

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

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2008

The financial report was authorised for issue by the directors on 29 October 2008. 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

Financial Year ended 30 June 2008

The Directors submit their report with respect to the Institute for the financial year, in the form required by the Corporations Act 2001. The names of the directors in office 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	4
Professor I Caterson	6	4
Mr C S Cullen	6	4
Mr J A Dunlop	6	3
Mrs C Forster (Vice President)	6	6
Ms E Hallett	6	4
Mr Craig Knowles	6	3
Assoc. Prof F J Martin (Chairman and President)	6	6
Professor K North	6	6
Mrs P Payne	6	5
Professor G Stewart	6	6
Professor R Reddel	6	6

Details of the qualifications and experience of directors are contained in the profile of directors in the Annual Report.

The principal activity of the Institute in the course of the financial year was to conduct research into the causes, prevention, relief or cure of disease and illness in children. During the financial year there were no significant changes in the nature of the Institute's activity or in the Institute's state of affairs.

The net surplus of the Institute for the year was \$5,888,251 (2007: \$9,933,608). In accordance with the constitution, no amount has been paid or declared by way of dividend since the start of the financial year. The Institute operates as a non-profit organisation dependent primarily on public contributions and bequests to meet its expenditure. The operating result for the year compares favorably with the budget. In the opinion of the Directors, no matter or circumstance has arisen since the end of the financial year 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.

Subsequent to balance date there has been high volatility in both the Australian and International markets, which has had an impact on the fair value of managed funds.

The movement in the value of investments, net of the effect of distributions received, is an unrealised loss for the three months to 30 September 2008 representing 4% of the value of the total portfolio.

The Institute has complied with all relevant environmental regulations.

During the financial year the Institute paid insurance premiums in respect of a directors' and officers' liability insurance contract insuring its directors, heads of department and senior officers against certain liabilities. The condition of the policy prohibits any further disclosure by the entity.

**Children's Medical Research Institute
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Directors' Report

Financial Year ended 30 June 2008

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

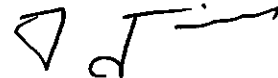
No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

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 3.

Signed in accordance with a resolution of the directors.



F J Martin
Chairman and President



R J Atfield
Treasurer

Date: 29 October 2008

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 30 June 2008, 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



HLB Mann Judd
(NSW Partnership)
Chartered Accountants

Sydney
29 October 2008

**Children's Medical Research Institute
(A Company Limited by Guarantee)
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Income Statement

for the year ended 30 June 2008

	Note	2008 \$	2007 \$
Revenue from continuing operations	3	25,682,292	28,264,596
Expenses from continuing operations			
Research		(13,020,698)	(11,783,344)
Fundraising		(2,803,504)	(2,618,563)
Administration	4	<u>(3,969,839)</u>	<u>(3,929,081)</u>
Surplus from continuing operations		<u>5,888,251</u>	<u>9,933,608</u>

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

**Children's Medical Research Institute
(A Company Limited by Guarantee)
ACN 002 684 737**

Balance Sheet

as at 30 June 2008

	Note	2008 \$	2007 \$
CURRENT ASSETS			
Cash and cash equivalents	5	2,149,306	2,286,531
Trade and other receivables	6	392,962	552,660
Inventories	7	292,399	318,719
Other assets	8	<u>1,040,855</u>	<u>1,103,685</u>
TOTAL CURRENT ASSETS		<u>3,875,522</u>	<u>4,261,595</u>
NON-CURRENT ASSETS			
Other financial assets	9	80,132,294	91,859,563
Property, plant and equipment	10	14,049,361	14,318,848
Other assets	8	<u>87,963</u>	<u>24,061</u>
TOTAL NON-CURRENT ASSETS		<u>94,269,618</u>	<u>106,202,472</u>
TOTAL ASSETS		<u>98,145,140</u>	<u>110,464,067</u>
CURRENT LIABILITIES			
Trade and other payables	11	1,115,063	632,520
Employee entitlements	12	<u>2,420,566</u>	<u>2,184,102</u>
TOTAL CURRENT LIABILITIES		<u>3,535,629</u>	<u>2,816,622</u>
NON-CURRENT LIABILITIES			
Employee entitlements	12	<u>290,577</u>	<u>221,237</u>
TOTAL NON-CURRENT LIABILITIES		<u>290,577</u>	<u>221,237</u>
TOTAL LIABILITIES		<u>3,826,206</u>	<u>3,037,859</u>
NET ASSETS		<u>94,318,934</u>	<u>107,426,208</u>
EQUITY			
Reserves	13(a)	56,414,658	75,410,183
Retained funds	13(b)	<u>37,904,276</u>	<u>32,016,025</u>
TOTAL EQUITY		<u>94,318,934</u>	<u>107,426,208</u>

The above balance sheet is to be read in conjunction with the accompanying notes

Children's Medical Research Institute
(A Company Limited by Guarantee)
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Statement of Changes in Equity

for the year ended 30 June 2008

	Note	2008 \$	2007 \$
Total equity at the beginning of the financial year		107,426,208	98,097,919
Change in fair value of Available for Sale financial assets		(18,995,525)	(605,319)
Surplus for the year		<u>5,888,251</u>	<u>9,933,608</u>
Total recognised income and expense for the year		<u>(13,107,274)</u>	<u>9,328,289</u>
TOTAL EQUITY AT THE END OF THE FINANCIAL YEAR		<u>94,318,934</u>	<u>107,426,208</u>

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

**Children's Medical Research Institute
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Cash Flow Statement

for the year ended 30 June 2008

	Note	2008 \$	2007 \$
Cash flows from operating/research activities			
Interest received		253,406	91,418
Dividends and distributions received		10,562,434	9,373,033
Research grants received		7,727,919	7,931,100
Payments to suppliers		(6,135,148)	(7,353,522)
Payments to employees		(9,551,474)	(8,978,785)
Net cash inflow from operating/research activities	17	2,947,137	1,063,244
Cash flows from fund raising activities			
Public donations		5,151,491	5,851,230
Committee donations		466,670	402,226
Legacies		1,918,607	4,804,133
Receipts from sale of merchandise		513,453	403,017
Payments to suppliers		(2,520,077)	(2,078,300)
Payments to employees		(732,985)	(645,137)
Net cash inflow from fund raising activities		4,797,159	8,737,169
Cash flows from investing activities			
Proceeds from sale and redemption of Other Financial Assets		-	2,500,000
Proceeds from sale of Plant, Property and Equipment		212,169	131,455
Payments for Plant, Property and Equipment		(1,093,690)	(1,699,986)
Payments for Other Financial Assets		(7,000,000)	(10,500,000)
Net cash inflow (outflow) from investing activities		(7,881,521)	(9,568,531)
Net increase (decrease) in cash and cash equivalents held		(137,225)	231,882
Cash and cash equivalents at the beginning of the financial year		2,286,531	2,054,649
Cash and cash equivalents at the end of the financial year	5	2,149,306	2,286,531

The above cash flow statement is to be read in conjunction with the accompanying notes

**Children's Medical Research Institute
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**Notes to the Financial Statements
for the year ended 30 June 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements and interpretations of the Australian Accounting Standards Board, and the *Corporations Act 2001*.

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the financial statements and notes of Children's Medical Research Institute comply with International Financial Reporting Standards (IFRSs).

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS 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. There are no areas considered to have involved significant judgement or complexity, or any estimates considered significant to the financial statements.

(b) 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.

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 income statements 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.

**Children's Medical Research Institute
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Notes to the Financial Statements

for the year ended 30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Income Tax

The Institute is exempt from income tax.

(d) Leasehold Buildings and Improvements

The Westmead laboratories 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. 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.

(e) 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

(f) 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 received payment is established.

(g) Inventories

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

(h) Trade and Other Creditors

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

**Children's Medical Research Institute
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**Notes to the Financial Statements
for the year ended 30 June 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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 expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and period of services. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(j) Other Current and Non-Current Assets

During the previous financial years the Institute contributed to the purchase of computer and other equipment by University of Sydney. 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.

(k) 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 1 April 1998.

(l) Impairment

Property, plant and equipment 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.

**Children's Medical Research Institute
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Notes to the Financial Statements

for the year ended 30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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 30 June 2008, there were 31 registered Committees. Of these, 4 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 promotions activities.

(iv) Jeans for Genes®

Figures for Jeans for Genes for the year ended 30 June 2008 reflect income and expenses for the Jeans Day held 3 August 2007 and the Auction held 12 July 2007. Figures for the year ended 30 June 2007 reflect income and expenses from the Jeans Day held 4 August 2006 and Auction held 20 July 2006. All funds raised and expenses involved for the Jeans Auction held 23 July 2008 and the Jeans Day held on 1 August 2008 will be reflected in the figures for the year ended 30 June 2009.

(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 net surplus from fundraising, investment income, grant income and miscellaneous income.

**Children's Medical Research Institute
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Notes to the Financial Statements

for the year ended 30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) New accounting standards and interpretations

The following standards, amendments to standards and interpretations have been identified as those which may affect the company in the period of initial application. The company's assessment of their impact is below:

- (i) **AASB 8 Operating Segments** -This standard will introduce the "management approach" to segment reporting and will require the disclosure of segment information based on internal reporting. This is not expected to alter the segment disclosures of the company.
- (ii) **Revised AASB 101 Presentation of Financial Statements** -The revised standard does not change the recognition, measurement or disclosure of transactions and events required by other AASBs.
- (iii) **Revised AASB 123 Borrowing Costs** - The revised standard does not change the recognition, measurement or disclosure of transactions and events required by other AASBs.

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 (\$100.00). At 30 June 2008, there were 47 members (2007: 47 members).

3. REVENUE

Revenue from continuing operations

Research Operations

	2008	2007
	\$	\$
Interest received and receivable	253,406	91,418
Dividends and distributions received and receivable	10,920,690	10,526,930
Profit on sale of investments	-	273,435
Grants	6,907,532	6,182,642
	18,081,628	17,074,425

Children's Medical Research Institute
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Notes to the Financial Statements

for the year ended 30 June 2008

	2008	2007
	\$	\$
3. REVENUE (continued)		
Fundraising		
Public contributions received	7,341,032	10,715,125
Profits from sale of merchandise	63,896	298,144
	<u>7,404,928</u>	<u>11,013,269</u>
Total revenue from operating activities	<u>25,486,556</u>	<u>28,087,694</u>
Other Revenue		
Sundry income	195,736	176,902
	<u>195,736</u>	<u>176,902</u>
Total revenue	<u>25,682,292</u>	<u>28,264,596</u>
4. EXPENSES		
Cost of sales of goods	449,557	104,874
Depreciation		
Buildings	295,823	289,874
Plant and equipment	804,545	723,171
Total depreciation	<u>1,100,368</u>	<u>1,013,045</u>
Nets loss on disposal		
Plant and equipment	50,640	88,307
Employee benefits provisions	305,806	552,705
5. CASH AND CASH EQUIVALENTS		
Cash at Bank	665,843	972,780
Cash on Hand	600	748
Deposits at Call	1,482,863	1,313,003
	<u>2,149,306</u>	<u>2,286,531</u>

Deposits at Bank and at call

The deposits are bearing interest at a rate of 7.9% at balance date (2007: 6.10%).

**Children's Medical Research Institute
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Notes to the Financial Statements

for the year ended 30 June 2008

	2008	2007
	\$	\$
6. TRADE AND OTHER RECEIVABLES		
Accrued income	8,404	5,146
Distributions receivable	262,586	263,678
ATO receivable	-	44,014
Committee donations and sales	121,972	239,822
	<u>392,962</u>	<u>552,660</u>
7. INVENTORIES		
Finished Goods (held for re-sale)	<u>292,399</u>	<u>318,719</u>
8. OTHER ASSETS		
Current		
Prepayments	1,008,290	1,096,120
Equipment - Right of Use	32,565	7,565
	<u>1,040,855</u>	<u>1,103,685</u>
Non-Current		
Equipment - Right of Use	<u>87,963</u>	<u>24,061</u>
9. OTHER FINANCIAL ASSETS		
Non-Current Financial Assets		
<i>Available-for-sale financial assets at fair value</i>		
Managed funds	<u>80,132,294</u>	<u>91,859,563</u>
	<u>80,132,294</u>	<u>91,859,563</u>

**Children's Medical Research Institute
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Notes to the Financial Statements

for the year ended 30 June 2008

	2008	2007
	\$	\$
10. PROPERTY, PLANT AND EQUIPMENT		
Leasehold Buildings and Improvements		
At Cost	14,529,457	14,493,678
Less: Accumulated Depreciation	<u>4,127,024</u>	<u>3,831,201</u>
	<u>10,402,433</u>	<u>10,662,477</u>
Building Work In Progress – at cost	<u>264,026</u>	<u>264,026</u>
Plant, Furniture and Equipment - At Cost	11,955,582	11,232,687
Less: Accumulated Depreciation	<u>8,572,680</u>	<u>7,840,342</u>
	<u>3,382,902</u>	<u>3,392,345</u>
	<u>14,049,361</u>	<u>14,318,848</u>

Reconciliation

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

	Leasehold Building & Improvement \$	Building Work in Progress \$	Plant & Equipment \$	Total \$
Carrying amount at 1 July 2007	10,662,477	264,026	3,392,345	14,318,848
Additions	35,779	-	1,057,911	1,093,690
Disposals	-	-	(262,809)	(262,809)
Depreciation expense	<u>(295,823)</u>	<u>-</u>	<u>(804,545)</u>	<u>(1,100,368)</u>
Carrying amount at 30 June 2008	<u>10,402,433</u>	<u>264,026</u>	<u>3,382,902</u>	<u>14,049,361</u>

**Children's Medical Research Institute
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Notes to the Financial Statements

for the year ended 30 June 2008

	2008	2007
	\$	\$
11. TRADE AND OTHER PAYABLES		
Trade Creditors	142,773	40,034
Other Creditors	549,745	349,131
Grants held for future years	422,545	243,355
	<u>1,115,063</u>	<u>632,520</u>
12. EMPLOYEE ENTITLEMENTS		
Current		
Employee Benefits	<u>2,420,566</u>	<u>2,184,102</u>
Non-Current		
Employee Benefits	<u>290,577</u>	<u>221,237</u>
13. RESERVES AND RETAINED FUNDS		
(a) Reserves		
Funds for perpetual investment	65,131,273	65,131,273
Available for sale investment reserve	<u>(8,716,615)</u>	<u>10,278,910</u>
	<u>56,414,658</u>	<u>75,410,183</u>
Movements		
Balance at the beginning of the financial year	75,410,183	76,015,502
Available for sale investment reserve	<u>(18,995,525)</u>	<u>(605,319)</u>
Balance at the end of the financial year	<u>56,414,658</u>	<u>75,410,183</u>
(b) Retained Funds		
Retained funds at the beginning of the financial year	32,016,025	22,082,417
Net surplus for the financial year	<u>5,888,251</u>	<u>9,933,608</u>
Retained funds at the end of the financial year	<u>37,904,276</u>	<u>32,016,025</u>

**Children's Medical Research Institute
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Notes to the Financial Statements

for the year ended 30 June 2008

13. RESERVES AND RETAINED FUNDS (continued)

(c) Nature and Purpose of Reserves

(i) Funds for perpetual investment

Funds for perpetual investment are an accumulation of prior year retained earnings. These funds are held for purchase of investments.

(ii) Available for sale investment reserve

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(b)

	2008	2007
	\$	\$
14. AUDITORS' REMUNERATION		
Total amounts received, or due and receivable by the auditors of the company for:		
Audit services – current year	40,900	35,500
– prior year	3,872	23,000
Accounting assistance	1,500	6,000
Other services	750	7,864
	47,022	72,364

15. SUPERANNUATION COMMITMENTS

The Institute pays staff superannuation contributions to AustralianSuper. 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 to the Fund.

Contributions during the year amounted to \$981,320 (2007: \$1,002,951).

16. FINANCIAL INSTRUMENTS

The Institute's activities expose it to a variety of financial risks: market risk, interest rate risk, credit risk and liquidity risk. The overall risk management strategy focuses on using a diversified portfolio of assets (including cash and managed funds) to balance risk and return. The components of the portfolio have been determined by the Board, and are reviewed and adjusted as appropriate.

The Board holds a long term view of investing. It is conservative by nature and does not speculate, hedge or enter into derivatives or options. Its objective is to preserve the asset base of the organization while earning a reasonable return on the assets. The Board does not profess to be an 'expert investor' and hence utilizes the services of managed funds to monitor and control the investment portfolio and also seeks advice from a professional manager.

The Board keeps informed of market risk through regular meetings which include reports showing details of market fluctuations. There are no significant changes in the strategies used to manage financial risks from the previous period.

**Children's Medical Research Institute
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Notes to the Financial Statements

for the year ended 30 June 2008

16. FINANCIAL INSTRUMENTS (cont'd)

(a) Financial Instrument Categories

Financial Assets Class:	Note	2008	2007
			Total carrying amounts as per the balance sheet
Cash and cash equivalents	5	2,149,306	2,286,531
Trade and other receivables	6	392,962	552,660
Financial assets at fair value	9	<u>80,132,294</u>	<u>91,859,563</u>
Total Financial Assets		<u>82,674,562</u>	<u>94,698,754</u>
 Financial Liabilities Class:			
Trade and other payables	11	<u>1,115,063</u>	<u>632,520</u>
Total Financial Liabilities		<u>1,115,063</u>	<u>632,520</u>

(b) Interest Rate Risk Exposures

The Institute's exposure to interest rate risk arises predominantly from interest bearing deposits, which bear variable interest rates. The risk associated with interest rates is that any fall in interest rates will reduce future interest cash inflows. For financial instruments a reasonable possible change of +/-1% is consistent with trends in interest.

	Carrying amount	-1% Equity	+1% Equity
		\$	\$
2008 Financial assets			
Cash and cash equivalents	2,149,306	(21,493)	21,493
 2007 Financial assets			
Cash and cash equivalents	2,286,531	(22,865)	22,865

(c) Credit Risk Exposures

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The Institute has adopted a policy of dealing only with creditworthy counterparts as a means of mitigating the risk of financial losses from defaults.

The credit risk on financial assets of the Institute which have been recognised on the balance sheet, other than investments in shares and managed funds, is generally the carrying amount, net of any provision for impairment.

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for the year ended 30 June 2008

16. FINANCIAL INSTRUMENTS (cont'd)

(e) Liquidity Risk

Liquidity risk is the risk that the Institute will not be able to meet its financial obligations as and when they fall due. The Board aims at ensuring sufficient cash on hand to pay debtors as and when they become payable. The Board does not consider there to be a material risk that the Institute will not be able to meet commitments associated with financial instruments. Current and future cash flow requirements are regularly monitored with the aim of balancing immediate commitments with effective cash management.

(e) Market Risk - Net Fair Value of Financial Assets and Liabilities

Market risk is the risk that the fair value of future cashflows of financial instruments will fluctuate due to changes in market variables such as equity prices or interest rates. Market risk is managed by following an investment strategy which has regard to the Institute's objectives and circumstances. The strategy is regularly reviewed on the advice of a specialist investment consultancy firm which reports directly to the Finance and Investment Committee.

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Institute approximates their carrying amounts.

Equity investments traded on organised markets have been valued by references to market prices prevailing at balance date. For non-traded equity investments, the net fair value is an assessment by the directors based on underlying net assets.

Units in managed funds are valued based on valuations provided by investment Fund Managers. These valuations reflect the fair value of the underlying investments of the Funds.

Exposure to market risk primarily arises through investment in managed funds with units held in the following investment sectors:

Facility	Investment sector	Investment horizon	2008 \$	2007 \$
Long term growth	Australian bonds & equities, global equities, credit opportunities & global property	7 years	80,132,294	91,859,563

A reasonable possible change in unit prices is calculated on the carrying balance at year end.

	Change in Unit Price	Impact on Equity	
Long term growth	+/-15%	12,019,844	13,778,934

There would be no impact on the result for the year as all movements in the fair value of Available for Sale Financial Assets are taken to a reserve.

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for the year ended 30 June 2008

	2008	2007
	\$	\$
17. RECONCILIATION OF NET CASH OUTFLOW/INFLOW FROM OPERATING/RESEARCH ACTIVITIES TO NET SURPLUS FOR THE FINANCIAL YEAR		
Net surplus for the financial year	5,788,251	9,933,608
Depreciation	1,100,368	1,013,045
(Profit) loss on disposal of fixed assets	50,640	88,307
(Profit) loss on sale of investments	-	(273,435)
Distributions reinvested	(268,256)	(1,153,897)
(Increase) decrease in receivables	159,698	1,918,254
(Increase) decrease in inventories	26,320	(45,032)
(Increase) decrease in prepayments and other assets	(1,072)	(200,131)
Increase (decrease) in trade creditors and accruals	482,543	(2,033,011)
Increase in provision for annual leave	139,808	287,915
Increase in provision for long service leave	265,996	264,790
Public contributions received	(7,536,768)	(11,057,589)
Receipts from sale of merchandise	(513,453)	(403,017)
Payments to employees and suppliers for fund raising	3,253,062	2,723,437
Net Cash Inflow from Operating/Research Activities	<u>2,947,137</u>	<u>1,063,244</u>

18. CAPITAL COMMITMENTS PLANT AND EQUIPMENT

The Institute has no commitments (payable within 12 months) for capital expenditure not otherwise provided for in these accounts.

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Notes to the Financial Statements

for the year ended 30 June 2008

19. RELATED PARTIES

(a) Directors

The following persons were directors of the Children's Medical Research Institute at any time during the financial year:

Mr RJ Atfield (Treasurer)	Assoc. Prof FJ Martin
Mr JD Bevins	Professor K North
Professor I Caterson	Mrs P Payne
Mr CS Cullen	Professor G Stewart
Mr JA Dunlop	Mr Craig Knowles
Mrs C Forster	
Ms E Hallett	
Prof R Reddel	

The non-executive directors receive no remuneration and provided their services on an honorary basis.

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the company during the financial year:

<i>Name</i>	<i>Position</i>
S Ryall	Company Secretary
G Craig	Operations Manager
R Reddel	Director
P Tam	Research Head
P Robinson	Research Head
E Hardeman	Research Head
T Bryan	Research Head
A Braithwaite	Research Head

(c) Key management personnel compensation

	2008	2007
	\$	\$
Salary	1,277,612	1,111,413
Other benefits	239,412	235,405
Post employment benefits	526,297	198,552
Movement in leave provisions including on costs	(30,742)	281,317
	<u>2,012,579</u>	<u>1,826,687</u>

20. COMPLIANCE WITH CHARITABLE FUNDRAISING ACT, 1991

The Children's Medical Research Institute complies with the provisions of the Charitable Fundraising Act 1991 and the regulations under the Act and the conditions attached to the authority. The Children's Medical Research Institute is satisfied with the internal controls over receipt of monies from fundraising.

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Notes to the Financial Statements

for the year ended 30 June 2008

	2008	2007
	\$	\$
21. FUNDRAISING INCOME AND EXPENDITURE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2008		
Gross proceeds from Fundraising Appeals		
Jeans for Genes	3,776,236	4,017,798
Sale of Merchandise	328,456	403,017
Direct Mail	278,431	298,144
Committees	466,670	402,226
Bequests	1,918,607	4,804,133
Others	1,086,085	1,192,824
	7,854,485	11,118,142
Less: Total costs of Fundraising Appeals		
Jeans for Genes	2,425,198	1,890,246
Sale of Merchandise	88,564	104,874
Direct Mail	73,603	187,484
Other	665,697	540,833
	3,253,062	2,723,437
Net Surplus obtained from Fundraising Appeals	4,601,423	8,394,705

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for the year ended 30 June 2008

22. SOURCES OF FUNDS FOR EXPENDITURE ON CHARITABLE PURPOSES

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

Expenditure on Charitable Purposes:

	2008 \$'000	2007 \$'000
Expenditure on direct services	13,021	11,783
Expenditure on indirect services	1,152	1,101
	14,173	12,884
Capital expenditure	759	1,437
	14,932	14,321
 Total expenditure was funded from the following sources:		
Investment income	4,267	4,709
Grant income	6,908	6,183
Other income	196	177
	11,371	11,069
Drawn from reserves*	3,561	3,252
	14,932	14,321

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

	2008		2007	
	\$ ('000)	%	\$ ('000)	%
23. COMPARISONS OF INCOME AND EXPENDITURE				
Total cost of fundraising/gross income from fundraising	3,253 / 7,854	41.4	2,723 / 11,118	24.5
Net surplus from fundraising/gross income from fundraising	4,601 / 7,854	58.6	8,395 / 11,118	75.5
Total costs of services/Total expenditure	12,899 / 14,810	87.09	11,783 / 14,321	82.28
Total costs of services/Total income received	12,899 / 26,132	49.3	11,783 / 28,369	41.5

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**Notes to the Financial Statements
for the year ended 30 June 2008**

24. SEGMENT INFORMATION

Children's Medical Research Institute operates in the not-for-profit sector in Australia.

25. OTHER INFORMATION

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

214 Hawkesbury Road
WESTMEAD NSW 2145

26. SUBSEQUENT EVENTS

Subsequent to balance date there has been high volatility in both the Australian and International markets, which has had an impact on the fair value of managed funds.

The movement in the value of investments, net of the effect of distributions received, is an unrealised loss for the three months to 30 September 2008 representing 4% of the value of the total portfolio.

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Directors' Declaration
for the year ended 30 June 2008

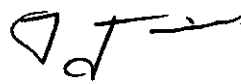
In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 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 30 June 2008 and of its performance for the financial year 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.
- (c)
 - (i) the Income Statement gives a true and fair view of the results of fundraising appeals for the financial year;
 - (ii) the Balance Sheet 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: 29 October 2008

Independent Audit Report

To the members of the Children's Medical Research Institute:

We have audited the accompanying financial report of Children's Medical Research Institute, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration, as set out on pages 4 to 25.

Directors' Responsibility for the Financial Report

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

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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.

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**Independent Audit Report
(continued)**

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, provided to the directors of Children's Medical Research Institute on 29.10. 2008, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's 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 30 June 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.
- (c) 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 those provisions.



**HLB MANN JUDD
(NSW Partnership)
Chartered Accountants**



**M D Muller
Partner**

Sydney
30 October 2008