

Aboriginal Health and Medical Research Council of New South Wales

2012 Financial Report

[ABN 66 085 654 397]



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Directors' Report

Your Directors present this report on the Aboriginal Health and Medical Research Council of New South Wales (AH&MRC) for the financial year ended 30 June 2012.

The names of each person who has been a Director during the year and to the date of this report are:

Central Coast	Catherine Sinclair	
Central Tablelands	Donna Taylor	
Central West	Tim Horan	
Far South Coast	Ron Mason	Removed 8 May 2012; Resigned Oct 2011; Elected July 2011
Far West	Pam Handy	Elected October 2011
Far West	Daniel Kelly	Retired October 2011
Illawarra	Craig Ardler	Elected October 2011
Illawarra	Elaine Sturgeon	Retired October 2011
Lower Central West	Valda Keed	
Metropolitan	Dea Delaney-Thiele	Elected October 2011
Metropolitan	Frank Vincent	Retired October 2011
Murray River	Rochelle Patten	
North Coast	David Kennedy	
North West	Corby Christine	
Riverina	Selena Lyons	Elected October 2011
Riverina	Dorothy Whyman	Retired October 2011

The name of each person who attended a Board Meeting as an Alternate Director during the year and to the date of this report are:

Central Coast	Ray Kelly	
Central West	Cecil See	
Illawarra	Ivern Ardler	Elected October 2011
Illawarra	Julie Booker	Retired October 2011
Lower Central West	Cecil Lester	
Murray River	Ray Ahmat	Elected October 2011
Riverina	Phyllis Freeman	Elected October 2011
Riverina	Lynette Kilby	Retired October 2011

Directors and Alternate Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

The Company's Principal Activities

The principal activities of the AH&MRC during the financial year were to:

- Lead the Aboriginal health agenda for better policies, programs, services and practices;
- Ensure Aboriginal knowledge informs decision-making processes;
- Support, strengthen and sustain Aboriginal Community Controlled Health Services.

The company's short-term objectives are to:

- To strengthen the capacity of ACCHS in NSW to deliver high quality, comprehensive wholistic primary health care services;
- To consolidate growth and performance of the AH&MRC to ensure capacity to achieve our strategic objectives;
- To increase the involvement and effectiveness of the AH&MRC in decision-making regarding Aboriginal health in NSW;
- To ensure Aboriginal health programs and services are effective, sustainable and reflect local Aboriginal community needs.

The company's long-term objectives are to:

- To improve the health of Aboriginal peoples across NSW;
- To increase Aboriginal people's access to ACCHSs, which provide culturally appropriate and high quality comprehensive primary health care;
- To increase acceptance and respect for Aboriginal Community Control as a best practice model for achieving Aboriginal health improvement;
- To achieve universal recognition of the AH&MRC as the lead representative organisation on Aboriginal health in NSW.

To achieve these objectives, the company has adopted the following strategies:

- Advocate for early and active involvement, including local level involvement, in all decision-making processes that impact on the health of Aboriginal people in NSW.
- Develop, refine and promote AH&MRC policy positions that respond to the aspirations and needs of ACCHS and current health environment and policy agendas.
- Foster and support strong leadership, governance and management within the AH&MRC and member ACCHS.
- Support AH&MRC member ACCHSs with high quality practical and technical advice that helps maximise funding opportunities to develop, extend or strengthen sustainable health programs and services that reflect the priority needs of their communities.
- Establish effective continuous quality improvement processes which will strengthen the capacity of AH&MRC members to evaluate their services and programs.
- Promote and support long-term, comprehensive, needs-based, local health and state-wide planning that is linked to funding commitments.
- Strengthen the effectiveness of partnership agreements between the AH&MRC and government and non-government agencies.
- Promote Aboriginal health as a career and support the development of the Aboriginal health workforce by helping to improve the recruitment, training and retention of appropriately skilled health professionals in NSW ACCHSs.
- Advocate for, and support, the development of sustainable, evidence-informed and culturally appropriate Aboriginal health programs and services.
- Implement the AH&MRC Strategic Plan by developing detailed business plans for each of the four identified priority areas: self determination, relationships, workforce development, and health services and programs.

Key Performance Measures

Activity	2012	
	Actual	Benchmark
Hold quarterly meetings of the AH&MRC Board of Directors and an Annual General Meeting (AGM)	100%	100%
Hold quarterly Financial and Risk Management Committee meetings	100%	100%
All of the AH&MRC's new Directors will be provided with a Directors' induction manual and orientation program	100%	100%
Hold six weekly meetings of the AH&MRC's Ethics Committee	100%	100%
Ensure all AH&MRC annual reports to funding bodies are submitted in accordance with the Accounting and Auditing Standards	100%	100%
Ensure that quarterly Financial Statements, in accordance with the standards set by the Committee, are presented to the AH&MRC Finance and Risk Management Committee as well as the Board of Directors	100%	100%
Ensure the AH&MRC Compliance register is current and accurate and all requirements are followed and reported to the Board of Directors	100%	100%
Comply with funding bodies' contractual and reporting requirements by producing an SDRF/Action Plan	100%	100%
Implement recommendations outlined in the AH&MRC Quality Workplan within the 3-year period to achieve re-accreditation to the QIC Standards	Y	Y
Achieve standards to ensure re-accreditation of the Aboriginal Health College as an RTO within the 5-year time frame	Y	Y
Ensure every employee will be employed against an approved position description	79%	80%
Increase percentage of Aboriginal staff working at the AH&MRC	44%	50%

Information on Directors

Christine Corby

Qualifications

Chair

Diploma in Health Sciences, University of Sydney; Graduate Diploma in Health Management, University of New England; Diploma of Business Management, Aboriginal Health College; Justice of the Peace

Experience

CEO since 1986 at Walgett AMS; Director on the Board of the National Aboriginal Community Controlled Health Organisation (NACCHO); Chairperson of Bila Muuji Aboriginal Health Service Incorporated; Chairperson of the Walgett Gamilaraay Aboriginal Community Working Party (WGACWP); Committee member of NSW Health Ministerial Advisory Committee (HMAC); Committee member of NSW Kids and Families Board; Committee member of the Far West NSW Medicare Local Limited (FWML)

Special Responsibilities

Chair of the AH&MRC, the Finance and Risk Management (FARM) Committee and the Remuneration Committee; NACCHO Representative

Mr Craig Ardler

Experience

Current Chairman of the Booderee National Park (Joint Board); current Chairman of the Wreck Bay Aboriginal Community Council (WBACC); served on WBACC Executive on a number of occasions since 1989; previous member of WBACC Audit Committee; Previous Deputy Chairman of WBACC; previous ATSIC Regional Councillor

Ms Dea Delaney-Thiele

Qualifications

Post Graduate Diploma in Health Management, University of New England; Advanced Diploma AHW Community Care

Experience

Formerly Deputy CEO and CEO of Daruk Aboriginal Community Controlled Medical Service Co-op; former Director of Western Sydney Area Health Service, former Director of New Children's Hospital, Westmead; former CEO of NACCHO

Ms Pam Handy

Qualifications

Associate Diploma in Adult Education, University of Technology, Sydney; Aboriginal Education Assistants Certificate, University of Sydney; Advanced Certificate in Koori Community Management and Development

Experience

Formerly CEO of Coomealla Health Aboriginal Corporation; many years' experience in the Aboriginal Community Controlled Health sector at local, regional, state and national levels

Mr Tim Horan

Qualifications

Advanced Diploma in Business Management; Diploma of OHS; Member of the Australian Institute of Managers; Member of the Australia Institute of Company Directors

Experience

5 years' experience in the Aboriginal Community Controlled Health sector at local, regional, state and national levels; 3 years as AH&MRC Director; 8 years as Mayor of Coonamble Council

Special Responsibilities

Member of the Remuneration Committee

Mrs Valda Keed

Qualifications

Accounting Certificate, TAFE

Experience

Founding member of AHRC/AH&MRC; acted as either Director or Alternate Director for many years; founding member and current Chairperson of Peak Hill Aboriginal Medical Service; active member of a wide range of local and state Aboriginal organisations; long term participant in Aboriginal Health matters at local, regional, state and national levels
Deputy Chair of AH&MRC; AH&MRC Ethics Committee Chair; NACCHO Representative

Special Responsibilities

Mr David Kennedy

Qualifications

Train the Trainer (prior to Cert IV Training and Assessment)

Experience

10 years' experience in Aboriginal Community Controlled Health sector; a mentor for the Australian College of Health Service Executives; former Chair, Many Rivers Alliance; current Director Mid North Coast Local Health District

Special Responsibilities

Member of the AH&MRC Finance and Risk Management (FARM) Committee; Member of the AH&MRC Standing Committee on Constitution Reform; Member of the AH&MRC Remuneration Committee

Ms Selena Lyons

Qualifications

Diploma in Practice Management; Diploma in Legal Advocacy; Certificate IV in Medical Administration

Experience

CEO of Riverina Medical and Dental Aboriginal Corporation; 20 years engaged in planning and delivery of Aboriginal health programs

Special Responsibilities

AH&MRC Remuneration Committee

Mr Ron Mason

Experience

Removed from AH&MRC Board on 8 May 2012

Ms Rochelle Patten

Qualifications Masters in Environmental Studies, Deakin University; Diploma in Environmental Studies, Deakin University; Certificate Welfare Assistants, Watsonia Institute

Experience Founding member and current Chair of the Cumeragunja Housing and Development Aboriginal Corporation; 2012 Melbourne Museum – Bunjilaka Restoration Project; Victorian Culture 10 Year Plan; Long and active involvement in a wide range of Aboriginal organisations

Special Responsibilities Member of the AH&MRC Ethics Committee

Mrs Catherine Sinclair

Qualifications Diploma Business Management; Diploma of Audiometry; Certificate IV of Business – Frontline Management

Experience 15 years experience in Aboriginal health at a local level

Special Responsibilities Member of the Finance and Risk Management (FARM) and the Standing Committee on Constitution Reform

Mrs Donna Taylor

Qualifications Certificate IV of Business – Frontline Management

Experience CEO Pius X Aboriginal Corporation since 2004; Member of Moree Health Advisory Committee for 6 years

Meetings of Directors

During the financial year, six meetings of Directors were held. Attendances of each Director, or Alternate Director if applicable, were as follows:

Region	Name	Years as Director	Directors meetings eligible to attend	Directors meetings attended
Central Coast	Ms Catherine Sinclair	8	6	4
Central Coast	Mr Ray Kelly**	1	2	1
Central Tablelands	Ms Donna Taylor	3	6	5
Central West	Mr Tim Horan	3	6	4
Central West	Mr Cecil See**	4	2	2
Far South Coast	Mr Ron Mason*	3	6	0
Far West	Ms Pam Handy	1	4	1
Far West	Mr Daniel Kelly	10	1	1
Illawarra	Mr Craig Ardler	1	4	3
Illawarra	Mr Ivern Ardler**	1	1	0
Illawarra	Ms Julie Booker**	2	2	1
Lower Central West	Ms Valda Keed	14	6	5
Lower Central West	Mr Cecil Lester**	3	1	1
Metropolitan	Ms Dea Delaney-Thiele	1	4	1
Metropolitan	Mr Frank Vincent	3	2	2
Murray River	Ms Rochelle Patten	11	6	4
Murray River	Mr Ray Ahmat**	1	1	1
North Coast	David Kennedy	7	6	6
North West	Christine Corby	15	6	4
Riverina	Ms Selena Lyons	1	4	1
Riverina	Ms Phyllis Freeman**	1	1	1
Riverina	Ms Lynette Kilby	2	1	1
Riverina	Ms Dorothy Wyman	3	2	0

* Removed 8 May 2012 ** Attended as Alternate Director

Company Secretary

The following persons held the position of AH&MRC Secretary at the end of the financial year:

Ms Sandra Bailey – CEO, Aboriginal Health and Medical Research Council of NSW, has held the position of Company Secretary since 2006.

Mr John Hendry – Legal and Policy Officer, Aboriginal Health and Medical Research Council of NSW, has held the position of joint Company Secretary since May 2011.

Incorporation

The Company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstanding obligations of the entity. At 30 June 2012, the total amount that members of the company are liable to contribute if the company is wound up is \$490 (2011: \$560).

AUDITOR'S INDEPENDENCE DECLARATION

Aboriginal Health and Medical Research Council of New South Wales
[ABN 66 085 654 397]



Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 47 of the financial report.

Signed in accordance with a resolution of the Board of Directors

A handwritten signature in black ink, which appears to read 'Christine Corby, OAM', is positioned above the printed name.

Mrs **Christine Corby**, OAM

Chairperson

Dated this 30th day of August, 2012

Funded by NSW Health Department

Location	Postal Address	Contact	ABC/ACN
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A. F. WALLIS & CO. PTY LTD

ABN 90 075 605 122



Chartered Accountants

**Auditor's Independence Declaration Under S 307c of the Corporations Act 2001
to the Directors of the Aboriginal Health and Medical Research Council of New
South Wales**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 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.

A.F. Wallis & Co.
Chartered Accountants

A.F. Wallis

Dated this 27th day of August, 2012

Liability limited by a scheme approved under
Professional Standards Legislation

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STATEMENT OF COMPREHENSIVE INCOME

Aboriginal Health and Medical Research Council of New South Wales
[ABN 66 085 654 397]

Statement of Comprehensive Income for the year ended 30 June 2012

	NOTE	2012 \$	2011 \$
Revenue	2	7,329,332	8,471,368
Other income	2	690,338	1,048,483
Employee benefits expense		(4,446,026)	(4,101,608)
Travel and accommodation expense		(1,072,252)	(876,544)
Audit, legal and consultancy expense		(763,025)	(987,569)
Rent and occupancy expense		(557,897)	(475,543)
Venue expense		(357,709)	(178,521)
Program printing and promotion expense		(287,455)	(160,576)
Repairs and maintenance expense		(245,277)	(255,516)
Depreciation and impairment expense	3b	(174,251)	(175,917)
Other expense		(121,790)	(119,882)
Computer software and consumables expense		(115,851)	(141,922)
Printing and post expense		(104,873)	(92,061)
Recruitment and training expense		(65,595)	(58,727)
Vehicle running expense		(41,023)	(36,055)
Telephone expense		(40,147)	(50,582)
Bad debts expense		-	(7,824)
Current year surplus/(deficit) before income tax		(373,501)	1,801,004
Income tax expense	1i	-	-
Net current year surplus/(deficit)		(373,501)	1,801,004
Other comprehensive income			
Net gain on revaluation of plant and equipment		-	-
Other comprehensive income for the year		-	-
Total comprehensive surplus/(deficit) for the year		(373,501)	1,801,004
Net current year surplus/(deficit) attributable to members of the AH&MRC		(373,501)	1,801,004
Total comprehensive surplus/(deficit) attributable to members of the AH&MRC		(373,501)	1,801,004

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2012

	NOTE	2012 \$	2011 \$
ASSETS			
CURRENT ASSETS			
Cash and equivalents	4	5,992,091	6,349,315
Accounts receivable and other debtors	5	<u>397,125</u>	<u>793,240</u>
TOTAL CURRENT ASSETS		<u>6,389,216</u>	<u>7,142,555</u>
NON-CURRENT ASSETS			
Plant and equipment	6	330,000	329,204
Deposits		<u>146,584</u>	<u>87,647</u>
TOTAL NON-CURRENT ASSETS		<u>476,584</u>	<u>416,851</u>
TOTAL ASSETS		<u>6,865,800</u>	<u>7,559,406</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and other payables	7	343,262	954,097
Provisions	9	<u>1,279,027</u>	<u>924,961</u>
TOTAL CURRENT LIABILITIES		<u>1,622,289</u>	<u>1,879,058</u>
NON-CURRENT LIABILITIES			
Provisions	9	24,086	87,422
Loan		<u>85,000</u>	<u>85,000</u>
TOTAL NON-CURRENT LIABILITIES		<u>109,086</u>	<u>172,422</u>
TOTAL LIABILITIES		<u>1,731,375</u>	<u>2,051,480</u>
NET ASSETS		<u>5,134,425</u>	<u>5,507,926</u>
EQUITY			
Retained surplus		<u>5,134,425</u>	<u>5,507,926</u>
TOTAL EQUITY		<u>5,134,425</u>	<u>5,507,926</u>

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Aboriginal Health and Medical Research Council of New South Wales
[ABN 66 085 654 397]

Statement of Changes in Equity for the year ended 30 June 2012

	RETAINED SURPLUS	TOTAL
	\$	\$
Balance at 1 July 2010	<u>3,706,922</u>	<u>3,706,922</u>
Comprehensive income		
Surplus for the year attributable to members of the AH&MRC	1,801,004	1,801,004
Other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive income attributable to members of the AH&MRC	<u>1,801,004</u>	<u>1,801,004</u>
Balance at 30 June 2011	<u>5,507,926</u>	<u>5,507,926</u>
Comprehensive income		
Deficit for the year attributable to members of the AH&MRC	(373,501)	(373,501)
Other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive income attributable to members of the AH&MRC	<u>(373,501)</u>	<u>(373,501)</u>
Balance at 30 June 2012	<u>5,134,425</u>	<u>5,134,425</u>

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the year ended 30 June 2012

	NOTE	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES			
Receipt of grants	2	7,034,495	8,195,237
Other income	2	690,338	1,048,483
Payments to suppliers and employees		(8,209,920)	(7,349,934)
Interest received	2	294,837	276,131
Net cash generated from operating activities	14	<u>(190,250)</u>	<u>2,169,917</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of plant and equipment	3b	30,000	45,400
Payment for plant and equipment	6	(196,974)	(143,236)
Net cash used in investing activities		<u>(166,974)</u>	<u>(97,836)</u>
Net increase in cash held		(357,224)	2,072,081
Cash and cash equivalents at beginning of the financial year		6,349,315	4,277,234
Cash and cash equivalents at end the of the financial year	4	<u><u>5,992,091</u></u>	<u><u>6,349,315</u></u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements for the year ended 30 June 2012

The financial statements cover the Aboriginal Health and Medical Research Council of New South Wales (AH&MRC) as an individual entity, incorporated and domiciled in Australia. The AH&MRC is a company limited by guarantee.

Note 1

Summary of Significant Accounting Policies

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*. The Company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue by the Directors of the AH&MRC on 14 August 2012.

Accounting Policies

a. Revenue

Non-reciprocal grant revenue is recognised in the statement of comprehensive income when the AH&MRC obtains control of a grant and it is probable that the economic benefits gained from the grant will flow to the AH&MRC and the amount of the grant can be measured reliably.

If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of a grant as revenue will be deferred until those conditions are satisfied.

When grant revenue is received whereby the AH&MRC incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

The AH&MRC receives non-reciprocal contributions of assets from the government and other parties for zero or a nominal value. These assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in the statement of comprehensive income.

Donations and bequests are recognised as revenue when received.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

b. Plant and Equipment

Each class of plant and equipment is carried at cost or fair value as indicated, less, where applicable, accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment issues. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable

amount. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(d) for details of impairment).

Plant and equipment that have been contributed at no cost or for nominal cost are valued and recognised at the fair value of the asset at the date it is acquired.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the AH&MRC commencing from the time the asset is available for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	15% - 40%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

c. Leases

Leases of property, where substantially all the risks and benefits incidental to the ownership of the asset but not the legal ownership are transferred to the AH&MRC, are classified as financial leases.

Finance leases are capitalised, recognising an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the AH&MRC will obtain ownership of the asset. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

d. Impairment of Assets

At the end of each reporting period, the AH&MRC reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over the recoverable amount is recognised in profit or loss.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the AH&MRC would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an asset's class, the AH&MRC estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

Where an impairment loss on a revalued asset is identified, this is recognised against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

e. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Contributions are made by the AH&MRC to employee superannuation fund/funds and are charged as expenses when incurred.

f. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

Note 1: Summary of Significant Accounting Policies (cont'd)

g. Accounts Receivable and Other Debtors

Accounts receivable and other debtors include amounts due from members as well as amounts receivable from customers for goods sold in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. Refer to Note 1(d) for further discussion on the determination of impairment losses.

h. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST received or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

i. Income Tax

No provision for income tax has been raised as the AH&MRC is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997*.

j. Provisions

Provisions are recognised when the AH&MRC has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefit will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

k. Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the AH&MRC applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period must be disclosed.

l. Accounts Payable and Other Payables

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

m. Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key Estimates

Impairment

The plant and equipment were independently valued at 30 May 2012 by Andrew Nock Pty Limited. The valuation was based on fair value less cost to sell.

At the 14 August 2012 meeting of the AH&MRC Board, the Directors reviewed the key assumptions made by the valuers at 30 May 2012. They have concluded that these assumptions remain materially unchanged and are satisfied that carrying value does not exceed the recoverable amount of plant and equipment at 30 June 2012.

n. Economic Dependence

The AH&MRC is dependent on the Department of Health and Ageing and the NSW Ministry of Health for the majority of grant revenue used to operate the business. At the date of this report the Board of Directors has no reason to believe that the said Departments will not continue to support and finance the AH&MRC.

o. New Accounting Standards for Application in Future Periods

The Australian Accounting Standards Board (AASB) has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the AH&MRC. The AH&MRC has decided not to early adopt any of the new and amended pronouncements. The AH&MRC's assessment of the new and amended pronouncements that are relevant to the AH&MRC but applicable in future reporting periods is set out below.

- AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to the Australian Accounting Standards arising from AASB 9 (December 2010) (applicable for annual reporting periods commencing on or after 1st January 2013).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- requiring financial assets to be reclassified where there is a change in the AH&MRC's business model as they are initially classified based on: (a) the objective of the AH&MRC's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the AH&MRC's own credit risk in the other comprehensive income, except where it would create an accounting mismatch. If such a mismatch would be created or enlarged, the AH&MRC is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit and loss.

The AH&MRC has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

- AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 (applicable for annual reporting periods commencing on or after 1 January 2013)

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value.

These Standards are not expected to significantly impact the AH&MRC.

- AASB 2011-9: Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is therefore not expected to significantly impact the AH&MRC.

- AASB 119: Employee Benefits [September 2011] and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The AH&MRC does not have any defined benefit plans and so is not impacted by the amendment.

Note 1: Summary of Significant Accounting Policies (cont'd)

AASB 119 [September 2011] also includes changes to:

- (a) require only those benefits that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service to be classified as short-term employee benefits. All other employee benefits are to be classified as either other long-term benefits, post employment benefits or termination benefits, as appropriate; and
- (b) the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earliest of:
 - (i) where for an offer that may be withdrawn – when the employee accepts;
 - (ii) where for an offer that can not be withdrawn – where the offer is communicated to affected employees; and
 - (iii) where the termination is associated with a restructuring of activities under AASB 137 and if earlier than the first two conditions – when the related restructuring costs are recognised.

The AH&MRC has not yet been able to reasonably estimate the impact of these changes to AASB 119.

Note 2 Revenue and Other Income

	2012 \$	2011 \$
Revenue		
<i>Revenue from government grants and other grants</i>		
- State/federal government grants – operating	6,273,504	6,762,407
- Other organisations – operating	760,991	1,432,830
	<u>7,034,495</u>	<u>8,195,237</u>
<i>Other revenue</i>		
- Interest received on investments	294,837	276,131
	<u>294,837</u>	<u>276,131</u>
Total Revenue	<u>7,329,332</u>	<u>8,471,368</u>
Other Income		
- Gain on disposal of plant and equipment	-	-
- Charitable income and fundraising	13,934	6,937
- Royalties	53,648	45,078
- College activities	458,503	981,243
- Other	164,253	15,225
	<u>690,338</u>	<u>1,048,483</u>
Total Other Income	<u>690,338</u>	<u>1,048,483</u>
Total Revenue and Other Income	<u><u>8,019,670</u></u>	<u><u>9,519,851</u></u>

Note 3 Surplus for the Year

	2012	2011
	\$	\$
a) Expenses		
Bad debts expense	-	7,824
Rental expense on operating leases		
- minimum lease payments	395,943	331,970
- rates, utility and service charges	161,954	143,573
Total Rental Expenses	<u>557,897</u>	<u>475,543</u>
Auditor remuneration		
- audit services	45,000	40,000
- other services	-	-
Total Audit Remuneration	<u>45,000</u>	<u>40,000</u>
b) Significant Revenue and Expenses		
Plant and equipment – depreciation and amortisation	58,890	78,912
Motor vehicles – depreciation and amortisation	57,558	62,821
Plant and equipment – impairment	40,047	14,892
Motor vehicles impairment	17,756	19,292
Total Depreciation and Impairment	<u>174,251</u>	<u>175,917</u>
Proceeds on disposal	30,000	45,400
Disposal at carrying value	(21,929)	(45,600)
Net gain on disposals	<u>8,071</u>	<u>(200)</u>

Note 4 Cash and Cash Equivalents

	2012	2011
	\$	\$
CURRENT		
Cash at bank	5,991,991	6,349,215
Cash on hand	100	100
Total cash and cash equivalents as stated in the statement of financial position	<u>5,992,091</u>	<u>6,349,315</u>
Total cash and cash equivalents as stated in the cash flow statement	<u>5,992,091</u>	<u>6,349,315</u>

Note 5

Accounts Receivable and Other Debtors

	NOTE	2012 \$	2011 \$
CURRENT			
Accounts receivables		389,177	792,040
Provision for doubtful debts	5(i)	-	-
		<u>389,177</u>	<u>792,040</u>
Other debtors		7,948	1,200
Total current accounts and other receivables	15	<u>397,125</u>	<u>793,240</u>

(i) Credit Risk – Accounts Receivable and Other Debtors

The AH&MRC does not have any material credit risk exposure to any single receivable or group of receivables.

The following table details the AH&MRC's accounts receivable and other debtors exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the AH&MRC and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the AH&MRC.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross amount \$	Past due but not impaired				Within initial trade terms \$
		< 30 \$	31 – 60 \$	61 – 90 \$	> 90 \$	
2012						
Accounts receivable	389,177	344,614	32,575	750	11,238	344,614
Other debtors	7,948	7,948	-	-	-	7,948
Total	<u>397,125</u>	<u>352,562</u>	<u>32,575</u>	<u>750</u>	<u>11,238</u>	<u>352,562</u>
2011						
Accounts receivable	792,040	734,124	34,453	1,003	22,460	734,124
Other debtors	1,200	1,200	-	-	-	1,200
Total	<u>793,240</u>	<u>735,324</u>	<u>34,453</u>	<u>1,003</u>	<u>22,460</u>	<u>735,324</u>

Note 6

Plant and Equipment

	2012	2011
	\$	\$
Plant and equipment		
At cost	949,719	814,660
Less accumulated depreciation	<u>(705,596)</u>	<u>(606,660)</u>
	<u>244,123</u>	<u>208,000</u>
Motor vehicles		
At cost	231,368	228,947
Less accumulated depreciation	<u>(145,491)</u>	<u>(107,743)</u>
	<u>85,877</u>	<u>121,204</u>
Total plant and equipment	<u><u>330,000</u></u>	<u><u>329,204</u></u>

Movements in Carrying Amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.

	Motor Vehicles	Furniture and Equipment	Total
	\$	\$	\$
2011			
Balance at the beginning of the year	161,505	245,980	407,485
Additions at cost	87,413	55,823	143,236
Disposals	(45,600)	-	(45,600)
Revaluation increment	(19,292)	(14,891)	(34,183)
Depreciation expense	<u>(62,822)</u>	<u>(78,912)</u>	<u>(141,734)</u>
Carrying amount at end of year	<u><u>121,204</u></u>	<u><u>208,000</u></u>	<u><u>329,204</u></u>
2012			
Balance at the beginning of the year	121,204	208,000	329,204
Additions at cost	61,916	135,058	196,974
Disposals	(59,495)	-	(59,495)
Revaluation increment	(17,756)	(43,314)	(61,070)
Depreciation expense	<u>(19,992)</u>	<u>(55,621)</u>	<u>(75,613)</u>
Carrying amount at end of year	<u><u>85,877</u></u>	<u><u>244,123</u></u>	<u><u>330,000</u></u>

Asset revaluation

The plant and equipment were independently valued at 30 May 2012 by Andrew Nock Pty Limited. The valuation was based on fair value less cost to sell.

At the 14 August 2012 meeting of the AH&MRC Board, the Directors reviewed the key assumptions made by the valuers at 30 May 2012. They have concluded that these assumptions remain materially unchanged and are satisfied that carrying value does not exceed the recoverable amount of plant and equipment at 30 June 2012.

Note 7

Accounts Payable and Other Payables

	NOTE	2012 \$	2011 \$
CURRENT			
Accounts payables		245,766	575,140
Other current payables		97,496	378,957
Employee benefits		655,159	514,961
Building repairs and maintenance		623,868	410,000
Total current	7a	<u>1,622,289</u>	<u>1,879,058</u>
NON-CURRENT			
Employee benefits	7a	<u>24,086</u>	<u>87,422</u>
a. Financial liabilities and amortised cost classified as trade and other payables			
		2012 \$	2011 \$
Accounts payable and other payables			
• Total current	7	1,622,289	1,879,058
• Long term employment benefits	7	24,086	87,422
Total non-current		<u>24,086</u>	<u>87,422</u>
Total current and non-current		<u>1,646,375</u>	<u>1,966,480</u>
Less leave entitlements	9	<u>(679,246)</u>	<u>(602,383)</u>
Financial liabilities as accounts payable and other payables		<u>967,129</u>	<u>1,364,097</u>

Note 8 Lease Liabilities

	NOTE	2012 \$	2011 \$
Current	10	439,476	101,471
Non-current	10	1,115,097	-
TOTAL LEASE LIABILITIES	15	<u>1,554,573</u>	<u>101,471</u>

Note 9 Provisions

	NOTE	Long-term Employee Benefits \$	Leasehold Building Maintenance \$	Total \$
Opening balance at 1 July 2011		602,382	410,000	1,012,382
Additional provisions raised during the year		546,235	215,300	761,535
Amounts used		(469,371)	(1,433)	(470,804)
Balance at 30 June 2012	7	<u>679,246</u>	<u>623,867</u>	<u>1,303,113</u>
Analysis of Total Provisions			2012 \$	2011 \$
Current			1,279,027	924,961
Non-current			24,086	87,422
			<u>1,303,113</u>	<u>1,012,383</u>

Provision for Non-current Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1(e) to this Report.

Note 10

Capital and Leasing Commitments

	2012	2011
	\$	\$
Operating Lease Commitments		
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable – minimum lease payments		
- not later than 12 months	439,476	101,471
- later than 12 months but not later than 5 years	1,115,097	
- greater than 5 years	-	-
	<u>1,554,573</u>	<u>101,471</u>

The property lease commitments are non-cancellable operating leases contracted for but not recognised in the financial statements with a five-year term. An increase in lease commitment may occur in line with the Consumer Price Index (CPI).

Note 11

Contingent Liabilities and Contingent Assets

	2012	2011
	\$	\$
In 2009 the Department of Education and Training reimbursed the AH&MRC an amount of \$300,000 for plant and equipment associated with the fit-out of the Aboriginal Health College. Ownership of these assets will not vest in the AH&MRC until 2014.		
Accordingly, the AH&MRC has a contingent asset in relation to this plant and equipment.	<u>300,000</u>	<u>300,000</u>

Note 12

Events after the Reporting Period

- 1) On 18 July 2012 the AH&MRC received a sum of \$581,811 from the Brien Holden Vision Institute for the AH&MRC Aboriginal Health College Endowment Fund. The sum included a significant amount from an anonymous donor, which was matched dollar-for-dollar by the Brien Holden Vision Institute.
- 2) The AH&MRC is dependent on the Department of Health and Ageing and the NSW Ministry of Health for the majority of the grant revenue used to operate the business. As at 13 August 2012, funding from the NSW Ministry of Health was guaranteed in writing to 31 December 2012. Correspondence has since been received from the NSW Ministry of Health confirming that funding will continue only until 30 June 2013.

Note 13

Related Party Transactions

a. Key Management Personnel

2012

2011

\$

\$

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) is considered key management personnel.

Key management personnel compensation

- short-term benefits	777,329	857,434
- post-employment benefits	-	-
- other long-term benefits	-	-
	777,329	857,434

b. Other Related Parties

Other related parties include immediate family members of key management personnel, and entities that are controlled or jointly controlled by those key management personnel individually or collectively with their close family members.

Transactions between related parties are on normal commercial terms and conditions are no more favourable than those available to other persons unless otherwise stated.

Note 14

Cash Flow Information

2012

2011

\$

\$

Reconciliation of Cash Flow from Operations with Surplus/(deficit) after Income Tax

Surplus/(Deficit) after income tax	(373,501)	1,801,004
Non cash flows		
Depreciation and amortisation	174,251	175,917
Loss/(Surplus) on sale of plant and equipment	(8,071)	200
Furniture and equipment written off	-	-
Changes in assets and liabilities		
(Increase)/Decrease in accounts receivable and other debtors	396,115	(454,587)
Increase/(Decrease) in accounts payable and other payables	(610,835)	250,647
(Increase)/Decrease in other assets	(58,939)	(2,647)
(Increase)/Decrease in provisions	290,730	399,383
	(190,250)	2,169,917

Note 15

Financial Risk Management

The AH&MRC's financial instruments consist mainly of deposits with banks, local money market instruments, short-term and long-term investments, accounts receivable and payable and lease liabilities.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	NOTE	2012 \$	2011 \$
Financial Assets			
Cash and cash equivalents	4	5,992,091	6,349,315
Accounts receivable and other debtors	5	397,125	880,887
Financial assets at fair value through profit or loss			
- investments in listed shares, held for trading		-	-
Held-to-maturity investments			
- investments in government and fixed interest securities		-	-
Available-for-sale financial assets			
- investments in listed shares, available for sale		-	-
Total Financial Assets		<u>6,389,216</u>	<u>7,230,202</u>
Financial Liabilities			
Financial liabilities at amortised cost			
- accounts payable and other payables	7	343,262	954,097
- long-term loan		85,000	85,000
Total Financial Liabilities		<u>428,262</u>	<u>1,039,097</u>

Financial Risk Management Policies

The AH&MRC Finance and Risk Management (FARM) Committee is responsible for monitoring and managing the company's compliance with its risk management strategy and consists of senior board members and staff. The FARM Committee's overall risk management strategy is to assist the company in meeting its financial targets whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the FARM Committee on a regular basis. These include credit risk policies and future cash flow requirements.

Specific Financial Risk Exposure and Management

The main risks the AH&MRC is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk and other price risk.

There have been no substantive changes in the types of risks the AH&MRC is exposed to, how these risks arise, or the board's objectives, policies and processes for managing or measuring the risks from the previous period.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss for the AH&MRC.

The AH&MRC does not have any material credit risk exposure as its major source of revenue is the receipt of grants. Credit risk is further mitigated as over 90% of the grants being received from state or federal governments are in accordance with funding agreements which ensure regular funding for a period of three years.

Credit Risk Exposure

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Accounts receivable and other debtors that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 5.

The AH&MRC has no significant concentration of credit risk exposure to any single counterparty or group of counterparties. Details with respect to credit risk of Trade and Other Receivables are provided in Note 5.

Credit risk related to balances with banks and other financial institutions is managed by the Finance and Risk Management Committee in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard & Poor's counterparty credit ratings:

	NOTE	2012 \$	2011 \$
Cash and cash equivalents			
- AA rated		5,992,091	6,349,315
	4	5,992,091	6,349,315

b. Liquidity risk

Liquidity risk arises from the possibility that the AH&MRC might encounter difficulty in settling its debts or otherwise meeting its obligations in relation to financial liabilities. The AH&MRC manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- maintaining a reputable profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The tables on the following page reflect an undiscounted contractual maturity analysis for financial liabilities. The AH&MRC does not hold directly any derivative financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects contractual settlement dates.

Note 15: Financial Risk Management (cont'd)

Financial liability and financial asset maturity analysis	Within 1 Year		1 to 5 Years		Total	
	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment						
Accounts payable and other payables (excluding estimated annual leave and deferred income)	967,130	1,364,097	85,000	85,000	1,052,130	1,449,097
Property lease liabilities	439,476	101,471	1,115,097	-	1,554,573	101,471
Total expected outflows	<u>1,406,606</u>	<u>1,465,568</u>	<u>1,200,097</u>	<u>85,000</u>	<u>2,606,703</u>	<u>1,550,568</u>
Financial assets – cash flows realisable						
Cash and cash equivalents	5,992,091	6,349,315	-	-	5,992,091	6,349,315
Accounts receivable and other debtors	397,125	793,240	146,584	87,647	543,709	880,887
Total anticipated inflows	<u>6,389,216</u>	<u>7,142,555</u>	<u>146,584</u>	<u>87,647</u>	<u>6,535,800</u>	<u>7,230,202</u>
Net (outflow)/inflow on financial instruments	<u>4,982,610</u>	<u>5,676,987</u>	<u>(1,053,513)</u>	<u>2,647</u>	<u>3,929,097</u>	<u>5,679,634</u>

c. Market Risk

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The AH&MRC is also exposed to earning volatility on floating rate instruments.

The financial instruments which expose the AH&MRC to interest rate risk are limited to lease liabilities, listed shares, government and fixed interest securities, cash and cash equivalents.

Interest rate risk is managed using a mix of fixed and floating rate debt. At 30 June 2012 approximately 100% of AH&MRC debt is fixed rate. It is the policy of the company to keep between 65% and 100% of debt on fixed interest rates.

ii. Other Price risk

Other price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) of securities held.

The AH&MRC is not exposed to other price risk on investments held for trading or for medium to longer terms. Such risk is managed through diversification of investments across industries and geographical locations.

The AH&MRC's investments are held in the following sectors at reporting date:

	2012	2011
Banking	100%	100%

Sensitivity Analysis

The following table illustrates sensitivities to the AH&MRC's exposures to changes in interest rates and equity prices. The table indicates the impact on how surplus and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variables that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Surplus
	\$
Year ended 30 June 2011	
+ / - 2% in interest rates	110,159
Year ended 30 June 2012	
+ / - 2% in interest rates	119,840

No sensitivity analysis has been performed on foreign exchange risk as the AH&MRC is not exposed to foreign currency fluctuations.

Fair Values

Fair Value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the AH&MRC. Most of these instruments, which are carried at amortised cost (i.e. accounts receivables, loan liabilities), are to be held until maturity and therefore the fair value figures calculated bear little relevance to the company.

Note 15: Financial Risk Management (cont'd)

		2012		2011	
	Footnote	Net Carrying Value	Net Fair Value	Net Carrying Value	Net Fair Value
		\$	\$	\$	\$
<i>Financial assets</i>					
Cash and cash equivalents	(i)	5,992,091	5,992,091	6,349,315	6,349,315
Accounts receivable and other debtors	(i)	543,709	543,709	880,887	880,887
Total financial assets		<u>6,535,800</u>	<u>6,535,800</u>	<u>7,230,202</u>	<u>7,230,202</u>
<i>Financial liabilities</i>					
Accounts payable and other payables	(i)	343,262	343,262	954,097	954,097
Long term loan		85,000	85,000	85,000	85,000
Lease liabilities	(ii)	439,476	439,476	101,471	101,471
Total financial liabilities		<u>867,738</u>	<u>867,738</u>	<u>1,140,568</u>	<u>1,140,568</u>

The fair values disclosed in the above table have been determined based on the following methodologies:

- (i) Cash and cash equivalents, accounts receivable and other debtors and accounts payable and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave, which is outside the scope of AASB 139.
- (ii) Fair values are determined using a discounted cash flow model incorporating current commercial borrowing rates. The fair values of fixed rate debt will differ to the carrying values.

Note 16

Capital Management

Management controls the capital of the AH&MRC to ensure that adequate cash flows are generated to fund its programs and that returns from investments are maximised. The Finance and Risk Management Committee ensures that the overall risk management strategy is in line with this objective.

The Finance and Risk Management Committee operates under policies approved by the AH&MRC Board of Directors. Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

The AH&MRC's capital consists of financial liabilities, supported by financial assets.

Management effectively manages the AH&MRC's capital by assessing the AH&MRC's financial risks and responding to changes in these risks and in the market. These responses may include the consideration of debt levels.

There have been no changes to the strategy adopted by management to control the capital of the AH&MRC since the previous year. The strategy of the AH&MRC is to minimise debt, maximise returns and to manage cash flow timing to ensure that funds are available, without penalty or loss of interest, to meet the requirements of programs.

Note 17

AH&MRC Details

The registered office and principal place of business is:

Aboriginal Health & Medical Research Council of NSW
Level 3, 66 Wentworth Avenue
Surry Hills NSW 2010

Note 18

Members' Guarantee

The AH&MRC is incorporated under the *Corporations Act 2001* and is an entity limited by guarantee. If the AH&MRC is wound up, the Constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstanding obligations of the AH&MRC. At 30 June 2012 the number of members was 49.

DIRECTORS' DECLARATION

Aboriginal Health and Medical Research Council of New South Wales
[ABN 66 085 654 397]



Directors' Declaration

In accordance with a resolution of the Director of the AH&MRC, the Directors declare that:

1. The financial statements and notes, as set out on pages 48-60, are in accordance with the *Corporations Act 2001*:
 - a. comply with Australian Accounting Standards; and
 - b. give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the AH&MRC.
2. In the Directors' opinion there are reasonable grounds to believe that the AH&MRC will be able to pay its debts as and when they become due and payable.

This Declaration is made in accordance with an ordinary resolution of the AH&MRC Board of Directors.

A handwritten signature in black ink, appearing to read 'C Corby, OAM'.

Ms **Christine Corby**, OAM
Chairperson

Dated this 30th day of August, 2012

Funded by NSW Health Department

Location	Postal Address	Contact	ABC/ACN
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A. F. WALLIS & CO. PTY LTD

ABN 90 075 605 122



Chartered Accountants

Independent Auditor's Report to the Members of the Aboriginal Health and Medical Research Council of New South Wales

Report on the Financial Report

We have audited the accompanying financial report of the Aboriginal Health and Medical Research Council of New South Wales (AH&MRC), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those 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 judgment, 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 AH&MRC's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the AH&MRC'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 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Aboriginal Health and Medical Research Council of

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INDEPENDENT AUDITOR'S REPORT

Aboriginal Health and Medical Research Council of New South Wales
[ABN 66 085 654 397]

A. F. WALLIS & CO. PTY LTD

ABN 90 075 605 122



Chartered Accountants

New South Wales, would be in the same terms if given to the Directors as at the time of this auditor's report.

Opinion

In our opinion, the financial report of the Aboriginal Health and Medical Research Council of New South Wales is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

A. F. Wallis & Co.
Chartered Accountants

A. F. Wallis

Dated this 31st day of August, 2012

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