

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737**

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

The financial report was authorised for issue by the directors on 23 April 2012. The company has the power to amend and reissue the financial report.

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737**

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

The Directors submit their report with respect to the Institute for the year ended 31 December 2011, in the form required by the Corporations Act 2001. The Institute is a public company limited by guarantee with 47 members of one class. Each member is liable to the extent of \$100 only, in the event of a winding up of the company, meaning a total of \$4,700 would be available for contribution by the members.

The names of the directors in office during the year ended 31 December 2011 and at the date of this report are as follows:

	Meetings held whilst director	Meetings attended whilst director
Mr R J Atfield (Treasurer)	6	5
Mr J D Bevins	6	5
Professor I Caterson	6	5
Mr J A Dunlop	6	5
Mrs C Forster (Vice President)	6	6
Mr C. Knowles	6	1
Professor F J Martin (Chairman and President)	6	6
Professor K North	6	3
Mrs P Payne	6	5
Professor G Stewart	6	6
Professor R Reddel	6	6

Details of the qualifications, experience and special responsibilities of directors, are as follows:

Professor Frank Martin MBBS FRANZCO FRACS AM President

Frank Martin is a visiting ophthalmologist at The Sydney Children's Hospitals Network at Westmead and Randwick and at Sydney Eye Hospital. He is President of the Asia Pacific Academy of Ophthalmology and President of the Asia-Pacific Society of Paediatric Ophthalmology and Strabismus and the International Strabismus Association. He serves on the Board of Trustees of the International Council of Ophthalmology and was President of the Royal Australian and New Zealand College of Ophthalmologists from 1996 to 1997. He is also Chairman of the Westmead Research Hub and on the Board of the Lowy Medical Foundation. Professor Martin has been a CMRI Board member since 1986 and elected President in April 2000. Professor Martin serves on the Institute's Audit and Risk Committee, Finance and Investment Committee, Intellectual Property Committee and chairs the Nomination and Remuneration Committee.

Mrs Carolyn Forster OAM Vice-President

Carolyn Forster has been a member of the Canberra Committee of CMRI since 1973, serving twice as President and twice as Treasurer. She has worked in the Federal Parliament for 11 years, in the Senate, the House of Representatives, and the Ministry. She has chaired the ACT Heritage Festival for 11 years, chaired the Board of Phillip College and was a Past President of the Women's International Club, ACT. Mrs Forster is currently President of the Friends of the National Museum of Australia, and Vice President Africa, Asia, Pacific of the World Federation of Friends of Museums. She is Chair of the Church of St Andrew Conservation and Restoration Foundation and serves on a number of other committees. She received an ACT Women's Award in 1996, a Centenary Medal in 2003, and an Order of Australia Medal in 2006. Mrs Forster joined the Board in 1996 and was elected Vice-President in 2000. Mrs Forster serves on the Institute's Finance and Investment Committee, Audit & Risk Committee and Nominations & Remunerations Committee.

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737**

**DIRECTORS' REPORT
(continued)**

FOR THE YEAR ENDED 31 DECEMBER 2011

Mr Rodney Atfield FIA FIAA FAII Treasurer

Rodney Atfield was formerly the Managing Director of the Mercantile Mutual (now ING) group of companies and was Chairman of QBE/ Mercantile Mutual Limited. He is an actuary by profession and is a former President of the Institute of Actuaries of Australia and is a Life Member of that Institute. He has been a director of a number of public companies, APRA, a number of industry bodies and was Chairman of Macquarie University Actuarial Foundation. He has been involved in several task forces and advisory bodies to federal government. Currently, he is a director of Avant Insurance Limited, Hannover Life Re and ING Foundation. Mr Atfield's extensive experience in actuarial management and financial administration led to his appointment to the Board of CMRI in February 2001 and election as Treasurer in December 2001. Mr Atfield Chairs the Institute's Audit & Risk Committee and Finance & Investment Committee. He is also a member of the Intellectual Property Committee and the Nominations & Remunerations Committee.

Professor Ian Caterson AM MB BS BSc (Med) PhD FRACP

Ian Caterson is Boden Professor of Human Nutrition and Foundation Director of the Institute of Obesity Nutrition and Exercise, University of Sydney. Previously, he was Senior Staff Specialist and Director of Clinical Endocrinology at Royal Prince Alfred Hospital. He was a post-doctoral researcher at the University of Oxford with Professor Sir Philip Randle FRS. His research interests have been in insulin resistance and the causes, prevention and treatment of obesity and the prevention of chronic disease. He is a member of Newington College Council and chair of its Education Sub-Committee. He is a past president of the Australian Diabetes Society and the Australasian Society for the Study of Obesity. He was previously Head of the School of Molecular & Microbial Biosciences at the University of Sydney. He is on the management committee of the International Obesity Task Force and was a regional advisor on obesity for the World Health Organisation (WHO). He is Past President (Asia-Oceania) for the International Association for the Study of Obesity. He is an editor of *Diabetes Obesity & Metabolism*. Professor Caterson joined the Board of CMRI in 2004 and is a member of the Institute's Intellectual Property Committee.

Mr John Dunlop AM

John Dunlop was a member of the Management Committee of CMRI from 1973 to 1985, serving as President from 1983 to 1985. As an inaugural member of the Board of the Institute, he served as Honorary Treasurer from 1985 to 1991. He is Chairman of the Hospitals Contribution Fund of Australia Limited and an independent member of a number of governance committees of The Children's Hospital at Westmead. He was President of The Children's Hospital at Westmead from 1983 to 2007, Managing Director of Edwards Dunlop and Company Limited between 1978 and 1989, and Director of Health Super Pty Ltd between 2000 and 2007.

Mr John Bevins

Mr Bevins is former Creative Director of the independent Australian advertising agency, John Bevins Pty Limited. His agency was established in 1982 on work that included NSW's highly successful anti-smoking and Random Breath Testing campaigns, and closed its doors in 2010. Jeans for Genes® was an initiative of the John Bevins agency, created in a brainstorm with scientists from the Institute. In 2001, Mr Bevins was awarded the inaugural Advertising Federation of Australia medallion for his contribution to the advertising industry. He has been a member of the CMRI Board since 1986 and is a member of the Institute's Audit & Risk Committee.

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737**

**DIRECTORS' REPORT
(continued)**

FOR THE YEAR ENDED 31 DECEMBER 2011

Professor Kathryn North AM MD BSc (Med) FRACP

Kathryn North is Head of the Institute for Neuroscience and Muscle Research and Associate Dean of the Clinical School, The Children's Hospital at Westmead. She is also the Douglas Burrows Professor and Head of the Discipline of Paediatrics and Child Health, Faculty of Medicine, University of Sydney. Following a Postdoctoral Fellowship in Boston she returned to Australia in 1995 as the recipient of the Children's Hospital Research Career Development Award. Her research interests focus on inherited childhood muscle disorders and neurofibromatosis. In 2000 she received the Sunderland Award for achievement in neurobiological research and in 2008 was honoured by the Human Genetics Society of Australasia for her achievements in genetic research and as visiting Professor to the Harvard Genetics Program. Professor North is past Chairman of the Children's Hospital Research Laboratories Committee and an Executive Board member of the World Muscle Society. She is currently a member of the Children's Hospital Research Executive and Research Committee, and the University of Sydney Medical Deans Advisory Committee. She is Chairman of the Genetics Sub Committee of the Australian Association of Neurologists. She was appointed a Member of the Order of Australia in 2012. She joined the Board of CMRI in 2000.

Mrs Patti Payne OAM MPS PhC

Patti Payne has been a Community Pharmacist for over 25 years, practising on the Central Coast, NSW. She joined the Beecroft Committee of CMRI in 1969 serving as President in 1972 to 1973. In 1991, she was instrumental in forming the Hills Committee and has been its President ever since. She is a member of CMRI Biosafety Committee and has been heavily involved with Jeans for Genes since its inception. She has served on the Board of Trustees of the Kings School Foundation and has organised many functions for other institutions and charities. She is the foundation President of the Women for Pharmacy network, Chairperson of the Events and Hospitality Committee of the Federation Internationale Pharmaceutique (FIP) World Conference, Sydney, 2003 and is the Australian nominee to the Board of Directors of the Community Pharmacy Section of FIP. She has four adult children. A fifth died in infancy from a genetically related condition. She was awarded the Medal of the Order of Australia in 2006. Mrs Payne was elected to the Board in October 2000.

***Professor Roger Reddel BSc (Med) MBBS PhD FRACP FAA
Lorimer Dods Professor and Director***

Roger Reddel heads CMRI's Cancer Research Unit and is the CMRI Director and Lorimer Dods Professor, Faculty of Medicine, University of Sydney. He obtained a medical degree from the University of Sydney and trained in medical oncology at the Royal Prince Alfred Hospital. Professor Reddel completed a PhD in cancer cell biology at the Ludwig Institute for Cancer Research, University of Sydney, and received an NHMRC CJ Martin Fellowship and a Fulbright Fellowship to undertake postdoctoral research at the National Cancer Institute, Bethesda, Maryland. He returned to Sydney to establish a laboratory with the support of Cancer Council NSW's Bicentennial Fellowship. In 2007 Professor Reddel was awarded the Ramaciotti Medal for Excellence in Biomedical Research, in 2010 was elected as a Fellow of the Australian Academy of Science and in 2011 received the Premier's Award for Outstanding Cancer Researcher of the Year. He is an editorial board member of several cancer journals, serves on national and international advisory boards, and is a director of Cure Cancer Australia Foundation (CCAF). Professor Reddel has been Director of the Institute since 2007 and serves on the Institute's Finance & Investment Committee.

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737**

**DIRECTORS' REPORT
(continued)**

FOR THE YEAR ENDED 31 DECEMBER 2011

Professor Graeme Stewart AM BSc (Med) MBBS PhD FRACP FRCPA

Graeme Stewart was appointed as founding head of Immunology at Westmead Hospital in 1980. He is the inaugural director of the Institute for Immunology and Allergy Research, one of the four founding research groups of the Westmead Millennium Institute. Professor Stewart was the inaugural president of the Australasian Society for HIV Medicine and has played a role at a national and international level in HIV policy, medical education and research. He is a member of the board of Multiple Sclerosis Research Australia, Chair of the Clancey Donald Foundation and on the governing council of the Global Health Institute. His research group focuses on the genetics of autoimmune disease, particularly multiple sclerosis, HIV and allergies. He is a past Chairman of the Westmead Medical Staff Council and is co-chair of the NSW Medical Staff Executive Council. He has also been deputy chair of the Greater Metropolitan Clinical Taskforce. He has served on the CMRI Board since 2002 and is Chair of the Institute's Intellectual Property Committee.

The Hon. Craig Knowles

Craig Knowles holds a number of advisory roles and directorships in the health, finance, property, planning and aged care sectors. His roles include President, Planning Research Centre, Faculty of Architecture, Planning and Design, Sydney University; Member of the Advisory Committee, Urban Research Centre, University of Western Sydney; President, Asthma Foundation, NSW; Trustee of the Hoc Mai Foundation; Director, Black Dog Institute; Advisor, Investec Bank (Australia) Ltd; Director, Tulich Family Communities Aged Care; Independent Chairman, Prospect Water Partnership; Independent Chairman, AJ Jennings Property Fund; and Member, Built Holdings Advisory Board. Mr Knowles was a senior Minister in the New South Wales Government for 10 years serving in the portfolios of Planning and Housing (1995–99), Health (1999–2003), Infrastructure, Planning and Natural Resources (2003–August 2005) and Minister for Forests and Minister for Lands (2003–January 2005). On 28 January 2011, Mr Knowles was appointed as the Chair of the Murray-Darling Basin Authority. Mr. Knowles is a Fellow of the Australian Property Institute and a Certified Practising Valuer. He joined the CMRI Board in May 2007.

The short term objectives of the Institute include the continuation of its core research programs in paediatric health, through the management and development of the various funding sources available to it. The long term objectives of the Institute include the expansion of those core research programs and the addition of new, closely related programs. Included with this is the redevelopment of the building and facilities in which the Institute operates. Consequently, the Institute also has long term objectives to grow its funding sources to accommodate the costs of redevelopment and to expand its research and supporting operations. The strategies to achieve this involve the conduct of fundraising campaigns for capital investment, as well as broadening the Institute's recurring fundraising activities, including the Jeans For Genes® campaign.

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737**

**DIRECTORS' REPORT
(continued)**

FOR THE PERIOD YEAR 31 DECEMBER 2011

The principal activity of the Institute throughout the period continued to be conducting research into the causes, prevention, relief or cure of disease and illness in children. The Institute operates as a not-for-profit entity. Income to support this activity is derived from activities including applications for grants from many sources, from public fund raising campaigns and events, and from management of an endowment fund in the Institute's name to achieve investment returns with acceptable risk. The endowment fund is regarded as a perpetual investment, meaning that although it may be utilised in the short term for capital purchases or operating purposes, the intention is to manage the fund so as to produce investment returns in perpetuity, to assist achievement of the Institute's goals. CMRI's investment strategy includes a diversified investment portfolio with a mixture of defensive assets and a balanced growth portfolio. The Board expects this investment strategy will serve CMRI well over the long term. The Board does not profess to be an 'expert investor' and hence utilizes the services of managed funds professionals to monitor and control the investment portfolio and it also seeks advice from a professional adviser.

The Institute also plans and measures its growth in all funding sources and manages its overall financial performance in a way which will allow it to continue to maintain and potentially grow its research programs in the foreseeable future. To this end, it may operate at a net loss in any reporting period, such as in the twelve months ended 31 December, 2011, by utilizing funding from net surpluses generated over other reporting periods.

The Institute measures its research performance by various indicators. These include the number, quality and impact of its research data publications in peer-reviewed international scientific journals and also the number of patent filings; by its level of success with competitive, peer-reviewed national and international project grant applications; and by its level of success with competitive scholarship and fellowship applications; by indicators of esteem with which its researchers are held within the research community, such as invitations to write review articles for prestigious journals and to speak at national and international conferences and at other research institutions; by success in training research students and post-doctoral fellows; and by the extent to which its researchers contribute to the conduct of research in their disciplines within Australia and internationally, including contributions to scientific peer review, governance of research, and research policy direction.

During the reporting period, there were no significant changes in the nature of the Institute's activities or in the Institute's state of affairs and it is not envisaged that they will change in the foreseeable future. There have been no changes or developments since the end of the reporting period that would have a material impact on the financial statements. Since 31 December, 2011, the Institute has signed a funding agreement with the New South Wales Health Administration Corporation ("HAC"), and received a \$20 million capital grant towards the first stage of building redevelopment on the Institute's existing site.

The net result of the Institute for the year ended 31 December 2011 was a deficit of \$2,486,794 (6 months to December 2010: surplus of \$1,435,387).

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737**

**DIRECTORS' REPORT
(continued)**

FOR THE YEAR ENDED 31 DECEMBER 2011

In the opinion of the Directors, other than the signing of a funding agreement with HAC, as referred to above, and planned building redevelopment of the existing site, no matter or circumstance has arisen since the end of the reporting period that has significantly affected or may significantly affect the operations of the Institute, the results of those operations or state of affairs of the Institute in subsequent financial years.

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 given to the Directors by the lead auditor for the audit undertaken by HLB Mann Judd is included on page 8.

Signed in accordance with a resolution of the directors.



F J Martin
Chairman and President



R J Atfield
Treasurer

Date: 23rd April, 2012

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Children's Medical Research Institute Limited:

As lead auditor for the audit of Children's Medical Research Institute Limited for the year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



M D Muller
Partner

Sydney
23 April 2012

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737**

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	DEC 2011 \$	SIX MONTHS ENDED DEC 2010 \$
Revenue from continuing operations	3	19,485,284	14,151,906
Other revenue	3	18,243	31,982
Total revenue		<u>19,503,527</u>	<u>14,183,888</u>
Expenses			
Research		(15,461,353)	(8,143,857)
Fundraising		(2,422,912)	(1,955,855)
Administration and facilities	4	(4,307,965)	(2,690,007)
Surplus / (loss) before investment transactions		<u>(2,688,703)</u>	<u>1,394,169</u>
Profit on sale of investments		201,909	1,171,586
Impairment losses		-	(1,130,368)
Surplus / (loss) from continuing operations		<u>(2,486,794)</u>	<u>1,435,387</u>
Other comprehensive income			
Available-for-sale financial assets	14	(2,629,721)	342,332
Total other comprehensive income / (loss) for the period		<u>(2,629,721)</u>	<u>342,332</u>
Total comprehensive income / (loss) for the period		<u>(5,116,515)</u>	<u>1,777,719</u>

The above statement of comprehensive income is to be read in conjunction with the accompanying notes.

CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Note	DEC 2011 \$	DEC 2010 \$
CURRENT ASSETS			
Cash and cash equivalents	5	8,292,983	7,054,777
Trade and other receivables	6	1,016,583	1,354,268
Inventories	7	216,481	76,452
Other assets	8	169,396	112,692
TOTAL CURRENT ASSETS		9,695,443	8,598,189
NON-CURRENT ASSETS			
Other financial assets	9	60,900,996	66,465,184
Property, plant and equipment	10	14,959,319	15,222,499
Intangible assets	11	1,193,260	1,041,268
Other assets	8	45,074	60,158
TOTAL NON-CURRENT ASSETS		77,098,649	82,789,109
TOTAL ASSETS		86,794,092	91,387,298
CURRENT LIABILITIES			
Trade and other payables	12	1,595,634	1,179,049
Employee entitlements	13	2,788,129	2,684,399
TOTAL CURRENT LIABILITIES		4,383,763	3,863,448
NON-CURRENT LIABILITIES			
Employee entitlements	13	261,681	258,687
TOTAL NON-CURRENT LIABILITIES		261,681	258,687
TOTAL LIABILITIES		4,645,444	4,122,135
NET ASSETS		82,148,648	87,265,163
EQUITY			
Reserves	14(a)	66,043,899	68,673,620
Retained funds	14(b)	16,104,749	18,591,543
TOTAL EQUITY		82,148,648	87,265,163

The above statement of financial position is to be read in conjunction with the accompanying notes.

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737**

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Reserves	Retained Funds	Total Equity
	\$	\$	\$
Balance at 1 July 2010	68,331,288	17,156,156	85,487,444
Total comprehensive income for the period	<u>342,332</u>	<u>1,435,387</u>	<u>1,777,719</u>
Balance at 31 December 2010	68,673,620	18,591,543	87,265,163
Total comprehensive income (loss)for the period	<u>(2,629,721)</u>	<u>(2,486,794)</u>	<u>(5,116,515)</u>
Balance at 31 December 2011	<u>66,043,899</u>	<u>16,104,749</u>	<u>82,148,648</u>

The above statement of changes in equity is to be read in conjunction with the accompanying notes.

CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	DEC 2011 \$	SIX MONTHS ENDED DEC 2010 \$
Cash flows from operating/research activities			
Interest received		377,999	113,096
Dividends and distributions received		4,988,653	2,688,827
Research grants received		7,599,408	5,647,635
Other receipts		829,565	1,469,143
Payments to suppliers		(7,148,769)	(3,780,486)
Payments to employees		(11,376,223)	(5,525,910)
		(4,729,367)	612,305
Net cash (outflow)/inflow from operating/research activities			
Cash flows from fund raising activities			
Public donations		4,396,456	3,595,366
Committee donations		713,339	85,349
Bequests		1,387,988	1,514,750
Receipts from sale of merchandise		160,999	233,504
Payments to suppliers		(1,506,009)	(1,576,982)
Payments to employees		(916,813)	(378,875)
		4,235,870	3,473,112
Net cash inflow from fund raising activities			
Cash flows from investing activities			
Proceeds from redemption of other financial assets		3,194,182	8,534,078
Proceeds from sale of property, plant and equipment		111,984	142,975
Payments for property, plant and equipment		(1,078,468)	(1,343,877)
Payments for intangibles		(495,995)	(238,632)
Payments for other financial assets		-	(8,338,468)
		1,731,703	(1,243,924)
Net cash inflow/(outflow) from investing activities			
Net increase in cash and cash equivalents held		1,238,206	2,841,493
Cash and cash equivalents at the beginning of the reporting period		7,054,777	4,213,284
		8,292,983	7,054,777
Cash and cash equivalents at the end of the reporting period	5	8,292,983	7,054,777

The above statement of cash flows is to be read in conjunction with the accompanying notes.

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

This general purpose financial report has been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, other authoritative pronouncements and interpretations of the Australian Accounting Standards Board, and the *Corporations Act 2001*.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Change of period

The Institute has changed its year end to 31 December effective 31 December 2010. The current reporting period is for the year ended 31 December 2011. Comparatives are presented for the six months ended 31 December 2010 and are therefore not directly comparable to the current twelve month period.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Institute's accounting policies. The areas involving a higher degree of judgment or complexity are disclosed in Note 1(b) to the financial statements.

(b) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Estimates and assumptions made by the entity are as follows:

Impairment of available-for-sale financial assets

The entity has made a significant judgement about the impairment of its available-for-sale financial assets. The entity follows the guidance of AASB 139 Financial Instruments: Recognition and Measurement on determining when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the entity evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost. If the decline in fair value below cost was considered significant or prolonged the financial asset was impaired. Significant is considered to be a persisting 20% or more decrease below cost and prolonged is a timeframe of one year or more.

(c) Other Financial Assets

The Institute has assessed its other financial assets and classified them as available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

Available-for-sale financial assets are non-derivatives that are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Other Financial Assets (continued)

Regular purchases and sales of investments are recognised on trade-date – the date on which the Institute commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs.

Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of available-for-sale financial assets are recognised in equity. When these assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

The Institute assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(d) Income Tax

The Institute is exempt from income tax.

(e) Leasehold Buildings and Improvements

The Westmead laboratories of the Institute are located on land owned by the New South Wales Department of Health and in 1992 the Institute entered into a 50 year lease for the property at a rental of \$1 per annum, with an option to renew for another 50 years. Accordingly, the buildings and improvements are being amortised over the unexpired term of the lease or the life of the relevant assets, whichever is shorter.

(f) Depreciation of Property, Plant and Equipment

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment over its expected useful life. The expected useful lives are as follows:-

Leasehold Improvements	50 years
Plant and Equipment	4-10 years

(g) Intangible Assets

(i) Patents

Patents have a useful life of 25 years and are carried at cost. Amortisation is calculated on a straight-line basis over their useful life.

(ii) Capitalised Software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over 5 years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the entity has an intention and ability to use the asset.

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Receivables and Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties.

Income receivable on investment activities is accrued in accordance with the terms and conditions of the underlying financial instrument.

Other income received is recognised as revenue when the right to receive payment is established.

(i) Inventories

Finished goods held for resale are stated at the lower of cost and net realisable value.

(j) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the Institute prior to the end of the reporting period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Employee Entitlements

(i) Wages, salaries, annual and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date, are recognised in other creditors in respect of employee's services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date.

In assessing expected future payments the company has adopted the "short hand" measurement technique and based the provision on remuneration rates current as at balance date for all employees with five or more years of service. The directors believe that this method provides an estimate of the liability that is not materially different from the estimate that would be obtained by using the present value of measurement.

Related on-costs have also been included in the liability.

(l) Other Current and Non-Current Assets

During previous financial years the Institute has contributed to the purchase of computer and other equipment by University of Sydney or other members of the Westmead Research Hub. The Institute has unrestricted right of use of the equipment. The amounts paid have been capitalised and are to be written off over the expected life of the right to use the equipment. The expected life has been determined to be five years.

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Fringe Benefit Tax Concessions

The Institute is classified as a Public Benevolent Institution and is exempt from fringe benefits tax up to certain limits for FBT years commencing after 1 April 1998.

(n) Impairment

Property, plant and equipment, intangibles and financial assets are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

(o) Information Relating to the Charitable Fundraising Act, 1991

(i) Committee income and expenditure

The amount shown as income from Committees represents the funds remitted to the Institute by Committees after having deducted Committee fundraising expenses. This amount does not include income from the sale of merchandise by Committees.

All registered Committees are required to submit financial statements prepared in accordance with accounting standards and the provisions of the Charitable Fundraising Act, 1991, and independently audited by a registered company auditor or a person approved by the Office of Charities.

At 31 December 2011, there were 28 registered Committees. Of these, 9 Committees were established for promotional purposes or did not undertake fundraising activities or limited their activities strictly to the sale of Institute Christmas cards, and were not required to submit financial statements.

(ii) Sale of Merchandise

The amount shown as income from Sale of Merchandise represents the gross income from the sale of a range of products marketed by the Institute. The products are only sold through the Institute, its Committees or the Goodwill Charity Card Shop.

(iii) Costs of Fundraising - Other

Other costs of Fundraising include all other aspects of fundraising which have not been allocated to specific appeals. This includes salaries, general advertising, general public relations and promotional activities.

(iv) Jeans for Genes®

Figures for Jeans for Genes® for the six months ended 31 December 2010 reflect income and expenses for the Jeans for Genes® Day held 6 August 2010 and the Dinner Auction held 23 July 2010. All funds raised and expenses involved for the Dinner Auction held 9 September 2011 and the Jeans for Genes® Day held on 5 August 2011 are reflected in the figures for the year ended 31 December 2011.

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Information Relating to the Charitable Fundraising Act, 1991 (continued)

(v) Comparisons of Income and Expenditures

- (i) Total costs of services are direct research costs and expenses and exclude items such as printing and stationery, employment, advertising and depreciation.
- (ii) Total expenditure represents direct and indirect research costs and expenses plus capital expenditure.
- (iii) Total income received represents the sum of the gross proceeds from fundraising, investment income, grant income and miscellaneous income.

2. LIABILITY OF MEMBERS

The liability of the members is limited by guarantee. Every member of the Institute undertakes to contribute to the property of the Institute in the event of the same being wound up while he/she is a member or within one year after he/she ceases to be a member for payment of the debts and liabilities of the Institute contracted before he/she ceased to be a member and of the costs, charges and expenses of winding up and for the adjustment of the rights of the contributories among themselves such amount as may be required; not exceeding one hundred dollars (\$100). At 31 December 2011, there were 47 members (2010: 47 members).

	DEC 2011	SIX MONTHS ENDED DEC 2010
	\$	\$
3. REVENUE		
Revenue from continuing operations		
Research and Operating Activities		
Interest received and receivable	377,999	113,096
Dividends and distributions received and receivable	4,988,653	2,688,827
Grants	6,648,528	4,483,853
Grants – capital	245,000	1,000,000
Other	566,322	437,161
	<u>12,826,502</u>	<u>8,722,937</u>
Fundraising		
Public contributions received	6,497,783	5,195,465
Proceeds from sale of merchandise	160,999	233,504
	<u>6,658,782</u>	<u>5,428,969</u>
Revenue from Continuing Operations	<u>19,485,284</u>	<u>14,151,906</u>
Other Revenue		
Sundry income	18,243	31,982
Total revenue	<u>19,503,527</u>	<u>14,183,888</u>

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	DEC 2011	SIX MONTHS ENDED DEC 2010
	\$	\$
4. EXPENSES		
Cost of goods sold	132,678	120,000
Depreciation expense		
Buildings	306,565	152,048
Plant and equipment	922,205	453,816
	1,228,770	605,864
Total depreciation		
Amortisation of intangibles	344,003	101,774
Net loss on disposal		
Plant and equipment	894	32,415
Employee benefits provisions	106,724	122,896
	DEC 2011	DEC 2010
	\$	\$
5. CASH AND CASH EQUIVALENTS		
Cash at bank	36,610	1,157,085
Cash on hand	1,100	1,100
Deposits at call	8,255,273	5,896,592
	8,292,983	7,054,777
Deposits at Bank and at call		
The deposits are bearing interest at an average rate of 5.80% at balance date (December 2010, 5.80%).		
6. TRADE AND OTHER RECEIVABLES		
Accrued income and receivables	755,236	1,108,247
ATO receivable	75,714	43,353
Committee donations and sales	161,628	185,958
CellBank Australia debtors	24,005	16,710
	1,016,583	1,354,268
7. INVENTORIES		
Finished goods (held for re-sale)	219,077	79,048
Allowance for finished goods (held for re-sale)	(2,596)	(2,596)
	216,481	76,452

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	DEC 2011	DEC 2010
	\$	\$
8. OTHER ASSETS		
Current		
Prepayments	133,556	98,692
Equipment - right of use	35,840	14,000
	<u>169,396</u>	<u>112,692</u>
Non-Current		
Equipment – right of use	<u>45,074</u>	<u>60,158</u>
9. OTHER FINANCIAL ASSETS		
Non-Current Financial Assets		
<i>Available-for-sale financial assets at fair value</i>		
Managed funds	60,900,996	66,465,184
	<u>60,900,996</u>	<u>66,465,184</u>

Impairment loss on Available-for-Sale Financial Assets

Where there has been a reduction in the unit price of an investment below cost that appears to be significant or prolonged, the Directors have made an assessment as to whether an impairment loss is required to be recognised. Impairment of investments has been determined with reference to a recent unit price.

	DEC 2011	DEC 2010
	\$	\$
10. PROPERTY, PLANT AND EQUIPMENT		
Leasehold buildings and improvements		
At cost	15,310,862	15,279,081
Less: accumulated depreciation	5,182,578	4,876,013
	<u>10,128,284</u>	<u>10,403,068</u>
Plant, furniture and equipment – at cost	15,279,204	14,370,852
Less: accumulated depreciation	10,448,169	9,551,421
	<u>4,831,035</u>	<u>4,819,431</u>
	<u>14,959,319</u>	<u>15,222,499</u>

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	DEC 2011	DEC 2010
	\$	\$
11. INTANGIBLE ASSETS		
Capitalised software – at cost	1,782,819	1,310,425
Less: accumulated amortisation	657,944	316,845
	1,124,875	993,580
Patents – at cost	69,698	49,675
Less: accumulated amortisation	4,891	(1,987)
	64,807	47,688
Trademark – at costs	3,578	-
	1,193,260	1,041,268

Reconciliation

Reconciliations of the carrying amounts of each class of intangibles at the beginning and end of the current reporting period are set out below:

	Capitalised Software	Patents/ Trademarks	Total
	\$	\$	\$
Carrying amount at 1 January 2011	993,580	47,688	1,041,268
Additions	472,394	23,601	495,995
Amortisation expense	(341,099)	(2,904)	(344,003)
	1,124,875	68,385	1,193,260

	DEC 2011	DEC 2010
	\$	\$
12. TRADE AND OTHER PAYABLES		
Trade creditors	667,307	307,885
Other creditors	773,922	766,693
Income received in advance	154,405	104,471
	1,595,634	1,179,049
13. EMPLOYEE ENTITLEMENTS		
Current		
Employee benefits	2,788,129	2,684,399
Non-Current		
Employee benefits	261,681	258,687

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

	DEC 2011 \$	DEC 2010 \$
14. RESERVES AND RETAINED FUNDS		
(a) Reserves		
Funds for perpetual investment	65,131,274	65,131,274
Available-for-sale investment reserve	912,625	3,542,346
	66,043,899	68,673,620
Movements		
Balance at the beginning of the reporting period	68,673,620	68,331,288
Revaluation of available-for-sale investments	(2,427,812)	383,549
Reclassification to profit or loss of available-for-sale investments on impairment and sale	(201,909)	(41,217)
	66,043,899	68,673,620
(b) Retained Funds		
Retained funds at the beginning of the reporting period	18,591,543	17,156,156
Net surplus/(loss) for the reporting period	(2,486,794)	1,435,387
	16,104,749	18,591,543
(c) Nature and Purpose of Reserves		
<i>(i) Funds for perpetual investment</i>		
Funds for perpetual investment are an accumulation of prior year retained earnings. These funds may be used to purchase investments in a portfolio intended to generate investment returns in perpetuity; or for capital purchases or operating expenses.		
<i>(ii) Available for sale investment reserve</i>		
Changes in the fair value of investments classified as available-for-sale financial assets are taken to the available-for-sale investment reserve as described in note 1(c).		

15. SUPERANNUATION COMMITMENTS

The Institute pays staff superannuation contributions to Australian Super and other funds designated by employees. Benefits provided under the Fund are based on accumulated contributions and earnings for each employee. The Institute contributes various percentages of each employee's income. In addition, the Institute pays death and disability insurance for its permanent employees.

There is a legally enforceable obligation for the Institute to contribute a minimum amount to the Fund or other designated funds.

Contributions during the year amounted to \$990,931 (December 2010: \$508,385).

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

16. RELATED PARTIES

(a) Directors

The following persons were directors of the Children's Medical Research Institute at any time during the current reporting period:

Mr RJ Atfield (Treasurer)	Prof FJ Martin (President)
Mr JD Bevins	Professor K North
Professor I Caterson	Mrs P Payne
Mr JA Dunlop	Professor G Stewart
Mrs C Forster (Vice President)	Professor R Reddel
Mr Craig Knowles	

The non-executive directors receive no remuneration and provided their services on an honorary basis. Professor Reddel is the sole executive director.

(b) Key management personnel compensation

	DEC 2011	SIX MONTHS ENDED DEC 2010
	\$	\$
	1,944,692	894,238

17. COMPLIANCE WITH CHARITABLE FUNDRAISING ACT, 1991

In accordance with the requirements of the Regulations to the Charitable Fundraising Act 1991, the Children's Medical Research Institute has maintained proper and effective internal control over the conduct of all appeals conducted by it. It is not practicable, however, for the Institute to establish complete accounting control over all unsolicited income prior to its receipt by the New South Wales office. The directors believe that the controls in place are adequate and the risk of material amounts of unsolicited income not being recorded by the Institute is low.

18. FUNDRAISING INCOME AND EXPENDITURE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2011

	DEC 2011	SIX MONTHS ENDED DEC 2010
	\$	\$
Gross proceeds from Fundraising Appeals		
Jeans for Genes®	2,232,176	2,444,146
Capital Campaign	-	971
Sale of Merchandise - CMRI	158,941	233,504
Direct Mail	465,466	167,927
Committees	713,339	85,349
Bequests	1,387,988	1,514,750
Other	1,700,872	982,322
	6,658,782	5,428,969

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

18. FUNDRAISING INCOME AND EXPENDITURE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

	DEC 2011	SIX MONTHS ENDED DEC 2010
	\$	\$
Less: Total costs of Fundraising Appeals		
Jeans for Genes®	1,095,911	1,002,246
Capital Campaign	7,898	218,981
Sale of Merchandise - CMRI	132,678	120,000
Direct Mail	97,696	140,710
Other	1,088,729	473,918
	2,422,912	1,955,855
Net Surplus obtained from Fundraising Appeals	4,235,870	3,473,114

19. SOURCES OF FUNDS FOR EXPENDITURE ON CHARITABLE PURPOSES

\$ '000

\$ '000

The Charitable activity of the Institute is research into understanding the causes of illnesses and diseases, especially in children.

Expenditure on Charitable Purposes:

Expenditure on direct services	15,461	8,144
Expenditure on indirect services	1,574	740
	17,305	8,884
Capital expenditure	1,078	1,344
	18,113	10,228
Total expenditure was funded from the following sources:		
Net investment income	5,367	2,802
Grant income	6,649	4,484
Other income	811	1,437
	12,827	8,723
Drawn from reserves*	5,287	1,505
	18,113	10,228

* Reserves include donations and other income from fundraising received by the Institute since its inception.

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	DEC 2011		SIX MONTHS ENDED DEC 2010	
	\$'000	%	\$'000	%
20. COMPARISONS OF INCOME AND EXPENDITURE				
Total cost of fundraising/gross income from fundraising*	2,423/6,659	36.4	1,956/5,429	36.0
Net surplus from fundraising/gross income from fundraising*	4,236/6,659	63.6	3,473/5,429	64.0
Total costs of services/Total expenditure	15,461/22,192	69.7	8,144/12,790	63.7
Total costs of services/Total income received	15,461/19,705	78.5	8,144/15,355	53.0

*Includes proceeds and costs of a capital campaign. Separation of the impact of this activity from annual fundraising campaigns adjusts the ratios above, as follows:

Total cost of fundraising/gross income from fundraising*	2,415/6,659	36.3	1,737/5,429	32.0
Net surplus from fundraising/gross income from fundraising*	4,244/6,659	63.7	3,692/5,429	68.0

21. OTHER INFORMATION

The Institute is a public company limited by guarantee and domiciled in Australia. Its registered office and principal place of business is at:

214 Hawkesbury Road
WESTMEAD NSW 2145

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737**

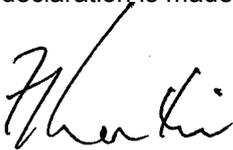
DIRECTORS' DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2011

In the directors' opinion:

- (a) the financial statements and notes set out on pages 9 to 24 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the reporting period ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c)
 - (i) the statement of comprehensive income gives a true and fair view of the results of fundraising appeals for the year ended 31 December 2011;
 - (ii) the statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeals;
 - (iii) complying with the provisions of the Charitable Fundraising Act 1991 and the regulations under the Act and the conditions attached to the authority; and
 - (iv) the internal controls exercised by the Children's Medical Research Institute are appropriate and effective in accounting for all income received and applied from any fundraising appeals.

This declaration is made in accordance with a resolution of the directors.



F J Martin
Chairman and President



R J Atfield
Treasurer

Date: **23rd April 2012**

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737**

INDEPENDENT AUDITOR'S REPORT

To the members of Children's Medical Research Institute:

We have audited the accompanying financial report of Children's Medical Research Institute, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 9 to 25.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Children's Medical Research Institute on 23 April 2012, would be in the same terms if given to the directors as at the time of this auditor's report.

HLB Mann Judd (NSW Partnership) ABN 34 482 821 289

Level 19 207 Kent Street Sydney NSW 2000 Australia | Telephone +61 (0)2 9020 4000 | Fax +61 (0)2 9020 4190

Email: mailbox@hlbnsw.com.au | Website: www.hlb.com.au

Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (NSW Partnership) is a member of  HLB International. A world-wide network of independent accounting firms and business advisers.

CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
ACN 002 684 737

INDEPENDENT AUDITOR'S REPORT
(continued)

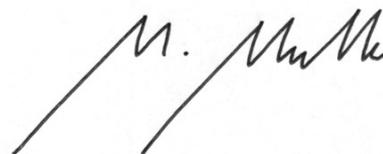
Opinion

In our opinion:

- (a) the financial report of Children's Medical Research Institute is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) In accordance with the provisions of the *Charitable Fundraising Act 1991* and the regulations thereto, any money received as a result of fundraising appeals conducted during the financial year has been properly accounted for and applied with the following provisions:
 - (i) the financial report of Children's Medical Research Institute is in accordance with *Corporations Act 2001*, including:
 - giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the year ended on that date; and
 - complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*; and
 - (ii) the financial statements and associated records have been properly kept during the financial year in accordance with the provisions of the *Charitable Fundraising Act 1991* and the Regulations thereto; and
 - (iii) at the date of this statement there are reasonable grounds to believe that the Institute will be able to pay its debts as and when they fall due.

A handwritten signature in black ink that reads 'HLB Mann Judd'.

HLB MANN JUDD
Chartered Accountants

A handwritten signature in black ink that reads 'M. Muller'.

Mark D Muller
Partner

Sydney
23 April 2012