



THE UNIVERSITY OF
MELBOURNE

2012

FINANCIAL STATEMENTS

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The University of Melbourne

Income Statement for the year ended 31 December 2012

	Note	CONSOLIDATED		UNIVERSITY	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Revenue from continuing operations					
Australian Government financial assistance					
Australian Government grants	2	818,525	764,924	814,428	761,898
HELP – Australian Government payments	2	168,969	146,807	168,969	146,807
State and Local Government financial assistance	3	82,151	44,429	81,771	44,329
HECS-HELP – student payments		34,429	34,498	34,429	34,498
Fees and charges	4	504,795	476,165	439,668	412,174
Investment revenue	5	71,585	110,573	65,851	104,499
Royalties, trademarks and licences	6	4,122	3,597	3,989	3,431
Consultancy and contracts	7	74,251	55,772	69,957	47,595
Other revenue	8	111,397	139,610	107,679	123,693
Total revenue from continuing operations		1,870,224	1,776,375	1,786,741	1,678,924
Other investment income	5	30,244	20,515	29,782	17,854
Deferred superannuation contributions	41.3	30,217	3,375	30,217	3,375
Other income	8	250	88	250	88
Total income from continuing operations		1,930,935	1,800,353	1,846,990	1,700,241
Expenses from continuing operations					
Employee related expenses	9	972,972	887,438	922,412	837,024
Depreciation and amortisation	10	123,759	104,841	118,906	100,017
Repairs and maintenance	11	51,508	62,983	49,968	61,229
Borrowing costs	12	15,254	14,938	14,985	14,504
Impairment of assets (excluding available-for-sale financial assets)	13	2,405	(3,007)	3,230	1,125
Loss / (gain) on disposal of assets	14	3,017	248	2,117	223
Deferred superannuation expense	41.3	30,217	3,375	30,217	3,375
Other expenses	15	611,163	592,641	584,213	552,658
Total expenditure from continuing operations		1,810,295	1,663,457	1,726,048	1,570,155
Operating result before income tax and impairment of available-for-sale financial assets		120,640	136,896	120,942	130,086
Income tax (expense) / benefit	16	–	–	–	–
Subtotal – Operating result after income tax but before impairment of available-for-sale financial assets		120,640	136,896	120,942	130,086
Impairment expense on available-for-sale financial assets	13	16,030	48,044	15,461	47,937
Operating result for the year		104,610	88,852	105,481	82,149

The above Income Statement should be read in conjunction with the accompanying notes.

The University of Melbourne*Statement of Comprehensive Income for the year ended 31 December 2012*

	Note	CONSOLIDATED		UNIVERSITY	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Operating result for the year		104,610	88,852	105,481	82,149
Gain / (loss) on revaluation of land and buildings	30(a)	245,955	88,569	222,818	86,766
Gain / (loss) on revaluation of other collections	30(a)	29,047	–	29,047	–
Available-for-sale financial assets:					
– Valuation gains / (losses) taken to equity	30(a)	104,124	(21,893)	96,861	(12,643)
– Transferred to profit and loss on sale	30(a)	(18,654)	(55,877)	(18,654)	(55,877)
Valuation gain / (loss) on cash flow hedge	30(a)	(5,509)	(14,117)	(5,509)	(14,117)
Total comprehensive income for the year		459,573	85,534	430,044	86,278

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

The University of Melbourne

Statement of Financial Position as at 31 December 2012

	Note	CONSOLIDATED		UNIVERSITY	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	17	156,260	177,886	106,336	126,977
Receivables	18	134,223	113,421	119,381	100,928
Inventories	19	2,283	5,915	1,745	5,091
Other financial assets	20	1,077	3,384	–	–
Other non-financial assets	21	29,559	35,635	27,551	33,083
Total current assets		323,402	336,241	255,013	266,079
Non-current assets					
Receivables	18	151,390	121,245	150,733	120,065
Other financial assets	20	1,169,181	1,073,791	1,124,422	1,047,344
Investments accounted for using the equity method	22	20	20	–	–
Property, plant and equipment	23	3,527,462	3,093,972	3,392,461	2,981,459
Intangible assets	24	42,143	34,159	40,738	33,001
Other Non-Financial Assets	21	22,020	11,362	22,000	11,342
Total non-current assets		4,912,216	4,334,549	4,730,354	4,193,211
TOTAL ASSETS		5,235,618	4,670,790	4,985,367	4,459,290
LIABILITIES					
Current liabilities					
Trade and other payables	25	141,764	116,674	113,886	92,129
Borrowings	26	12,145	7,357	11,229	6,543
Provisions	27	186,790	177,176	180,630	171,926
Other current liabilities	28	312,267	276,645	297,342	266,895
Total current liabilities		652,966	577,852	603,087	537,493
Non-current liabilities					
Borrowings	26	167,212	172,117	166,353	171,213
Provisions	27	178,722	146,303	177,623	144,951
Other non-current liabilities	28	82,319	85,201	82,319	85,201
Other financial liabilities	29	32,868	27,359	32,868	27,359
Total non-current liabilities		461,121	430,980	459,163	428,724
TOTAL LIABILITIES		1,114,087	1,008,832	1,062,250	966,217
NET ASSETS		4,121,531	3,661,958	3,923,117	3,493,073
EQUITY					
Restricted funds		–	–	–	–
Reserves	30(a)	2,918,141	2,535,764	2,786,517	2,434,743
Retained surplus	30(b)	1,203,390	1,126,194	1,136,600	1,058,330
TOTAL EQUITY		4,121,531	3,661,958	3,923,117	3,493,073

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

The University of Melbourne*Statement of Changes in Equity for the year ended 31 December 2012*

	RESERVES	RETAINED SURPLUS	TOTAL
	\$'000	\$'000	\$'000
Consolidated			
Balance at 1 January 2011	2,513,993	1,062,431	3,576,424
Changes resulting from profit or loss	–	88,852	88,852
Changes from other comprehensive income			
Gain/(loss) on revaluation of land and buildings	88,569	–	88,569
Gain/(loss) on revaluation of works of art	–	–	–
Available-for-sale financial assets:			
– Valuation gains/(losses) taken to equity	(21,893)	–	(21,893)
– Transferred to profit and loss on sale	(55,877)	–	(55,877)
– Impairment transferred to profit and loss	–	–	–
Valuation gain/(loss) on cash flow hedge	(14,117)	–	(14,117)
Total comprehensive income	(3,318)	88,852	85,534
Net Transfers	25,089	(25,089)	–
Balance at 31 December 2011	2,535,764	1,126,194	3,661,958
Balance at 1 January 2012	2,535,764	1,126,194	3,661,958
Changes resulting from profit or loss	–	104,610	104,610
Changes from other comprehensive income			
Gain/(loss) on revaluation of land and buildings	245,955	–	245,955
Gain/(loss) on revaluation of other collections	29,047	–	29,047
Available-for-sale financial assets:			
– Valuation gains/(losses) taken to equity	104,124	–	104,124
– Transferred to profit and loss on sale	(18,654)	–	(18,654)
Valuation gain/(loss) on cash flow hedge	(5,509)	–	(5,509)
Total comprehensive income	354,963	104,610	459,573
Net Transfers	27,414	(27,414)	–
Balance at 31 December 2012	2,918,141	1,203,390	4,121,531

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

The University of Melbourne*Statement of Changes in Equity for the year ended 31 December 2012 (continued)*

	RESERVES	RETAINED SURPLUS	TOTAL
	\$'000	\$'000	\$'000
University			
Balance at 1 January 2011	2,405,889	1,000,906	3,406,795
Changes resulting from profit or loss	–	82,149	82,149
Changes from other comprehensive income			
Gain/(loss) on revaluation of land and buildings	86,766	–	86,766
Available-for-sale financial assets:			
– Valuation gains/(losses) taken to equity	(12,643)	–	(12,643)
– Transferred to profit and loss on sale	(55,877)	–	(55,877)
Valuation gain/(loss) on cash flow hedge	(14,117)	–	(14,117)
Total comprehensive income	4,129	82,149	86,278
Net Transfers	24,725	(24,725)	–
Balance at 31 December 2011	2,434,743	1,058,330	3,493,073
Balance at 1 January 2012	2,434,743	1,058,330	3,493,073
Changes resulting from profit or loss	–	105,481	105,481
Changes from other comprehensive income			
Gain/(loss) on revaluation of land and buildings	222,818	–	222,818
Gain/(loss) on revaluation of other collections	29,047	–	29,047
Available-for-sale financial assets:			
– Valuation gains/(losses) taken to equity	96,861	–	96,861
– Transferred to profit and loss on sale	(18,654)	–	(18,654)
Valuation gain/(loss) on cash flow hedge	(5,509)	–	(5,509)
Total comprehensive income	324,563	105,481	430,044
Net Transfers	27,211	(27,211)	–
Balance at 31 December 2012	2,786,517	1,136,600	3,923,117

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

The University of Melbourne

Statement of Cash Flows for the year ended 31 December 2012

	Note	CONSOLIDATED		UNIVERSITY	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Cash flows from operating activities					
Australian Government grants		1,028,811	917,085	1,025,065	913,669
OS-HELP		1,379	747	1,379	747
State Government grants		86,725	49,179	86,345	49,079
Local Government Grants		296	96	296	96
HECS-HELP student payments		34,429	34,498	34,429	34,498
Dividends received		60,386	86,227	56,886	82,358
Interest received		12,706	13,160	10,470	10,948
Receipts of student and other fee-for-service activities		464,808	430,560	402,284	365,221
Other inflows		194,482	227,780	187,075	208,785
Payments to employees		(962,047)	(875,932)	(911,808)	(825,915)
Payments to suppliers (inclusive of GST)		(465,932)	(453,100)	(420,941)	(398,212)
Interest and other cost of finance paid		(15,272)	(14,939)	(14,985)	(14,504)
GST recovered / (paid)		(6,250)	(1,475)	(5,662)	(796)
Other outflows		(170,688)	(188,127)	(195,459)	(206,282)
Net cash inflow / (outflow) from operating activities	39	263,833	225,759	255,374	219,692
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		6,361	1,272	6,357	1,252
Proceeds from sale of other financial assets		305,903	889,777	297,436	813,064
Other inflows		3,836	895	–	–
Payment for property, plant and equipment		(275,558)	(154,790)	(271,339)	(151,483)
Payment for other financial assets		(289,310)	(870,503)	(273,454)	(827,822)
Payment for intangible assets		(17,419)	(13,542)	(16,284)	(12,676)
Net cash inflow / (outflow) from investing activities		(266,187)	(146,891)	(257,284)	(177,665)
Cash flows from financing activities					
Proceeds from borrowings		2,717	1,563	2,717	1,563
Other inflows		–	882	–	882
Loans granted		(1,926)	(1,616)	(2,426)	(2,616)
Repayment of borrowings		(6,543)	(6,060)	(6,543)	(6,060)
Repayment of finance leases		(13,520)	(6,252)	(12,479)	(5,477)
Net cash inflow / (outflow) from financing activities		(19,272)	(11,483)	(18,731)	(11,708)
Net increase / (decrease) in cash and cash equivalents		(21,626)	67,385	(20,641)	30,319
Cash and cash equivalents at the beginning of the year		177,886	110,501	126,977	96,658
Cash and cash equivalents at the end of the year	17	156,260	177,886	106,336	126,977

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to and forming part of the

Financial Statements for the year ended 31st December 2012

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the University of Melbourne in the preparation of the financial report for the year ended 31 December 2012 are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for the University as an individual entity and the consolidated entity, consisting of the University and its subsidiaries. The University and its subsidiaries are referred to in this financial report as the Group or the consolidated entity.

1.1 BASIS OF PREPARATION

The annual financial statements represent the audited general purpose financial statements of the University of Melbourne. They have been prepared on an accrual basis and comply with the Australian Accounting Standards.

Additionally the statements have been prepared in accordance with following statutory requirements:

- *Higher Education Support Act 2003* (Financial Statement Guidelines)
- *Financial Management Act 1994*

The University of Melbourne is a not-for-profit entity and these statements have been prepared on that basis. Some of the requirements for not-for-profit entities are inconsistent with IFRS requirements.

Historical cost convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of available for sale financial assets, financial assets and liabilities at fair value through profit or loss and certain classes of property, plant and equipment.

Critical accounting estimates

The preparation of financial statements in conformity with Australian accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the University's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are described below:

(i) Key estimates – impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The Group's impairment policies are set

out in Note 1.10 for financial assets and Note 1.15 for non-financial assets.

(ii) Key estimates – determination of fair values*Financial assets and liabilities*

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices. The quoted market price used for financial assets held by the Group is the closing market price at balance sheet date. The determination of fair values for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Property, plant and equipment

Land and buildings are valued by an external valuer on a cyclical basis, or earlier if there is a material movement. Works of art and other collections are valued by management on a cyclical basis based on a combination of internal and external expert advice.

(iii) Key estimates – useful lives of physical and intangible assets

The Group reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each reporting period.

(iv) Key judgements – financial asset and liability classification

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- a) In designating financial assets at fair value through profit and loss, the Group has determined that it has met one of the criteria for this designation set out in Note 1.9 (i).
- b) The Group classifies financial assets as held-to-maturity where it has determined that it has both the positive intention and ability to hold the assets until their maturity date, as required in Note 1.9 (iii).
- c) In determining whether income is reciprocal in nature the Group has determined that it has met the criteria set out in Note 1.4 (i).

1.2 PRINCIPLES OF CONSOLIDATION**(i) Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the University as at 31 December 2012, and their results for the year then ended.

Subsidiaries are all those entities over which the University has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the University controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the University. They are de consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the University.

The University's consolidated financial statements show the "University" (parent entity) financial position and result, which includes the University's general, trust and semi-autonomous activities, as well as the "Consolidated" financial position and result, which also includes the University's subsidiaries. The activities and entities that make up the University and Consolidated information are detailed below.

University (parent entity)

The University parent entity includes:

- **General activities** – including teaching, research and administrative activities.
- **Trust activities** – which are activities supported by funds derived from endowments and bequests and income earned thereon. A major part of trust monies is received for, and can only be applied to, restricted purposes.
- **Semi-autonomous bodies** – are the University's semi-independent enterprises which operate on a commercial or quasi commercial basis in support of core University activities. The University has nine semi-autonomous bodies, being:

Children's Services

Halls of Residence:

- International House
- Kendall Hall
- Medley Hall

The Ian Potter Museum of Art
Melbourne Theatre Company
Melbourne University Bookshop #
Melbourne University Sport
Veterinary Hospital

Subsidiaries

The subsidiaries of the University are:

Australian Music Examinations Board
(Vic) Limited ACN 050 464 634

Australian National Academy of Music Ltd
ACN 067 405 190 and its subsidiary:

- ANAM Foundation Ltd
ACN 110 698 550 *

Melbourne Business School Limited
ACN 007 268 233 and its subsidiaries:

- The Melbourne Business
School Foundation
- The Melbourne Business School
Foundation Ltd ACN 057 776 711 *
- Mt Eliza Graduate School of
Business and Government
Limited ACN 008 394 732

Melbourne Dental Clinic Ltd
ACN 154 305 656 ##

Melbourne University Publishing
Limited ACN 103 214 713

MU Student Union Limited
ACN 107 286 706

Nossal Institute Limited ACN 084 268 655

UMELB Pte Ltd ##

UOM Commercial Ltd ACN 081
182 685 and its subsidiaries:

- Melbourne Ventures Pty Ltd
ACN 106 845 783 **
- UM Commercialisation Pty
Ltd ACN 122 930 269 **
- Procypra Therapeutics Pty
Ltd ACN 136 508 775 *

Victorian Institute for Chemical Sciences
Limited ACN 107 013 936 ***

* Not operational during the year.

** The operations of Melbourne
Ventures Pty Ltd were transferred
to UOM Commercial Ltd on 31
December 2010 and the company
was liquidated on 17 October 2011.

*** Victorian Institute for Chemical
Sciences Limited was deregistered
on 9 November 2011.

The Melbourne University Bookshop
ceased trading on 17 May 2012.

UMELB Pte Ltd was incorporated
in Singapore on 1 June 2012. The
Melbourne Dental Clinic Ltd was
incorporated on 29 June 2012.

The companies listed are all incorporated
in the State of Victoria with exception
to UMELB Pte Ltd. The University has
more than 50% of the voting rights
in each of these companies with the
exception of Melbourne Business School
Limited (45%) and the Victorian Institute
for Chemical Sciences Limited (33%).
These companies are deemed to be
subsidiaries for the purpose of this report.
A minority interest is not disclosed for
the Melbourne Business School as it
is a company Limited by Guarantee.

In accordance with AASB 127
*Consolidated and Separate Financial
Statements* the financial statements
of each of the above subsidiaries have
been consolidated in these financial
statements. Summary information for each
subsidiary group is provided in Note 37.

(ii) Associates

Associates are all entities over which
the Group has significant influence but
not control, generally accompanying a
shareholding of between 20% and 50%
of the voting rights. Investments are
accounted for in the parent entity financial
statements using the cost method, and
in the consolidated financial statements
using the equity method of accounting,
after initially being recognised at cost.

The Group's share of its associates' post-
acquisition profits or losses is recognised
in the Income Statement, and its share of
post-acquisition movements in reserves is
recognised in the Statement of Financial
Position. The cumulative post-acquisition
movements are adjusted against the
carrying amount of the investment.

When the group's share of losses in an
associate equals or exceeds its interest
in the associate, including any other
unsecured receivables, the Group does
not recognise further losses unless
it has incurred obligations or made
payments on behalf of the associate.

Unrealised gains on transactions
between the Group and its associates are
eliminated to the extent of the Group's
interest in the associates. Unrealised
losses are also eliminated unless the
transaction provides evidence of an
impairment of the asset transferred.

1.3 FOREIGN CURRENCY TRANSLATION

(i) Functional and presentational currency

Items included in the financial statements of
each of the Group's entities are measured
using the currency of the primary economic
environment in which the entity operates
(‘the functional currency’). The consolidated
financial statements are presented in
Australian dollars, which is the University's
functional and presentational currency.

(ii) Transactions and balances

Foreign currency transactions are
translated into the functional currency
using the exchange rates prevailing at
the dates of the transactions. Foreign
exchange gains and losses resulting from
the settlement of such transactions are
recognised in the Income Statement.

Transactions in foreign currencies which
are carried out by the library for book
purchases are converted to Australian
currency at the rate of exchange on the
date on which the currency is purchased.
The University hedges its foreign currency
exposure in respect of major purchases
of equipment from overseas countries.
At the reporting date there were no
such hedges in place (2011, nil).

1.4 REVENUE RECOGNITION

Revenue is measured at the fair value of
the consideration received or receivable.
Revenue is recognised for the major
business activities as follows:

(i) Government financial assistance

Government grants are recognised at
their fair value when there is reasonable
assurance that the grant will be received
and the Group has complied with the
attached conditions. Such grants are
treated as non-reciprocal transfers in
accordance with AASB 1004 *Contributions*.

Government grants which have outstanding
performance or return conditions are
recognised in accordance with AASB 118
Revenue with reference to the percentage
of completion method. The stage of
completion is measured by reference to total
expenditure incurred to date compared with
the funding provided. The University regards
the receipt of such revenue as a reciprocal
transfer as the University is required to
provide the necessary services in return for
grant funding. A liability is recognised in the
Statement of Financial Position in respect
of grant revenue which is unearned at the
balance date. AASB 118 *Revenue* requires
revenue to be recognised in the reporting
periods in which the services are rendered.

(ii) Fees and charges

Fee-for-service revenue is recognised
upon the delivery of the service. Where
revenue of a reciprocal nature has been
clearly received in respect of programs or
services to be delivered in the following
year, such amounts are deferred and
disclosed as income in advance in
accordance with AASB 118 *Revenue*.

(iii) Investment revenue

Dividend revenue from investments is
recognised when the Group's right to
receive payment has been established.
Interest revenue is recognised on an accrual
basis taking into account the interest
rates applicable to the financial assets.

Notes to and forming part of the*Financial Statements for the year ended 31st December 2012***NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(iv) Other**

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Revenue in the form of endowments and bequests is brought to account when received.

All revenue is stated net of Goods and Services Tax (GST).

1.5 INCOME TAX

The University of Melbourne and its subsidiaries are exempt from income tax pursuant to Part 50.1 of the *Income Tax Assessment Act 1997*.

The balance sheet method of tax-effect accounting is adopted.

1.6 CASH AND CASH EQUIVALENTS

For the purpose of the Statement of Cash Flows, cash and cash equivalents include cash on hand and at bank, at-call deposits and bank bills with a maturity of 90 days or less.

1.7 TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less any provision for impairment. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for impaired receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered to be indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows. Cash flows relating to short-term receivables are not discounted as the effect of discounting is immaterial. Movements in the balance of the allowance are recognised in the Income Statement.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Income Statement. When a trade receivable is uncollectible it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

1.8 INVENTORIES

Annual or cyclical stocktakes of inventories are undertaken at all locations.

Inventories comprising finished goods, raw materials, work in progress, fodder and hay stocks are measured at the lower of cost and net realisable value, with adjustments made to take into account obsolescence.

The Group's livestock are measured at their fair value less estimated point-of-sale costs in accordance with AASB 141 *Agriculture*.

The fair value of this item is determined based on market prices in the local area.

Costs are assigned to individual items of inventory on the basis of the first-in, first-out method.

1.9 FINANCIAL ASSETS

AASB 139 *Financial Instruments*:

Recognition and Measurement provides four categories of financial instruments: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification of investments depends on the purpose for which they were acquired. The classification of investments is determined by management at initial recognition and is re-evaluated at each reporting date, where applicable.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the Income Statement in the period in which they arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when an entity provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets except for those with maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest method.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities where management has the positive intention and ability to hold to maturity. Held to maturity investments are carried at amortised cost using the effective interest method. At the reporting date, the Group did not hold any financial assets in this category (2011, nil).

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless either management intends to dispose of the investment or the settlement date of the investment is within twelve months of the balance sheet date.

Purchases and sales of investments are recognised on the trade date i.e. the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Unrealised gains and losses arising from changes in the fair value are recognised in equity in the available-for-sale financial assets revaluation reserve. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the Income Statement.

(v) Other investments

Investments in other unlisted entities are carried at fair value. Where a fair value is not readily available, investments are carried at the lower of cost or recoverable amount.

1.10 IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

In the case of available-for-sale financial assets, a significant or prolonged decline in the fair value of an asset below its cost is considered to indicate impairment. The University has assumed in its impairment assessment that a significant decline in fair value occurs when market value has declined by greater than 20% below historical cost, and a prolonged decline

occurs when market value remains below historical cost for more than nine months.

If any such evidence of impairment exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the Income Statement. Impairment losses recognised in the Income Statement on equity instruments are not reversed through the Income Statement.

1.11 FAIR VALUE ESTIMATION

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Entities shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value of financial instruments traded in active markets is based on quoted market prices for identical assets or liabilities at the balance sheet date (Level 1). The quoted market price used for financial assets held by the Group is the closing market price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments (Level 2) are used for long-term debt instruments held. Other techniques that are not based on observable market data (Level 3) such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The level in the fair value hierarchy shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Financial instruments are classified using a fair value hierarchy reflecting the significance of inputs used in making the measurements, as outlined above in this note.

1.12 PROPERTY, PLANT AND EQUIPMENT

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

The University has a policy of capitalising property, plant and equipment costing \$10,000 or more. Items under \$10,000 are expensed, with exception to Works of Art, Library and Other Collections which are capitalised. Some subsidiaries have lower capitalisation thresholds, however the overall effect of these is considered to be immaterial in accordance with AASB 1031 *Materiality*. There has been no change to the capitalisation threshold from the prior year.

(i) Land and buildings

Land and buildings are initially recorded in the Statement of Financial Position at cost, which is considered to equate to fair value. Fair value for the purposes of the Group's buildings is depreciated replacement cost unless specific circumstances dictate otherwise.

Subsequent to initial recognition, land and buildings are valued by an external valuer on a cyclical basis unless there is a material movement between valuations. These assets are disclosed as measured at fair value. At the date of revaluation any accumulated depreciation is eliminated against the gross carrying amount of the asset. The net value is then restated to the revalued amount of the asset.

An independent valuation of land belonging to the Group was carried out as at 31 December 2011 by Cunningham Property Consultants Pty Ltd. As at 31 December 2012, an independent valuation of both Land and Buildings belonging to the Group was carried out by Colliers International Consultancy and Valuation Pty Limited.

(ii) Works of Art & Other Collections

The University's works of art and other collections, which include the University's rare book collection, archives and the Percy Grainger collection, are measured on a fair value basis and are valued on a cyclical basis unless there is a material movement between valuations. Collections are valued by management relying on both internal and independent valuations.

A summary of valuations carried out by year are included below.

- a) A valuation of works of art and other collections held by the University was carried out as at 31 December 2006 by management, based on both internal and independent expertise. Independent expertise was provided for artwork valuations by Leonard Joel Australia (Valuers), Deucher-Menzies Pty Ltd, Joshua McClelland and Jan Martin. Other collections were valued

by Leonard Joel Australia (Valuers) and Kenneth Hince Old and Fine Books.

An independent valuation of works of art held by the Victorian College of the Arts was also carried out as at 31 December 2006 by Leonard Joel Australia (Valuers). Works of art held by the Victorian College of the Arts were transferred to the University on integration as at 1 January 2007 at fair value.

- b) An independent valuation of two University rare book collections and the library print collection was carried out as at 31 December 2010 by the Australian Valuation Office.
- c) An independent valuation of the Grainger Museum, Physics Museum, School of Music Collection, Law Library and Special collections (including McLaren, AX, Grimwade, Book Club of California) were carried out at 31 December 2012 by Simon Storey Valuers.

(iii) Items of cultural significance

The University has identified and is in the process of cataloguing items of cultural significance. These items are varied in nature. Apart from other collections and works of art (referred to above) these collections have not been valued however, a plan is in place to have these valued in the coming years.

(iv) Library collection

The University's general library collection, which excludes the rare book collection and electronic publications, is recorded at cost less any accumulated depreciation and, where applicable, any impairment losses.

(v) Plant and equipment

The University's plant and equipment, which includes motor vehicles, furniture, fixtures and fittings and all equipment with exception to leased equipment is recorded in the Statement of Financial Position at cost less depreciation and, where applicable, any impairment losses.

(vi) Leasehold improvements

Leasehold improvements are recorded in the Statement of Financial Position at cost less amortisation and, where applicable, any impairment losses.

(vii) Leased plant and equipment

Plant and equipment held under a finance lease arrangement is initially recorded in the Statement of Financial Position at the lower of the fair value of the leased plant and equipment and the present value of minimum lease payments, and is depreciated over the shorter of the asset's useful life and the lease term.

Notes to and forming part of the

Financial Statements for the year ended 31st December 2012

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(viii) Construction in progress**

Construction in progress is recorded in the Statement of Financial Position at cost. Capital expenditure relating to the refurbishment of buildings which adds value rather than maintaining the value of the buildings is included in construction in progress. When construction projects are completed, the balance within construction in progress is transferred to buildings.

(ix) Subsequent costs

The costs of the day-to-day servicing of property, plant and equipment are recognised in the Income Statement in the period in which they are incurred.

(x) Depreciation

Depreciation is provided on a straight line basis on all tangible fixed assets other than land, construction in progress, works of art and other collections, none of which are depreciated.

The University's depreciation rates are:

Buildings	
– Structure/shell/building fabric	2.5%
– Site engineering services and central plant	4%
– Fit out	8%
– Trunk reticulated building systems	5%
Plant and equipment	
– Motor vehicles	20%
– Furniture, fixtures and fittings	10%
– Communications equipment	12.5%
– General equipment	25%
– Scientific and computing equipment	
– Large research equipment	20%
– Other scientific and computing equipment	25% – 33.33%
Leasehold improvements (amortised over the term of the lease)	
Library collection:	
– Monographs	5%
– Periodicals	3.33%
– Audio-visual materials	20%

There were no changes to depreciation rates in 2012. Depreciation rates used by some subsidiaries vary slightly from the rates stated above, however the effect of these differences is considered immaterial.

Acquisitions are depreciated from the date of purchase; disposals are depreciated up to the date of sale or when classified as held-for-sale (refer to Note 1.16).

1.13 INTANGIBLE ASSETS**(i) Research**

Expenditure on research activities is recognised in the Income Statement as an expense when it is incurred.

(ii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment at least annually. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

(iii) Software

Major computer software is recorded in the Statement of Financial Position at cost less amortisation and, where applicable, any impairment losses. With exception to the research phase of development, all allowable costs are capitalised in the year they are incurred. Amortisation is provided on a straight line basis at rates between 14.29% and 33.33% (2011, between 14.29% and 33.33%).

(iv) Electronic Publications

Electronic publications are capitalised and amortised on a straight line basis. The amortisation rate for electronic publications was increased from 3.33% to 25% during 2012, refer to Note 1.28 for further details.

1.14 REVALUATION OF NON-CURRENT ASSETS

AASB 116 *Property, Plant and Equipment* requires reporting entities to measure assets within each class of non-current asset on either the cost basis or on a fair value basis. Subsequent to initial recognition, non-current physical assets, other than plant and equipment, leasehold improvements, the library collection and intangible assets are measured at fair value.

In accordance with the not-for-profit requirements of AASB 116, revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised as income in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements relating to individual assets within a class of property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes. Revaluation reserves are not transferred to retained earnings on derecognition of the relevant asset.

1.15 IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, all assets except for those held at fair value including inventories, assets arising from employee benefits and financial instrument assets are assessed to determine whether there is any indication of impairment. If there is an indication of impairment, the assets concerned are tested as to whether their carrying amount exceeds the recoverable amount, and the difference is written-off by a charge to the Income Statement except to the extent that the write-down can be debited to an asset revaluation reserve applicable to that class of asset.

At each reporting date, assets previously determined to be impaired are assessed for circumstances indicating that an impairment loss recognised in prior periods no longer exists or may have decreased. If there is an indication that the impairment loss has been reversed, the assets concerned are tested as to whether the recoverable amount exceeds the carrying amount. The difference not exceeding the original impairment is credited to the Income Statement, except for revalued assets, which are credited to an asset revaluation reserve.

Where it is not possible to estimate the recoverable amount of an individual asset, the University estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.16 NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE AND DISCONTINUED OPERATIONS

In the event that the Group identified a non-current asset (or disposal group) to be classified as held for sale, the asset (or disposal group) would be stated at the lower of the carrying amount and fair value less costs to sell, if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Statement of Financial Position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Statement of Financial Position.

1.17 TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days commencing from the month following recognition.

1.18 BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

1.19 BORROWING COSTS

Borrowing costs including those incurred for the construction of any qualifying asset are expensed during the period of time that is required to complete and prepare the asset for its intended use or sale.

1.20 EMPLOYEE BENEFITS

Provision is made for the liability for employee benefits arising from services rendered by employees at the reporting date. Employee benefits which are short term in nature and are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year and which are long-term in nature have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(i) Annual leave

Liabilities for annual leave have been determined in accordance with AASB 119 *Employee Benefits*. The liability is broken down into the amount expected to be settled within twelve months of the reporting date and that which is expected to be settled after twelve months of the reporting date.

(ii) Long service leave

Liabilities for long service leave are measured using the projected unit credit method which measures the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. The current portion of the liability is the amount over which the University does not have a right of deferral.

(iii) Superannuation

Employee contributory superannuation funds managed outside of the University exist to provide benefits for the Group's employees and their dependents on retirement, disability or death of the employee. The contributions made to these funds are recorded in the Income Statement. Further details are provided in Note 41.

(iv) Unfunded superannuation liabilities

The unfunded liabilities recorded in the Statement of Financial Position under provisions have been determined by the actuary of the Victorian Government Superannuation Office and relate to employees who are members of the State Superannuation Scheme.

An arrangement exists between the Australian Government and the State Government to meet the unfunded liability for the University's beneficiaries of the State Superannuation Schemes on an emerging cost basis. This arrangement is evidenced by the *State Grants (General Revenue) Amendment Act 1987*, *Higher Education Funding Act 1988* and subsequent amending legislation. Accordingly, the unfunded liabilities have been recognised in the Statement of Financial Position under Provisions (Note 27) with a corresponding asset recognised under Receivables (Note 18). The recognition of both the asset and the liability consequently does not affect the year-end net asset position of the University and its subsidiaries. Refer to Note 41.3 for further details.

1.21 PROVISIONS

(i) WorkCover Provision

The University is a Self Insurer for Workers' Compensation and WorkCover. A provision is recognised representing an estimate of the total outstanding liability for workers' compensation claims. The value of the provision is based on an actuarial assessment carried out at balance date.

(ii) Other Provisions

Other provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

1.22 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group held one derivative during the reporting period, being an interest rate swap which has been designated as a cash flow hedge to remove the Group's exposure to interest rate risk on its borrowings.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the income statement as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Further details about the Group's interest rate swap are disclosed in Note 29 and valuation movements through the Hedging Reserve are disclosed in Note 30.

Notes to and forming part of the*Financial Statements for the year ended 31st December 2012*

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.23 CAPITAL CONTRIBUTIONS TO BUILDINGS**(i) Contributions received**

Contributions from third parties towards the construction of buildings in exchange for the right to occupy space are netted against expenditure in construction in progress until completion. Upon completion, the market value of the Group's obligation to provide rent relief is determined and accounted for as rental in advance, appropriately classified as a current and non-current liability. This rental in advance balance is then amortised over the period of the lease.

(ii) Contributions made

Contributions made by the Group to third parties towards the construction of buildings in exchange for the right to occupy space are included in prepayments until completion. Upon completion, the market value of the Group's right to occupy is determined and accounted for as a rental prepayment, appropriately classified as current and non-current. This rental prepayment is then amortised over the period of the lease.

1.24 GOODS AND SERVICES TAX (GST)

Income, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the Australian Taxation Office (ATO) is included as a current asset or liability in the Statement of Financial Position.

Cash flows are presented on a net basis in the Statement of Cash Flows with the net cash inflow/(outflow) to/from the ATO being recorded separately. 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.

1.25 LEASES**(i) Operating leases as lessee**

The Group leases certain land and buildings. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Payments made under operating leases are charged to the Income Statement on a straight-line basis over the period of the lease.

(ii) Operating leases as lessor

Lease income from operating leases is recognised in the Income Statement on a straight-line basis over the lease term.

(iii) Finance leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in Current and Non-Current Borrowings. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

1.26 ROUNDING

All amounts shown in the financial statements are expressed by reference to the nearest thousand dollars unless otherwise specified.

1.27 CHANGES IN COMPARATIVES

Where necessary, comparative information has been reclassified to enhance comparability in respect of changes in presentation adopted in the current year.

1.28 CHANGES TO ACCOUNTING POLICY AND ESTIMATES

The following changes were made to the University's accounting policy and / or estimates during the year ended 31 December 2012:

- As outlined in Note 1.13 (iv), the University's amortisation rate for electronic publications was revised effective 1 January 2012. This resulted in a \$6.475 million increase in amortisation expense for the Group in 2012.

Other than the above, there were no changes to the Group's accounting policy or estimates during the year ended 31 December 2012.

1.29 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to the operations and effective for the current annual reporting period. The adoption of these new and revised standards and Interpretations have not resulted in any significant changes to the Group's accounting policies for the current and prior years.

At the date of this report certain new Accounting Standards and Interpretations have been published that are not mandatory for the financial year ending 31 December 2012. They are available for early adoption, but have not been applied in preparing this financial report. The Group's assessment of the impact of the new Standards and Interpretations relevant to the Group is set out below:

- AASB 9 *Financial Instruments* was published in September 2012 and becomes effective for reporting periods beginning on or after 1 January 2015. This standard prescribes classification and measurement requirements for financial assets and includes some significant changes from the current accounting requirements contained in AASB 139 *Financial Instruments: Recognition and Measurement*. Upon first-time application of this new standard, the Group will be required to elect whether to recognise fair value changes in other comprehensive income or through profit or loss. Application of AASB 9 is expected to result in material changes to the Group's future financial reports however the quantitative effect of the Group adopting this standard has not yet been determined.
- AASB 13 *Fair Value Measurement* was published in September 2011 and becomes effective for reporting periods beginning on or after 1 January 2013. This standard replaces the guidance on fair value measurement in existing AASB accounting literature with a single standard. The standard defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. AASB 13 applies when another AASB requires fair value measurements or disclosures about fair value measurements. Application of AASB 13 is not expected to result in any material changes to the Group's future financial reports.
- AASB 119 *Employee Benefits* was published in September 2011 and becomes effective for reporting periods beginning on or after 1 January 2013. This amended version includes some revised requirements for pensions and other postretirement benefits, termination benefits and other changes. The key amendments include requiring the recognition of changes in the net defined benefit liability/asset, introducing enhanced disclosures about defined benefit plans and modifying accounting for termination benefits. Application of AASB 119 is not expected to result in any material changes to the Group's future financial reports.

- AASB 127 *Separate Financial Statements (2011)* was published in August 2011 and becomes effective for reporting periods beginning on or after 1 January 2013. This standard prescribes requirements for separate financial statements while requirements for consolidated financial statements are now contained in AASB 10 *Consolidated Financial Statements*. This standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates and jointly controlled entities are accounted for either at cost, or in accordance with AASB 9 *Financial Instruments*. Application of AASB 127 is not expected to result in any material changes to the Group's future financial reports.
- AASB 128 *Investments in Associates and Joint Ventures (2011)* was published in July 2011 and becomes effective for reporting periods beginning on or after 1 January 2013. This standard supersedes AASB 128 *Investments in Associates* and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. Application of AASB 128 is not expected to result in any material changes to the Group's future financial reports.
- AASB 1053 *Application of Tiers of Australian Accounting Standards* was published in June 2010 and applies to reporting periods beginning on or after 1 July 2013. This standard allows some entities to apply reduced disclosure requirements in their annual financial statements. Application of AASB 1053 is not expected to result in any material changes to the Group's future financial reports.

Notes to and forming part of the

Financial Statements for the year ended 31 December 2012

	Note	CONSOLIDATED		UNIVERSITY	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
NOTE 2 AUSTRALIAN GOVERNMENT FINANCIAL ASSISTANCE INCLUDING HECS-HELP AND FEE-HELP					
(a) Commonwealth Grants Scheme (CGS) and Other Grants 43.1					
Commonwealth Grant Scheme *		250,449	230,945	250,449	230,945
Indigenous Support Program		801	801	801	801
Partnership and Participation Program **		2,256	2,208	2,256	2,208
Disability Support Program		211	221	211	221
Promotion of Excellence in Learning and Teaching		1,071	–	1,071	–
National Institutes		5,100	–	5,100	–
Superannuation Supplementation		9,013	9,035	9,013	9,035
Diversity and Structural Adjustment Fund ***		–	4,146	–	4,146
Reward Funding		592	–	592	–
Transitional Cost Program		(8)	344	(8)	344
Other		267	–	267	–
Total Commonwealth Grant Scheme and Other Grants		269,752	247,700	269,752	247,700
(b) Higher Education Loan Programs 43.2					
HECS-HELP		109,500	100,659	109,500	100,659
FEE-HELP		56,455	46,148	56,455	46,148
SA-HELP	43.9	3,014	–	3,014	–
Total Higher Education Loan Programs		168,969	146,807	168,969	146,807
(c) Scholarships 43.3					
Australian Postgraduate Awards		25,673	22,136	25,673	22,136
International Postgraduate Research Scholarships		2,303	2,248	2,303	2,248
Commonwealth Education Cost Scholarships #		78	3,214	78	3,214
Commonwealth Accommodation Scholarships #		81	37	81	37
Indigenous Access Scholarships		117	78	117	78
Total scholarships		28,252	27,713	28,252	27,713
(d) DIISRTE research grants 43.4					
Joint Research Engagement Program ##		37,046	37,574	37,046	37,574
Research Training Scheme		71,978	70,579	71,978	70,579
Research Infrastructure Block Grants		30,674	30,362	30,674	30,362
Commercialisation Training Scheme		–	783	–	783
Sustainable Research Excellence in Universities		24,232	17,393	24,232	17,393
Total DIISRTE research grants		163,930	156,691	163,930	156,691
(e) Capital funding 43.5					
Teaching and Learning Capital Fund		260	17,055	260	17,055
Education Investment Fund		91,351	26,341	91,351	26,341
Total capital funding		91,611	43,396	91,611	43,396

* Includes the basic CGS grant amount, CGS-Regional Loading, CGS-Enabling Loading, Maths and Science Transition Loading and Full Fee Places Transition Loading

** Includes Equity Support Program

*** Includes Collaboration & Structural Adjustment Program

Includes Grandfathered Scholarships, National Priority and National Accommodation Priority Scholarships respectively

Includes Institutional Grants Scheme

	Note	CONSOLIDATED		UNIVERSITY	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
NOTE 2 AUSTRALIAN GOVERNMENT FINANCIAL ASSISTANCE INCLUDING HECS-HELP AND FEE-HELP (CONTINUED)					
(f) Australian Research Council (ARC) funding	43.6				
(f) (i) Discovery	43.6(a)				
Project		36,158	33,593	36,158	33,593
Fellowships		12,581	9,568	12,581	9,568
Total Discovery		48,739	43,161	48,739	43,161
(f) (ii) Linkages	43.6(b)				
Special research initiatives		12,398	8,035	12,398	8,035
Infrastructure		2,864	2,891	2,864	2,891
International		–	(29)	–	(29)
Projects		14,671	14,103	14,671	14,103
Total Linkages		29,933	25,000	29,933	25,000
(f) (iii) Networks and Centres	43.6(c)				
Research networks		64	1,291	64	1,291
Centres		9,565	9,721	9,565	9,721
Total networks and centres		9,629	11,012	9,629	11,012
Total ARC funding		88,301	79,173	88,301	79,173
(g) Other Australian Government financial assistance					
Non-capital					
National Health & Medical Research Council		100,953	94,317	100,953	94,317
Other Commonwealth research funding		60,179	72,793	59,660	72,793
Other Commonwealth non-research funding		14,641	43,141	11,064	40,115
Total non-capital		175,774	210,251	171,677	207,225
Capital					
Other Commonwealth non-research funding		905	–	905	–
Total capital		905	–	905	–
Total other Australian Government financial assistance		176,679	210,251	172,582	207,225
Total Australian Government Financial Assistance		987,494	911,731	983,397	908,705
Reconciliation					
Australian Government grants [a + c + d + e + f + g]		818,525	764,924	814,428	761,898
HECS-HELP payments		109,500	100,659	109,500	100,659
FEE-HELP payments		56,455	46,148	56,455	46,148
SA-HELP payments		3,014	–	3,014	–
Total Australian Government financial assistance		987,494	911,731	983,397	908,705

Notes to and forming part of the

Financial Statements for the year ended 31 December 2012

	Note	CONSOLIDATED		UNIVERSITY	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
NOTE 2 AUSTRALIAN GOVERNMENT FINANCIAL ASSISTANCE INCLUDING HECS-HELP AND FEE-HELP (CONTINUED)					
(h) Australian Government grants received – cash basis					
CGS and Other Grants		269,784	247,700	269,752	247,700
Higher Education Loan Programs		173,591	141,260	173,591	141,260
Scholarships		28,739	27,713	28,739	27,713
DIISRTE research		163,930	156,691	163,930	156,691
Other Capital funding		84,822	32,985	84,822	32,985
ARC grants – Discovery		53,873	48,653	53,873	48,653
ARC grants – Linkages		29,710	28,904	29,710	28,904
ARC grants – Networks and centres		9,290	8,946	9,290	8,946
Other Australian Government grants		215,072	224,233	211,358	220,817
Total Australian Government grants received – cash basis		1,028,811	917,085	1,025,065	913,669
OS-Help	43.7	1,379	747	1,379	747
Total Australian Government funding received – cash basis		1,030,190	917,832	1,026,444	914,416
NOTE 3 STATE AND LOCAL GOVERNMENT FINANCIAL ASSISTANCE					
Non-capital					
Research funding		67,806	26,384	67,806	26,384
Other non-research funding		13,965	11,996	13,965	11,896
Total non-capital		81,771	38,380	81,771	38,280
Capital					
Capital funding		380	6,049	–	6,049
Total capital		380	6,049	–	6,049
Total State and Local Government financial assistance		82,151	44,429	81,771	44,329
NOTE 4 FEES AND CHARGES					
Course fees and charges					
Fee-paying overseas students		333,721	311,008	331,365	307,845
Continuing education *		4,825	4,925	2,415	2,654
Fee-paying domestic postgraduate students *		34,314	30,213	24,723	19,774
Fee-paying domestic undergraduate students *		8,037	11,625	2,765	6,560
Other domestic course fees and charges		36,765	34,534	2,118	3,264
Sundry fees		7,483	6,276	7,394	6,144
Total course fees and charges		425,145	398,581	370,780	346,241

* Continuing education and domestic course fees and charges are net of FEE-HELP payments which are disclosed in Note 2(b).

	CONSOLIDATED		UNIVERSITY		
	2012	2011	2012	2011	
	\$'000	\$'000	\$'000	\$'000	
NOTE 4 FEES AND CHARGES (CONTINUED)					
Other non-course fees and charges					
Student services fees from students	43.8	2,382	–	2,382	–
Childcare fees		3,511	3,810	3,511	3,810
Examination fees		2,246	2,427	151	332
Hospital shared services fees		6,475	9,047	6,475	9,047
Parking fees		4,316	3,839	4,316	3,839
Rent / Use of facilities charges		18,824	16,168	13,469	10,285
Seminar, conference and course fees		5,067	5,503	4,552	4,981
Sporting activities		2,202	2,074	2,202	2,074
Student accommodation charges		7,037	6,450	7,037	6,450
Testing services		10,124	13,452	10,124	13,452
Veterinary Hospital services		10,167	9,036	10,167	9,036
Other fees and charges for services provided		7,299	5,778	4,502	2,627
Total other non-course fees and charges		79,650	77,584	68,888	65,933
Total fees and charges		504,795	476,165	439,668	412,174
NOTE 5 INVESTMENT INCOME					
Investment revenue					
Interest		11,177	11,941	8,986	9,782
Dividends		58,764	97,387	55,265	93,517
Other investment revenue		1,644	1,245	1,600	1,200
Total investment revenue		71,585	110,573	65,851	104,499
Other investment income					
Realised gains / (losses) on disposal of investments		11,590	(34,762)	11,128	(37,424)
Transfer of gains / (losses) from equity on disposal of available-for-sale financial assets	30	18,654	55,877	18,654	55,877
Other Investment Income		–	(600)	–	(599)
Total other investment income		30,244	20,515	29,782	17,854
Total investment income		101,829	131,088	95,633	122,353
NOTE 6 ROYALTIES, TRADEMARKS AND LICENCES					
Copyright and royalties		4,122	3,597	3,989	3,431
Total royalties, trademarks and licences		4,122	3,597	3,989	3,431
NOTE 7 CONSULTANCY AND CONTRACTS					
Consultancy		24,423	16,805	20,129	8,628
Contract research		49,828	38,967	49,828	38,967
Total consultancy and contracts		74,251	55,772	69,957	47,595

Notes to and forming part of the*Financial Statements for the year ended 31 December 2012*

	CONSOLIDATED		UNIVERSITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
NOTE 8 OTHER INCOME				
Other revenue				
Donations and bequests	24,883	30,165	23,968	29,156
Non-government grants	41,211	50,104	41,098	49,517
Box office receipts	13,555	14,052	13,403	13,994
Computer sales	9,597	7,908	5,785	4,101
Other research/project income	6,060	5,301	–	–
Publishing and book sales	11,406	16,144	8,061	12,597
Sale of produce and livestock	1,503	1,630	1,503	1,630
Subscriptions to University societies	1,469	1,504	1,469	1,504
Other revenue	1,713	12,802	12,392	11,194
Total other revenue	111,397	139,610	107,679	123,693
Other income				
Net foreign exchange gains	250	88	250	88
Total other income	250	88	250	88
NOTE 9 EMPLOYEE RELATED EXPENSES				
Academic				
Salaries	381,953	340,315	375,487	340,315
Contributions to superannuation and pension schemes	58,129	53,718	57,506	53,718
Payroll tax	21,052	18,853	20,677	18,853
Workers' compensation	2,117	1,929	2,109	1,929
Long service leave expense	11,100	13,284	10,921	13,284
Annual leave	31,997	29,495	31,235	29,495
Other	6,560	4,389	6,310	4,389
Total academic	512,908	461,983	504,245	461,983
Non-academic				
Salaries	338,595	312,279	308,394	276,171
Contributions to superannuation and pension schemes	45,904	41,957	42,914	38,461
Provisions for future emerging costs	–	67	–	–
Payroll tax	18,547	17,073	17,086	15,354
Workers' compensation	1,894	1,757	1,729	1,546
Long service leave expense	10,295	11,845	9,860	10,955
Annual leave	28,288	26,525	26,965	24,728
Other	16,541	13,952	11,219	7,826
Total non-academic	460,064	425,455	418,167	375,041
Total employee related expenses	972,972	887,438	922,412	837,024

	CONSOLIDATED		UNIVERSITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
NOTE 10 DEPRECIATION AND AMORTISATION				
Depreciation				
Buildings	73,862	69,514	71,977	67,508
Library collection	5,698	5,482	5,619	5,392
Plant and equipment	23,515	21,525	22,643	20,700
Leasehold improvements	1,653	977	1,382	721
Assets under finance lease	9,519	5,373	8,659	4,357
Total depreciation	114,247	102,871	110,280	98,678
Amortisation				
Software	1,741	1,369	855	738
Electronic library materials	7,771	601	7,771	601
Total amortisation	9,512	1,970	8,626	1,339
Total depreciation and amortisation	123,759	104,841	118,906	100,017
NOTE 11 REPAIRS AND MAINTENANCE				
Buildings	27,294	43,152	26,761	42,542
Plant and equipment	24,214	19,831	23,207	18,687
Total repairs and maintenance	51,508	62,983	49,968	61,229
NOTE 12 BORROWING COSTS				
Interest expense	14,010	14,299	13,860	14,028
Finance charges payable under finance leases	1,244	639	1,125	476
Total borrowing costs expensed	15,254	14,938	14,985	14,504
NOTE 13 IMPAIRMENT OF ASSETS				
Bad and doubtful debts	852	(3,447)	676	(3,404)
Impairment of other investments	1,553	440	2,554	3,529
Other impairment losses	–	–	–	1,000
Impairment of assets excl. available-for-sale financial assets	2,405	(3,007)	3,230	1,125
Impairment of available-for-sale financial assets*	16,030	48,044	15,461	47,937
Total impairment of assets	18,435	45,037	18,691	49,062
NOTE 14 LOSS / (GAIN) ON DISPOSAL OF ASSETS				
Carrying amount of disposed assets	8,863	955	7,959	910
Proceeds from sale of assets	(5,846)	(707)	(5,842)	(687)
Net loss / (gain) on disposal of assets	3,017	248	2,117	223

* The Group recognised an impairment loss of \$16.030 million on its Available-for-Sale Financial Assets during 2012 (2011, \$48.044 million). This has been separately disclosed in the Income Statement. Refer to Note 1.10 for the University's accounting policy for the impairment of financial assets.

Notes to and forming part of the*Financial Statements for the year ended 31 December 2012*

	CONSOLIDATED		UNIVERSITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
NOTE 15 OTHER EXPENSES				
Grants	83,061	104,144	99,079	117,500
Scholarships and prizes	70,856	65,313	68,531	63,583
Non-capitalised equipment	15,793	18,183	15,764	18,155
Advertising, marketing and promotional expenses	11,462	9,953	6,657	7,124
Computer software and services	32,541	34,984	30,782	33,345
Consumable materials	47,442	37,705	46,940	37,034
Contracted and professional services	130,433	102,264	127,618	95,766
Course fees paid	32,892	27,281	32,892	27,281
Insurance	7,713	6,161	7,422	5,886
Library materials	2,052	4,887	1,833	4,688
Printing, publications and stationary	11,093	11,197	9,282	9,435
Program and course development, preparation and delivery services	20,028	20,599	–	–
Rent and leasing payments	17,480	16,699	16,693	15,566
Travel, staff development and training	45,361	42,689	41,499	38,531
Utilities and services	48,584	44,017	46,523	42,006
Other expenses	34,372	46,565	32,698	36,758
Total other expenses	611,163	592,641	584,213	552,658
NOTE 16 INCOME TAX (EXPENSE) / BENEFIT				
The prima facie tax on the operating result from continuing operations is reconciled to the income tax provided in the financial statements as follows:				
Prima facie tax on operating profit / (loss) of tax paying subsidiaries before income tax:	–	–	–	–
Income tax effect of –				
Non-deductible expenditure	–	–	–	–
Other	–	–	–	–
Income tax (expense) / benefit	–	–	–	–
NOTE 17 CASH AND CASH EQUIVALENTS				
Cash at bank	116,009	135,336	97,937	119,293
Petty cash floats	136	191	99	157
Deposits at call / term deposits	40,115	42,359	8,300	7,527
Total cash and cash equivalents	156,260	177,886	106,336	126,977

(a) Reconciliation to Cash at the end of the Year

The above figures represent the cash at the end of the year as shown in the Statement of Cash Flows.

(b) Cash at Bank and Petty Cash Floats

Cash at bank generally earns interest in line with the Reserve Bank of Australia cash rate. During the year, interest was earned at rates between 3.0% and 4.5% (2011, 4.2% and 5.0%). Petty Cash Floats are non-interest bearing.

(c) Deposits at Call / Term Deposits

Deposits at Call and Term Deposits are bearing floating interest rates between 2.5% and 4.8% (2011, 5.3% and 5.8%). These deposits have an average maturity of 90 days.

	CONSOLIDATED		UNIVERSITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
NOTE 18 RECEIVABLES				
Current receivables				
Trade receivables	57,818	67,750	43,262	55,390
Sundry debtors	66,233	35,051	65,413	34,559
Less allowance for impaired receivables	(1,293)	(605)	(744)	(223)
	122,758	102,196	107,931	89,726
Student loans	2,593	2,368	2,593	2,368
Less allowance for impaired receivables	(12)	(21)	(12)	(21)
	2,581	2,347	2,581	2,347
Deferred government contribution for superannuation	8,854	8,822	8,854	8,822
Other	30	56	15	33
Total current receivables	134,223	113,421	119,381	100,928
Non-current receivables				
Deferred government contribution for superannuation	150,259	120,074	150,259	120,074
Other	1,131	1,171	474	991
Less allowance for impaired receivables	–	–	–	(1,000)
Total non-current receivables	151,390	121,245	150,733	120,065
Total receivables	285,613	234,666	270,114	220,993

(a) Deferred Government Contributions to Superannuation

The University recognises a receivable for the amount receivable from the Australian Government in respect of unfunded superannuation schemes operated by the State Government. The total consolidated amount owing in respect of these schemes at 30 June 2012 is recorded at \$159.113 million (2011, \$128.896 million). Refer Notes 1.20(iv), 27 and 41.

(b) Allowance for impaired receivables

The movement in the allowance for impaired receivables during the year was as follows:

	CONSOLIDATED		UNIVERSITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Movement in allowance for impaired receivables				
Balance at 1 January	626	4,466	1,244	3,993
Impairment loss / (reversal gain) recognised	762	(3,684)	(410)	(2,672)
Receivables written off during the year as uncollectible	(83)	(153)	(78)	(74)
Unused amount reversed	–	(3)	–	(3)
Balance at 31 December	1,305	626	756	1,244

(c) Interest Rates and Credit Risk

The Group's receivables are non-interest bearing. Information concerning the credit risk of the Group's receivables is set out in Note 40.

(d) Ageing of Receivables

Included in the Group's Receivables balance are \$1.305 million of debtors which are considered to be impaired and for which a provision has been provided (2011, \$0.626 million). Of the Group's impaired receivables in 2012, 0% were between one and three months past due (2011, 1%), 1% were between three and six months past due (2011, 0%) and 99% were more than six months overdue (2011, 99%).

Also included in the Group's Receivables balance are debtors that are past due at the reporting date which are not considered to be impaired. 8% percent of total receivables were past due but not impaired in 2012 (2011, 6%). The Group has not provided for these receivables as it is considered that these amounts are still recoverable.

Notes to and forming part of the

Financial Statements for the year ended 31 December 2012

	Note	CONSOLIDATED		UNIVERSITY	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
NOTE 19 INVENTORIES					
Finished goods		1,054	3,920	691	3,389
Raw materials		484	531	484	531
Work in progress		175	293	–	–
Livestock and other		570	1,171	570	1,171
Total inventories		2,283	5,915	1,745	5,091
NOTE 20 OTHER FINANCIAL ASSETS					
Current					
Financial assets at fair value through profit or loss	20(a)	1,077	3,384	–	–
Total current other financial assets		1,077	3,384	–	–
Non-current					
Available-for-sale financial assets	20(b)	1,163,234	1,067,303	1,102,417	1,024,798
Held-to-maturity		–	–	–	–
Investments in subsidiaries and other companies	20(c)	5,947	6,488	22,005	22,546
Total non-current other financial assets		1,169,181	1,073,791	1,124,422	1,047,344
Total other financial assets		1,170,258	1,077,175	1,124,422	1,047,344
20(a) Financial assets at fair value through profit or loss					
Bank and term deposits (> 90 days)		1,077	3,384	–	–
Total financial assets at fair value through profit or loss		1,077	3,384	–	–
20(b) Available-for-sale financial assets					
Shares, equities and convertible notes*		1,009,131	896,289	958,033	859,456
Listed income securities / unit trusts		151,290	170,055	145,412	166,313
Units in pool**		–	–	(1,045)	(971)
Other		2,813	959	17	–
Total available-for-sale financial assets		1,163,234	1,067,303	1,102,417	1,024,798
20(c) Investments in subsidiaries and other companies					
Investments in subsidiaries		–	–	25,148	24,148
Investments in other companies		40,292	39,502	40,292	39,502
Provision for accumulated impairment		(34,345)	(33,014)	(43,435)	(41,104)
Total other investments		5,947	6,488	22,005	22,546

* A portion of this balance is pledged as security over the Group's long-term borrowings. Refer to Note 26 for further details.

** Represents the ownership of Units in the University's Investment Pool held by Subsidiaries.

	CONSOLIDATED		UNIVERSITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
NOTE 21 OTHER NON-FINANCIAL ASSETS				
Current				
Prepayments	24,854	32,564	24,225	31,801
Accrued income / other	4,705	3,071	3,326	1,282
Total current other non-financial assets	29,559	35,635	27,551	33,083
Non-current				
Prepayments	22,020	11,362	22,000	11,342
Total non current other non-financial assets	22,020	11,362	22,000	11,342
Total other non-financial assets	51,579	46,997	49,551	44,425
NOTE 22 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD				
Investments in associates	20	20	–	–
Total investments accounted for using the equity method	20	20	–	–
(a) Reconciliation				
Balance at 1 January	20	20	–	–
Share of difference between final audited prior year profit and unaudited profit used in prior year financial statements	–	–	–	–
Balance at 31 December	20	20	–	–
(b) Ownership Interest of Associated Entities				
<i>Name of Entity</i>	<i>Description</i>			
Uniseed Management Pty Ltd	Investment Management Services	33%	33%	–
				–
(c) Summarised financial information of associates				
Uniseed Management Pty Ltd				
Financial position				
Total assets	388	395	–	–
Total liabilities	327	334	–	–
Net assets	61	61	–	–
Share of associate's net assets	20	20	–	–
Financial performance				
Total revenue	1,429	1,430	–	–
Profit / (loss)	–	–	–	–
Share of associate's profit / (loss)	–	–	–	–

Notes to and forming part of the*Financial Statements for the year ended 31 December 2012*

	LAND	BUILDINGS	LIBRARY COLLECTION
	\$'000	\$'000	\$'000
NOTE 23 PROPERTY, PLANT AND EQUIPMENT			
Consolidated			
At 1 January 2011			
– At cost	–	–	108,834
– At valuation	668,476	1,918,407	–
Accumulated depreciation	–	(90,037)	(31,940)
Net book amount	668,476	1,828,370	76,894
Year ended 31 December 2011			
Opening net book amount	668,476	1,828,370	76,894
Reclassification	–	–	(49)
Additions	7,289	2,602	5,089
Disposals	–	(2)	(423)
Revaluation increment / (decrement)	88,569	–	–
Depreciation	–	(69,514)	(5,482)
Contributions from third parties **	–	–	–
Transfer from construction in progress	–	214,815	–
Write-ups / transfers / (write-offs)	–	–	–
Closing net book amount	764,334	1,976,271	76,029
At 31 December 2011			
– At cost	–	–	113,137
– At valuation	764,334	2,136,041	–
Accumulated depreciation	–	(159,770)	(37,108)
Net book amount	764,334	1,976,271	76,029
Year ended 31 December 2012			
Opening net book amount	764,334	1,976,271	76,029
Reclassification	–	–	–
Additions	22,783	17,747	3,528
Disposals	(927)	(5,349)	(479)
Revaluation increment / (decrement)	205,165	40,791	–
Depreciation	–	(73,862)	(5,698)
Transfer from construction in progress	–	53,116	–
Write-ups / transfers / (write-offs)	–	–	–
Closing net book amount	991,355	2,008,714	73,380
At 31 December 2012			
– At cost	–	–	115,491
– At valuation	991,355	2,010,386	–
Accumulated depreciation	–	(1,672)	(42,111)
Net book amount	991,355	2,008,714	73,380

* Plant and equipment includes motor vehicles, furniture, fixtures and fittings and all equipment with exception to leased equipment.

** The University has received contributions from third party research institutes towards the construction of the Parkville Neuroscience Building in exchange for the right to occupy space in the building at \$1 per annum for a period of 42 years. These contributions were netted against expenditure in construction in progress until completion in August 2011, at which time the market value of the University's obligation to provide rent relief was determined and accounted for as rental in advance, appropriately classified as current and non-current liability. This rental in advance balance will be amortised over the period of the lease.

WORKS OF ART & OTHER COLLECTIONS	PLANT AND EQUIPMENT*	LEASEHOLD IMPROVEMENTS	LEASED PLANT AND EQUIPMENT	CONSTRUCTION IN PROGRESS	TOTAL
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
–	300,385	23,579	18,413	105,789	557,000
114,276	–	–	–	–	2,701,159
(36)	(260,237)	(5,616)	(4,485)	–	(392,351)
114,240	40,148	17,963	13,928	105,789	2,865,808
114,240	40,148	17,963	13,928	105,789	2,865,808
–	49	–	–	–	–
196	23,509	71	1,188	114,846	154,790
(37)	(493)	–	–	–	(955)
–	–	–	–	–	88,569
–	(21,525)	(977)	(5,373)	–	(102,871)
–	–	–	–	89,407	89,407
–	1,657	22	–	(216,494)	–
–	–	–	(770)	(6)	(776)
114,399	43,345	17,079	8,973	93,542	3,093,972
–	291,185	23,339	18,399	93,542	539,602
114,425	–	–	–	–	3,014,800
(26)	(247,840)	(6,260)	(9,426)	–	(460,430)
114,399	43,345	17,079	8,973	93,542	3,093,972
114,399	43,345	17,079	8,973	93,542	3,093,972
–	–	–	–	(78)	(78)
1,677	40,586	582	20,617	174,409	281,929
–	(1,264)	(26)	(818)	–	(8,863)
29,047	–	–	–	–	275,003
–	(23,515)	(1,653)	(9,519)	–	(114,247)
–	–	3,568	–	(56,684)	–
–	–	–	–	(254)	(254)
145,123	59,152	19,550	19,253	210,935	3,527,462
–	293,549	26,246	26,372	210,935	672,593
145,149	–	–	–	–	3,146,890
(26)	(234,397)	(6,696)	(7,119)	–	(292,021)
145,123	59,152	19,550	19,253	210,935	3,527,462

Notes to and forming part of the*Financial Statements for the year ended 31 December 2012*

	LAND	BUILDINGS	LIBRARY COLLECTION
	\$'000	\$'000	\$'000
NOTE 23 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)			
University			
At 1 January 2011			
– At cost	–	–	108,048
– At valuation	616,476	1,864,401	–
Accumulated depreciation	–	(87,526)	(31,278)
Net book amount	616,476	1,776,875	76,770
Year ended 31 December 2011			
Opening net book amount	616,476	1,776,875	76,770
Reclassification	–	–	(49)
Additions	7,289	2,411	5,018
Disposals	–	–	(423)
Revaluation increment / (decrement)	86,766	–	–
Depreciation	–	(67,508)	(5,392)
Contributions from third parties **	–	–	–
Transfer from construction in progress	–	214,815	–
Write-ups / transfers / (write-offs)	–	–	–
Closing net book amount	710,531	1,926,593	75,924
At 31 December 2011			
– At cost	–	–	112,281
– At valuation	710,531	2,081,626	–
Accumulated depreciation	–	(155,033)	(36,357)
Net book amount	710,531	1,926,593	75,924
Year ended 31 December 2012			
Opening net book amount	710,531	1,926,593	75,924
Reclassification	–	–	–
Additions	22,783	17,439	3,477
Disposals	(927)	(5,349)	(443)
Revaluation increment / (decrement)	188,862	33,956	–
Depreciation	–	(71,977)	(5,619)
Transfer from construction in progress	–	53,116	–
Write-ups / transfers / (write-offs)	–	–	–
Closing net book amount	921,249	1,953,778	73,339
At 31 December 2012			
– At cost	–	–	115,024
– At valuation	921,249	1,954,124	–
Accumulated depreciation	–	(346)	(41,685)
Net book amount	921,249	1,953,778	73,339

* Plant and equipment includes motor vehicles, furniture, fixtures and fittings and all equipment with exception to leased equipment.

** The University has received contributions from third party research institutes towards the construction of the Parkville Neuroscience Building in exchange for the right to occupy space in the building at \$1 per annum for a period of 42 years. These contributions were netted against expenditure in construction in progress until completion in August 2011, at which time the market value of the University's obligation to provide rent relief was determined and accounted for as rental in advance, appropriately classified as current and non-current liability. This rental in advance balance will be amortised over the period of the lease.

WORKS OF ART & OTHER COLLECTIONS	PLANT AND EQUIPMENT*	LEASEHOLD IMPROVEMENTS	LEASED PLANT AND EQUIPMENT	CONSTRUCTION IN PROGRESS	TOTAL
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
–	281,276	19,556	13,697	105,604	528,181
113,895	–	–	–	–	2,594,772
–	(244,516)	(4,057)	(2,178)	–	(369,555)
113,895	36,760	15,499	11,519	105,604	2,753,398
113,895	36,760	15,499	11,519	105,604	2,753,398
–	49	–	–	–	–
194	22,111	–	–	114,460	151,483
–	(487)	–	–	–	(910)
–	–	–	–	–	86,766
–	(20,700)	(721)	(4,357)	–	(98,678)
–	–	–	–	89,407	89,407
–	1,657	22	–	(216,494)	–
–	–	–	–	(7)	(7)
114,089	39,390	14,800	7,162	92,970	2,981,459
–	275,228	19,578	13,697	92,970	513,754
114,089	–	–	–	–	2,906,246
–	(235,838)	(4,778)	(6,535)	–	(438,541)
114,089	39,390	14,800	7,162	92,970	2,981,459
114,089	39,390	14,800	7,162	92,970	2,981,459
–	–	–	–	(78)	(78)
1,677	39,381	95	18,849	174,008	277,709
–	(1,240)	–	–	–	(7,959)
29,047	–	–	–	–	251,865
–	(22,643)	(1,382)	(8,659)	–	(110,280)
–	–	3,568	–	(56,684)	–
–	–	–	–	(255)	(255)
144,813	54,888	17,081	17,352	209,961	3,392,461
–	277,077	21,726	21,349	209,961	645,137
144,813	–	–	–	–	3,020,186
–	(222,189)	(4,645)	(3,997)	–	(272,862)
144,813	54,888	17,081	17,352	209,961	3,392,461

Notes to and forming part of the*Financial Statements for the year ended 31 December 2012*

	CONSOLIDATED		UNIVERSITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
NOTE 24 INTANGIBLE ASSETS				
Electronic library materials	33,995	28,903	33,995	28,903
Software	8,148	5,256	6,743	4,098
Goodwill	–	–	–	–
Total intangible assets	42,143	34,159	40,738	33,001

Movements in each class of intangible assets are set out below:

	CONSOLIDATED			UNIVERSITY		
	Electronic Library Materials \$'000	Software \$'000	Goodwill \$'000	Electronic Library Materials \$'000	Software \$'000	Goodwill \$'000
At 1 January 2011						
Cost	18,046	12,069	350	18,046	9,547	350
Accumulated amortisation and impairment	(376)	(7,151)	(350)	(376)	(5,553)	(350)
Net book amount	17,670	4,918	–	17,670	3,994	–
Year ended 31 December 2011						
Opening net book amount	17,670	4,918	–	17,670	3,994	–
Additions	11,834	1,707	–	11,834	842	–
Disposals	–	–	–	–	–	–
Reclassification	–	–	–	–	–	–
Impairment expense	–	–	–	–	–	–
Amortisation expense	(601)	(1,369)	–	(601)	(738)	–
Closing net book amount	28,903	5,256	–	28,903	4,098	–
At 31 December 2011						
Cost	29,880	13,776	350	29,880	10,389	350
Accumulated amortisation and impairment	(977)	(8,520)	(350)	(977)	(6,291)	(350)
Net book amount	28,903	5,256	–	28,903	4,098	–
Year ended 31 December 2012						
Opening net book amount	28,903	5,256	–	28,903	4,098	–
Additions	12,863	4,555	–	12,863	3,422	–
Disposals	–	–	–	–	–	–
Reclassification	–	78	–	–	78	–
Impairment expense	–	–	–	–	–	–
Amortisation expense	(7,771)	(1,741)	–	(7,771)	(855)	–
Closing net book amount	33,995	8,148	–	33,995	6,743	–
At 31 December 2012						
Cost	42,743	18,285	–	42,743	13,792	–
Accumulated amortisation and impairment	(8,748)	(10,137)	–	(8,748)	(7,049)	–
Net book amount	33,995	8,148	–	33,995	6,743	–

	CONSOLIDATED		UNIVERSITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
NOTE 25 TRADE AND OTHER PAYABLES				
Current payables				
Trade creditors	56,571	35,889	45,897	28,308
Sundry creditors	28,935	31,167	12,187	14,225
Accrued expenses	56,258	49,618	55,802	49,596
Total current payables	141,764	116,674	113,886	92,129
NOTE 26 BORROWINGS				
Current borrowings				
Secured bank borrowings	6,982	6,543	6,982	6,543
Finance lease liabilities	5,163	814	4,247	–
Total current borrowings	12,145	7,357	11,229	6,543
Non-current borrowings				
Secured bank borrowings	164,029	171,012	164,029	171,012
Finance lease liabilities	3,183	1,105	2,123	–
Other borrowings	–	–	201	201
Total non-current borrowings	167,212	172,117	166,353	171,213
Total borrowings	179,357	179,474	177,582	177,756
Assets pledged as security				
The carrying amounts of assets pledged as security for current and non-current borrowings are:				
Non-current				
Land and buildings	218,344	212,170	218,344	212,170
Other financial assets	84,629	73,990	84,629	73,990
Total assets pledged as security	302,973	286,160	302,973	286,160

(a) Secured Bank Borrowings

Secured Bank Borrowings are for the construction of two educational facilities. The first, University Square comprises of three academic buildings with a small retail component and was substantially completed in 2001. The total loan facility was initially for \$150.000 million with repayments extending until 2029. The second Secured Bank Borrowing was for the construction of a new Business and Economics building. The total loan facility was for \$60.000 million with repayments to conclude in 2023.

(b) Assets Pledged as Security

The University's Bank Borrowings are secured by registered first mortgage over certain freehold property and a registered equitable mortgage of securities held by the University. At the reporting date, the fair value of the secured properties was \$218.344 million (2011, \$212.170 million).

The University is required to maintain a security deposit for its Borrowings of at least \$75.000 million under the terms of the loan agreement. At the reporting date, the carrying value of securities amounted to \$84.629 million (2011, \$73.990 million). As the carrying value was below the amount required in 2011, the securities were rebalanced to arrive at a value exceeding \$75.000 million post balance date.

(c) Loan Covenant

The secured bank borrowings have two financial covenants: (a) to achieve an operating surplus of \$25.000 million and (b) an interest coverage ratio of at least 2.5 times. The University met both of these covenants in 2011 and 2012.

(d) Financing Arrangements

The University has no other financing arrangements in place at 31 December 2012 (2011, nil).

Notes to and forming part of the*Financial Statements for the year ended 31 December 2012***NOTE 26 BORROWINGS (CONTINUED)****(e) Finance Lease Liabilities**

Finance lease liabilities are payable as follows:

	CONSOLIDATED			UNIVERSITY		
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
2012						
Less than one year	5,645	482	5,163	4,630	383	4,247
Between one and five years	3,461	278	3,183	2,315	192	2,123
More than five years	–	–	–	–	–	–
	9,106	760	8,346	6,945	575	6,370

	CONSOLIDATED			UNIVERSITY		
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
2011						
Less than one year	921	107	814	–	–	–
Between one and five years	1,168	63	1,105	–	–	–
More than five years	–	–	–	–	–	–
	2,089	170	1,919	–	–	–

	CONSOLIDATED		UNIVERSITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
NOTE 27 PROVISIONS				
Current provisions				
Current provisions expected to be settled within 12 months				
Employee benefits –				
Annual leave	49,195	45,901	45,827	42,930
Long service leave	17,219	15,736	14,547	13,522
Deferred government superannuation obligation	8,854	8,822	8,854	8,822
WorkCover claims	1,658	1,443	1,658	1,443
Other	11,944	12,415	11,926	12,414
	88,870	84,317	82,812	79,131
Current provision expected to be settled after more than 12 months				
Employee benefits –				
Annual leave	16,026	16,655	16,026	16,591
Long service leave	81,894	76,204	81,792	76,204
	97,920	92,859	97,818	92,795
Total current provisions	186,790	177,176	180,630	171,926

	CONSOLIDATED		UNIVERSITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
NOTE 27 PROVISIONS (CONTINUED)				
Non-current provisions				
Employee benefits –				
Long service leave	22,942	21,473	21,843	20,121
Deferred government superannuation obligation	150,259	120,074	150,259	120,074
WorkCover claims	5,521	4,756	5,521	4,756
Total non-current provisions	178,722	146,303	177,623	144,951
Total provisions	365,512	323,479	358,253	316,877
27(a) Employee benefits				
Provision for employee benefits – current	173,188	163,319	167,046	158,068
Provision for employee benefits – non-current	173,201	141,547	172,102	140,195
Aggregate employee benefits	346,389	304,866	339,148	298,263
27(b) Employee numbers				
Full-time equivalent staff numbers	7,317	7,134	6,977	6,774

27(c) State Superannuation Fund

AASB 119 *Employee Benefits* requires that the estimated present value of superannuation obligations recognised in the financial statements be determined as at balance date. These financial statements recognise estimated superannuation obligations in respect of the State Superannuation Fund using an actuarial estimate as at 30 June 2012. As there is no net impact on the Statement of Financial Position or Income Statement from these superannuation obligations (due to recognition of a corresponding receivable), the costs of providing an actuarial assessment at balance date outweigh the benefits. The University has therefore elected not to obtain an estimate of its superannuation obligations as at balance date. Consequently superannuation obligations (and the corresponding receivable) are stated in the financial statements based on estimates prepared six months in arrears.

27(d) Movements in provisions (other than employee benefits)

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	WORKCOVER CLAIMS	OTHER	TOTAL
	\$'000	\$'000	\$'000
Consolidated – 2012			
Carrying amount at start of year	6,199	12,415	18,614
Additional provisions recognised	980	4,153	5,133
Amounts used	–	(4,624)	(4,624)
Carrying amount at end of year	7,179	11,944	19,123

Notes to and forming part of the*Financial Statements for the year ended 31 December 2012*

	CONSOLIDATED		UNIVERSITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
NOTE 28 OTHER LIABILITIES				
Income in advance – current				
Australian Government unspent financial assistance:				
Teaching and Learning Capital Fund	199	487	199	487
eResearch Collaboration Infrastructure Project	36,018	22,530	36,018	22,530
Commonwealth research project income (unspent)	127,195	106,132	126,584	105,595
Other Australian Government financial assistance	8,575	8,538	8,575	8,538
Other unspent research project income	53,553	52,262	53,553	52,262
Victorian Life Sciences Computer Initiative funding	24,302	36,808	24,302	36,808
Student fees	40,108	27,110	28,884	21,067
Other	21,959	22,444	18,889	19,373
	311,909	276,311	297,004	266,660
Deposits and funds lodged	358	334	338	235
Total other current liabilities	312,267	276,645	297,342	266,895
Income in advance – non-current				
Rental contributions in advance	23 82,319	85,201	82,319	85,201
Total other non current liabilities	82,319	85,201	82,319	85,201

The Group has an excess of current liabilities over current assets at the end of the reporting period mainly due to the classification of income in advance as a current liability (refer above) while the related income received is held in the University's long-term investment fund, which is classified as a non-current asset (refer Note 20 Other Financial Assets). Excluding this the University's current ratio is 0.83. Management do not consider this to be a concern due to the Group's current and projected profitability, strong cash flows from operations and liquidity of the long-term investment fund.

	CONSOLIDATED		UNIVERSITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
NOTE 29 OTHER FINANCIAL LIABILITIES				
Non-current				
Interest rate swap	32,868	27,359	32,868	27,359
Total other financial liabilities	32,868	27,359	32,868	27,359

Interest rate swap

In 1999, the University entered into an interest rate swap to remove exposure to the variable interest rate on the loan facility for the construction of the University Square buildings. The interest rate swap extends over the entire loan period and is designated as an effective hedging instrument. This is the only financial derivative that the University has at balance date. Refer to note 26(a) for further details of the relevant loan facility.

	CONSOLIDATED		UNIVERSITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
NOTE 30 RESERVES AND RETAINED SURPLUS				
30(a) Reserves				
Reserves at 31 December comprise –				
Trust Fund Reserve	379,095	352,271	379,095	352,271
General Reserve	39,344	39,344	39,312	39,312
Land Asset Revaluation Reserve	845,249	636,245	771,197	582,335
Building Asset Revaluation Reserve	1,396,613	1,359,662	1,389,703	1,355,747
Other Collections Asset Revaluation Reserve	87,016	57,969	87,016	57,969
Works of Art Asset Revaluation Reserve	55,101	55,101	54,982	54,982
Available-for-Sale Revaluation Reserve	87,800	2,412	80,624	2,499
Hedging Reserve	(32,868)	(27,359)	(32,868)	(27,359)
Special Purpose Reserve	18,047	17,375	17,456	16,987
Members Capital Reserve	30,405	30,405	–	–
Contributed Equity	12,339	12,339	–	–
Total Reserves	2,918,141	2,535,764	2,786,517	2,434,743
MOVEMENTS IN RESERVES				
Trust Fund Reserve				
Balance Beginning of Year	352,271	327,389	352,271	327,389
Transfer from Retained Surplus	26,824	24,882	26,824	24,882
Balance End of Year	379,095	352,271	379,095	352,271
General Reserve				
Balance Beginning of Year	39,344	39,344	39,312	39,312
Balance End of Year	39,344	39,344	39,312	39,312
Land Asset Revaluation Reserve				
Balance Beginning of Year	636,245	547,558	582,335	495,569
Changes due to Revaluation	205,165	88,569	188,862	86,766
Transfer (to) / from Building Revaluation Reserve	3,839	118	–	–
Balance End of Year	845,249	636,245	771,197	582,335
Building Asset Revaluation Reserve				
Balance Beginning of Year	1,359,662	1,359,899	1,355,747	1,355,747
Changes due to Revaluation	40,790	–	33,956	–
Transfer (to) / from Land Revaluation Reserve	(3,839)	(118)	–	–
Transfer (to) / from Works of Art Revaluation Reserve	–	(119)	–	–
Balance End of Year	1,396,613	1,359,662	1,389,703	1,355,747
Other Collections Asset Revaluation Reserve				
Balance Beginning of Year	57,969	57,969	57,969	57,969
Changes due to Revaluation	29,047	–	29,047	–
Balance End of Year	87,016	57,969	87,016	57,969

Notes to and forming part of the*Financial Statements for the year ended 31 December 2012*

	CONSOLIDATED		UNIVERSITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
NOTE 30 RESERVES AND RETAINED SURPLUS (CONTINUED)				
Works of Art Asset Revaluation Reserve				
Balance Beginning of Year	55,101	54,982	54,982	54,982
Transfer (to) / from Building Revaluation Reserve	–	119	–	–
Balance End of Year	55,101	55,101	54,982	54,982
Available-for-Sale Revaluation Reserve				
Balance Beginning of Year	2,412	80,182	2,499	71,019
Transfer from / (to) Retained Surplus	(82)	–	(82)	–
Transfers to Profit and Loss on Sale	(18,654)	(55,877)	(18,654)	(55,877)
Changes due to Revaluation of Investments	104,124	(21,893)	96,861	(12,643)
Balance End of Year	87,800	2,412	80,624	2,499
Hedging Reserve				
Balance Beginning of Year	(27,359)	(13,242)	(27,359)	(13,242)
Valuation gains / (losses)	(5,509)	(14,117)	(5,509)	(14,117)
Balance End of Year	(32,868)	(27,359)	(32,868)	(27,359)
Special Purpose Reserve				
Balance Beginning of Year	17,375	17,168	16,987	17,144
Transfer from / (to) Retained Surplus	672	207	469	(157)
Balance End of Year	18,047	17,375	17,456	16,987
Members Capital Reserve				
Balance Beginning of Year	30,405	30,405	–	–
Balance End of Year	30,405	30,405	–	–
30(b) Retained Surplus				
Balance Beginning of Year	1,126,194	1,062,431	1,058,330	1,000,906
Operating Result from Continuing Operations after related Income Tax Expense	104,610	88,852	105,481	82,149
Transfers from / (to) Reserves	(27,414)	(25,089)	(27,211)	(24,725)
Balance End of Year	1,203,390	1,126,194	1,136,600	1,058,330

30(c) Nature and purpose of reserves

Trust Fund Reserve – this reserve reflects net surpluses derived from endowments and bequests which can only be applied to restricted purposes.

General Reserve – this reserve is maintained to cover a range of general purposes.

Asset Revaluation Reserves – these reserves arise from the revaluation of the specific assets of Land, Buildings, Other Collections and Works of Art.

Available-for-Sale Revaluation Reserve – this reserve arises from the revaluation of Available-for-Sale Investments.

Hedging Reserve – this reserve arises from hedging gains and losses recognised on the effective portion of cash flow hedges.

Special Purpose Reserve – this reserve is maintained to cover a range of special purposes. The major Special Purpose Reserve is maintained by the University against possible future claims that may arise under the University's self insurance licence for WorkCover. This reserve is in addition to the University's statutory obligation.

Members Capital Reserve – this reserve is maintained by Melbourne Business School Limited, a deemed subsidiary, for the purpose of recording capital donations principally received from the University and other parties who have subscribed, or are invited to subscribe to the Memorandum of Association of the Company.

Contributed Equity – represents the Net Fair Value of Assets identified upon acquisition of Mt Eliza Graduate School of Business and Government Limited by Melbourne Business School Limited as at 5 March 2004.

NOTE 31 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Names of Responsible Persons

The names of each person holding the position of Member of Council during the year were:

Ms E Alexander (Chancellor)	Mr R McPherson
Mr J Anderson	Dr V Mansour
Prof R J Batterham (appointed 1 July 2012)	The Hon. Mr J E Middleton
Mr R Bolt	Mr M Myer
Prof G Bowes (until 30 June 2012)	Mr A Peake (re-appointed 1 July 2012)
Justice S Crennan (re-appointed 1 July 2012)	Ms E N S Ritchie (re-appointed 26 March 2012)
Prof G C Davis (Vice-Chancellor)	Ms M Schoen
Mr M Griffith	Prof R Slocombe
Ms D Harman (appointed 1 January 2012)	Dr F Vervaeet (re-elected 1 July 2012)
Prof S Harrap (elected 1 July 2012)	Mr J Wilson
Mr R N Johanson	The Hon. Mr D R White (until 30 June 2012)

(b) Remuneration of Responsible Persons

Income paid or payable, or otherwise made available to, Members of University Council and to Board Members of Subsidiaries in the consolidated entity and related parties in connection with the management of affairs of the University and its Subsidiaries for the year is outlined below.

	CONSOLIDATED		UNIVERSITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Short-Term Employee Benefits	2,391	2,035	1,275	1,207
Post-Employment Benefits	266	243	220	202
Other Long-Term Benefits	–	(12)	–	–
Total Remuneration of Council / Board Members	2,657	2,266	1,495	1,409

Notes to and forming part of the*Financial Statements for the year ended 31 December 2012***NOTE 31 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)**

The number of Council Members and Directors of Subsidiary companies and their total remuneration during the reporting period is shown in the table below in their relevant income bands:

	CONSOLIDATED		UNIVERSITY	
	2012	2011	2012	2011
Nil	57	40	9	4
\$1-\$9,999	6	4	2	1
\$10,000-\$19,999	16	20	8	13
\$20,000-\$29,999	–	1	–	–
\$70,000-\$79,999	1	1	1	1
\$100,000-\$109,999	–	1	–	–
\$130,000-\$139,999	1	–	–	–
\$140,000-\$149,999	–	1	–	–
\$220,000-\$229,999	1	–	–	–
\$240,000-\$249,999	–	1	–	1
\$260,000-\$269,999	1	–	1	–
\$310,000-\$319,999	–	1	–	–
\$660,000-\$669,999	1	–	–	–
\$870,000-\$879,999	–	1	–	1
\$1,000,000-\$1,009,999	1	–	1	–
Total number	85	71	22	21

As a responsibility of office, one executive included above occupies a residence owned by the University. The residence is required to be available and used regularly for official University functions and promotional activities. The value of this benefit including associated costs is \$234,942 (2011, \$187,252), which is included in the remuneration reported above.

Members of the University Council are remunerated for their service. Certain members elect to donate part or all of this remuneration to the University.

(c) Remuneration of Executive Officers

Total amounts received by Executives of the Group including Members of Council are outlined below:

	CONSOLIDATED		UNIVERSITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Short-Term Employee Benefits	16,629	15,947	9,990	9,905
Post-Employment Benefits	2,163	2,377	1,985	2,195
Other Long-Term Benefits	266	259	230	244
Termination Benefits	332	274	332	46
Total Remuneration of Executive Officers	19,390	18,857	12,537	12,390

NOTE 31 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

The number of Executive Officers and their base and total remuneration during the reporting period is shown in the table below in their relevant bands:

	CONSOLIDATED				UNIVERSITY			
	TOTAL REMUNERATION		BASE REMUNERATION		TOTAL REMUNERATION		BASE REMUNERATION	
	2012	2011	2012	2011	2012	2011	2012	2011
\$100,000-\$109,999	1	–	1	–	–	–	–	–
\$110,000-\$119,999	2	–	1	1	1	–	–	–
\$120,000-\$129,999	1	3	2	4	–	–	–	–
\$130,000-\$139,999	1	3	–	2	–	–	–	1
\$140,000-\$149,999	4	3	3	2	–	1	–	–
\$150,000-\$159,999	2	3	2	6	–	–	–	3
\$160,000-\$169,999	6	3	5	2	–	–	–	–
\$170,000-\$179,999	–	2	2	3	–	1	1	1
\$180,000-\$189,999	4	4	7	7	–	–	3	6
\$190,000-\$199,999	2	1	5	1	–	1	2	1
\$200,000-\$209,999	1	–	1	2	–	–	–	2
\$210,000-\$219,999	1	4	1	3	–	2	1	2
\$220,000-\$229,999	2	2	4	1	–	2	3	1
\$230,000-\$239,999	1	2	2	2	1	2	2	1
\$240,000-\$249,999	3	3	–	3	3	3	–	3
\$250,000-\$259,999	–	2	2	1	–	2	1	–
\$260,000-\$269,999	2	3	3	5	2	3	3	4
\$270,000-\$279,999	1	–	5	3	–	–	4	2
\$280,000-\$289,999	1	4	1	2	1	3	–	2
\$290,000-\$299,999	3	2	4	–	3	1	4	–
\$300,000-\$309,999	5	3	2	2	4	2	1	–
\$310,000-\$319,999	1	2	1	1	1	2	1	1
\$320,000-\$329,999	2	4	–	2	1	2	–	1
\$330,000-\$339,999	4	1	1	1	3	1	1	1
\$340,000-\$349,999	3	1	–	3	3	–	–	2
\$350,000-\$359,999	1	–	2	1	1	–	2	1
\$360,000-\$369,999	2	–	–	–	2	–	–	–
\$370,000-\$379,999	1	–	–	–	1	–	–	–
\$380,000-\$389,999	–	–	3	–	–	–	3	–
\$390,000-\$399,999	–	2	–	–	–	2	–	–
\$400,000-\$409,999	–	1	1	–	–	1	1	–
\$410,000-\$419,999	2	–	1	1	2	–	–	1
\$420,000-\$429,999	–	3	–	–	–	3	–	–
\$430,000-\$439,999	–	2	–	–	–	2	–	–
\$440,000-\$449,999	2	–	–	–	2	–	–	–
\$460,000-\$469,999	2	–	–	–	1	–	–	–
\$470,000-\$479,999	1	–	–	–	1	–	–	–
\$490,000-\$499,999	–	1	–	–	–	–	–	–
\$500,000-\$509,999	–	1	–	–	–	1	–	–
\$510,000-\$519,999	1	–	–	–	1	–	–	–
\$530,000-\$539,999	–	–	1	–	–	–	–	–
\$660,000-\$669,999	1	–	–	–	–	–	–	–
\$770,000-\$779,999	–	–	–	1	–	–	–	1
\$870,000-\$879,999	–	1	–	–	–	1	–	–
\$890,000-\$899,999	–	–	1	–	–	–	1	–
\$1,000,000-\$1,009,999	1	–	–	–	1	–	–	–
Total number	67	66	64	62	35	38	34	37

Notes to and forming part of the

Financial Statements for the year ended 31 December 2012

NOTE 31 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)**(d) Minister**

The responsible Minister for the reporting period was the Hon. Peter Hall. Remuneration of the Ministers is disclosed in the financial report of the Department of Premier and Cabinet. Other relevant interests are declared in the Register of Members' Interests, which each member of Parliament completes.

(e) Related Party Transactions

A number of key management persons, hold positions in other entities that result in them having control over the financial or operating policies of those entities. A number of these entities transacted with the University in the reporting period on normal commercial terms and conditions.

- Ms E A Alexander was a Director of CSL Limited
- Mr A Peake is Managing Partner, Finance and Operations at PwC Australia
- Mr R Johanson is an employee of Grant Samuel
- Ms A Kitchen, a member of the University Audit Committee, is a Partner at KPMG

Other related party transactions requiring disclosure under the directions of the Minister for Finance have been considered and there are no matters to report.

(f) Loans to Key Management Personnel

There were no loans made to any members of Council or Directors of subsidiary companies in 2012 (2011, nil).

NOTE 32 REMUNERATION OF AUDITORS

During the year, the following fees were paid for services provided by the University's auditor, its related practices and non-related audit firms:

	CONSOLIDATED		UNIVERSITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Audit and review of the financial statements				
Fees paid or payable to the Victorian Auditor General's Office	387	379	323	314
Fees paid or payable to KPMG	93	96	–	–
Fees paid or payable to BDO (formerly PKF)	123	113	–	–
Fees paid or payable to other	43	37	–	–
Total remuneration for audit services	646	625	323	314
Other audit and assurance services				
Fees paid or payable to KPMG	215	198	215	195
Fees paid or payable to other	11	1	–	1
Total remuneration for other audit services	226	199	215	196

NOTE 33 CONTINGENT ASSETS AND LIABILITIES

The Group has the following contingent asset as at 31 December 2012:

- (a) In 2009, the University purchased a property in Melbourne. As part of the settlement terms, an amount of \$950,000 was deducted from the purchase price and placed in an interest bearing trust account in the joint names of the Vendor and the University. The property currently has a tenant with a lease to occupy the property until August 2013. The lease agreement states if the lease is terminated by the lessee on or before the 16 April 2012 the retention of \$950,000 as well as any accumulated interest will be paid to the University. This agreement is in dispute and is currently before the courts.

The Group has the following contingent liabilities as at 31 December 2012:

- (a) The University has issued a Letter of indemnity to the National Australia Bank to cover the Bank's guarantee to the Victorian WorkCover Authority under the University's WorkCover Self Insurance Scheme. The amount of the guarantee in place is \$8.768 million (2011, \$8.768 million) and the actuarial assessment of claims liability as at 31 December 2012 is \$7.179 million (2011, \$6.199 million).
- (b) In addition, the University has provided an indemnity to cover National Australia Bank guarantee to the City of Melbourne in respect of a 50-year lease (signed in 2000) over a site on which the University has constructed and is operating as a car park. The amount of the guarantee in place is \$50,000 (2011, \$50,000).
- (c) There are a number of legal claims and exposures, which arise from the ordinary course of business, none of which are individually significant. Where the liability is not probable the Group has not provided for such amounts in these financial statements. Additionally, there are a number of legal claims or potential claims against the Group, the outcome of which cannot be foreseen at present, and for which no amounts have been included.

	CONSOLIDATED		UNIVERSITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
NOTE 34 COMMITMENTS				
34.1 Capital Commitments				
Commitments for the construction and acquisition of buildings, plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	152,203	204,204	152,200	204,165
Later than one year	110,000	225,758	110,000	225,758
Total Capital Commitments	262,203	429,962	262,200	429,923
34.2 Lease Commitments – as Lessee				
Commitments for minimum lease payments in relation to operating leases at the reporting date but not recognised as liabilities, payable:				
Within one year	6,636	7,117	5,176	6,484
Later than one year but not later than five years	18,589	19,651	14,228	18,689
Later than five years	10,358	16,066	10,357	15,971
	35,583	42,834	29,761	41,144
Representing:				
Cancellable operating leases	–	164	–	–
Non-cancellable operating leases	35,583	42,670	29,761	41,144
Total Lease Commitments – as Lessee	35,583	42,834	29,761	41,144
34.3 Lease Commitments – as Lessor				
Future minimum rentals receivable under non-cancellable operating leases at the reporting date but not recognised as assets, receivable:				
Within one year	6,746	4,260	4,303	3,574
Later than one year but not later than five years	14,243	8,568	10,676	8,568
Later than five years	993	672	14	672
Total Lease Commitments – as Lessor	21,982	13,500	14,993	12,814
The University has entered into operating leases with various businesses as lessor to lease retail space at Union House and other areas controlled by the University for the purpose of providing services to students. Included above is the rentals receivable from these properties.				
34.4 Other Expenditure Commitments				
Within one year	3,361	2,973	3,315	2,928
Later than one year but not later than five years	9,155	10,957	8,978	10,790
Later than five years	7,457	9,333	7,457	9,333
Total Other Expenditure Commitments	19,973	23,263	19,750	23,051

Notes to and forming part of the

Financial Statements for the year ended 31 December 2012

NOTE 35 RELATED PARTY TRANSACTIONS**(a) Parent entities**

The ultimate parent entity within the Group is the University.

(b) Subsidiaries

The University's interests in its subsidiaries are set out in Note 37.1.

(c) Members of Council and Specified Executive Officers

Disclosures relating to members of Council and specified executives are set out in Note 31.

(d) Transactions with Related Parties

The following transactions occurred with related parties:

	CONSOLIDATED		UNIVERSITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Funding Provided to Subsidiaries	–	–	11,729	8,844
Sale of Goods and Services to				
Subsidiaries	–	–	12,770	1,850
Other Related Parties	7	146	–	–
Purchase of Goods from Subsidiaries	–	–	20,983	21,430
Loan Advanced to Subsidiaries	–	–	701	1,201
Interest Revenue from Subsidiaries	–	–	3	–
Interest Expense to Subsidiaries	–	–	248	255

(e) Outstanding Balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	CONSOLIDATED		UNIVERSITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Current Receivables (sale of goods and services)				
Subsidiaries	–	–	167	233
Current Payables (purchases of goods)				
Subsidiaries	–	–	1,527	2,009
Non-current payables (loans)				
Parent entity	–	–	701	1,201

An allowance of \$1.000 million for impaired receivables was raised in 2011 for the outstanding balances disclosed above. In 2012 the receivable was forgiven and the allowance reversed.

(f) Guarantees

No guarantees have been given to third parties in respect of related parties.

(g) Terms and Conditions

During the financial year, all transactions between the University and its subsidiaries were in the ordinary course of business and on normal arm's length commercial terms and conditions.

NOTE 36 WORKCOVER – SELF INSURANCE

From 1 October 1990, the University became a Self Insurer for Workers' Compensation and WorkCover. As part of the settlement terms with the Victorian WorkCover Authority, the University is liable for all remaining claims in respect of the period prior to self insurance from 1 September 1985 up to that date. An actuarial assessment carried out as at 31 December 2012 assessed outstanding liabilities of the University in respect of both new claims incurred and the remaining claims from the period prior to self insurance at \$7.179 million (\$6.199 million at 31 December 2011) which are projected to decrease to \$6.802 million by 31 December 2013.

NOTE 37 SUBSIDIARIES

37.1 Subsidiary Entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1.2 (i).

NAME OF ENTITY	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	CLASS OF SHARES	OWNERSHIP INTEREST	
				2012	2011
Australian Music Examinations Board (Victoria) Limited	Provides a system of graded examinations in relation to music and speech in Victoria.	Australia	Company Limited by Guarantee	100%	100%
Australian National Academy of Music Ltd Group	Provide a national centre of excellence with practical music education and training.	Australia	Company Limited by Guarantee	75%	75%
Melbourne Business School Limited Group	Provision of educational services.	Australia	Company Limited by Guarantee	45%	45%
Melbourne Dental Clinic Ltd	Operate and manage one or more dental clinics to provide students at the University with world class clinical training.	Australia	Company Limited by Guarantee	100%	–
Melbourne University Publishing Limited	To publish the best scholarly writing from Australia and Overseas, both within and independent of the tertiary sector.	Australia	Company Limited by Guarantee	100%	100%
MU Student Union Limited	Provision of amenities, services and facilities for the benefit of students.	Australia	Company Limited by Guarantee	100%	100%
Nossal Institute Limited	Undertake and provide research, development, education, training, consultancy and other activities in regard to medical and related areas.	Australia	Fully Paid Ordinary Shares	100%	100%
UMELB Pte Ltd	Undertake University profiling, student recruitment, alumni support and donor relationship development.	Singapore	Fully Paid Ordinary Shares	100%	–
UOM Commercial Ltd Group	Commercialisation of research and teaching of the University of Melbourne.	Australia	Fully Paid Ordinary Shares	100%	100%

37.2 Changes to the Group Structure

UOM Commercial Ltd Group

The operations of Melbourne Ventures Pty Ltd were transferred to UOM Commercial Ltd on 31 December 2010 and the company was liquidated on 17 October 2011.

Victorian Institute for Chemical Sciences Limited

Victorian Institute for Chemical Sciences Limited was deregistered on the 9 November 2011.

UMELB Pte Ltd and The Melbourne Dental Clinic Ltd

UMELB Pte Ltd was incorporated in Singapore on 1 June 2012. The Melbourne Dental Clinic Ltd was incorporated on 29 June 2012.

Notes to and forming part of the*Financial Statements for the year ended 31 December 2012*

NOTE 37 SUBSIDIARIES (CONTINUED)

37.3 Summary of net result for each consolidated entity

	Note	NET RESULT AFTER INCOME TAX	
		2012 \$'000	2011 \$'000
University General			
– Profit / (Loss) from Continuing Operations	(a)	82,164	53,063
Trust Funds		26,602	29,511
Semi Autonomous Bodies:			
Children's Services		(168)	94
Halls of Residence:			
– International House		146	173
– Kendall Hall		54	109
– Medley Hall		6	(1,035)
Melbourne Theatre Company		784	267
Melbourne University Bookshop	(b)	(3,638)	225
Melbourne University Sport		229	(208)
The Ian Potter Museum of Art		157	51
Veterinary Hospital		(855)	(101)
Subtotal University		105,481	82,149
Subsidiaries			
Australian Music Examinations Board (Vic) Limited		(153)	106
Australian National Academy of Music Ltd Group		344	(2)
Melbourne Business School Limited Group		(25)	5,452
Melbourne Dental Clinic Ltd		(357)	–
Melbourne University Publishing Limited		597	(2,136)
MU Student Union Limited		323	294
Nossal Institute Limited		398	5
UMELB Pte Ltd		–	–
UOM Commercial Ltd Group		(998)	(1,031)
Victorian Institute for Chemical Sciences Limited		–	(75)
Subtotal Subsidiaries	(c)	129	2,613
Adjustments on Consolidation		(1,000)	4,090
Total		104,610	88,852

- (a) The University's result in 2012 includes a \$15.461 million impairment loss on Available-for-Sale financial assets (2011, \$47.937 million). Refer Note 1.10 for further information.
- (b) Melbourne University Bookshop ceased trading on 17 May 2012. Windup costs are included in the Bookshop's result above, however, consideration for sale was recognised in the University General result.
- (c) The Subsidiaries results shown include investment income. Note 37.4 contains the operating result including and excluding investment income, providing a better understanding of Subsidiaries underlying operating results.

NOTE 37 SUBSIDIARIES (CONTINUED)

37.4 Subsidiaries – Income Statement analysis

Subsidiary	TOTAL INCOME	TOTAL INCOME	TOTAL EXPENDITURE	TOTAL EXPENDITURE
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Australian Music Examinations Board (Vic) Limited	2,257	2,267	2,410	2,161
Australian National Academy of Music Ltd Group	4,481	3,629	4,137	3,631
Melbourne Business School Limited Group	63,787	66,449	63,812	60,997
Melbourne Dental Clinic Ltd	728	–	1,085	–
Melbourne University Publishing Limited	6,496	5,368	5,899	7,504
MU Student Union Limited	12,814	13,090	12,491	12,796
Nossal Institute Limited	7,610	7,551	7,212	7,546
UMELB Pte Ltd	–	–	–	–
UOM Commercial Ltd Group	31,145	31,482	32,143	32,513
Victorian Institute for Chemical Sciences Limited	–	119	–	194
Total – University Subsidiaries	129,318	129,955	129,189	127,342

Subsidiary	PROFIT / (LOSS)*	PROFIT / (LOSS)*	PROFIT / (LOSS) EX. INVESTMENT INCOME	PROFIT / (LOSS) EX. INVESTMENT INCOME
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Australian Music Examinations Board (Vic) Limited	(153)	106	(153)	(18)
Australian National Academy of Music Ltd Group	344	(2)	344	(17)
Melbourne Business School Limited Group	(25)	5,452	(487)	(1,578)
Melbourne Dental Clinic Ltd	(357)	–	(357)	–
Melbourne University Publishing Limited	597	(2,136)	597	(2,173)
MU Student Union Limited	323	294	323	70
Nossal Institute Limited	398	5	398	(144)
UMELB Pte Ltd	–	–	–	–
UOM Commercial Ltd Group	(998)	(1,031)	(998)	(2,186)
Victorian Institute for Chemical Sciences Limited	–	(75)	–	(76)
Total – University Subsidiaries	129	2,613	(333)	(6,122)

Where applicable, the results of the above Subsidiaries include contributions from the University of Melbourne.

* The Subsidiaries results shown include investment income.

Notes to and forming part of the*Financial Statements for the year ended 31 December 2012*

NOTE 37 SUBSIDIARIES (CONTINUED)

37.5 Subsidiaries – Statement of Financial Position Analysis

	CURRENT ASSETS LESS CURRENT LIABILITIES	CURRENT ASSETS LESS CURRENT LIABILITIES	PROPERTY, PLANT & EQUIPMENT	PROPERTY, PLANT & EQUIPMENT	TOTAL ASSETS	TOTAL ASSETS
	2012	2011	2012	2011	2012	2011
Subsidiary	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Australian Music Examinations Board (Vic) Limited	1,065	1,179	110	140	2,391	2,471
Australian National Academy of Music Ltd Group	350	352	829	476	1,642	1,194
Melbourne Business School Limited Group	1,304	11,646	102,029	91,992	185,684	164,679
Melbourne Dental Clinic Ltd	(357)	–	–	–	268	–
Melbourne University Publishing Limited	1,024	598	41	29	2,959	2,992
MU Student Union Limited	3,906	3,648	2,587	2,457	8,671	7,348
Nossal Institute Limited	1,717	1,353	72	92	4,818	4,831
UMELB Pte Ltd	–	–	–	–	–	–
UOM Commercial Ltd Group	9,135	10,145	29,333	17,329	62,149	46,506
Victorian Institute for Chemical Sciences Limited	–	–	–	–	–	–
Total – University Subsidiaries	18,144	28,921	135,001	112,515	268,582	230,021

	TOTAL LIABILITIES	TOTAL LIABILITIES	EQUITY	EQUITY
	2012	2011	2012	2011
Subsidiary	\$'000	\$'000	\$'000	\$'000
Australian Music Examinations Board (Vic) Limited	321	311	2,070	2,159
Australian National Academy of Music Ltd Group	495	391	1,147	803
Melbourne Business School Limited Group	22,936	20,105	162,748	144,574
Melbourne Dental Clinic Ltd	625	–	(357)	–
Melbourne University Publishing Limited	1,905	2,546	1,054	447
MU Student Union Limited	2,245	1,245	6,426	6,103
Nossal Institute Limited	3,104	3,515	1,714	1,315
UMELB Pte Ltd	–	–	–	–
UOM Commercial Ltd Group	22,479	17,965	39,670	28,540
Victorian Institute for Chemical Sciences Limited	–	–	–	–
Total – University Subsidiaries	54,110	46,078	214,472	183,941

NOTE 38 SUBSEQUENT EVENTS

There are no matters or circumstances that have arisen since the end of the financial year that have affected or may subsequently affect the financial position of the University or its subsidiaries.

	CONSOLIDATED		UNIVERSITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
NOTE 39 RECONCILIATION OF OPERATING RESULT FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating result for the year	104,610	88,852	105,481	82,149
Add / (less) non-cash flows in net profit / (loss)				
Depreciation and amortisation	123,759	104,841	118,906	100,017
Bad and doubtful debts written off	2,173	(607)	1,164	(655)
Impairment losses	17,583	48,484	18,014	52,466
Net transfers received free of charge	–	(68)	–	(68)
Revaluation Gains on Other Financial Assets at Fair Value	11	–	11	–
Loss / (gain) on sale / redemption of investments	(11,590)	34,762	(11,128)	37,423
Transfer of (gain) / loss from equity on disposal of available-for-sale financial assets	(18,654)	(55,877)	(18,654)	(55,877)
Net (gain) / loss on sale of non-current assets	3,017	248	2,117	223
Other	(3,401)	(3,868)	711	833
Changes in assets and liabilities				
Decrease / (increase) in receivables	(51,628)	(27,858)	(48,635)	(28,178)
Decrease / (increase) in prepayments	(4,583)	(14,046)	(5,126)	(14,089)
Decrease / (increase) in other assets	(1,635)	420	(2,044)	83
Decrease / (increase) in inventories	3,632	996	3,346	464
Increase / (decrease) in provision for doubtful debts	679	(3,840)	512	(2,749)
Increase / (decrease) in provision for income taxes payable	–	(11)	–	–
Increase / (decrease) in payables	25,090	23,518	21,757	18,779
Increase / (decrease) in provisions for employee entitlements	41,522	21,326	40,885	21,104
Increase / (decrease) in income in advance *	32,739	11,998	27,565	11,268
Increase / (decrease) in other provisions	509	(3,511)	492	(3,501)
Net cash inflow from operating activities	263,833	225,759	255,374	219,692

* Movements in income in advance for the 2011 year exclude third party contributions. Refer to Note 23 for further details.

NOTE 40 FINANCIAL RISK MANAGEMENT

40.1 Financial Risk Management Objectives and Policies

The consolidated entity's principal financial instruments consist mainly of listed and unlisted shares, unit trusts, and borrowings. The main purpose of these financial instruments is to raise finance to support the Group's activities. The Group has various other financial instruments such as accounts receivable and accounts payable, which arise directly from its operations.

The Group is exposed to key financial risks, including market risk (which includes interest rate risk, price risk and foreign currency risk), credit risk and liquidity risk. This note presents information about the Group's exposure to each of these risks, and the objectives, policies and processes for measuring and managing risk.

The University's Council has overall responsibility for the establishment and oversight of the Group's risk management framework. The Council has established:

- the Finance Committee, which meets regularly to monitor and evaluate the University's financial management strategies in the context of the most recent economic conditions and forecasts,
- the Investment Management Committee, which monitors and advises the Finance Committee on University's short term cash management and long term investments, and
- the Risk Committee, which is responsible for monitoring risk management policies.

Notes to and forming part of the*Financial Statements for the year ended 31 December 2012*

NOTE 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

40.2 Risk Exposures

The main risks the Group is exposed to through its financial instruments are as follows:

(a) Market Risk

Market risk is the risk that changes in market prices will affect the Group's result or the value of the Group's financial assets and liabilities. The key market risks that the Group is exposed to are interest rate risk, foreign currency risk and price risk, each of which are discussed below.

(i) Interest Rate Risk

The Group's exposure to market interest rates relates primarily to the Group's long-term borrowings and funds invested on the money market. The interest rate on the University's long term borrowings are either fixed or hedged, and therefore the Group is not exposed to any material interest rate risk. The University has an Interest Rate Swap on borrowings for University Square which caps the interest rate at 7.32% under a Bill Acceptance and Discount Facility. Borrowings for the Business and Economics building are fixed at 7.03%.

All borrowings are subject to approval by the University of Melbourne Council and the Treasurer of Victoria.

The Group has minimal exposure to interest rate risk through its holding of cash assets and other financial assets at fair value. At the reporting date, it was considered that a 1% decrease / increase in the interest rate is a reasonably possible movement in the next twelve months. If interest rates were 1% lower / higher than the year-end rates with all other variables held constant, the Group's net result for the year would have been \$1.572 million lower / higher, reflecting the lower/higher interest income earned on affected balances. (In 2011, \$1.811 million lower / higher.)

The Group manages its interest rate risk primarily through fixing its interest rate on long term borrowings and by maintaining a diversified investment portfolio.

(ii) Foreign Currency Risk

The Group's main exposure to foreign currency risk arises from International Shares held as part of its long term investment portfolio. The Group is mainly exposed to US dollars and the Euro. At the reporting date, had the Australian Dollar weakened / strengthened by 10% against the relevant foreign currencies with all other variables held constant, the Group's equity balance would have been \$18.412 million lower/higher (2011, \$14.241 million lower / higher), due to changes in the fair value of available-for-sale financial assets. There would have been no change to the net result for the year (2011, nil).

At times, the University will hedge large equipment purchases denominated in foreign currencies to manage foreign currency risk. The University did not have any such hedges in place at 31 December 2012 (2011, nil).

(iii) Price Risk

The University has a significant investment in marketable securities (included within available-for-sale financial assets), which exposes the Group to price risk. To limit this risk, the University has invested its funds with Fund Managers and maintained a diversified investment portfolio. The majority of the equity investments are of a high quality and are publicly traded on equity exchanges. The investments are mainly included in the S&P/ASX 200 Index.

The sensitivity analysis has been determined based on the Group's exposure to equity prices. At the reporting date, if the value of marketable securities were 10% lower / higher with all other variables held constant, the Group's equity would have been \$116.323 million lower/higher (2011, \$106.486 million lower / higher), due to changes in the fair value of available-for-sale financial assets. There would have been no change to the net result for the year (2011, nil).

(b) Credit Risk

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

The Group does not have any material credit risk exposure to any single receivable or group of receivables. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Receivable balances are monitored on an ongoing basis to ensure that the exposure to bad debts is not significant. The Group has established an allowance for impaired receivables that represents their estimate of incurred losses in respect of receivables.

An analysis of the ageing of the Group's receivables at reporting date has been provided in Note 18.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Liquidity risk is managed by University management and overseen by the Finance Committee through the monitoring of current forecasts and key ratios. The University's cash position and cash flows are also regularly monitored throughout the year.

NOTE 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity analysis – liquidity and interest rate risk tables

The following tables disclose the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest that will be incurred on those liabilities that are interest-bearing. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability in the Statement of Financial Position.

	NON-INTEREST BEARING	INTEREST EARNING MATURING IN			ADJUSTMENT	CONSOLIDATED CARRYING AMOUNT PER STATEMENT OF FINANCIAL POSITION	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE
		1 YEAR OR LESS	BETWEEN 1 TO 5 YEARS	MORE THAN 5 YEARS			
2012	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
Financial Liabilities							
Payables	141,764	–	–	–	–	141,764	
Borrowings	–	19,049	76,336	180,365	(104,739)	171,011	7.18
Finance Lease Liabilities	–	5,645	3,461	–	(760)	8,346	7.92
Other Financial Liabilities	32,868	–	–	–	–	32,868	
Total Financial Liabilities	174,632	24,694	79,797	180,365	(105,499)	353,989	

	NON-INTEREST BEARING	INTEREST EARNING MATURING IN			ADJUSTMENT	CONSOLIDATED CARRYING AMOUNT PER STATEMENT OF FINANCIAL POSITION	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE
		1 YEAR OR LESS	BETWEEN 1 TO 5 YEARS	MORE THAN 5 YEARS			
2011	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
Financial Liabilities							
Payables	116,674	–	–	–	–	116,674	
Borrowings	–	19,101	76,315	199,435	(117,296)	177,555	7.18
Finance Lease Liabilities	–	921	1,168	–	(170)	1,919	7.56
Other Financial Liabilities	27,359	–	–	–	–	27,359	
Total Financial Liabilities	144,033	20,022	77,483	199,435	(117,466)	323,507	

Notes to and forming part of the*Financial Statements for the year ended 31 December 2012***NOTE 40 FINANCIAL RISK MANAGEMENT (CONTINUED)****40.3 Fair value estimation**

The carrying amounts and aggregate net fair values of financial assets and financial liabilities at balance date are as follows:

	TOTAL CONSOLIDATED CARRYING AMOUNT PER STATEMENT OF FINANCIAL POSITION		AGGREGATE NET FAIR VALUE	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Financial Assets				
Cash and Cash Equivalents	156,260	177,886	156,260	177,886
Receivables	285,613	234,666	285,613	234,666
Other Financial Assets	1,170,258	1,077,175	1,170,258	1,077,175
Total Financial Assets	1,612,131	1,489,727	1,612,131	1,489,727
Financial Liabilities				
Payables	141,764	116,674	141,764	116,674
Borrowings	171,011	177,555	180,821	185,833
Finance Lease Liabilities	8,346	1,919	8,346	1,919
Other Financial Liabilities	32,868	27,359	32,868	27,359
Total Financial Liabilities	353,989	323,507	363,799	323,507

Receivables, payables, borrowings and financial lease liabilities are measured at amortised cost. All other financial instruments are measured at fair value.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels:

	2012 \$'000	CONSOLIDATED			\$'000	UNIVERSITY		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Financial Assets								
Other Financial Assets	1,170,258	878,485	285,826	5,947	1,124,422	819,386	283,030	22,005
Total Financial Assets	1,170,258	878,485	285,826	5,947	1,124,422	819,386	283,030	22,005
Financial Liabilities								
Borrowings	171,011	171,011	–	–	171,212	171,212	–	–
Finance Lease Liabilities	8,346	8,346	–	–	6,370	6,370	–	–
Other Financial Liabilities	32,868	–	32,868	–	32,868	–	32,868	–
Total Financial Liabilities	212,225	179,357	32,868	–	210,450	177,582	32,868	–

NOTE 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

	CONSOLIDATED				UNIVERSITY			
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
2011	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets								
Other Financial Assets	1,077,175	760,486	310,201	6,488	1,047,344	715,556	309,242	22,546
Total Financial Assets	1,077,175	760,486	310,201	6,488	1,047,344	715,556	309,242	22,546
Financial Liabilities								
Borrowings	177,555	177,555	–	–	177,756	177,756	–	–
Finance Lease Liabilities	1,919	1,919	–	–	–	–	–	–
Other Financial Liabilities	27,359	–	27,359	–	27,359	–	27,359	–
Total Financial Liabilities	206,833	179,474	27,359	–	205,115	177,756	27,359	–

Following a review of the fair value hierarchy of other financial assets in 2012, the above disclosures for 2011 were amended to reflect the revised reassessment. This resulted in \$511.762 million being reclassified to level 1 for both the Group and University.

Reconciliation of financial assets and liabilities categorised as level 3:

LEVEL 3 FINANCIAL ASSETS	CONSOLIDATED		UNIVERSITY	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Opening balance	6,488	5,525	22,546	24,673
Total gains / (losses)				
In profit or loss	–	–	–	(3,090)
In other comprehensive income	–	–	–	–
Purchases	(541)	963	(541)	963
Sales	–	–	–	–
Issues	–	–	–	–
Settlements	–	–	–	–
Transfers out of Level 3	–	–	–	–
Closing balance	5,947	6,488	22,005	22,546

Notes to and forming part of the*Financial Statements for the year ended 31 December 2012***NOTE 41 SUPERANNUATION COMMITMENTS****41.1 University employees are members of a range of superannuation funds, which are divided into the following categories:**

- (i) Those operative and open to membership:
 - UniSuper (comprising the merged SSAU – *Superannuation Scheme for Australian Universities* and TESS – *Tertiary Education Superannuation Scheme*)
- (ii) State Government Schemes closed to future membership by University employees:
 - State Employees Retirement Benefits Scheme
 - State Superannuation Fund
- (iii) Some University employees receive superannuation benefits through the Superannuation Guarantee Scheme.

41.2 UniSuper Plans

UniSuper is a multi-employer superannuation fund operated by UniSuper Limited as the Corporate Trustee and administered by UniSuper Management Pty Ltd, a wholly owned subsidiary of UniSuper Limited. The operations of UniSuper are regulated by the *Superannuation Industry (Supervision) Act 1993*.

- (i) UniSuper offers eligible members the choice of two schemes known as the *Defined Benefit Division (DBD)* or *Accumulation Super (2)*. The contribution rate to the schemes is 21% of member's salary, of which the member contributes 7% and the University 14%. Members can elect to reduce the level of member contributions with corresponding reductions in benefits.

Both the *Defined Benefit Division* and the *Accumulation Super (2)* schemes are Defined Contribution Plans for the purposes of AASB119 *Employee Benefits*. While the UniSuper *Defined Benefit Division (DBD)* recorded an actuarial deficit at year end, the University does not have an obligation in regard to the funding of this deficit.

- (ii) UniSuper also offers a cash accumulation productivity scheme known as *Accumulation Super (1)* (previously referred to as the *Award Plus Plan (APP)*). University employees have no requirement to contribute to the scheme. The University contributes the equivalent of 3% of base salary in respect of those employees who were members of the *Defined Benefit Division* or the *Accumulation Super (2)* Plan. Employees who do not qualify for membership of *Defined Benefit Division* or *Accumulation Super (2)* will have a minimum contribution of 9% of their annual salary contributed by the University to *Accumulation Super (1)* prescribed under the *Superannuation Guarantee Charge Act 1992*. Casual and non-permanent employees, who do not qualify for membership of the *Defined Benefit Division* or *Accumulation Super (2)*, are eligible for *Accumulation Super (1)*.

41.3 State Government Schemes

The University has a number of employees who are members of the State Employees Retirement Benefits Scheme and the State Superannuation Fund administered by the Government Superannuation Office. These schemes are defined benefits schemes and are closed to future University employees.

At 30 June 2012, the State Superannuation Fund was carrying total liabilities for member benefits greater than the value of the net market value of the plan's assets. As a result an unfunded superannuation liability exists and is recognised in the financial statements of the Scheme. The University's portion of the unfunded liability comprises of employees who transferred to the University from the former Melbourne College of Advanced Education, together with those employees of the former subsidiaries Hawthorn Institute of Education Ltd, Victorian College of Agriculture and Horticulture Ltd and the Victorian College of the Arts.

As at 30 June 2012 the University's unfunded superannuation liability determined by the Victorian Government Superannuation Office amounted to \$159.113 million (\$128.896 million in 2011). The values as at 30 June 2012 are the values that have been included in the accounts. Funding to meet payments incurred will be provided to the University of Melbourne by the Australian Government. The cost is shared between the State of Victoria and the Australian Government.

41.4 The total superannuation contributions by the University during the year in respect of the above plans were:

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
UniSuper – Defined Benefit Division, Accumulation Super (2) and Accumulation Super (1)	92,825	84,407
State Government Schemes	301	286
Other Superannuation Funds	10,888	10,982
	104,014	95,675

There were no outstanding contributions at year end (2011, nil).

NOTE 42 CONSULTANTS

Details of consultants engaged by the University and their costs were as follows:

	2012	2011	
	\$'000	\$'000	
Consultancies costing less than \$100,000			
Payments to Consultants	2,512	2,197	
Number of Consultancies Engaged – 91 in 2012 (64 in 2011)			
Consultancies costing more than \$100,000			
Bernside Holdings Pty Ltd	Online Strategy	–	128
CSG Solutions Pty Ltd	Themis Improvement Project	–	1,620
Colab Consulting Pty Ltd	Research Systems Upgrade	274	295
Colmar Brunton Pty Ltd	Brand Health Project	280	193
Corrs Chambers Westgrath	Life Sciences Computation Centre	–	115
Dialog Pty Ltd	Project development and maintenance	118	–
Dimension Data Australia Pty Ltd	Development assistance costs	271	–
Evon Weir	ISIS Connect Project	–	123
Forethought Pty Ltd T/A Roberts Research Group	Marketing research and development	339	–
Growth Solutions Group Pty Ltd	Brand strategy development	–	195
Infosys Technologies Limited	Development assistance costs	1,426	133
IMJ Consultants Pty Ltd	Consulting Services for climate change adaptation	110	–
Janison Solutions Pty Ltd	Project development consultancy	204	–
Nous Group Pty Ltd	Operations review	190	211
Oracle Corporation Aust Pty Ltd	ID management system and student portal	252	–
Oz Info Pty Ltd	Consulting Services for MNIBUS	294	–
O2 Networks Pty Ltd	Consulting Services to assist with Integration/Network Solution	343	–
Personal Empowerment Pty Ltd	Leadership Programs	170	123
Peter Worland & Assoc Pty Ltd	University student systems project	–	110
Phillips KPA Pty Ltd	Student services review	101	–
PricewaterhouseCoopers	Victorian Life Sciences Computation Initiative review	–	475
Proactive Services Pty Ltd	Business Perception Assessment	611	114
The Spendlove Partnership Pty Ltd	Customer Engagement Framework	–	120
Zenith Solutions (Aust) Pty Ltd	IBM Infosphere Business Glossary Workgroup	337	–
Total Consultancy Cost		7,832	6,152

Notes to and forming part of the

Financial Statements for the year ended 31 December 2012

**NOTE 43 ACQUITTAL OF AUSTRALIAN GOVERNMENT FINANCIAL ASSISTANCE
(UNIVERSITY ONLY)****43.1 DIISRTE – CGS and Other DIISRTE Grants**

	Note	COMMONWEALTH GRANTS SCHEME*		INDIGENOUS SUPPORT PROGRAM		PARTNERSHIP AND PARTICIPATION PROGRAM**	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Financial Assistance Received in CASH during the Reporting Period (Total Cash Received from the Australian Government for the Programs)		250,449	230,945	801	801	2,256	2,208
Net Accrual Adjustments		–	–	–	–	–	–
Revenue for the Period	2(a)	250,449	230,945	801	801	2,256	2,208
Surplus / (Deficit) from the Previous Year		–	–	–	–	–	–
Total Revenue Including Accrued Revenue		250,449	230,945	801	801	2,256	2,208
Less Expenses Including Accrued Expenses		(250,449)	(230,945)	(801)	(801)	(2,256)	(2,208)
Surplus / (Deficit) for Reporting Period		–	–	–	–	–	–

	Note	DISABILITY SUPPORT PROGRAM		NATIONAL INSTITUTES		PROMOTION OF EXCELLENCE IN LEARNING & TEACHING	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Financial Assistance Received in CASH during the Reporting Period (Total Cash Received from the Australian Government for the Programs)		211	221	5,100	–	1,071	–
Net Accrual Adjustments		–	–	–	–	–	–
Revenue for the Period	2(a)	211	221	5,100	–	1,071	–
Surplus / (Deficit) from the Previous Year		–	–	–	–	–	–
Total Revenue Including Accrued Revenue		211	221	5,100	–	1,071	–
Less Expenses Including Accrued Expenses		(211)	(221)	(5,100)	–	(1,071)	–
Surplus / (Deficit) for Reporting Period		–	–	–	–	–	–

	Note	SUPERANNUATION PROGRAM		DIVERSITY AND STRUCTURAL ADJUSTMENT FUND ***		TRANSITIONAL COST PROGRAM	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Financial Assistance Received in CASH during the Reporting Period (Total Cash Received from the Australian Government for the Programs)		9,013	9,035	–	4,146	(8)	344
Net Accrual Adjustments		–	–	–	–	–	–
Revenue for the Period	2(a)	9,013	9,035	–	4,146	(8)	344
Surplus / (Deficit) from the Previous Year		275	363	–	–	–	–
Total Revenue Including Accrued Revenue		9,288	9,398	–	4,146	(8)	344
Less Expenses Including Accrued Expenses		(9,171)	(9,123)	–	(4,146)	8	(344)
Surplus / (Deficit) for Reporting Period		117	275	–	–	–	–

* Includes the basic CGS grant amount, CGS-Regional Loading, CGS-Enabling Loading, Maths and Science Transition Loading and Full Fee Places Transition Loading.

** Includes Equity Support Program

*** Includes the Collaboration and Structural Adjustment Program

Notes to and forming part of the

Financial Statements for the year ended 31 December 2012

**NOTE 43 ACQUITTAL OF AUSTRALIAN GOVERNMENT FINANCIAL ASSISTANCE
(UNIVERSITY ONLY) (CONTINUED)****43.3 Scholarships**

	Note	AUSTRALIAN POSTGRADUATE AWARDS		INTERNATIONAL POSTGRADUATE RESEARCH SCHOLARSHIPS		COMMONWEALTH EDUCATION COSTS SCHOLARSHIPS #	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Financial Assistance Received in CASH during the Reporting Period							
(Total Cash Received from the Australian Government for the Programs)		25,673	22,136	2,303	2,248	565	3,214
Net Accrual Adjustments		–	–	–	–	(487)	–
Revenue for the Period	2(c)	25,673	22,136	2,303	2,248	78	3,214
Surplus / (Deficit) from the Previous Year		2,130	411	–	410	1,763	22
Total Revenue Including Accrued Revenue		27,803	22,547	2,303	2,658	1,841	3,236
Less Expenses Including Accrued Expenses		(24,957)	(20,417)	(2,303)	(2,658)	(539)	(1,473)
Surplus / (Deficit) for Reporting Period		2,846	2,130	–	–	1,302	1,763

	Note	COMMONWEALTH ACCOMMODATION SCHOLARSHIPS #		INDIGENOUS ACCESS SCHOLARSHIPS		TOTAL	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Financial Assistance Received in CASH during the Reporting Period							
(Total Cash Received from the Australian Government for the Programs)		81	37	117	78	28,739	27,713
Net Accrual Adjustments		–	–	–	–	(487)	–
Revenue for the Period	2(c)	81	37	117	78	28,252	27,713
Surplus / (Deficit) from the Previous Year		(31)	(33)	–	–	3,862	810
Total Revenue Including Accrued Revenue		50	4	117	77	32,114	28,523
Less Expenses Including Accrued Expenses		(67)	(35)	(85)	(77)	(27,951)	(24,661)
Surplus / (Deficit) for Reporting Period		(17)	(31)	32	–	4,163	3,862

Includes Grandfathered Scholarships, National Priority and National Accommodation Priority Scholarships respectively

NOTE 43 ACQUITTAL OF AUSTRALIAN GOVERNMENT FINANCIAL ASSISTANCE
(UNIVERSITY ONLY) (CONTINUED)

43.4 Commonwealth – Research ***

	Note	JOINT RESEARCH ENGAGEMENT PROGRAM **		RESEARCH TRAINING SCHEME		RESEARCH INFRASTRUCTURE BLOCK GRANTS	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Financial Assistance Received in CASH during the Reporting Period (Total Cash Received from the Australian Government for the Programs)		37,046	37,574	71,978	70,579	30,674	30,362
Net Accrual Adjustments		–	–	–	–	–	–
Revenue for the Period	2(d)	37,046	37,574	71,978	70,579	30,674	30,362
Surplus / (Deficit) from the Previous Year		–	–	–	–	–	–
Total Revenue Including Accrued Revenue		37,046	37,574	71,978	70,579	30,674	30,362
Less Expenses Including Accrued Expenses		(36,956)	(37,574)	(71,978)	(70,579)	(30,674)	(30,362)
Surplus / (Deficit) for Reporting Period		90	–	–	–	–	–

	Note	COMMERCIALISATION TRAINING SCHEME		SUSTAINABLE RESEARCH EXCELLENCE IN UNIVERSITIES		TOTAL	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Financial Assistance Received in CASH during the Reporting Period (Total Cash Received from the Australian Government for the Programs)		–	783	24,232	17,393	163,930	156,691
Net Accrual Adjustments		–	–	–	–	–	–
Revenue for the Period	2(d)	–	783	24,232	17,393	163,930	156,691
Surplus / (Deficit) from the Previous Year		1,761	1,529	–	1,257	1,761	3,018
Total Revenue Including Accrued Revenue		1,761	2,312	24,232	18,650	165,691	159,709
Less Expenses Including Accrued Expenses		(1,187)	(552)	(24,232)	(18,650)	(165,027)	(157,948)
Surplus / (Deficit) for Reporting Period		574	1,761	–	–	664	1,761

* Includes Grandfathered Scholarships, National Priority and National Accommodation Priority Scholarships respectively

** Includes Institutional Grants Scheme

*** The reported Surplus for Commercialisation Training Scheme (\$0.574 million) and Joint Research Engagement (Engineering Cadetship) (\$0.090 million) for 2012 is requested as a rollover

Notes to and forming part of the*Financial Statements for the year ended 31 December 2012***NOTE 43 ACQUITTAL OF AUSTRALIAN GOVERNMENT FINANCIAL ASSISTANCE
(UNIVERSITY ONLY) (CONTINUED)****43.5 Capital funding**

	Note	BETTER UNIVERSITIES RENEWAL FUNDING		TEACHING AND LEARNING CAPITAL FUND	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Financial Assistance Received in CASH during the Reporting Period					
(Total Cash Received from the Australian Government for the Programs)		–	–	–	–
Net Accrual Adjustments		–	–	260	17,055
Revenue for the Period	2(e)	–	–	260	17,055
Surplus / (Deficit) from the Previous Year		–	8,469	–	–
Total Revenue Including Accrued Revenue		–	8,469	260	17,055
Less Expenses Including Accrued Expenses		–	(8,469)	(260)	(17,055)
Surplus / (Deficit) for Reporting Period		–	–	–	–

	Note	EDUCATION INVESTMENT FUND		TOTAL	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Financial Assistance Received in CASH during the Reporting Period					
(Total Cash Received from the Australian Government for the Programs)		84,822	32,985	84,822	32,985
Net Accrual Adjustments		6,529	(6,644)	6,789	10,411
Revenue for the Period	2(e)	91,351	26,341	91,611	43,396
Surplus / (Deficit) from the Previous Year		477	6,579	477	15,048
Total Revenue Including Accrued Revenue		91,828	32,920	92,088	58,444
Less Expenses Including Accrued Expenses		(81,997)	(32,443)	(82,257)	(57,967)
Surplus / (Deficit) for Reporting Period		9,831	477	9,831	477

NOTE 43 ACQUITTAL OF AUSTRALIAN GOVERNMENT FINANCIAL ASSISTANCE
(UNIVERSITY ONLY) (CONTINUED)

43.6 Australian Research Council Grants

43.6(a) Discovery

	Note	PROJECTS		FELLOWSHIPS		TOTAL	
		2012	2011	2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assistance Received in CASH during the Reporting Period (Total Cash Received from the Australian Government for the Programs)		36,895	35,314	16,978	13,339	53,873	48,653
Net Accrual Adjustments		(737)	(1,721)	(4,397)	(3,771)	(5,134)	(5,492)
Revenue for the Period	2(f)(i)	36,158	33,593	12,581	9,568	48,739	43,161
Surplus / (Deficit) from the Previous Year		(85)	2,701	1,134	1,217	1,049	3,918
Total Revenue Including Accrued Revenue		36,073	36,294	13,715	10,785	49,788	47,079
Less Expenses Including Accrued Expenses		(35,891)	(36,379)	(13,514)	(9,651)	(49,405)	(46,030)
Surplus / (Deficit) for Reporting Period		182	(85)	201	1,134	383	1,049

43.6(b) Linkages

	Note	SPECIAL RESEARCH INITIATIVES		INFRASTRUCTURE		INTERNATIONAL	
		2012	2011	2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assistance Received in CASH during the Reporting Period (Total Cash Received from the Australian Government for the Programs)		13,932	11,868	1,920	3,989	–	(29)
Net Accrual Adjustments		(1,534)	(3,833)	944	(1,098)	–	–
Revenue for the Period	2(f)(ii)	12,398	8,035	2,864	2,891	–	(29)
Surplus / (Deficit) from the Previous Year		–	46	1,946	–	264	320
Total Revenue Including Accrued Revenue		12,398	8,081	4,810	2,891	264	291
Less Expenses Including Accrued Expenses		(12,470)	(8,081)	(4,832)	(945)	(222)	(27)
Surplus / (Deficit) for Reporting Period		(72)	–	(22)	1,946	42	264

	Note	PROJECTS		TOTAL	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
Financial Assistance Received in CASH during the Reporting Period (Total Cash Received from the Australian Government for the Programs)		13,859	13,076	29,711	28,904
Net Accrual Adjustments		812	1,027	222	(3,904)
Revenue for the Period	2(f)(ii)	14,671	14,103	29,933	25,000
Surplus / (Deficit) from the Previous Year		–	1,988	2,210	2,354
Total Revenue Including Accrued Revenue		14,671	16,091	32,143	27,354
Less Expenses Including Accrued Expenses		(3,733)	(16,091)	(21,257)	(25,144)
Surplus / (Deficit) for Reporting Period		10,938	–	10,886	2,210

Notes to and forming part of the

Financial Statements for the year ended 31 December 2012

**NOTE 43 ACQUITTAL OF AUSTRALIAN GOVERNMENT FINANCIAL ASSISTANCE
(UNIVERSITY ONLY) (CONTINUED)****43.6 Australian Research Council Grants (continued)**

43.6(c) Networks and Centres

	Note	RESEARCH NETWORKS		CENTRES		TOTAL	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Financial Assistance Received in CASH during the Reporting Period (Total Cash Received from the Australian Government for the Programs)		–	–	9,290	8,946	9,290	8,946
Net Accrual Adjustments		64	1,291	275	775	339	2,066
Revenue for the Period	2(f)(iii)	64	1,291	9,565	9,721	9,629	11,012
Surplus / (Deficit) from the Previous Year		676	–	–	–	676	–
Total Revenue Including Accrued Revenue		740	1,291	9,565	9,721	10,305	11,012
Less Expenses Including Accrued Expenses		(210)	(615)	(9,574)	(9,721)	(9,784)	(10,336)
Surplus / (Deficit) for Reporting Period		530	676	(9)	–	521	676

43.7 OS-HELP

	Note	OS-HELP**	
		2012 \$'000	2011 \$'000
Cash Received during the reporting period	2(h)	1,379	747
Cash Spent during the reporting period		(1,379)	(747)
Net Cash received		–	–
Cash Surplus / (Deficit) from the previous period		–	–
Cash Surplus / (Deficit) for reporting period		–	–

** OS-HELP receipts from the Australian Government are not included in the Income Statement. The cash received by the University does not meet the definition of revenue in accordance with AASB 118 Revenue. Revenue for the period is therefore nil.

43.8 Student Services and Amenities Fee

	Note	STUDENT SERVICES AND AMENITIES FEE	
		2012 \$'000	2011 \$'000
Unspent / (overspent) revenue from previous period		–	–
SA-HELP Revenue Earned	2(b)	3,014	–
Student Services Fees direct from Students	4	2,382	–
Total revenue expendable in period		5,396	–
Student Services expenses during period		(6,341)	–
Unspent / (overspent) Student Services Revenue		(945)	–

The University of Melbourne

Statement by Principal Accounting Officer

In my opinion:

- (a) i) the financial statements of the University of Melbourne and the consolidated entity present a true and fair view of the financial transactions of the University and the consolidated entity during the financial year ended 31 December 2012 and the financial position of its operations for the year ended on that date, and
- ii) the amount of Australian Government financial assistance received during the financial year ended 31 December 2012 was expended for the purposes for which it was provided, and
- iii) the Group has complied with all material requirements of applicable legislation, contracts, agreements and various programme guidelines that apply to the Australian Government financial assistance identified in these financial statements, and
- (b) the financial statements have been prepared in accordance with the Australian Accounting Standards, the Financial Management Act 1994, other mandatory professional reporting requirements and the Financial Statement Guidelines for Australian Higher Education Providers for the 2012 Reporting Period as issued by the Department of Industry, Innovation, Science, Research and Tertiary Education.

In addition, I am not aware at the date of signing these statements of any circumstances which would render any particulars included in the statements to be misleading or inaccurate and there are reasonable grounds to believe that the University of Melbourne and the consolidated entity will be able to pay its debts as and when they fall due.



James Bolton
Director of Finance
 18 March 2013

Statement by the Vice-Chancellor and Chief Financial Officer

The University Council at its meeting held on 18 March 2013 agreed to adopt the financial statements subject to any further minor amendments requested by audit and authorised the Vice-Chancellor and Chief Financial Officer to sign the financial statements on behalf of the University.

In our opinion:

- (a) i) the financial statements of the University of Melbourne and the consolidated entity present a true and fair view of the financial transactions of the University and the consolidated entity during the financial year ended 31 December 2012 and the financial position of its operations for the year ended on that date, and
- ii) the amount of Australian Government financial assistance received during the financial year ended 31 December 2012 was expended for the purposes for which it was provided, and
- iii) the Group has complied with all material requirements of applicable legislation, contracts, agreements and various programme guidelines that apply to the Australian Government financial assistance identified in these financial statements, and
- (b) the financial statements have been prepared in accordance with the Australian Accounting Standards, the Financial Management Act 1994, other mandatory professional reporting requirements and the Financial Statement Guidelines for Australian Higher Education Providers for the 2012 Reporting Period as issued by the Department of Industry, Innovation, Science, Research and Tertiary Education.

In addition, we are not aware at the date of signing these statements of any circumstances which would render any particulars included in the statements to be misleading or inaccurate and there are reasonable grounds to believe that the University of Melbourne and the consolidated entity will be able to pay its debts as and when they fall due.



Glyn Davis
Vice-Chancellor
 18 March 2013



Allan Tait
Chief Financial Officer
 18 March 2013



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INDEPENDENT AUDITOR'S REPORT

To the Council, The University of Melbourne

The Financial Report

The accompanying financial report for the year ended 31 December 2012 of the The University of Melbourne which comprises income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, notes comprising a summary of significant accounting policies and other explanatory information, and the Vice-Chancellor and Chief Finance Officers' declarations has been audited. The financial report includes the consolidated financial statements of the economic entity, comprising the The University of Melbourne and the entities it controlled at the year's end or from time to time during the financial year as disclosed in note 37 to the financial statements.

The Council Members' Responsibility for the Financial Report

The Council Members of The University of Melbourne are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards and the financial reporting requirements of the *Financial Management Act 1994* and for such internal control as the Council Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about 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 audit procedures selected depend on 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, consideration is given to the 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 The University of Melbourne and the consolidated entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the Council Members, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Basis for Qualified Opinion

The University of Melbourne and the economic entity reported government research and capital grants of \$249 million as other liabilities as at 31 December 2012. However, \$102 million should have been recognised as grant income for the year ended 31 December 2012, in accordance with the requirements of AASB 1004 Contributions, as The University of Melbourne and the economic entity effectively controlled these grants in the current year. The remaining \$147 million should have been recognised as grant income in prior years at the time control was obtained. The University of Melbourne and the economic entity have brought to account grant income of \$79 million for the year ended 31 December 2012, which should have been recognised in prior years.

Accordingly, for the year ended 31 December 2012, The University of Melbourne's and the economic entity's grant income is understated by \$23 million and other liabilities is overstated by \$249 million. Consequently, the net operating result and the total comprehensive income are understated by \$23 million and closing retained earnings is understated by \$249 million.

In addition, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, requires prior period errors to be corrected by restating the 2011 comparative figures for The University of Melbourne and the economic entity. As The University of Melbourne and the economic entity have not restated the 2011 comparative figures, The University of Melbourne's and the economic entity's grant income, net operating result and total comprehensive income remain understated by \$9 million, and other liabilities remain overstated by \$226 million and retained earnings remain understated by \$226 million as at 31 December 2011.

Qualified Opinion

In my opinion, except for the effect on the financial report of the matters described in the Basis for Qualified Opinion paragraphs, the financial report presents fairly, in all material respects, the financial position of The University of Melbourne and the economic entity as at 31 December 2012, its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards and the financial reporting requirements of the Financial Management Act 1994.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the The University of Melbourne for the year ended 31 December 2012 included both in the The University of Melbourne's annual report and on the website. The Council Members of the The University of Melbourne are responsible for the integrity of the The University of Melbourne's website. I have not been engaged to report on the integrity of the The University of Melbourne's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
21 March 2013



Dr Peter Frost
Acting Auditor-General

COMPLIANCE INDEX

Compliance index to the disclosure requirements 2012

The annual report of The University of Melbourne is prepared in accordance with:

FMA	<i>Financial Management Act 1994</i>
FRD	A-IFRS Financial Reporting Directions
SD	Standing Directions of the Minister for Finance issued under the <i>Financial Management Act 1994</i>
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ETRA 2006	<i>Education and Training Reform Act 2006</i>
PAEC	Decision of Public Accounts and Estimates Committee of Parliament
RUG	Victorian Government response to the Review of University Governance
ESOS	<i>Education Services for Overseas Students Act 2000</i>
DEST	Commonwealth Government Department of Education, Service and Training

No.	Clause	Disclosure	Volume	Page(s)
STANDING DIRECTIONS FOR THE MINISTER FOR FINANCE (SD)				
1	SD 4.2(g)	Report of Operations contains general information about the entity and its activities, highlights for reporting period and future initiatives and is prepared on a basis consistent with financial statements pursuant to the <i>Financial Management Act 1994</i> .	1	1-123
2	SD 4.2(h)	Report of Operations is prepared in accordance with Financial Reporting Directions.	1	1-123
3	SD 4.2(j)	Report of Operations is signed and dated by Chancellor or equivalent and includes date of Council Meeting at which Annual Report was approved.	1	4
4	SD 4.2(a)	Financial Statements are prepared in accordance with: <ul style="list-style-type: none"> • Australian Accounting Standards (AAS and AASB standards) and other mandatory professional reporting requirements; • Financial Reporting Directions; and • Business Rules. 	2	8-15, 33, 52, 60
5	SD 4.2(b)	Financial Statements available, including: <ul style="list-style-type: none"> • Balance Sheet; • Statement of Recognised Income and Expense; • Cash Flows Statement; and • Notes to the Financial Statements. 	2	2-60
6	SD 4.2(c)	Signed and dated statement by Accountable Officer stating that financial statements: <ul style="list-style-type: none"> • Present fairly the financial transactions during reporting period and the financial position at end of the period; • Were prepared in accordance with Standing Direction 4.2(c) and applicable Financial Reporting Directions; and • Comply with applicable Australian Accounting Standards (AAS and AASB standards) and other mandatory professional reporting requirements. 	2	61
7	SD 4.2(d)	Financial Statements are expressed in the nearest dollar except where the total assets, or revenue, or expenses of the institution are greater than: <ul style="list-style-type: none"> • \$10,000,000, the amounts shown in the financial statements may be expressed by reference to the nearest \$1,000; and • \$1,000,000,000, the amounts shown in the financial statements may be expressed by reference to the nearest \$100,000. 	2	14
8	SD 4.2(e)	The financial statements were reviewed and recommended by the Audit Committee or Responsible Body prior to finalisation and submission.	2	61
9	SD 4.5.5 (NEW)	Attestation on compliance with the Australian/New Zealand Risk Management Standard.	1	106-107
A-IFRS FINANCIAL REPORTING DIRECTIONS (FRD)				
10	10	Disclosure index	1, 2	124-125, 64-65
11	11	Disclosure of ex-gratia payments	n/a	n/a
12	07A	Early adoption of authoritative accounting pronouncements	2	14
13	17A	Long service leave wage inflation and discount rates	2	13
14	19	Private provision of public infrastructure	n/a	n/a
15	21A	Responsible person and executive officer disclosure in the Financial Report	2	37-40
16	22B	Standard disclosures in the Report of Operations	1	1-123
17	25	Victorian industry participation policy in the Report of Operations	n/a	n/a
18	26A	Accounting for VicFleet motor vehicle lease arrangements on or after 1 February 2004	n/a	n/a
19	102	Inventories	2	10, 24
20	104	Foreign currency	2	9
21	106	Impairment of assets	2	8
22	107	Investment properties	n/a	n/a
23	109	Intangible assets	2	12
24	110	Cash flow statements	2	7

No.	Clause	Disclosure	Volume	Page(s)
25	112A	Defined benefit superannuation obligations	2	13, 52
26	113	Investments in subsidiaries, jointly controlled associates and entities	2	8-9, 24, 43-46
27	114	Financial investments	2	10, 24
DEPARTMENT OF EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS (DEEWR)				
28	FRD 22B DEEWR	Analysis of the achievement of the entity's operational and budget objectives for the financial year; should include comparative analysis of indicators such as enrolments, graduations, student performance and satisfaction, staff profile, research performance and performance position.	1	1-123 Particularly 10, 40, 55-57, 68, 78, 84-88
29	DEEWR	Information with respect to the governance and administrative structure of the university, specifically council members and occupants of senior offices.	1	14-15, 18-20, 94-99
30	DEEWR	Outline of student and staff grievance procedures and number of complaints made to and investigated by the Ombudsman.	1	116
31	DEEWR	Details of information available on institution's website, including locations of current and previous annual reports.	1	117, 126
32	DEEWR	Compliance of financial statements with the <i>Financial Statement Guidelines for Australian Higher Education Providers for 2007 Reporting Period</i> issued by DEST.	2	8
FINANCIAL MANAGEMENT ACT 1994 (FMA)				
	FMA 1994 49(a)	Financial statements:	2	8,61
33	49 (b)	• Contain such information as required by the Minister;		
34	49 (c)	• Are prepared in a manner and form approved by the Minister;		
35	49 (d)	• Present fairly the financial transactions of the department or public body during the relevant financial year to which they relate;		
36	49 (e)	• Present fairly the financial position of the department or public body as at the end of that year; and		
37		• Are certified by the accountable officer in the manner approved by the Minister.		
GOVERNMENT RESPONSE TO THE REVIEW OF UNIVERSITY GOVERNANCE (RUG)				
38	RUG	Statement outlining that public funds allocated to the University have been allocated to the purposes specified by the Government or other public funding body. Statement is audited by the Auditor-General.	2	61
39	RUG	University Council's risk management strategy.	1	106-113
40	RUG	Summary of financial performance of associates and commercial ventures.	2	43, 46
EDUCATION SERVICES FOR OVERSEAS STUDENTS ACT 2000 (ESOS)				
41	ESOS (National Code 2007 – Sections C & D)	Statement indicating compliance with ESOS Act 2000 and the National Code of Practice for Registration Authorities and Providers of Education and Training to Overseas Students (National Code 2007).	1	114
EDUCATION AND TRAINING REFORM ACT 2006 (ETRA)				
42	ETRA 2006, s. 3.2.8	Statement on compulsory non-academic fees, subscriptions and charges payable in the preceding financial year.	1	117
DECISION OF PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE OF PARLIAMENT				
43	PAEC (December 1997)	Financial and other information relating to institution's international operations.	1	6, 8-10, 25-27, 32-34, 37-38, 40, 43, 48, 54, 64, 66-68, 73, 109, 121

LIST OF LEGISLATION IN MODEL COMPLIANCE INDEX

- Financial Management Act 1994**
www.dms.dpc.vic.gov.au/
- Australian equivalent to the International Financial Reporting Directions**
www.dtf.vic.gov.au/CA25713E0002EF43/pages/BFM-financial-reporting-policy-financial-reporting-directions
- Standing Directions of the Minister for Finance issued under the Financial Management Act 1994**
www.dtf.vic.gov.au/CA25713E0002EF43/pages/bfm-financial-reporting-policy-financial-reporting-directions1
- Australian Accounting Standards**
www.aasb.com.au/
- Australian Accounting Standards Board**
www.aasb.com.au/
- Education and Training Reform Act 2006**
www.dms.dpc.vic.gov.au/
- Government response to the Review of University Governance**
www.eduweb.vic.gov.au/edulibrary/public/highered/RUG_GOVT_RESPONSE.pdf
- Education Services for Overseas Students Act 2000**
www.comlaw.gov.au/
- Higher Education Support Act 2003**
www.comlaw.gov.au/
- Higher Education Funding Act 1988**
www.comlaw.gov.au/
- Australian Research Council Act 2001**
www.comlaw.gov.au/

