

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

ANNUAL REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2010

The financial report was authorised for issue by the directors on 29 April 2011. The company has the power to amend and reissue the financial report.

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
(A COMPANY LIMITED BY GUARANTEE)
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DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2010

The Directors submit their report with respect to the Institute for the six months ended 31 December 2010, in the form required by the Corporations Act 2001. The Institute is a private 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 six months ended 31 December 2010 and at the date of this report are as follows:

	Meetings held whilst director	Meetings attended whilst director
Mr R J Atfield (Treasurer)	3	3
Mr J D Bevins	3	2
Professor I Caterson	3	1
Mr J A Dunlop	3	3
Mrs C Forster (Vice President)	3	3
Mr C. Knowles	3	1
Professor F J Martin (Chairman and President)	3	3
Professor K North	3	2
Mrs P Payne	3	2
Professor G Stewart	3	2
Professor R Reddel	3	3
Dr Tom Parry (resigned 12/12/2010)	2	0

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.

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**DIRECTORS' REPORT
(continued)**

FOR THE PERIOD ENDED 31 DECEMBER 2010

Mr Rodney Atfield FIA FIAA FAI 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.

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**DIRECTORS' REPORT
(continued)**

FOR THE PERIOD ENDED 31 DECEMBER 2010

Professor Kathryn North 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 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, and in 2010 was elected as a Fellow of the Australian Academy of Science. 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.

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**DIRECTORS' REPORT
(continued)**

FOR THE PERIOD ENDED 31 DECEMBER 2010

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). Mr Knowles is a Fellow of the Australian Property Institute and a Certified Practising Valuer. He joined the CMRI Board in May 2007.

Dr Tom Parry AM BEc MEc PhD

Tom Parry joined the CMRI Board in December 2009. He is also Chairman of First State Super Trustee Corporation; Chairman of Sydney Water Corporation; Foundation Chairman of the Australian Energy Market Operator (AEMO); a Director of the Australian Securities Exchange (ASX) Market Supervision Company; Director of the Sydney Opera House Trust and Director, PowerCo NZ.

From 2004-2009 he had several roles with Macquarie Group. For the previous 12 years Tom was Foundation Executive Chairman of the Independent Pricing and Regulatory Tribunal of NSW (IPART). He also was the Foundation NSW Natural Resources Commissioner from 2004-2006. He was an ex officio Commissioner of the Australian Competition and Consumer Commission; a member of the NSW Council on the Cost and Quality of Government, a Board Member of SE Area Health and a Foundation Director of the NSW Clinical Excellence Commission.

Tom has had over 35 years experience as an academic, business and public policy consultant, in the financial sector and as a regulator. He has been Head of the School Economics, University of New South Wales and Dean, Faculty of Commerce, University of Wollongong. Dr Parry joined CMRI's board in December 2009 and is a member CMRI's Audit & Risk Committee and its Finance & Investment Committee. Dr. Parry resigned his positions on 12 December, 2010.

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DIRECTORS' REPORT
(continued)

FOR THE PERIOD ENDED 31 DECEMBER 2010

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 in 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 broadening the Institute's recurring fundraising activities, including the Jeans For Genes® campaign.

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, public fund raising campaigns and events, and management of an endowment fund in the Institute's name to achieve investment returns with acceptable risk. Financial performance for the period ended 31 December 2010 has continued to be impacted by the level of market returns on investment assets. 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 the professional adviser.

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 of patent filings; by level of success with competitive, peer-reviewed national and international project grant applications and 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 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. The Institute also plans and measures its growth in funding sources and its overall financial performance, which allow it to continue to conduct its research programs for the foreseeable future.

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.

The net result of the Institute for the six months ended 31 December 2010 was a surplus of \$1,435,387 (12 months to June 2010: loss of \$180,773).

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DIRECTORS' REPORT
(continued)

FOR THE PERIOD ENDED 31 DECEMBER 2010

Assets classified as available-for-sale assets are revalued through equity in accordance with AASB 139. This standard also requires an annual review for impairment, with any cumulative losses on impaired assets previously recognised through equity to be removed from equity and recognised in the profit and loss. During the six months ended 31 December 2010 investment impairments of \$1,130,368 were reflected in an adjustment to revaluation reserves per AASB 139.

In the opinion of the Directors, 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.

The Institute has received approval from the Australian Securities and Investments Commission (ASIC) to change its financial year end to 31 December, commencing 31 December, 2010.

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

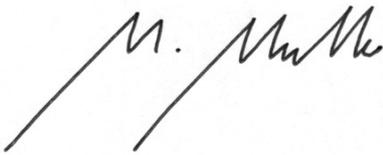
Date: 29th April, 2011

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 six months ended 31 December 2010, 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
29 April 2011

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
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STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2010

	Note	DEC 2010 \$	JUNE 2010 \$
Revenue from continuing operations	3	14,151,906	20,891,347
Other revenue	3	31,982	26,807
Total revenue		<u>14,183,888</u>	<u>20,918,154</u>
Expenses			
Research		(8,143,857)	(13,697,169)
Fundraising		(1,955,855)	(3,469,045)
Administration and facilities	4	(2,690,007)	(4,080,398)
Surplus / (loss) before investment transactions		<u>1,394,169</u>	<u>(328,458)</u>
Profit on sale of investments		1,171,586	147,685
Impairment losses		(1,130,368)	-
Surplus /(loss) from continuing operations		<u>1,435,387</u>	<u>(180,773)</u>
Other comprehensive income			
Available-for-sale financial assets	14	342,332	4,562,020
Total other comprehensive income for the period		<u>342,332</u>	<u>4,562,020</u>
Total comprehensive income for the period		<u>1,777,719</u>	<u>4,381,247</u>

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

CHILDREN'S MEDICAL RESEARCH INSTITUTE
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STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Note	DEC 2010 \$	JUN 2010 \$
CURRENT ASSETS			
Cash and cash equivalents	5	7,054,777	4,213,284
Trade and other receivables	6	1,354,268	2,416,912
Inventories	7	76,452	352,067
Other assets	8	<u>112,692</u>	<u>533,264</u>
TOTAL CURRENT ASSETS		<u>8,598,189</u>	<u>7,515,527</u>
NON-CURRENT ASSETS			
Other financial assets	9	66,465,184	66,277,245
Property, plant and equipment	10	15,222,499	14,659,876
Intangible assets	11	1,041,268	904,410
Other assets	8	<u>60,158</u>	<u>68,652</u>
TOTAL NON-CURRENT ASSETS		<u>82,789,109</u>	<u>81,910,183</u>
TOTAL ASSETS		<u>91,387,298</u>	<u>89,425,710</u>
CURRENT LIABILITIES			
Trade and other payables	12	1,179,049	1,118,076
Employee entitlements	13	<u>2,684,399</u>	<u>2,551,735</u>
TOTAL CURRENT LIABILITIES		<u>3,863,448</u>	<u>3,669,811</u>
NON-CURRENT LIABILITIES			
Employee entitlements	13	<u>258,687</u>	<u>268,455</u>
TOTAL NON-CURRENT LIABILITIES		<u>258,687</u>	<u>268,455</u>
TOTAL LIABILITIES		<u>4,122,135</u>	<u>3,938,266</u>
NET ASSETS		<u>87,265,163</u>	<u>85,487,444</u>
EQUITY			
Reserves	14(a)	68,673,620	68,331,288
Retained funds	14(b)	<u>18,591,543</u>	<u>17,156,156</u>
TOTAL EQUITY		<u>87,265,163</u>	<u>85,487,444</u>

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

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**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2010**

	Reserves	Retained Funds	Total Equity
	\$	\$	\$
Balance at 1 July 2009	63,769,268	17,336,929	81,106,197
Total comprehensive income (loss) for the year	<u>4,562,020</u>	<u>(180,773)</u>	<u>4,381,247</u>
Balance at 30 June 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	<u>68,673,620</u>	<u>18,591,543</u>	<u>87,265,163</u>

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

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STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2010

	Note	DEC 2010 \$	JUN 2010 \$
Cash flows from operating/research activities			
Interest received		113,096	51,638
Dividends and distributions received		2,688,827	4,041,370
Research grants received		5,647,635	6,859,563
Other receipts		1,469,143	373,424
Payments to suppliers		(3,780,486)	(7,519,850)
Payments to employees		(5,525,910)	(10,560,268)
		<hr/>	<hr/>
Net cash inflow/(outflow) from operating/research activities	18	612,305	(6,754,123)
		<hr/>	<hr/>
Cash flows from fund raising activities			
Public donations		3,595,366	5,250,899
Committee donations		85,349	357,292
Bequests		1,514,750	815,681
Receipts from sale of merchandise		233,504	342,158
Payments to suppliers		(1,576,982)	(2,467,642)
Payments to employees		(378,875)	(535,125)
		<hr/>	<hr/>
Net cash inflow from fund raising activities		3,473,112	3,763,263
		<hr/>	<hr/>
Cash flows from investing activities			
Proceeds from redemption of other financial assets		8,534,078	8,790,218
Proceeds from sale of property, plant and equipment		142,975	505,009
Payments for property, plant and equipment		(1,343,877)	(1,846,515)
Payments for intangibles		(238,632)	(798,790)
Payments for other financial assets		(8,338,468)	(1,980,000)
		<hr/>	<hr/>
Net cash (outflow) /inflow from investing activities		(1,243,924)	4,669,922
		<hr/>	<hr/>
Net increase in cash and cash equivalents held		2,841,493	1,679,062
Cash and cash equivalents at the beginning of the reporting period		4,213,284	2,534,222
		<hr/>	<hr/>
Cash and cash equivalents at the end of the reporting period	5	7,054,777	4,213,284
		<hr/>	<hr/>

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2010

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*.

Statement of Compliance

The financial report complies with Australian Accounting Standards, which include equivalents to International Financial Reporting Standards (AIFRS). A statement of compliance cannot be made due to the company applying the not-for-profit requirements in AIFRS.

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 2010 effective 31 December 2010. The current reporting period is for the six months ended 31 December 2010. Comparatives are presented for the year ended 30 June 2010 and are therefore not entirely comparable.

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. The areas involving a higher degree of judgement 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 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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2010

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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2010

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 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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2010

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, \$85,349 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 2010, there were 30 registered Committees. Of these, 7 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 year ended 30 June 2010 reflect income and expenses for the Jeans for Genes® Day held 5 August 2009 and the Dinner Auction held 22 July 2009. All funds raised and expenses involved for the Dinner Auction held 23 July 2010 and the Jeans for Genes® Day held on 6 August 2010 are reflected in the figures for the six months ended 31 December 2010.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2010

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.

(p) New accounting standards and interpretations

Certain accounting standards and interpretations have been published that are not mandatory for 31 December 2010 reporting periods. The Directors' assessment is that these new standards and interpretations (to the extent relevant to Children's Medical Research Institute) will not have a material impact on the financial report of the Institute except for the following:

- (i) *AASB 1053 Application of Tiers of Australian Accounting Standards* (effective 1 July 2013)

This new accounting standards establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (applicable to for-profit entities in the private sector that have public accountability and Australian Government and State, Territory and Local Governments); and (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements. Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) for-profit private sector entities that do not have public accountability; (b) all not-for-profit private sector entities; and (c) public sector entities other than the Australian Government and State, Territory and Local Governments. This standard also prescribes the applicable transitional arrangements for transition from special purpose financial statements and between tiers. The amendments, which become mandatory for the company's 31 December 2014 financial statements are not expected to have a significant impact on the financial statements.

- (ii) *AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052]* (effective 1 July 2013)

These amendments update accounting standards to provide relief and mandate alternative financial reporting disclosures for entities preparing financial statement under Australian Accounting Standards – Reduced Disclosure Requirements. The amendments, which become mandatory for the company's 31 December 2014 financial statements are not expected to have a significant impact on the financial statements.

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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 2010, there were 47 members (2010: 47 members).

	DEC 2010	JUN 2010
	\$	\$
3. REVENUE		
Revenue from continuing operations		
Research Operations		
Interest received and receivable	113,096	51,638
Dividends and distributions received and receivable	2,688,827	4,112,842
Grants	4,483,853	8,235,006
Grants – capital	1,000,000	1,379,214
Other	437,161	346,617
	<u>8,722,937</u>	<u>14,125,317</u>
Fundraising		
Public contributions received	5,195,465	6,423,872
Proceeds from sale of merchandise	233,504	342,158
	<u>5,428,969</u>	<u>6,766,030</u>
Total revenue from operating activities	<u>14,151,906</u>	<u>20,891,347</u>
Other Revenue		
Sundry income	31,982	26,807
Total revenue	<u>14,183,888</u>	<u>20,918,154</u>
4. EXPENSES		
Cost of goods sold	120,000	130,278
Depreciation expense		
Buildings	152,048	300,737
Plant and equipment	453,816	817,969
Total depreciation	<u>605,864</u>	<u>1,118,706</u>
Amortisation of intangibles	101,774	217,058
Net loss on disposal		
Plant and equipment	32,415	27,504
Employee benefits provisions	122,896	(151,249)

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	DEC 2010	JUN 2010
	\$	\$
5. CASH AND CASH EQUIVALENTS		
Cash at bank	1,157,085	513,700
Cash on hand	1,100	1,100
Deposits at call	5,896,592	3,698,484
	<u>7,054,777</u>	<u>4,213,284</u>
Deposits at Bank and at call		
The deposits are bearing interest at an average rate of 5.80% at balance date (June 2010, 4.75%).		
6. TRADE AND OTHER RECEIVABLES		
Accrued income and receivables	1,108,247	2,076,938
ATO receivable	43,353	280,875
Committee donations and sales	185,958	29,000
CellBank Australia debtors	16,710	30,099
	<u>1,354,268</u>	<u>2,416,912</u>
7. INVENTORIES		
Finished goods (held for re-sale)	79,048	392,525
Allowance for finished goods (held for re-sale)	(2,596)	(40,458)
	<u>76,452</u>	<u>352,067</u>
8. OTHER ASSETS		
Current		
Prepayments	98,692	513,971
Equipment - right of use	14,000	19,293
	<u>112,692</u>	<u>533,264</u>
Non-Current		
Equipment – right of use	<u>60,158</u>	<u>68,652</u>
9. OTHER FINANCIAL ASSETS		
Non-Current Financial Assets		
<i>Available-for-sale financial assets at fair value</i>		
Managed funds	66,465,184	66,277,245
	<u>66,465,184</u>	<u>66,277,245</u>

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9. OTHER FINANCIAL ASSETS (continued)

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 2010	JUN 2010
	\$	\$
10. PROPERTY, PLANT AND EQUIPMENT		
Leasehold buildings and improvements		
At cost	15,279,081	14,894,369
Less: accumulated depreciation	4,876,013	4,723,966
	10,403,068	10,170,403
Plant, furniture and equipment – at cost	14,370,852	13,628,440
Less: accumulated depreciation	9,551,421	9,138,967
	4,819,431	4,489,473
	15,222,499	14,659,876

Reconciliation

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

	Leasehold Building & Improvement	Capital Work in Progress	Plant & Equipment	Total
	\$	\$	\$	\$
Carrying amount at 1 July 2010	10,170,403	-	4,489,473	14,659,876
Additions	384,713	-	959,164	1,343,877
Proceeds on sale	-	-	(142,975)	(142,975)
Gain on sale	-	-	(32,415)	(32,415)
Depreciation expense	(152,048)	-	(453,816)	(605,864)
Carrying amount at 31 December 2010	10,403,068	-	4,819,431	15,222,499

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	DEC 2010	JUN 2010
	\$	\$
11. INTANGIBLE ASSETS		
Capitalised software – at cost	1,310,425	1,085,291
Less: accumulated amortisation	316,845	217,058
	993,580	868,233
Patents – at cost	49,675	36,177
Less: accumulated amortisation	(1,987)	-
	47,688	36,177
	1,041,268	904,410

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	Total
	\$	\$	\$
Carrying amount at 1 July 2010	868,233	36,177	904,410
Additions	225,134	13,498	238,632
Amortisation expense	(99,787)	(1,987)	(101,774)
	993,580	47,688	1,041,268

	DEC 2010	JUN 2010
	\$	\$
12. TRADE AND OTHER PAYABLES		
Trade creditors	307,885	8,508
Other creditors	766,693	545,896
Income received in advance	104,471	125,620
Grants held for future years	-	438,052
	1,179,049	1,118,076
13. EMPLOYEE ENTITLEMENTS		
Current		
Employee benefits	2,684,399	2,551,735
Non-Current		
Employee benefits	258,687	268,455

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	DEC 2010	JUN 2010
	\$	\$
14. RESERVES AND RETAINED FUNDS		
(a) Reserves		
Funds for perpetual investment	65,131,274	65,131,273
Available-for-sale investment reserve	3,542,346	3,200,015
	<u>68,673,620</u>	<u>68,331,288</u>
Movements		
Balance at the beginning of the reporting period	68,331,288	63,769,268
Revaluation of available-for-sale investments	383,549	4,562,020
Reclassification to profit or loss of available-for-sale investments on impairment and sale	(41,217)	-
	<u>68,673,620</u>	<u>68,331,288</u>
Balance at the end of the reporting period	<u>68,673,620</u>	<u>68,331,288</u>
(b) Retained Funds		
Retained funds at the beginning of the reporting period	17,156,156	17,336,929
Net surplus/(loss) for the reporting period	1,435,387	(180,773)
	<u>18,591,543</u>	<u>17,156,156</u>
Retained funds at the end of the reporting period	<u>18,591,543</u>	<u>17,156,156</u>
(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 are held for purchase of investments.		
<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).		
	DEC 2010	JUN 2010
	\$	\$
15. AUDITORS' REMUNERATION		
Total amounts received, or due and receivable by the auditors of the company for:		
Audit services – current period	56,000	46,000
– prior year	11,500	9,400
Other services	800	800
	<u>68,300</u>	<u>56,200</u>

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16. SUPERANNUATION COMMITMENTS

The Institute pays staff superannuation contributions to AustralianSuper 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 reporting period amounted to \$508,385 (June 2010: \$953,689).

17. 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 a dedicated Finance and Investment Committee, which reports to 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. Its objective is to preserve the asset base of the organisation while earning a reasonable return on the assets. The Board does not profess to be an 'expert investor' and hence utilises the services of managed funds to monitor and control the investment portfolio and also seeks advice from a professional adviser.

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.

(a) Financial Instrument Categories

		Total carrying amounts as per the statement of financial position	
	Note	DEC 2010 \$	JUN 2010 \$
Financial Assets Class:			
Cash and cash equivalents	5	7,054,777	4,213,284
Trade and other receivables	6	1,354,268	2,416,912
Financial assets at fair value	9	66,465,184	66,277,245
Total financial assets		74,874,229	72,907,441
Financial Liabilities Class:			
Trade and other payables	12	1,179,049	1,118,076
Total financial liabilities		1,179,049	1,118,076

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17. FINANCIAL INSTRUMENTS (continued)

(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% Interest rate \$	+1% Interest rate \$
December 2010 Financial assets:			
Cash and cash equivalents	7,054,775	(70,548)	70,548
June 2010 Financial assets:			
Cash and cash equivalents	4,213,284	(42,133)	42,133

(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 statement of financial position, other than investments in shares and managed funds, is generally the carrying amount, net of any provision for impairment.

(d) 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 creditors 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 i.e. unit prices supplied by managers. For non-traded equity investments, the net fair value is an assessment by the directors based on underlying net assets.

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17. FINANCIAL INSTRUMENTS (continued)

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

Units in managed investment 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	DEC 2010 \$	JUN 2010 \$
Long term growth	Australian bonds & equities, global equities, global bonds & global property	7 years	66,465,184	66,277,245

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

	Change in Unit Price	Impact on Equity
Long term growth	+/-15%	9,969,778 9,941,587

	DEC 2010 \$	JUN 2010 \$
Fair value of impaired financial assets	29,913,866	21,845,786
Fair value of financial assets not impaired	<u>36,551,168</u>	<u>44,431,459</u>
Fair value of other financial assets	<u>66,465,184</u>	<u>66,277,245</u>

(f) Fair value hierarchy

The Institute is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

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17. FINANCIAL INSTRUMENTS (continued)

(f) Fair value hierarchy (continued)

The determination of what constitutes "observable" requires significant judgement by the Institute. The Institute considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Institute's financial assets (by class) measured at fair value according to the fair value hierarchy at 31 December 2010.

As at 31 December 2010	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Financial assets</i>				
Available-for-sale financial assets	-	66,465,184	-	66,465,184
Total	-	66,465,184	-	66,465,184

The pricing of the Institute's investments is generally sourced from independent pricing sources and the relevant investment managers.

Investments whose values are based on quoted market prices in active markets, e.g. recognised stock exchanges, and therefore classified within level 1, include active listed equities.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The observable inputs include prices and/or those derived from prices. The level 2 instruments include investments in wholesale unit trusts, investment-grade corporate bonds, and over-the-counter derivatives. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include certain unlisted unit trusts and corporate debt securities. As observable prices are not available for these securities, the Institute has used valuation techniques to derive fair value.

Where a valuation model technique is used, the Institute considers other liquidity, credit and market risk factors, and adjusts the model as deemed necessary.

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	DEC 2010	JUN 2010
	\$	\$
18. STATEMENT OF CASH FLOWS		
Reconciliation of net cash outflow/inflow from operating/research activities to net surplus for the reporting period		
Net surplus/(loss) for the reporting period	1,435,387	(180,773)
Amortisation	101,774	217,058
Depreciation	605,864	1,118,706
Loss on disposal of fixed assets	32,415	27,504
(Profit) on redemption of investments	(1,171,586)	(147,704)
Impairment losses recognised	1,130,368	-
Distributions reinvested	-	(71,473)
Decrease/(increase) in receivables	1,062,644	(2,002,479)
Decrease/ (Increase) in inventories	313,477	(180,683)
Decrease in prepayments and other assets	429,065	534,523
Increase/(Decrease) in trade creditors and accruals	60,973	(2,497,246)
Increase in provision for annual leave	48,945	41,664
Increase (decrease) in provision for long service leave	73,951	109,585
Public contributions received	(5,195,465)	(6,423,872)
Receipts from sale of merchandise	(271,366)	(301,700)
Payments to employees and suppliers for fund raising	1,955,859	3,002,767
Net cash inflow from operating/research activities	612,305	(6,754,123)

19. 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	Dr. Tom Parry (resigned 12/12/2010)

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

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20. RELATED PARTIES (continued)

(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 current financial year:

<i>Name</i>	<i>Position</i>
R Reddel	Director
S Ryall	Manager Philanthropy & Community Relations
A Delaney	Manager, Strategic Development
G Craig	Operations Manager
R Mitchell	Chief Financial Officer & Company Secretary
P Tam	Research Head
P Robinson	Research Head
T Bryan	Research Head
A Braithwaite	Research Head
I Alexander	Research Head

(c) Key management personnel compensation

	DEC 2010	JUN 2010
	\$	\$
Salary	724,711	1,383,393
Other benefits	58,310	279,035
Post employment benefits	107,742	197,834
Movement in leave provisions including on costs	3,475	55,410
	<u>894,238</u>	<u>1,915,672</u>

21. 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.

22. FUNDRAISING INCOME AND EXPENDITURE ACCOUNTS FOR THE 6 MONTHS ENDED 31 DECEMBER 2010

	DEC 2010	JUN 2010
	\$	\$
Gross proceeds from Fundraising Appeals		
Jeans for Genes®	2,444,146	3,694,405
Capital Campaign	971	18,879
Sale of Merchandise - CMRI	233,504	294,810
Direct Mail	167,927	482,353
Committees	85,349	357,292
Bequests	1,514,750	815,681
Other	982,322	1,102,611
	<u>5,428,969</u>	<u>6,766,031</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2010

22. FUNDRAISING INCOME AND EXPENDITURE ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2010 (continued)

	DEC 2010	JUN 2010
	\$	\$
Less: Total costs of Fundraising Appeals		
Jeans for Genes®	1,002,246	1,809,722
Capital Campaign	218,981	385,337
Sale of Merchandise - CMRI	120,000	236,969
Direct Mail	140,710	257,893
Other	473,918	448,942
	1,955,855	3,138,863
Net Surplus obtained from Fundraising Appeals	3,473,114	3,627,168

23. SOURCES OF FUNDS FOR EXPENDITURE ON CHARITABLE PURPOSES

	DEC 2010	JUN 2010
	\$'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	8,144	13,697
Expenditure on indirect services	740	1,363
	8,884	15,060
Capital expenditure	1,344	1,969
	10,228	17,029
Total expenditure	10,228	17,029
Total expenditure was funded from the following sources:		
Net investment income (loss)	2,802	4,164
Grant income	4,484	9,614
Other income	1,437	387
	8,723	14,165
Drawn from reserves*	1,505	2,864
	10,228	17,029

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2010

	DEC 2010		JUN 2010	
	\$	%	\$	%
	('000)		('000)	
24. COMPARISONS OF INCOME AND EXPENDITURE				
Total cost of fundraising/gross income from fundraising*	1,956/5,429	36.0	3,139/6,766	46.4
Net surplus from fundraising/gross income from fundraising*	3,473/5,429	64.0	3,627/6,766	53.6
Total costs of services/Total expenditure	8,144/9,802	83.1	13,697/17,029	80.4
Total costs of services/Total income received	8,144/15,598	52.2	13,697/21,065	65.0

*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*	1,737/5,428	32.0	2,754/6,747	40.8
Net surplus from fundraising/gross income from fundraising*	3,691/5,428	68.0	3,994/6,747	59.2

25. 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 PERIOD ENDED 31 DECEMBER 2010

In the directors' opinion:

- (a) the financial statements and notes set out on pages 9 to 30 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 2010 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 six months ended 31 December 2010;
 - (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: 29th April, 2011

**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 2010, 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 31.

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 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.

INDEPENDENT AUDITOR'S 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*, which has been given to the directors of the Children's Medical Research Institute on 29 April 2011, would be in the same terms if given to the directors as at the time of this auditor's report.

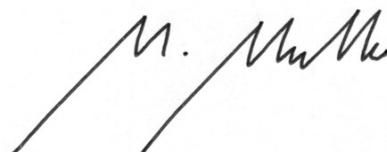
Opinion

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 2010 and of its performance for the period 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 2010 and of its performance for the period ended on that date; and
 - complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - (ii) the financial statements and associated records have been properly kept during the financial period 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'.

M D Muller
Partner