

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

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

The financial report was authorised for issue by the Directors on 28 April, 2014. The company has the power to amend and reissue the financial report.

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors submit their report with respect to the Institute for the year ended 31 December 2013, in the form required by the Corporations Act 2001. The Institute is a public company limited by guarantee with 44 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 \$4,400 would be available for contribution by the members.

The names of the directors in office during the year ended 31 December 2013 and at the date of this report are as follows:

	Meetings held whilst director	Meetings attended whilst director
Mr R J Atfield (Treasurer)	7	6
Mr J D Bevins (Resigned 4 March 2013)	2	1
Professor I Caterson	7	4
Mr J A Dunlop (Resigned 21 Oct 2013)	6	5
Mrs C Forster (Vice President)	7	5
Mr C. Knowles	7	4
Professor F J Martin (Chairman and President)	7	7
Professor K North (Resigned 11 January 2013)	-	-
Ms P Payne	7	6
Professor G Stewart	7	7
Mr A Wong (appointed 21 October 2013)	1	-
Mr B Fink (appointed 26 August 2013)	3	3
Dr L Dalla-Pozza (appointed September 2013)	2	2
Mr M Loughman (appointed 26 August 2013)	3	3
Ms F Crosbie (appointed 26 August 2013)	3	3
Professor R Reddel	7	7

Details of the qualifications, experience and special responsibilities of directors in office at the date of this report, 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 past 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 American Academy of Ophthalmology and the International Council of Ophthalmology (ICO) and has recently been appointed Director of Society Development and Leadership for the ICO. He is the Vice Chairman of RANZCO Foundation 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 Nominations and Remuneration Committee. He is also an Executive Member of the CMRI Capital Foundation.

Mrs Carolyn Forster OAM Vice-President

Carolyn Forster has been a member of the Canberra Committee of CMRI since 1973, serving three times as President and twice as Treasurer. She worked in the Federal Parliament for 11 years, in the Senate, the House of Representatives, and the Ministry. She 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 a committee member and a former President of the Friends of the National Museum of Australia. She is also the former Vice-President of the World Federation of Friends of Museums (WFFM) for Africa, Asia and Pacific.

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**DIRECTORS' REPORT
(continued)**

FOR THE YEAR ENDED 31 DECEMBER 2013

Mrs Carolyn Forster OAM Vice-President (continued)

She is currently the Australian Delegate to the WFFM, a member of the Australian Executive Committee of the International Council of Museums (ICOM), a committee member of the Australiana Fund and Chair of the Church of St Andrew Conservation and Restoration Foundation. She received an ACT Women's Award in 1996, a Centenary Medal in 2003, and an OAM 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 & Remuneration Committee. She is also Chairperson of the CMRI Capital Foundation.

Mr Rodney Atfield FIA FIAA FAII Treasurer

Rodney Atfield was formerly the Managing Director of the Mercantile Mutual (now ING) group of companies and was Chairman of QBEL 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 Hannover Life Re and ING Bank 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 and Risk Committee and Finance and Investment Committee. He is also a member of the Intellectual Property Committee and the Nominations and Remuneration Committee.

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

Ian Caterson is Boden Professor of Human Nutrition and Foundation Director of the Boden Institute of Obesity Nutrition Exercise & Eating Disorders, 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 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 has been a regional advisor on obesity for the World Health Organisation (WHO) and to Australian governments. He is Past President (Asia-Oceania) for the International Association for the Study of Obesity (now World Obesity). He is President-elect of World Obesity. Professor Caterson joined the Board of CMRI in 2004 and is a member of the Institute's Intellectual Property Committee.

Ms Patti Payne OAM MPS PhC

Patti Payne has been a Community Pharmacist for over 25 years, practicing 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 and the fifth died in infancy from a genetically related condition. She was awarded the Medal of the Order of Australia in 2006. Ms Payne was elected to the Board in October 2000.

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**DIRECTORS' REPORT
(continued)**

FOR THE YEAR ENDED 31 DECEMBER 2013

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

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; Trustee of the Hoc Mai Foundation; Director, Black Dog Institute; Non-Executive Director, SW Sydney Medicare Local Transition Board; Member, Central Sydney Planning Committee; Advisor, Investec Bank (Australia) Ltd; Director, Tulich Family Communities Aged Care; Independent Chairman, Prospect Water Partnership; 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); Minister for Forests and Minister for Lands (2003–January 2005) and immediate past President, Asthma Foundation, NSW. On 28 January 2011, Mr Knowles was appointed as the Chair of the Murray-Darling Basin Authority. Mr. Knowles is a Fellow of the Australian Property Institute and a Certified Practising Valuer. He joined the CMRI Board in May 2007.

Mr Albert Wong

Originally from Hong Kong, Mr Wong has lived in Australia for over 37 years and has been involved in the stockbroking and investment banking industry for over 30 years. He was admitted as a Member of the Australian Stock Exchange in 1988 and was the principal of Intersuisse Limited until 1995 when he established the Barton Capital group of companies, including eStar, both companies listed on the Australian Securities Exchange. He was the business partner of former NSW Premier, The Hon. Neville Wran AC QC at Wran Partners from 2004 - 2011. Currently, Mr Wong is Chairman of Winmar Resources Limited and Deputy Chairman of Prima BioMed Limited and Kimberley Diamonds Limited.

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**DIRECTORS' REPORT
(continued)**

FOR THE YEAR ENDED 31 DECEMBER 2013

Mr Albert Wong (continued)

Mr Wong has been widely involved in philanthropic activities including his directorships on UNSW Foundation, Ian Thorpe's Fountain for Youth Foundation and Honorary Life Governor and President of the Physics Foundation at the University of Sydney. Mr Wong is a Fellow of the Financial Services Institute of Australia and a Fellow of the Australian Institute of Company Directors. Mr Wong joined the CMRI Board in October 2013. He is also an Executive Member of the CMRI Capital Foundation.

Mr Bruce Fink

Bruce Fink achieved a Business Degree majoring in banking and finance at Melbourne's Monash University. His career spans 25 years across various fields in the entertainment industry, including cinema and television production. In 2002, Mr Fink established and currently chairs the privately held Bickham Court Group of Companies and is also a co-founder of Media i, Mr Fink conducts philanthropic activities, particularly in relation to education and health, both in Australia and abroad. These include the Lauren and Bruce Fink School of Information Technology at Mt Scopus College in Victoria; the Leon Fink Middle School at Moriah College in Sydney; and the new Lauren & Bruce Fink Paediatric Emergency Theatre at Sydney Children's Hospital in Randwick, New South Wales. Mr Fink also serves on the Board of the Moriah College Foundation. Mr Fink joined the CMRI Board in August 2013. He serves on the Institute's Finance and Investment Committee and the Audit & Risk Committee. He is also an Executive Member of the CMRI Capital Foundation.

Dr Luciano Dalla-Pozza MB BS FRACP

Dr Luciano Dalla-Pozza is Department Head and a Senior Staff Specialist of the Oncology Unit at The Children's Hospital at Westmead. He is an active member of numerous subspecialty societies focused on the care of children and adolescents with cancer including the Australian and New Zealand Children's Cancer Study Group, the Australasian Leukaemia and Lymphoma Group, the Children's Oncology Group (USA), and the Clinical Oncological Society of Australia. His interest and work has centred on the management of acute leukaemia in children and adolescents, the development of clinical trials in paediatric oncology and the development of basic research opportunities. He is the Study Chairperson of the ANZCHOG Acute Lymphoblastic Leukaemia Study 8 Clinical trial and Co-chair of the Leukaemia-Lymphoma Committee of the Australian and New Zealand Children's Haematology-Oncology Group. He joined the CMRI Board in September 2013.

Mr Michael Loughman

Michael Loughman is employed by Australia & New Zealand Banking Group Limited where he is the Head of ANZ Private NSW & ACT, which is the Private Banking and Private Wealth Division within ANZ Bank. Mr Loughman is a Banking, Finance & Wealth Management professional with a career spanning 18 years both domestically and globally. Prior to ANZ Bank, Mr Loughman worked for Deutsche Bank Private Wealth Management & Royal Bank of Scotland. Mr Loughman joined the CMRI Board in August 2013. He serves on the Institute's Finance & Investment Committee and the Audit & Risk Committee.

Ms Fiona Crosbie BA LLM

Fiona Crosbie is a partner of the international law firm Allens where she leads the competition and consumer law practice and serves on the firm's board. She is a member of the Competition and Consumer Committee of the Law Council of Australia and of the Advisory Board to the University of Melbourne for postgraduate competition law studies. Her work includes advising in the pharmaceutical and medical device industry sectors in relation to a range of legal and regulatory issues. Ms Crosbie joined the CMRI Board in August 2013 and serves on the Institute's Audit & Risk Committee.

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**DIRECTORS' REPORT
(continued)**

FOR THE YEAR ENDED 31 DECEMBER 2013

The short term objectives of the Institute include the continuation and growth 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 research programs. This includes 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 the increased operating costs from expanding its research and supporting operations. The strategies to achieve this involve the conduct of capital appeals, strengthening the Institute's current fundraising activities, including the Jeans For Genes® campaign and broadening its fundraising reach through building partnerships. The Institute received a \$20 million capital grant from the New South Wales Government in 2012 towards its building redevelopment and has also further various public donations. The first stage of this building redevelopment is due for completion in June 2014.

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

The Institute also plans and measures its growth in all funding sources and manages its overall financial performance in a way that will allow it to continue to maintain and potentially grow its research programs in the foreseeable future. To this end, it may operate at a net loss in any reporting period by utilizing funding from net surpluses generated over other reporting periods. The Institute's investment strategy measures total returns of its portfolio in any given period, including net income distributions, realised gains or losses and unrealised asset revaluations.

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

During the reporting period, other than as disclosed in these Financial Statements and Directors' Report, 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 from continuing operations of the Institute for the year ended 31 December 2013 was a surplus of \$12,699,396 (31 December 2012: \$2,406,331). These results include recognition of capital grant income earned in line with amounts expended for the building redevelopment. The Board may utilise endowment funds or borrowings to complete the first stage of the building redevelopment, if needed. It is intended that any such use would be replaced or repaid through ongoing capital fundraising appeals.

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**DIRECTORS' REPORT
(continued)**

FOR THE YEAR ENDED 31 DECEMBER 2013

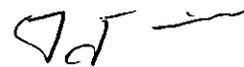
In the opinion of the Directors, no matter or circumstance has arisen since the end of the reporting period that has significantly affected or may significantly affect the operations of the Institute, the results of those operations or state of affairs of the Institute in subsequent financial years.

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 7.

Signed in accordance with a resolution of the directors.



F J Martin
Chairman and President



R J Atfield
Treasurer

Date: 28th April, 2014

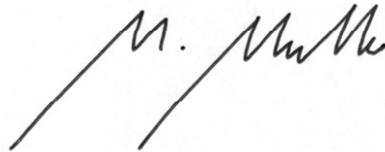
AUDITOR'S INDEPENDENCE DECLARATION

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

As lead auditor for the audit of the financial report of Children's Medical Research Institute Limited for the year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

**Sydney, NSW
28 April 2014**



**M D Muller
Partner**

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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	DEC 2013 \$	DEC 2012 \$
Revenue from continuing operations	3	22,429,301	22,944,841
Building redevelopment donations	3	1,095,880	-
Building redevelopment capital grant	3	<u>12,435,778</u>	<u>1,985,873</u>
Total revenue		<u>35,960,959</u>	<u>24,930,714</u>
Expenses			
Research		(18,248,383)	(18,522,727)
Fundraising		(3,818,067)	(3,125,454)
Administration	4	<u>(2,244,033)</u>	<u>(2,007,020)</u>
Total Expenses		<u>(24,310,483)</u>	<u>(23,655,201)</u>
Surplus before investment transactions		11,650,476	1,275,513
Profit on sale of investments		<u>1,048,920</u>	<u>1,130,818</u>
Surplus from continuing operations		<u>12,699,396</u>	<u>2,406,331</u>
Other comprehensive income			
<i>Items that maybe reclassified to profit or loss</i>			
Changes in the fair value of available-for-sale financial assets	15	<u>7,106,406</u>	<u>2,525,772</u>
Total other comprehensive income for the period		<u>7,106,406</u>	<u>2,525,772</u>
Total comprehensive income for the period		<u>19,805,802</u>	<u>4,932,103</u>

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

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**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

	Note	DEC 2013 \$	DEC 2012 \$
CURRENT ASSETS			
Cash and cash equivalents	5	20,055,006	35,969,793
Trade and other receivables	6	1,530,591	643,598
Inventories	7	50,342	281,817
Other assets	8	202,758	139,028
		<u>21,838,697</u>	<u>37,034,236</u>
TOTAL CURRENT ASSETS			
NON-CURRENT ASSETS			
Other financial assets	9	68,420,458	54,085,982
Property, plant and equipment	10	30,453,526	18,408,054
Intangible assets	11	766,867	1,189,220
Other assets	8	41,792	48,333
		<u>99,682,643</u>	<u>73,731,589</u>
TOTAL NON-CURRENT ASSETS			
TOTAL ASSETS		<u>121,521,340</u>	<u>110,765,825</u>
CURRENT LIABILITIES			
Trade and other payables	12	3,243,597	1,093,157
Deferred Income	13	7,862,652	19,402,075
Employee entitlements	14	3,286,765	2,981,740
		<u>14,393,014</u>	<u>23,476,972</u>
TOTAL CURRENT LIABILITIES			
NON-CURRENT LIABILITIES			
Employee entitlements	14	241,773	208,102
		<u>241,773</u>	<u>208,102</u>
TOTAL NON-CURRENT LIABILITIES			
TOTAL LIABILITIES		<u>14,634,787</u>	<u>23,685,074</u>
NET ASSETS		<u>106,886,553</u>	<u>87,080,751</u>
EQUITY			
General Reserves	15(a)	62,203,112	68,569,671
Capital Reserves	15(a)	28,990,496	-
Retained funds	15(b)	15,692,945	18,511,080
		<u>106,886,553</u>	<u>87,080,751</u>
TOTAL EQUITY		<u>106,886,553</u>	<u>87,080,751</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 YEAR ENDED 31 DECEMBER 2013**

	General Reserve \$	Capital Reserve \$	Retained Funds \$	Total Equity \$
	Note 15(a)(1)	Note 15(a)(2)		
Balance at 31 December 2011	66,043,899	-	16,104,749	82,148,648
Total comprehensive income for the period	2,525,772	-	2,406,331	4,932,103
Balance at 31 December 2012	68,569,671	-	18,511,080	87,080,751
Total comprehensive income for the period	7,106,406	-	12,699,396	19,805,802
Reallocate original building cost to Capital Reserve	(13,472,965)	13,472,965	-	-
Transfer 2013 and 2012 building redevelopment income to Capital Reserve	-	15,517,531	(15,517,531)	-
Balance at 31 December 2013	62,203,112	28,990,496	15,692,945	106,886,553

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 YEAR ENDED 31 DECEMBER 2013**

	Note	DEC 2013 \$	DEC 2012 \$
Cash flows from operating/research activities			
Interest received		353,802	556,830
Dividends and distributions received		2,270,289	4,778,820
Research grants received		7,696,919	8,403,778
Other receipts		766,633	3,548,843
Proceeds from building redevelopment grant		-	20,763,529
Payments to suppliers		(5,826,146)	(7,735,101)
Payments to employees		(12,283,930)	(11,509,777)
		<u>(7,022,433)</u>	<u>18,806,922</u>
Net cash inflow/(outflow) from operating/research activities			
Cash flows from fund raising activities			
Public donations		5,500,906	4,783,052
Donation for building redevelopment		1,095,880	-
Committee donations		486,951	359,698
Bequests		5,703,876	1,485,871
Receipts from sale of merchandise		130,194	172,379
Payments to suppliers		(2,848,686)	(2,170,455)
Payments to employees		(969,381)	(954,999)
		<u>9,099,740</u>	<u>3,675,546</u>
Net cash inflow from fund raising activities			
Cash flows from investing activities			
Proceeds from redemption of other financial assets		4,088,518	14,022,186
Proceeds from sale of property, plant and equipment		55,394	42,244
Payments for property, plant and equipment		(1,346,949)	(2,502,399)
Payments for intangibles		(163,541)	(437,781)
Payments for new building		(10,357,849)	(2,379,326)
Acquisition of investments		(10,267,667)	(3,550,582)
		<u>(17,992,094)</u>	<u>5,194,342</u>
Net cash inflow/(outflow) from investing activities			
Net increase/(decrease) in cash and cash equivalents held		(15,914,787)	27,676,810
Cash and cash equivalents at the beginning of the year		35,969,793	8,292,983
		<u>35,969,793</u>	<u>35,969,793</u>
Cash and cash equivalents at the end of the year	5	<u>20,055,006</u>	<u>35,969,793</u>

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 YEAR ENDED 31 DECEMBER 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

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

The financial statements are presented in the Australian currency.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets at fair value.

Critical accounting estimates

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

(b) Critical accounting estimates and judgements

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

Estimates and assumptions made by the entity are as follows:

Impairment of available-for-sale financial assets

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

(c) Other Financial Assets

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

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

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 surplus (deficit) 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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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 Building and Improvements	50 years
Plant, Furniture and Equipment	4-10 years

(g) Intangible Assets

(i) Patents

Patents typically have a useful life of 20 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.

(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.

Revenue from the building redevelopment capital grant is recognised to the extent that costs are incurred on the related building construction and fit out. The unspent portion of the grant is deferred until costs are incurred.

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

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

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**NOTES TO THE FINANCIAL STATEMENTS
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 employee entitlements 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 annual leave to be settled in more than 12 months are measured using present values. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

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

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

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

(l) Other Current and Non-Current Assets

During previous financial years the Institute has contributed to the purchase of computer and other equipment by collaborators such as the University of Sydney or other members of the Westmead Research Hub. The Institute has unrestricted right of use of the equipment. The amounts paid have been capitalised and are to be written off over the expected life of the right to use the equipment. The expected life has been determined to be 5 years.

(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. The recoverable amount is the higher of an asset's fair value less cost to sell or value in use. In the case of property, plant and equipment value in use is taken to be the replacement cost of the asset concerned.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Committee income and expenditure

The amount shown as income from Committees represents the funds remitted to the Institute by fundraising 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 2013, there were 21 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 promotional activities.

(iv) Jeans for Genes® and Great Cycle Challenge™

All funds raised and expenses involved for the Dinner Auction held on 17 August 2013 and the Jeans for Genes® Day held on 2 August 2013 are reflected in the figures for the year ended 31 December 2013. Figures for Jeans for Genes® for the period ended 31 December 2012 reflect income and expenses for the Jeans for Genes® Day held on 3 August 2012 and the Dinner Auction held on 25 August 2012. Figures for Great Cycle Challenge for the period ended 31 December 2013 reflect income and expenses for the event held in October 2013.

(v) Comparisons of Income and Expenditures

- (i) Total costs of services include all research costs, direct and indirect as well as research support and facilities costs. It excludes fundraising and non-research administration costs.
- (ii) Total expenditure includes all expenses for fundraising, research and administration.
- (iii) Total income received represents the sum of the gross proceeds from fundraising activities, grants income, investments and miscellaneous income.

(p) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2013 reporting periods. The directors' assessment of the impact of these new standards and interpretations (to the extent relevant to the Institute) are set out below.

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**NOTES TO THE FINANCIAL STATEMENTS
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) New Accounting Standards and Interpretations (continued)

AASB 9 Financial Instruments and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (effective 1 January 2017)

AASB 9 simplifies the classifications of financial assets into those to be carried at amortised cost and those to be carried at fair value. When adopted, the standard will affect the company's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, will therefore have to be recognised directly in profit or loss. In the current reporting period, the company recognised \$8,155,326 of such gains in other comprehensive income. There will be no impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the company does not have any such liabilities.

The directors' assessment of the impact of all other new standards and interpretations is that they will not have a material impact on the financial report of the Institute.

(q) Comparative figures

When required by accounting standards, comparative figures have been adjusted for changes in presentation for the current year.

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 2013, there were 44 members (2012: 45 members).

	DEC 2013	DEC 2012
	\$	\$
3. REVENUE		
Revenue from continuing operations		
Research and operating activities		
Interest received and receivable	353,802	556,830
Dividends and distributions received and receivable	2,270,289	4,778,820
Grants	7,216,650	7,259,348
Grants – capital	626,467	3,250,000
Other	140,166	298,843
	10,607,374	16,143,841

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	DEC 2013	DEC 2012
	\$	\$
3. REVENUE (continued)		
Fundraising		
Public contributions received	11,691,733	6,621,802
Proceeds from sale of merchandise	130,194	179,198
	11,821,927	6,801,000
Revenue from continuing operations	22,429,301	22,944,841
Building redevelopment donations	1,095,880	-
Building redevelopment capital grant	12,435,778	1,985,873
	35,960,959	24,930,714
4. EXPENSES		
Cost of goods sold	113,530	162,847
Depreciation expense		
Buildings	311,815	310,705
Plant and equipment	1,358,008	1,075,500
	1,669,823	1,386,205
Total depreciation	1,669,823	1,386,205
Amortisation of intangibles	585,205	441,821
Net loss on disposal		
Plant and equipment	11,226	4,540
5. CASH AND CASH EQUIVALENTS		
Cash at bank	371,232	88,896
Cash on hand	1,100	1,100
Deposits	19,682,674	35,879,797
	20,055,006	35,969,793
Deposits		
Deposits include amount at call and various term deposits with maturity dates between 3-6 months, bearing interest at an average of 3.20% at the balance sheet date (December 2012: 4.57%). Included in deposits is an amount of \$10,575,196 (December 2012: \$18,705,342), which is restricted for use under the terms of the Building Redevelopment Capital Grant.		

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	DEC 2013	DEC 2012
	\$	\$
6. TRADE AND OTHER RECEIVABLES		
Accrued income and receivables	1,199,646	494,031
ATO receivable	232,224	70,786
Committee donations and sales	72,891	34,143
CellBank Australia debtors	25,830	44,638
	1,530,591	643,598
7. INVENTORIES		
Finished goods (held for re-sale)	50,342	281,817
8. OTHER ASSETS		
Current		
Prepayments	175,131	111,401
Equipment - right of use	27,627	27,627
	202,758	139,028
Non-current		
Equipment – right of use	20,706	48,333
Other Financial Assets	21,086	-
	41,792	48,333
9. OTHER FINANCIAL ASSETS		
Non-Current Financial Assets		
<i>Available-for-sale financial assets</i>	68,420,458	54,085,982
	68,420,458	54,085,982

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. There is no noted impairment for the year ended December 31, 2013.

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	DEC 2013 \$	DEC 2012 \$
10. PROPERTY, PLANT AND EQUIPMENT		
Leasehold buildings and improvements		
At cost	15,328,437	15,320,333
Less: accumulated depreciation	5,805,098	5,493,283
	9,523,339	9,827,050
 Work in Progress – Building Redevelopment	 14,813,132	 2,507,563
Plant, furniture and equipment – at cost	18,926,147	17,580,385
Less: accumulated depreciation	12,809,092	11,506,944
	6,117,055	6,073,441
	30,453,526	18,408,054
 11. INTANGIBLE ASSETS		
Capitalised software – at cost	2,311,936	2,190,121
Less: accumulated amortisation	1,675,378	1,096,240
	636,558	1,093,881
Patents – at cost	114,837	84,604
Less: accumulated amortisation	15,171	8,416
	99,666	76,188
Trademarks – at cost	30,643	19,151
	766,867	1,189,220

Reconciliation

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

	Capitalised Software \$	Patents/ Trademarks \$	Total \$
Carrying amount at 1 January 2013	1,093,881	95,339	1,189,220
Additions	121,815	41,726	163,541
Amortisation expense	(579,138)	(6,756)	(585,894)
Carrying amount at 31 December 2013	636,558	130,309	766,867

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	DEC 2013	DEC 2012
	\$	\$
12. TRADE AND OTHER PAYABLES		
Trade creditors	151,108	412,433
Other creditors	3,092,489	680,724
	3,243,597	1,093,157
	3,243,597	1,093,157
13. DEFERRED INCOME		
Building Redevelopment Capital Grant	7,009,419	18,777,655
Other Grants	853,233	624,420
	7,862,652	19,402,075
	7,862,652	19,402,075

The Building Redevelopment Capital Grant of \$20 million, excluding GST, was received from the New South Wales government in 2012. It is restricted to use under the terms of a funding agreement with the Health Administration Corporation ("HAC") for the design, construction and operation of a medical research building on the existing property leased by CMRI. Interest earned on the grant funds is also required to be applied to the same project.

If any grant funds or interest earned thereon are applied for any purpose other than the purpose for which they were granted then CMRI is liable to repay HAC such amount forthwith plus interest in accordance with the Cash Rate Target (as specified by the Reserve Bank of Australia) at the relevant date increased by 2 percentage points. If any grant funds or interest earned thereon remain unspent at the completion of the project, then CMRI and HAC will agree its use, which may include future building maintenance. Any failure to agree will be dealt with as a dispute under the terms of the funding agreement.

Accordingly, revenue is only recognised to the extent costs are incurred on the project in accordance with the terms of the related funding agreement. Where grant funds or interest earned thereon are unspent at the balance date, then the aggregate amount is shown as deferred income. Project costs are capitalised and are shown as Work in Progress at Note 10.

Other grants may be repayable if the grant funding is not spent in accordance with the terms of each relevant funding agreement and therefore revenue is recognised only when valid expenditure is incurred and unspent amounts are deferred until such time as eligible expenditure is incurred.

	DEC 2013	DEC 2012
	\$	\$
14. EMPLOYEE ENTITLEMENTS		
Current		
Employee benefits	3,286,765	2,981,740
	3,286,765	2,981,740
Non-Current		
Employee benefits	241,773	208,102
	241,773	208,102
	241,773	208,102

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	DEC 2013	DEC 2012
	\$	\$
15. RESERVES AND RETAINED FUNDS		
(a) 1. General Reserves		
Funds for perpetual investment	51,658,309	65,131,274
Available-for-sale investment reserve	10,544,803	3,438,397
	<u>62,203,112</u>	<u>68,569,671</u>
Movements		
Balance at the beginning of the reporting period	68,569,671	66,043,899
Reallocation of original building cost to Capital Reserve	(13,472,965)	-
Revaluation of available-for-sale investments	8,155,326	3,656,590
Reclassification to profit on sale of investments	(1,048,920)	(1,130,818)
	<u>62,203,112</u>	<u>68,569,671</u>
Balance at the end of the reporting period	<u><u>62,203,112</u></u>	<u><u>68,569,671</u></u>
2. Capital Reserve		
Capital Reserve	<u>28,990,496</u>	-
Movements		
Balance at the beginning of the reporting period	-	-
Reallocation of original building cost from General Reserve	13,472,965	-
Transfer of 2013 and 2012 building redevelopment income from Retained Funds	15,517,531	-
	<u>28,990,496</u>	<u>-</u>
Balance at the end of the year	<u><u>28,990,496</u></u>	<u><u>-</u></u>
(b) Retained Funds		
Retained funds at the beginning of the year	18,511,080	16,104,749
Net surplus for the year	12,699,396	2,406,331
Transfer of 2013 and 2012 building redevelopment income to Capital Reserve	(15,517,531)	-
	<u>15,692,945</u>	<u>18,511,080</u>
Retained funds at the end of the year	<u><u>15,692,945</u></u>	<u><u>18,511,080</u></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 may be used to purchase investments in a portfolio intended to generate investment returns in perpetuity; or for capital purchases, including building works; or for operating expenses.		
<i>(ii) Available for sale investment reserve</i>		
Changes in the fair value of investments classified as available-for-sale financial assets are taken to the available-for-sale investment reserve as described in note 1(c).		
<i>(iii) Capital Reserve</i>		
The Board has approved setting aside funds utilised for building redevelopment to a Capital Reserve, as they are expended on the project. This includes recognition of funds received for that purpose or may, in future, include any allocation of operating funds. In addition, the Board has set aside from General Reserves, an amount equivalent to the contributions received for the original building development at the Westmead site.		

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16. SUPERANNUATION COMMITMENTS

During 2013, the Institute paid staff superannuation contributions to Australian Super and other funds designated by employees. In late 2013, the Institute's default superannuation plan transferred to MLC Masterkey Business Super. Benefits provided under the MLC fund or other funds 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 and salary continuation insurance for its permanent employees.

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

Contributions during the year amounted to \$1,021,676 (December 2012: \$919,242).

17. CAPITAL COMMITMENTS AND SUBSEQUENT EVENTS

On 18 February 2013, CMRI entered into a building contract with AW Edwards for the provisional sum of \$19,262,769 in connection with the building redevelopment project. The Board subsequently approved variations to the contract to include further work resulting in a revised total contract sum of \$20,726,150. As of December 2013, a total of \$12,458,436 remains payable under this building contract, all of which is payable within 12 months. This commitment is shown as payables and deferred income liabilities as at 31 December 2013 in the Statement of Financial Position.

The total project costs for the first stage of building redevelopment are estimated to be \$29 million, including the above building contract. At 31 December 2013, cash deposits totaling \$10,575,196 [Note 5] were being held to make payments under the building contract. After using these deposits, it is estimated that approximately \$6 million of additional funds will be required to complete the project. This amount may be funded by further capital donations, or by utilizing the endowment funds or by borrowings. Any use of endowment funds or borrowing will be replaced or repaid through ongoing capital fundraising appeals.

18. 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 R.J. Atfield (Treasurer)	Prof F.J. Martin (President)
Mr J.D. Bevins	Professor K. North
Professor I. Caterson	Ms P. Payne
Mr J.A. Dunlop	Professor G. Stewart
Ms C. Forster (Vice President)	Professor R. Reddel
The Hon. C. Knowles	Mr M. Loughman
Dr L. Dalla-Pozza	Ms F Crosbie
Mr B. Fink	Mr A Wong

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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18. RELATED PARTIES (continued)

(b) Key management personnel compensation

	DEC 2013	DEC 2012
	\$	\$
Key management remuneration	2,129,700	1,989,754

19. 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.

	DEC 2013	DEC 2012
	\$	\$
20. FUNDRAISING INCOME AND EXPENDITURE ACCOUNTS		
Gross proceeds from Fundraising		
Jeans for Genes®	2,441,509	2,870,651
Great Cycle Challenge	1,210,778	-
Building Redevelopment donations	1,095,880	-
Sale of Merchandise – CMRI	126,347	152,685
Direct Mail	624,707	506,549
Committees	486,951	359,698
Bequests	5,703,876	1,485,871
Other	1,227,759	1,425,546
	12,917,807	6,801,000
Less: Total costs of Fundraising Appeals		
Direct costs of Campaigns and Appeals	2,119,150	1,866,316
Other costs , including salaries	1,698,917	1,259,138
	3,818,067	3,125,454
Net Surplus obtained from Fundraising	9,099,740	3,675,546

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	DEC 2013		DEC 2012	
	\$'000	%	\$'000	%
21. COMPARISONS OF INCOME AND EXPENDITURE				
Total cost of fundraising/gross income from fundraising	3,818/12,918	29.6%	3,125/6,801	45.9%
Net surplus from fundraising/gross income from fundraising	9,100/12,918	70.4%	3,676/6,801	54.1%
Total costs of services/Total expenditure	18,248/24,310	75.1%	18,523/23,655	78.3%
Total costs of services/Total income received*	18,248/22,429	81.4%	18,523/22,945	80.7%

*Total income received excludes the building redevelopment capital grant which has restricted use.

22. 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
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DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 24 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the company's financial position as at 31 December 2013 and of its performance for the reporting period ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c)
 - (i) the statement of comprehensive income gives a true and fair view of the results of fundraising appeals for the year ended 31 December 2013;
 - (ii) the statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeals;
 - (iii) it complies 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 28th April, 2014

**CHILDREN'S MEDICAL RESEARCH INSTITUTE
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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 ("the company"), which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, the statement of changes in equity and the 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, for the company.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and 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 judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, given to the directors of the company on 28 April 2014, would be in the same terms if provided to the directors as at the time of this auditor's report.

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

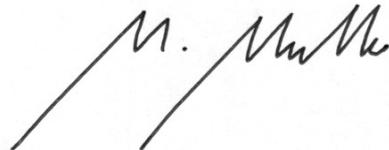
Opinion

In our opinion:

- (a) the financial report of Children's Medical Research Institute is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 31 December 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards Reduced Disclosure Requirements 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 financial results of fundraising appeals for the year ended 31 December 2013; and
 - complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*; and
 - (ii) the financial statements and associated records have been properly kept during the financial year in accordance with the provisions of the *Charitable Fundraising Act 1991* and the Regulations thereto; and
 - (iii) at the date of this statement there are reasonable grounds to believe that the Institute will be able to pay its debts as and when they fall due.

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

HLB Mann Judd
Chartered Accountants

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

M D Muller
Partner

Sydney, NSW
29 April 2013