital and provisions		12,490	3,181
(Increase)/decrease in current receivables		(902)	(501)
(Increase)/decrease in other current assets		669	(351)
(Decrease)/increase in other liabilities		(5,330)	2,465
(Decrease)/increase in trade payables		1,390	(372)
Net cash from operating activities		8,317	4,422

21. REMUNERATION OF KEY MANAGEMENT PERSONNEL

	2008 $	2007 $
Short-term employee benefits	1,245,000	1,192,000
Termination benefits	-	-
	1,245,000	1,192,000

22. PARTICULARS IN RELATION TO CONTROLLED ENTITIES

The Burnet Institute has an interest in a number of 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:

	Interest Held		Amount of Investment	
Entity	**2008**	**2007**	**2008**	**2007**
	%	**%**	**$**	**$**
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	-	-
Hepitope Pty Ltd	100	100	-	-

23. SUBSEQUENT EVENTS

The Burnet Institute is continuing to build approximately 13,900 square metres of net letable area at The Alfred Hospital campus. Construction of the Base Building and fit-out are anticipated to be completed by 31 March 2010. The total cost of the project is projected to be approximately $85 million of which approximately $35 million will be financed by bank borrowings. Approximately 10,500 square metres of this space will be rented to tenants. The project is on time and on budget.

24. CHANGES IN ACCOUNTING POLICY

There have been no changes in accounting policy during the year.

25. DEFINED BENEFIT PENSION PLAN

The Institute has one defined benefit pension plan (DBPP), covering a limited number of its employees. This superannuation plan provides for defined benefits based on years of service and final average salary. Employees contribute varying percentages of their salaries to the plan, generally between 7% and 8.5%. The Institute also contributes 17% of employee's salaries to the plan.

Sufficient information is not available to account for the defined benefits provided by the DBPP as a defined benefit plan. There is also no consistent and reliable basis for allocating the obligation, plan assets and costs to participating employers. Due to an amendment in the DBPP Trust Deed the participating employers are no longer exposed to actuarial risks associated with their current and former employees as employee benefits will be reduced if the DBPP is not sufficient to meet benefits payable under the Deed. The following notes summarise relevant details of the DBPP:

(i) Historically surplus in the DBPP has been used to improve members' benefits and has not affected the amount of participating employers' contributions.

As at 30 June 2008, the assets of the DBPP in aggregate were estimated to be $323 million in excess of vested benefits. The vested benefits are benefits which are not conditional upon continued membership (or any factor other than leaving the service of the participating institution) and include the value of CPI indexed pensions being provided by the DBPP.

As at 30 June 2008, the assets of the DBPP in aggregate were estimated to be $1,456 million in excess of accrued benefits. The accrued benefits have been calculated as the present value of expected future benefit payments to members and CPI indexed pensioners which arise from membership of Unisuper up to the reporting date.

(ii) The vested benefit and accrued benefit liabilities were determined by the Fund's actuary, Russell Employee Benefits, using the actuarial demographic assumptions outlined in their report dated 13 July 2006 on the actuarial investigation of the DBPP as at 31 December 2005. The financial assumptions used were:

	Vested Benefits % p.a.	Accrued Benefits % p.a.
Gross of tax investment return	7.25	8.5
Net of tax investment return	6.75	8.0
Consumer price index	2.75	2.75
Inflationary salary increases long term	3.75	3.75
Inflationary salary increases next three years	5.0	5.0

(Additional promotional salary increases are assumed to apply based on past experience.)

25. DEFINED BENEFIT PENSION PLAN (CONT)

(iii) Assets have been included at their net market value, i.e. allowing for realisation costs.

(iv) Clause 34 of the DBPP Trust Deed outlines the process DBPP must undertake (including employer notifications and notice periods) if the DBPP assets are considered by the Trustee to be insufficient to provide benefits payable under the Deed. If after the next two actuarial valuations (made in a period of not more than four years) the Trustee still considers that the DBPP is insufficient to provide the benefits payable under the Deed, the Trustee must reduce the benefits payable on a fair and equitable basis.

26. FINANCIAL RISK MANAGEMENT

Overview

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

- credit risk
- liquidity risk
- market risk

This Note presents information about the Institute'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 Institute 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 Institute's activities. The Institute, 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 Institute's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Institute.

Credit risk

Credit risk is the risk of financial loss to the Institute if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Institute's receivables from customers and investment securities.

Trade and other receivables

The Institute's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Work is only undertaken for another entity once a contract for services has been signed. The demographics of the Institute's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Approximately 34% (2007: 42%) of the Institute's revenue is attributable to transactions with a single customer. However, geographically there is no concentration of credit risk.

Most of the Institute's customers have been transacting with the Institute for a number of years, and losses have occurred infrequently. In monitoring customer credit risk, customers' aging profiles are reviewed as well as any existence of previous financial difficulties.

The Institute 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 customers.

Investments

The Institute 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.

26. FINANCIAL RISK MANAGEMENT (CONT)

Liquidity risk
Liquidity risk is the risk that the Institute will not be able to meet its financial obligations as they fall due. The Institute'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 Institute's reputation.

Management monitor cash flow requirements on a daily basis to optimise its cash return on investments. Typically the Institute 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 Institute maintains the following line of credit:

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

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 Institute'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 Institute enters into derivatives in order to manage market risks in consultation with the Board and other advisors. This risk is minimised due to limited holdings of foreign currency and equities.

Interest Rate Risk
The Institute has adopted a policy to mitigate its interest rate risk by entering into interest rate Swaps and Caps to manage its overall exposure.

27. FINANCIAL INSTRUMENTS

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

	Notes	2008 $'000	2007 $'000
Carrying Amount			
Available for sale financial assets	9	2,764	2,814
Receivables	8	4,231	3,354
Cash and cash equivalents	20(i)	42,453	41,725
		49,448	47,893

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

	2008 $'000	2007 $'000
Carrying Amount		
Australia	3,767	3,259
Asia	443	94
Other regions	21	1
	4,231	3,354

Impairment losses
The ageing of the Institute's trade receivables at the reporting date was:

Carrying Amount		
Not past due	2,980	1,504
Past due 0-30 days	430	342
Past due 31-60 days	573	1,254
More than 60 days past due	273	343
Less Allowance for doubtful debts	(25)	(89)
	4,231	3,354

27. FINANCIAL INSTRUMENTS (CONT)

There was no impairment loss recognised on investments. The allowance accounts in respect of trade receivables and held-to-maturity investments are used to record impairment losses unless the Institute 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, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
31 December 2008 ($'000)							
Non-derivative financial liabilities							
Secured bank loans	-	-	-	-	-	-	-
Trade and other payables	2,382	2,382	2,382	-	-	-	-
Finance lease liabilities	60	62	-	62	-	-	-
	2,442	2,444	2,382	62	-	-	-
31 December 2007 ($'000)							
Non-derivative financial liabilities							
Secured bank loans	1,120	1,120	-	1,120	-	-	-
Trade and other payables	1,505	1,505	1,505	-	-	-	-
Finance lease liabilities	125	137	-	-	137	-	-
	2,750	2,762	1,505	1,120	137	-	-

Foreign Currency Risk
The Institute 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 Institute. The currency giving rise to this risk is primarily US dollars (USD).

At any point in time the Institute has a natural hedge on USD transactions as it holds a USD bank account to pay USD denominated expenses.

Sensitivity Analysis
As at 31 December 2008, it is estimated that a general increase of one percentage point in interest rates would increase the Institute's profit before income tax by approximately $392,000 (2007: $339,000). This is primarily driven by unexpended capital funds on hand as at 31 December 2008. In 2009 the Institute will be exposed to interest rate rises on borrowings to fund the new building.

As at 31 December 2008, 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 Institute's profit before income tax by approximately $43,800 (2007: $62,000).

Fair Values
The Fair Value of relevant recognised assets and liabilities are approximate to the values shown in the Balance Sheet.

Burnet Institute International Development Activities Operating Statement for the year ended 31 December 2008

	2008 $'000	2007 $'000
Revenue		
Donations and gifts – monetary	200	150
Legacies and bequests	-	-
Grants:		
AusAID [NGO programs]	3,364	1,714
AusAID [other programs] #	6,621	4,404
Australian organisations	1,774	1,772
Overseas organisations	854	1,055
Investment Income	-	-
Other Income	2,082	2,308
Total revenue	14,895	11,403
Disbursements		
Overseas projects:		
Funds to overseas projects*	9,599	7,627
Other project costs*	3,066	1,950
Domestic projects	1,170	722
Community education	-	25
Fundraising costs:		
Public	28	7
Government, multilaterals and private	260	231
Administration	1,193	967
Total disbursements	15,316	11,529
Excess/(Deficiency) of revenue over disbursements	(421)	(126)
Funds available for future use at the beginning of the financial year	206	332
Funds available for future use at the end of the financial year	(215)	206

Notes:
The Institute has received in-kind contributions of $65,687 for international activities of which $60,727 were eligible volunteer contributions. This is not recognised in the accounts.
Includes payments to Burnet Institute via Australian Managing Contractor for specified inputs on AusAID bilateral projects
* Includes contribution to institutional infrastructure and support services

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

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.
Website: www.acfid.asn.au Tel: (02) 6285 1816 Fax: (02) 6285 1720.

Directors' Declaration

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

   (a) the Financial Statements and Notes, set out on pages 8 to 23, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the financial position of the Burnet Institute at 31 December 2008 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 Burnet Institute will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 21st day of April 2009.

Signed in accordance with a resolution of the Directors:

Alastair Lucas Director	**Ross Cooke** Director

KPMG

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

Report on the financial report

We have audited the accompanying financial report of the Macfarlane Burnet Institute of Medical Research and Public Health Ltd (the Company), which comprises the balance sheet as at 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes as set out on pages 13 to 26 and the directors' declaration as set out on page 27.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 and fair presentation of the financial report 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 (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company'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 the financial report of the Macfarlane Burnet Institute of Medical Research and Public Health Ltd is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 31 December 2008 and of its performance for the year ended on that date; and

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

KPMG
KPMG

Paul J McDonald
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Partner
Melbourne
21 April 2009

Australia

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