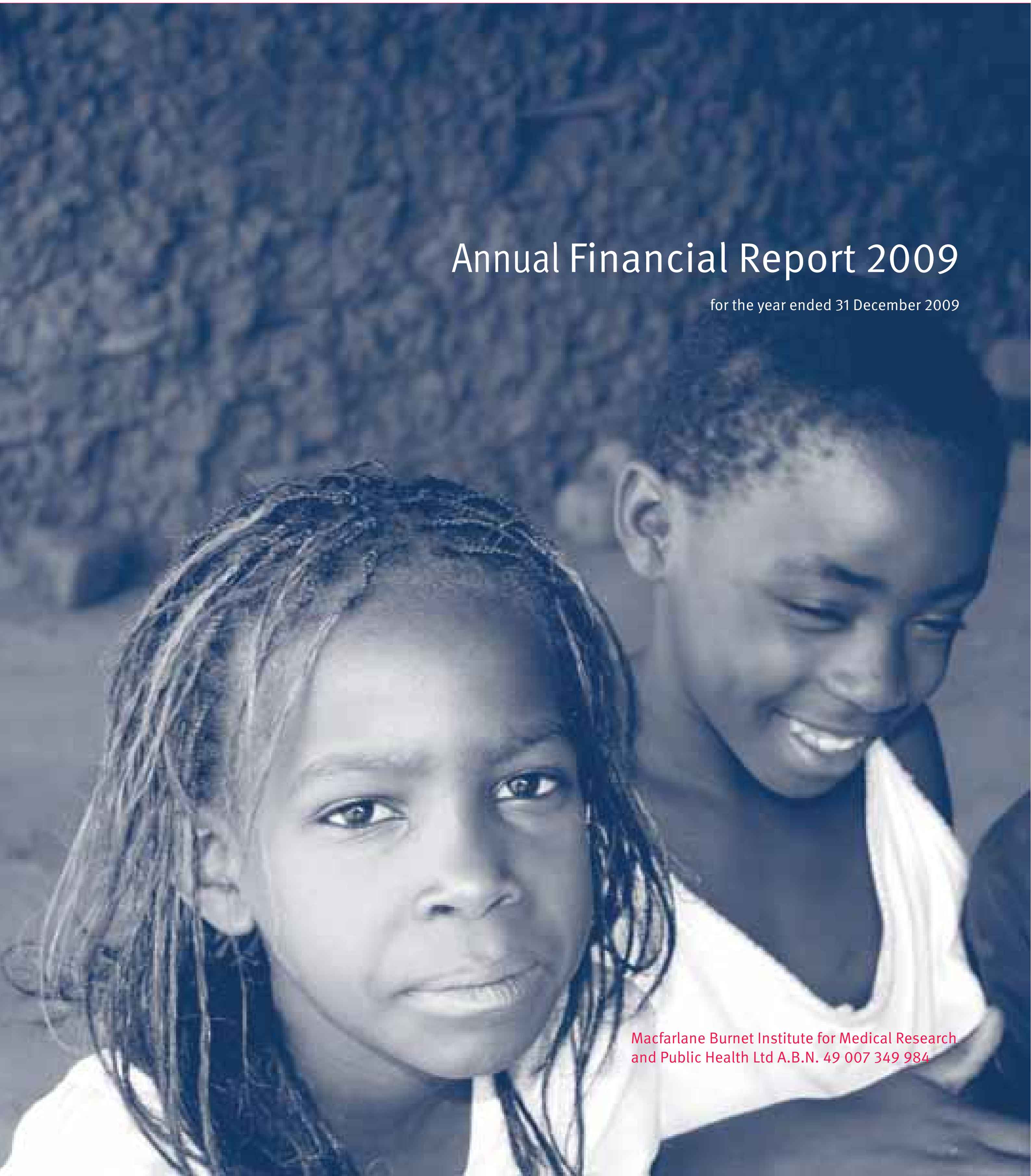
Burnet Institute
Medical Research. Practical Action.



Annual Financial Report 2009

for the year ended 31 December 2009

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

Contents

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Cover: Responding to the HIV epidemic. For more than 10 years Burnet has worked to reduce the impact of HIV in Mozambique, a country where a quarter of all adults are HIV positive. As it is in other countries, much of our work involves building the capacity of local organisations and community groups to prevent the spread of HIV and care for those infected or affected by HIV and AIDS, such as these young people in Chimoio who lost both their parents to the disease.

Photo Credits: Gillian Chamberlain

Editorial Managers: Gillian Chamberlain
Design: FLUX Design Studio **Printing:** Pinnacle Print Group

A full copy of the Burnet Institute's Annual Report is available on our website or if you would prefer a hard copy, please contact Hazel Squair at hazel@burnet.edu.au or call +61 3 9282 2135.

Australian Government
AusAID

ACFID CODE
integrity·values·accountability

BIGreen (Burnet Institute Green) is a staff collective formed in 2007 that aims to make Burnet a more sustainable workplace. Anything Burnet can do to reduce our carbon footprint, such as reducing waste, energy and water use, is good for us and good for the planet.

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 2009 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
Chair, Burnet Institute Board of Directors
Director since 1998
Member, Investment Committee, Grant Committee, Fundraising Committee, ACS2 Project Committee
Vice Chair and Managing Director, Goldman Sachs JB Were
Chair, Australian Stem Cell Healthcare
Director, Fauna & Flora International Australia
Member, Dean's Advisory Board for Monash University, Faculty of Medicine, Nursing and Health Sciences
Deputy Chair, Market Policy Group, Finsia
Member, Takeovers Panel

Professor Brendan Crabb, PhD
Executive Director and CEO since March 2008
Member, Research Advisory Committee and ACS2 Project Committee
Adjunct Professor, University of Melbourne
Adjunct Professor, La Trobe University
Adjunct Professor, Monash University

Ms Denise Allen
Director since 2006
Chair, Investment Committee
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
NHMRC Senior Research Fellow
Member, IP and Commercialisation Committee, Burnet Institute
Associate Professor, Department of Microbiology and Immunology, University of Melbourne
Director, Hepitope Limited

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

Professor Peter Doherty, AC, FAA, FRS
Director since 2002
Member, Research Advisory Committee
Nobel Laureate, Department of Microbiology and Immunology, University of Melbourne

Mr John K Dowling, FREI, FAPI
Director since 2000
Member, Research Advisory Committee
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
CEO, Chifley Business School
Member, Advisory Board, Defence Science and Technology Organisation
Chairman, Regional Channels Authority

Directors' Report

Professor P Mark Hogarth, PhD
Director since 2006
Deputy Executive Director
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

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, Fundraising Committee
Managing Partner, Arnold Block Leibler
Director, Premier Investments
Director, The Just Group
President, Mount Scopus Memorial College Foundation

Professor James McCluskey, MBBS, B Med Sci, MD, FRACP, FRCPA
Director since 1998
Chair, Research Advisory Committee
Pro Vice-Chancellor, Research Partnerships at The University of Melbourne
Deputy Head, Department of Microbiology and Immunology
Consultant Immunologist to the Victorian Transplantation and Immunogenetics Service, Australian Red Cross Blood Service

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

Mrs Maria Myers, AO, BA, BSW, LLB
Director since 2004
Member, Fundraising Committee
Chairman, Kimberly Foundation Australia
Director, Mary Ward International Australia
Director, Australian String Quartet
Director, Elisabeth Murdoch Sculpture Foundation
Director, Dunkeld Pastoral Company Pty Ltd
Member, Loreto College Ballarat School Council

Ms Natasha Stott Despoja
Director since 2008
Former Senator for South Australia
Former Leader, Australian Democrats
Director, beyondblue
Director, South Australian Museum;
Member, Alumni Advisory Board, University of Adelaide
Member, Advertising Standards Board
Honorary Research Fellow, University of Adelaide

Resigned as Director during 2009
Dr Alan Finkel, AM, PhD, FTSE, BE(Hons)
Director since 2008 and resigned October 2009

Mr Garry Hounsell, BBus, CPA
Director since 2005 and resigned September 2009

Directors' Report

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		Project		Investment		Grant	
	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
Mr Alastair Lucas	5	4	-	-	25	22	2	2	1	1
Professor Brendan Crabb	5	5	-	-	25	24	-	-	-	-
Ms Denise Allen	5	4	-	-	-	-	2	2	-	-
Associate Professor David Anderson	5	3	-	-	-	-	-	-	-	-
Mr Ross Cooke	5	5	7	7	25	16	-	-	1	1
Professor Peter Doherty, AC	5	0	-	-	-	-	-	-	-	-
Mr John Dowling	5	5	-	-	-	-	-	-	-	-
Mr Neil Edwards	5	4	7	7	25	11	-	-	-	-
Dr Alan Finkel	3	2	-	-	-	-	-	-	-	-
Professor P Mark Hogarth	5	4	-	-	25	19	-	-	-	-
Mr Garry Hounsell	3	0	-	-	-	-	-	-	-	-
Dr Barry Jones, AO	5	4	-	-	-	-	-	-	-	-
Mr Henry Lanzer	5	3	-	-	-	-	-	-	-	-
Professor James McCluskey	5	3	-	-	-	-	-	-	-	-
Mr Robert Milne	5	5	-	-	25	23	-	-	-	-
Mrs Maria Myers, AO	5	2	-	-	-	-	-	-	-	-
Ms Natasha Stott Despoja	5	3	-	-	-	-	-	-	-	-

(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. The Burnet Institute has been endorsed as a charitable institution by the Australian Taxation Office. As a charitable not-for-profit organisation, the Burnet Institute does not pay dividends and all non-executive directors serve in an honorary capacity. There was no significant change in the nature of this activity during the year.

Operating Results

The deficit of the Burnet Institute amounted to $3,570,721 (2008: surplus $9,546,049). This deficit is influenced mainly by the net of the recognition of Grants Income of $20.5 million offset by a write down of the Alfred Centre Stage 2 (ACS2) project and other sundry items. Depreciation amounted to $1,181,472 (2008: $1,031,593). Income tax is not applicable.

Dividends

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

Directors' Report

State of Affairs

The Burnet Institute had an active and successful year in its core activities of laboratory and field research and delivery of public health programs in the areas of infectious diseases and related health disciplines.

A highlight for 2009 was the China Australia Health and HIV Facility program (a five year AusAID funded initiative) that became fully operational during 2009. This was the major contributor to the variances in both operating revenue and expenses between 2008 and 2009. The difficult external environment created by the global financial crisis had a significant effect on the Institute's fundraising initiatives, which was the main reason for the Institute recording an operating deficit.

Another highlight during the year was the substantial progress made towards completion of the ACS2 project. For a number of years the Burnet Institute has been working to facilitate growth and incorporate the merger of the Austin Research Institute. Grants from the Victorian State and Federal Governments, together with the generosity of donors, enabled the project to proceed. The Institute also contributed from its own resources and put in place a long-term loan facility with an external financier.

This purpose-built medical research facility of 14,200 square metres will deliver four strategic benefits to the Institute. It will enable all Melbourne-based staff to be located together on the one campus, provide modern/high level laboratory facilities and supporting accommodation, provide future expansion options and deliver a long-term external rental revenue stream. This project was successfully completed on time and on budget on 4 March 2010.

In reviewing the carrying value of this asset at 31 December 2009, the Board elected to adopt a valuation prepared for the Institute's financier in March 2009. The Board believes this valuation was based on a number of conservative assumptions. An updated valuation has been commissioned and will be completed by mid-2010.

The application of this valuation has resulted in a write down in the carrying value of the ACS2 facility. Notwithstanding this outcome, the Directors are satisfied that the decision to proceed with the project was a prudent one. Further, the Directors believe that the current replacement cost of the building would exceed the project's cost to the Burnet Institute.

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.

Events Subsequent to Balance Date

Except for the practical completion of the ACS2 building project on 4 March 2010, 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

Activities relating to the ACS2 building, specifically the collection of rental income, payment of principal and interest on the ACS2 long-term debt and the amortisation of the leasehold building carrying value, are expected to have a favourable impact on the Institute's financial position in 2010. To manage the interest rate risk exposure, the Institute entered into a cap and swap arrangement with its financier (in 2008) to ensure the maximum exposure to interest payments remains less than the rental income payable to Burnet by external tenants Monash and La Trobe Universities and the Baker IDI Heart and Diabetes Institute.

It is also anticipated that the Burnet's lease with respect to tenancy in the existing Burnet Tower will be extended in the near future to 50 years from 2010.

Other than the aforementioned, the Directors of the Burnet Institute do not anticipate any major changes in the basis of the Burnet Institute's operations.

Directors' Benefits

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

Directors' Report

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

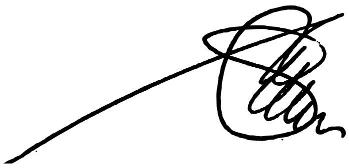
The Institute is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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

The Lead Auditor's Independence Declaration is set out on Page 6 and forms part of the Directors' Report for the year ended 31 December 2009.

Dated at Melbourne this 27th day of April, 2010.

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 2009 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

Paul J McDonald

Paul J McDonald

Partner

Melbourne
28th April, 2010

Statement of Comprehensive Income

for the year ended 31 December 2009

	Notes	2009 $'000	2008 $'000
Operating revenue	3	44,988	39,453
Research and development laboratory consumables expenses		(4,158)	(4,913)
Employee expenses		(20,517)	(19,971)
Depreciation and amortisation expenses		(1,181)	(1,032)
Research and development non-laboratory expenses	5	(16,739)	(10,809)
Other expenses from ordinary activities		(4,220)	(3,611)
Total operating expenses		(46,815)	(40,336)
Results from operating activities		(1,827)	(883)
Financial income	7	1,094	937
Financial expenses	7	(293)	(1,416)
Net financing costs		801	(479)
Capital grants and income on capital grants	3	20,945	11,966
Building costs	5	(790)	(1,058)
Impairment of construction in progress	5	(22,700)	-
Capital profit/(loss) before income tax		(2,545)	10,908
Profit/(loss) before income tax		(3,571)	9,546
Income tax attributable to operating profit		-	-
Profit/(loss) After Income Tax		**(3,571)**	**9,546**
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		12	(225)
Income tax on other comprehensive income		-	-
Other comprehensive income for the period net of income tax		12	(225)
Total Comprehensive Income for the Period		**(3,559)**	**9,321**

The Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out on pages 11 to 25.

Statement of Financial Position

as at 31 December 2009

	Notes	2009 $'000	2008 $'000
CURRENT ASSETS			
Cash and cash equivalents – operating	21(i)	16,331	11,144
Cash and cash equivalents – capital grants	21(i)	-	31,309
Trade and other receivables	8	4,845	4,231
Inventories		83	73
Investments	9	3,064	2,764
Other financial assets	10	82	133
TOTAL CURRENT ASSETS		24,405	49,654
NON-CURRENT ASSETS			
Property, plant and equipment	11	17,079	17,386
Construction in progress	12	42,086	11,040
TOTAL NON-CURRENT ASSETS		59,165	28,426
TOTAL ASSETS		83,570	78,080
CURRENT LIABILITIES			
Trade and other payables	13	4,923	2,277
Borrowings	14	378	60
Current tax liabilities	15	140	105
Provisions	16	3,190	3,368
Deferred income – capital grants	17	-	28,988
Deferred income – other grants	17	13,354	13,655
TOTAL CURRENT LIABILITIES		**21,985**	**48,453**
NON-CURRENT LIABILITIES			
Borrowings	14	25,621	-
Provisions	16	571	649
Deferred income – rent in advance	17	10,660	-
Derivatives	18	350	1,036
TOTAL NON-CURRENT LIABILITIES		37,202	1,685
TOTAL LIABILITIES		59,187	50,138
NET ASSETS		**24,383**	**27,942**
EQUITY			
Retained earnings		7,281	8,773
Building reserve		17,019	19,098
Fair value reserve		83	71
TOTAL EQUITY		**24,383**	**27,942**

The Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements set out on pages 11 to 25.

The Macfarlane Burnet Institute for Medical Research and Public Health Limited is a signatory to the Australian Council for International Development Code of Conduct (ACFID). 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:
Non Current Assets: trade and other payables, other financial assets, investment property, intangibles, and other non-current assets; **Current Liabilities:** other financial liabilities and other current liabilities; **Non-Current Liabilities:** other financial liabilities and other non-current liabilities.

Statement of Changes in Equity

as at 31 December 2009

	Retained Profits $'000	Building Reserve $'000	Fair Value Reserve $'000	Total $'000
Balance at 1 January 2008	8,921	9,404	296	18,621
Fair value adjustment	-	-	(225)	(225)
Total other comprehensive income for the period	-	-	(225)	(225)
Operating profit/(loss)	(148)	9,694	-	9,546
Total comprehensive income for the period	(148)	9,694	(225)	9,321
Balance at 31 December 2008	**8,773**	**19,098**	**71**	**27,942**
Balance at 1 January 2009	8,773	19,098	71	27,942
Fair value adjustment	-	-	12	12
Total other comprehensive income for the period	-	-	12	12
Operating profit/(loss)	(1,492)	(2,079)	-	(3,571)
Total comprehensive income for the period	(1,492)	(2,079)	12	(3,559)
Balance at 31 December 2009	**7,281**	**17,019**	**83**	**24,383**

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 11 to 25.

Statement of Cash Flows

as at 31 December 2009

	Notes	2009 $'000	2008 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		57,064	54,604
Cash payments in the course of operations		(53,822)	(47,146)
Cash generated from operations		3,242	7,458
Interest received		355	937
Interest paid		(471)	(78)
Net cash provided by operating activities	21(ii)	3,126	8,317
Cash flows from investing activities			
Payments for property, plant and equipment		(1,085)	(1,406)
Payment for construction in progress		(53,488)	(11,040)
Interest payments capitalised in construction in progress		(258)	-
Proceeds from disposal of property, plant and equipment		184	49
Proceeds received for relocation including investment income		485	7,350
Payments for relocation		(790)	(1,058)
Payments for investments		(235)	(299)
Net cash provided by/(used in) investing activities		(55,187)	(6,404)
Cash flows from financing activities			
Finance lease proceeds		220	-
Finance lease payments		(127)	(65)
Proceeds from borrowings		25,846	-
Repayment of borrowings		-	(1,120)
Net cash provided by/(used in) financing activities		25,939	(1,185)
Net increase/(decrease) in cash held		(26,122)	728
Cash at the beginning of the financial year		42,453	41,725
Cash at the End of the Financial Year	21(i)	**16,331**	**42,453**

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 11 to 25.

Notes to the Financial Statements

for the year ended 31 December 2009

Significant Accounting Policies

The Financial Report was authorised for issue by the Directors on 27 April 2010.

1. Statement of Compliance

The Financial Report is a general purpose Financial Report that 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 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 the Directors 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 Basis of Accounting

During the preparation of the financial report the Directors made an assessment of the ability of the Burnet Institute 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 Burnet Institute is dependent for its ongoing operations. As a result of their review they are of the opinion that the going concern basis of accounting is appropriate in the preparation of the financial report.

1.3 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, ie, 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.

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 has chosen to hedge its interest rate risk exposure on the ACS2 loan facility by a cap and swap transaction (refer note 18). This is the only derivative financial instrument that the Institute is involved in and is considered by the Directors to be a prudent means to manage risk associated with fluctuations in interest rates.

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.

1.4 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.

1.5 Property, Plant and Equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below).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 and carried at fair value. The property is not classified as investment property if it is held to provide social services or held for strategic purposes.

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). Lease payments are accounted for as described in accounting policy Note 1.10(i).

(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.

1.6 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.

1.7 Payables

Payables are stated at cost.

1.8 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 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 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.

1.9 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.

1.10 Expenses

(i) Lease payments
Payments made under operating leases are recognised in the profit or loss 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.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability.

(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.

1.11 Income Tax

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

1.12 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.

1.13 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 Statement of Comprehensive Income 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. 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.

2. New standards and Interpretations Not Yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 December 2009, but have not been applied in preparing this Financial Report:

- AASB 2009-5 – Further amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 31 December 2010 financial statements, are not expected to have a significant impact on the financial statements.

3. Revenue

	2009 $'000	2008 $'000
Grants – operating	21,734	19,876
Donations	1,753	2,756
Consultancies	20,722	14,591
Other income – miscellaneous	779	2,230
Operating revenue	44,988	39,453
Grants – capital	20,460	9,616
Investment fund revenue	485	2,350
Capital grants and income on capital grants	20,945	11,966

4. Other Expenses

Depreciation and amortisation: property, plant and equipment	1,181	1,032
Net loss on disposal of property, plant and equipment	27	15
Operating lease rental expenses	301	342
Employee entitlements	960	1,719
Loss on revaluation of investments	-	124

5. Significant Items		2009 $'000	2008 $'000
Research and development non-laboratory expenses		(16,739)	(10,809)
Commonwealth Government/State Government grants		20,945	9,616
Other building costs – Alfred Centre development		(790)	(1,058)
Write down of construction in progress to recoverable amount		(22,700)	-

The increase in research and development non laboratory expenses is mainly due to the China Australia Health and HIV Facility program (a five year AusAID funded initiative) that became fully operational during 2009. Expenditure on this program was equally matched by funding from AusAID which is included in Consultancies (Note 3).

The Burnet Institute continued with the construction of the ACS2 project which comprises 14,200 square metres (subject to final survey) of net lettable area contained in levels 4 to 7 of the ACS2 project. The primary aim of the project is to accommodate the merged Burnet/Austin Institute on one campus, provide modern/high level laboratory facilities and supporting accommodation, provide future expansion options and deliver a long term external rental revenue stream. During 2009 the balance of government grants received to fund this project of $20.945 million were taken to income and additional costs of $0.79 million were expensed. The project has been written down by $22.7 million in line with a valuation prepared for security purposes to satisfy the requirements of the Institute's financier. As indicated in the Directors' Report (above), the Directors have opted to conservatively write down the construction in progress to the recoverable amount in relation to this valuation. Despite this, the Directors believe that the current replacement cost of the building would exceed the project's cost to the Burnet Institute.

6. Auditors' Remuneration Audit Services

		2009 $	2008 $
KPMG Australia:			
Audit and review of Financial Reports		42,000	37,850
Other regulatory audit services		25,546	8,750
		67,546	46,600
Other Services			
KPMG Australia:			
Cash flow review for Alfred Centre Stage 2 project		167,500	-

7. Net Financing Costs		$'000	$'000
Interest income		355	937
Gain on revaluation of investments		53	-
Increase in fair value of derivatives		686	-
Financial income		1,094	937
Loss on revaluation of investments		-	(124)
Decrease in fair value of derivatives		-	(1,036)
Interest expense		(293)	(256)
Financial expenses		(293)	(1,416)
Net financing (costs)/income		801	(479)

8. Receivables

Current			
Trade receivables		4,870	4,256
Less: allowance for doubtful debts		(25)	(25)
	27	4,845	4,231

9. Investments

	Note	2009 $'000	2008 $'000
Current investments			
Equity securities available for sale:			
– 11.8 million fully paid ordinary Select Vaccines Ltd shares, fair valued at 31 December 2009		83	71
Other Investments			
– Income Securities of National Australia Bank and Macquarie Bank, fair valued at 31 December 2009		229	176
– Investment held by the Sir Zelman Cowen Foundation for Medical Research and Public Health (SZCF), valued at fair value of the net assets of the Foundation		487	469
– Investment in AMREP AS Pty Ltd animal facility – 306 fully paid shares at cost		2,265	2,048
– Fully paid ordinary shares in IgAvax Pty Ltd and 4G Vaccines Pty Ltd valued at cost		-	-
	27	3,064	2,764
Reconciliation:			
Opening balance		2,764	2,814
Purchase of investments		217	218
Write down of Select Vaccines shares to fair value		-	(225)
Write up/(down) of Income Securities to fair value		53	(124)
Increment in value of Select Vaccines shares		12	-
Increase in value of investment in SZCF to fair value		18	81
Closing Balance		3,064	2,764

During 2007, the Institute purchased a 50% interest in the AMREP AS Pty Ltd, the company which owns and operates the animal facility at the AMREP campus. During 2009 an additional contribution was made to fund enhanced facilities. This contribution allows the Institute access to the animal facility.

During 2009, 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 2009, 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 Financial Assets

	2009 $'000	2008 $'000
Prepayments	82	133

11. Property, Plant and Equipment

Cost	Leasehold buildings $'000	Plant and Equipment $'000	Total $'000
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
Balance at 1 January 2009	16,319	9,740	26,059
Acquisitions	-	1,085	1,085
Disposals	-	(1,159)	(1,159)
Balance at 31 December 2009	16,319	9,666	25,985
Depreciation and impairment losses			
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)
Balance at 1 January 2009	(2,051)	(6,622)	(8,673)
Depreciation charge for the year	(321)	(860)	(1,181)
Disposals	-	948	948
Balance at 31 December 2009	(2,372)	(6,534)	(8,906)
Carrying amounts			
At 1 January 2008	14,589	2,487	17,076
At 31 December 2008	14,268	3,118	17,386
At 1 January 2009	14,268	3,118	17,386
At 31 December 2009	13,947	3,132	17,079

The existing leasehold within the Burnet Tower is subject to a 21 year lease ending in 2029. A peppercorn rent is payable each year. The Directors anticipate that subsequent to year end this lease will be extended to 50 years, ending in 2060. The Alfred Centre Stage 2 leasehold building floors under construction at year end are subject to a 40 year lease for levels 4 to 6 (ending 2050) and a 50 year lease for level 7 (ending 2060). A peppercorn rent is payable each year.

12. Construction in Progress

	Notes	2009 $'000	2008 $'000
Construction in Progress at cost		64,786	11,040
Write down to Recoverable Amount		(22,700)	-
		42,086	11,040

The carrying value of the Burnet Institute's interest in the ACS2 project has been written down to its recoverable amount based on the March 2009 valuation of the future cash flows, discounted to their present value. Capitalised interest during the year ended 31 December 2009 was $258,326.

13. Payables

Trade creditors		469	470
Other creditors		4,454	1,807
	27	4,923	2,277

14. Borrowings

This Note provides information about the contractual terms of the Burnet Institute's interest-bearing loans and borrowings that are measured at amortised cost.

Current liabilities			
Finance lease liabilities		153	60
Current portion of secured bank loans (ACS2)		225	-
	27	378	60
Non-Current			
Non-Current portion of secured bank loans (ACS2)	27	25,621	-

Finance lease liabilities
Finance lease liabilities are payable as follows:

31 December 2008 ($'000)	Minimum Lease Payments	Interest	Principal
Less than one year	62	2	60
Between one and five years	-	-	-
More than five years	-	-	-
	62	2	60

31 December 2009 ($'000)	Minimum Lease Payments	Interest	Principal
Less than one year	74	9	65
Between one and five years	93	5	88
More than five years	-	-	-
	167	14	153

Financing arrangements
Bank loans
Interest rate on finance lease liabilities was 7.40% (2008: 8.36%). The lease liability is due to be paid in full by March 2012.

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 percent line fee. This bank loan is secured by a fixed and floating charge over all of the Burnet Institute's assets. The loan translates from a construction facility to a term facility and is for a period of 10 years from the completion of construction, which is estimated to be in April 2010. Refer Note 18 for details of the swap and cap associated with this loan.

15. Current Tax Liabilities

		2009 $'000	2008 $'000
FBT Provision	27	140	105

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

16. Provisions

	2009 $'000	2008 $'000
Current		
Liability for long-service leave	2,263	2,226
Liability for annual leave	927	1,142
	3,190	3,368
Non-Current		
Liability for long-service leave	571	649

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	5.2%	3.5%
Settlement term (years)	7	7
Number of employees		
Number of employees at year end (FTE)	213	216

Superannuation plans
The Institute 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% of salary. The Institute may make additional contributions by agreement with employees.

17. Deferred Income

	2009 $'000	2008 $'000
Current		
State/Federal Government grants	-	28,988

As at 31 December 2009, the State/Federal Government grants plus accumulated interest have been fully spent.

Other grants	13,354	13,655

General research operating grants where there is an obligation to repay amounts which are not spent in accordance with the conditions specified.

Non-Current		
Rentals Received in advance	10,660	-

The rentals received in advance relate to the Baker Heart Research Institute/ International Diabetes Institute contribution to the ACS2 project, which has been used as a contribution to fund the project during the year. The rent in advance covers a 21 year lease of part of level 4 to the Baker Heart Research Institute/International Diabetes Institute.

18. Derivatives

Interest Rate Swap	63	413
Interest Rate Cap	287	623
	350	1,036

The Institute entered into an interest rate swap transaction in 2008 whereby 20% 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 80% 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. The cap and swap transactions were taken out to provide long-term protection from exposure to rising interest rates.

19. 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 investments are derecognised or impaired.

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.

20. Operating Leases

	Notes	2009 $'000	2008 $'000
Leases as lessee			
Non-cancellable operating lease rentals payable:			
Less than one year		301	276
Between one and five years		419	363
More than five years		-	-
		720	639

21. 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 Statement of Financial Position as follows:

	Notes	2009 $'000	2008 $'000
State/Federal Government grants short-term deposits at call		-	31,309
Other cash		16,331	11,144
	27	16,331	42,453

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

	Notes	2009 $'000	2008 $'000
Cash flows from operating activities			
(Loss)/Profit for the period		(3,571)	9,546
Adjustments for:			
Depreciation	4	1,181	1,032
Write down of construction in progress	12	22,700	-
Change in fair value of derivatives	18	(686)	1,036
(Gain)/loss on revaluation of investments	7,4	(53)	124
Amounts set aside in provisions		(256)	712
Provision for doubtful debts	8	25	25
Loss on disposal of property, plant and equipment	4	27	15
Operating profit before changes in working capital and provisions		19,367	12,490
(Increase)/decrease in current receivables		(639)	(902)
(Increase)/decrease in other current assets		41	669
(Decrease)/increase in other liabilities		(18,324)	(5,330)
(Decrease)/increase in trade payables		2,681	1,390
Net cash from operating activities		3,126	8,317

22. Remuneration of Key Management Personnel

	2009 $	2008 $
Short-term employee benefits	1,280,000	1,245,000
Termination benefits	-	-
	1,280,000	1,245,000

23. 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	**2009**	**2008**	**2009**	**2008**
	%	%	$	$
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	-	-

24. Subsequent Events

The Burnet Institute continued to develop the ACS2 project which comprises 14,200 square metres (subject to final survey) of net lettable area contained in levels 4 to 7 of the Alfred Centre Stage 2 project. The project achieved practical completion on 4 March 2010 and rental on the leased space was received after this date.

25. Changes in Accounting Policy

There have been no changes in accounting policy during the year other than AASB 101 Presentation of Financial Statements.

The Institute applies revised AASB 101 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Institute presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. The Institute also for the first time has adopted the specific balance sheet presentation requirements of the Australian Council for International Development (ACFID), which resulted in minor reclassifications to prior year numbers.

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
- interest rate 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.

26. Financial Risk Management (cont)

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 debtor. Work is only undertaken for another entity once a contract for services has been signed. The demographics of the Institute's debtor base, including the default risk of the industry and country in which debtors operate, has less of an influence on credit risk. Approximately 41% (2008: 34%) of the Institute's revenue is attributable to transactions with a single debtor. However, geographically there is no concentration of credit risk.

Most of the Institute's debtors have been transacting with the Institute for a number of years, and losses have occurred infrequently. In monitoring debtor credit risk, debtor's 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 debtors.

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.

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 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 instrument the Institute is currently involved in is a cap and swap transaction (Note 18) to manage potential interest rate fluctuations on the ACS2 loan facility.

Institute risk is also 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. Refer Note 18.

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:

Carrying Amount	Notes	2009 $'000	2008 $'000
Investments	9	3,064	2,764
Receivables	8	4,845	4,231
Cash and cash equivalents	21(i)	16,331	42,453
		24,240	49,448

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

Carrying Amount	2009 $'000	2008 $'000
Australia	4,391	3,767
Asia	179	443
North America	214	15
Europe	61	6
	4,845	4,231

Impairment losses

The aging of the Institute's trade receivables at the reporting date was:

Carrying Amount	2009 $'000	2008 $'000
Not past due	3,958	2,980
Past due 0-30 days	180	430
Past due 31-60 days	411	573
More than 60 days past due	321	273
Less Allowance for doubtful debts	(25)	(25)
	4,845	4,231

There was no impairment loss recognised on investments. The allowance amounts in respect of trade receivables 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.

27. Financial Instruments (cont)

Liquidity Risk
The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 December 2008 ($'000)	Carrying Amount	Contractual Cash Flow	6 mths or less	6-12 mths	1-2yrs	2-5yrs	More than 5 yrs
Non-derivative financial liabilities							
Secured bank loan	-	-	-	-	-	-	-
Trade and other payables	2,382	2,382	2,382	-	-	-	-
Current tax liabilities	105	105	105	-	-	-	-
Finance lease liabilities	60	62	41	21	-	-	-
	2,547	2,549	2,528	21	-	-	-

31 December 2009 ($'000)	Carrying Amount	Contractual Cash Flow	6 mths or less	6-12 mths	1-2yrs	2-5yrs	More than 5 yrs
Non-derivative financial liabilities							
Secured bank loan	25,846	41,607	700	1,051	2,080	6,135	31,641
Trade and other payables	4,923	4,923	4,923	-	-	-	-
Current tax liabilities	140	140	140	-	-	-	-
Finance lease liabilities	153	167	37	37	93	-	-
	31,062	46,837	5,800	1,088	2,173	6,135	31,641

Contractual cash flows for the secured bank loan is estimated assuming an average interest rate of 7% over the life of the loan with principal repayments as set out in the loan agreement.

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
For the year ended 31 December 2009, it is estimated that a general increase of one percentage point in interest rates would have increased the Institute's profit by approximately $167,000 (2008: $392,000).

As at 31 December 2009, 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 by approximately $47,200 (2008: $43,800).

27. Financial Instruments (cont)

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(ie as prices) or indirectly (ie derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2009 ($'000)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through the profit or loss	229	-	-	229
Available-for-sale financial assets	83	-	-	83
	312	-	-	312
Derivative financial liabilities	-	350	-	350
31 December 2008 ($'000)				
Financial assets at fair value through the profit or loss	176	-	-	176
Available-for-sale financial assets	71	-	-	71
	247	-	-	247
Derivative financial liabilities	-	1,036	-	1,036

Burnet Institute International Development Activities Operating Statement for the year ended 31 December 2009

Revenue	2009 $'000	2008 $'000
Donations and gifts – monetary	315	200
Donations and gifts – non-monetary	3	66
Legacies and bequests	-	-
Grants		
• AusAID	15,597	9,985
• Australian organisations	1,250	1,774
• Overseas organisations	1,284	854
Investment Income	-	-
Other Income	2,423	2,082
Total revenue	**20,872**	**14,961**
Disbursements		
Overseas projects:		
Funds to overseas projects	8,213	9,599
Other project costs	8,759	3,066
Domestic projects	2,895	1,170
Community education	-	-
Fundraising costs:		
Public	4	28
Government, multilaterals and private	234	260
Administration	1,011	1,193
Non-monetary expenditure	3	66
Total disbursements	21,119	15,382
Excess/(Deficiency) of revenue over disbursements	**(247)**	**(421)**

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

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 7 to 26, are in accordance with the Corporations Act 2001, including:

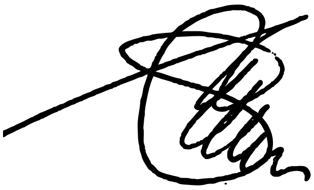
(i) giving a true and fair view of the financial position of the Burnet Institute at 31 December 2009 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and

(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 27th day of April 2010.

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 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 statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration set out on pages 7 to 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.

KPMG

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 for Medical Research and Public Health Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 31 December 2009 and of its performance for the year ended on that date; and

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

KPMG

KPMG

Paul J McDonald

Paul J McDonald

Partner

Melbourne

28th April 2010

Australia

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Burnet Institute
Medical Research. Practical Action.