

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

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2007

The financial report was authorised for issue by the directors on 19th October 2007. The company has the power to amend and reissue the financial report.

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

Directors' Report

Financial Year ended 30 June 2007

The Directors submit their report with respect to the Institute for the financial year, in the form required by the Corporations Act 2001. The names of the directors in office at the date of this report are as follows:

	Meetings held whilst director	Meetings attended whilst director
Mr R J Atfield (Treasurer)	8	7
Mr J D Bevins	8	8
Professor I Caterson	8	4
Mr C S Cullen	8	6
Mr J A Dunlop	8	8
Mrs C Forster (Vice President)	8	8
Ms E Hallett	8	7
Professor A Kemp	8	6
Mr Craig Knowles (from 18 June 2007)	1	-
Assoc. Prof F J Martin (Chairman and President)	8	8
Professor K North	8	7
Mrs P Payne	8	7
Professor P Rowe (retired 24 July 2006)	-	-
Professor G Stewart	8	7
Dr R Reddel (appointed 25 July 2006)	8	8

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

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

The net surplus of the Institute for the year was \$9,933,608. In accordance with the constitution, no amount has been paid or declared by way of dividend since the start of the financial year. The Institute operates as a non-profit organisation dependent primarily on public contributions and bequests to meet its expenditure. The operating result for the year compares favorably with the budget. In the opinion of the Directors, no matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the Institute, the results of those operations or state of affairs of the Institute in subsequent financial years.

The Institute has complied with all relevant environmental regulations.

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

**Children's Medical Research Institute
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Directors' Report

Financial Year ended 30 June 2007

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

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

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 given to the Directors by the lead auditor for the audit undertaken by HLB Mann Judd is included on page 3.

Signed in accordance with a resolution of the directors.



F J Martin
Chairman and President



R J Atfield
Treasurer

Date: *19 October 2007*

AUDITOR'S INDEPENDENCE DECLARATION


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

As lead auditor for the audit of Children's Medical Research Institute Limited for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

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



M D Muller
Partner



HLB Mann Judd
(NSW Partnership)
Chartered Accountants

Sydney
18 OCTOBER 2007

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

Income Statement

for the year ended 30 June 2007

	Note	2007 \$	2006 \$
Revenue from continuing operations	3	28,264,596	23,804,870
Expenses from continuing operations			
Research		(11,783,344)	(10,487,515)
Fundraising		(2,618,563)	(2,366,014)
Administration	4	<u>(3,929,081)</u>	<u>(2,922,264)</u>
Surplus from continuing operations		<u>9,933,608</u>	<u>8,029,077</u>

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

**Children's Medical Research Institute
(A Company Limited by Guarantee)
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Balance Sheet

as at 30 June 2007

	Note	2007 \$	2006 \$
CURRENT ASSETS			
Cash and cash equivalents	5	2,286,531	2,054,649
Trade and other receivables	6	552,660	2,470,913
Inventories	7	318,719	273,687
Other assets	8	<u>1,103,685</u>	<u>901,826</u>
TOTAL CURRENT ASSETS		<u>4,261,595</u>	<u>5,701,075</u>
NON-CURRENT ASSETS			
Other financial assets	9	91,859,563	83,037,550
Property, plant and equipment	10	14,318,848	13,851,670
Other assets	8	<u>24,061</u>	<u>25,790</u>
TOTAL NON-CURRENT ASSETS		<u>106,202,472</u>	<u>96,915,010</u>
TOTAL ASSETS		<u>110,464,067</u>	<u>102,616,085</u>
CURRENT LIABILITIES			
Trade and other payables	11	632,520	2,665,531
Employee entitlements	12	<u>2,184,102</u>	<u>1,661,959</u>
TOTAL CURRENT LIABILITIES		<u>2,816,622</u>	<u>4,327,490</u>
NON-CURRENT LIABILITIES			
Employee entitlements	12	<u>221,237</u>	<u>190,676</u>
TOTAL NON-CURRENT LIABILITIES		<u>221,237</u>	<u>190,676</u>
TOTAL LIABILITIES		<u>3,037,859</u>	<u>4,518,166</u>
NET ASSETS		<u>107,426,208</u>	<u>98,097,919</u>
EQUITY			
Reserves	13(a)	75,410,183	76,015,502
Retained funds	13(b)	<u>32,016,025</u>	<u>22,082,417</u>
TOTAL EQUITY		<u>107,426,208</u>	<u>98,097,919</u>

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

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

for the year ended 30 June 2007

	Note	2007 \$	2006 \$
Total equity of the beginning of the financial year		98,097,919	87,646,447
Change in fair value of Available for Sale financial assets		(605,319)	2,422,395
Surplus for the year		<u>9,933,608</u>	<u>8,029,077</u>
TOTAL EQUITY AT THE END OF THE FINANCIAL YEAR		<u>107,426,208</u>	<u>98,097,919</u>

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

**Children's Medical Research Institute
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Cash Flow Statement

for the year ended 30 June 2007

	Note	2007 \$	2006 \$
Cash flows from operating/research activities			
Interest received		91,418	543,577
Dividends and distributions received		9,373,033	5,386,927
Research grants received		7,931,100	5,757,135
Payments to suppliers		(7,353,522)	(2,549,263)
Payments to employees		(8,978,785)	(8,562,586)
		<hr/>	<hr/>
Net cash inflow from operating/research activities	17	1,063,244	575,790
		<hr/>	<hr/>
Cash flows from fund raising activities			
Public donations		5,851,230	5,235,886
Committee donations		402,226	447,176
Legacies		4,804,133	3,460,410
Receipts from sale of merchandise		403,017	277,199
Payments to suppliers		(2,078,300)	(2,003,349)
Payments to employees		(645,137)	(486,704)
		<hr/>	<hr/>
Net cash inflow from fund raising activities		8,737,169	6,930,618
		<hr/>	<hr/>
Cash flows from investing activities			
Proceeds from sale and redemption of Other Financial Assets		2,500,000	27,096,358
Proceeds from sale of Plant, Property and Equipment		131,455	176,694
Payments for Plant, Property and Equipment		(1,699,986)	(1,405,518)
Payments for Other Financial Assets		(10,500,000)	(41,200,000)
		<hr/>	<hr/>
Net cash inflow (outflow) from investing activities		(9,568,531)	(15,332,466)
		<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents held		231,882	(7,826,058)
Cash and cash equivalents at the beginning of the financial year		2,054,649	9,880,707
		<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year	5	2,286,531	2,054,649
		<hr/> <hr/>	<hr/> <hr/>

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

**Children's Medical Research Institute
(A Company Limited by Guarantee)
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Notes to the Financial Statements

for the year ended 30 June 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

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

Compliance with IFRSs

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

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Institute's accounting policies. There are no areas considered to have involved significant judgement or complexity, or any estimates considered significant to the financial statements.

(b) Other Financial Assets

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

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

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

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

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

**Children's Medical Research Institute
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**Notes to the Financial Statements
for the year ended 30 June 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Income Tax

The Institute is exempt from income tax.

(d) Leasehold Buildings and Improvements

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

(e) Depreciation of Property, Plant and Equipment

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

Leasehold Improvements	50 years
Plant and Equipment	4-10 years

(f) Receivables and Revenue Recognition

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

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

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

(g) Inventories

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

(h) Trade and Other Creditors

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

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

for the year ended 30 June 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Employee Entitlements

(i) *Wages, salaries, annual and sick leave*

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

(ii) *Long service leave*

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

(j) Other Current and Non-Current Assets

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

(k) Fringe Benefit Tax Concessions

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

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

for the year ended 30 June 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment

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

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

(i) Committee income and expenditure

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

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

At 30 June 2007, there were 36 registered Committees. Of these, 4 Committees were established for promotional purposes or did not undertake fundraising activities or limited their activities strictly to the sale of Institute Christmas cards, and were not required to submit financial statements.

(ii) Sale of Merchandise

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

(iii) Costs of Fundraising - Other

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

(iv) Jeans for Genes

Figures for Jeans for Genes for the year ended 30 June 2007 reflect income and expenses for the Jeans Day held 4 August 2006 and the Auction held 20 July 2006. Figures for the year ended 30 June 2006 reflect income and expenses from the Jeans Day held 5 August 2005 and Auction held 21 July 2005. All funds raised and expenses involved for the Jeans Auction held 12 July 2007 and the Jeans Day held on 3 August 2007 will be reflected in the figures for the year ended 30 June 2008.

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

for the year ended 30 June 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(n) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The company's assessment of the impact of these new standards and interpretations is set out below.

AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023& AASB 1038]

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The company has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but may impact on the type of information disclosed.

2. LIABILITY OF MEMBERS

The liability of the members is limited by guarantee. Every member of the Institute undertakes to contribute to the property of the Institute in the event of the same being wound up while he/she is a member or within one year after he/she ceases to be a member for payment of the debts and liabilities of the Institute contracted before he/she ceased to be a member and of the costs, charges and expenses of winding up and for the adjustment of the rights of the contributories among themselves such amount as may be required not exceeding one hundred dollars (\$100.00). At 30 June 2007, there were 47 members (2006: 58 members).

3. REVENUE

Revenue from continuing operations

Research Operations

	2007	2006
	\$	\$
Interest received and receivable	91,418	411,124
Dividends and distributions received and receivable	10,526,930	5,386,927
Profit on sale of investments	273,435	1,669,215
Grants	6,182,642	6,762,652
	17,074,425	14,229,918

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

for the year ended 30 June 2007

	2007	2006
	\$	\$
3. REVENUE (continued)		
Fundraising		
Public contributions received	10,715,125	9,143,472
Proceeds from sale of merchandise	403,017	277,199
	<u>11,118,142</u>	<u>9,420,671</u>
Total revenue from operating activities	<u>28,192,567</u>	<u>23,650,589</u>
Other Revenue		
Sundry income	72,029	154,281
	<u>72,029</u>	<u>154,281</u>
Total revenue	<u>28,264,596</u>	<u>23,804,870</u>
4. EXPENSES		
Cost of sales of goods	104,874	124,039
Depreciation		
Buildings	289,874	289,423
Plant and equipment	723,171	771,262
	<u>1,013,045</u>	<u>1,060,685</u>
Total depreciation		
Nets loss on disposal		
Plant and equipment	88,307	27,879
Employee benefits provisions	552,705	40,974
5. CASH AND CASH EQUIVALENTS		
Cash at Bank	972,780	967,809
Cash on Hand	748	600
Deposits at Call	1,313,003	1,086,240
	<u>2,286,531</u>	<u>2,054,649</u>

Deposits at Bank and at call

The deposits are bearing interest at a rate of 6.10% at balance date (2006: 4.25%).

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

for the year ended 30 June 2007

	2007	2006
	\$	\$
6. TRADE AND OTHER RECEIVABLES		
Accrued income	5,146	68,666
Distributions receivable	263,678	1,130,227
ATO receivable	44,014	7,750
Committee donations and sales	239,822	1,264,270
	<u>552,660</u>	<u>2,470,913</u>
7. INVENTORIES		
Finished Goods (held for re-sale)	<u>318,719</u>	<u>273,687</u>
8. OTHER ASSETS		
Current		
Prepayments	1,096,120	881,619
Equipment - Right of Use	7,565	20,207
	<u>1,103,685</u>	<u>901,826</u>
Non-Current		
Equipment - Right of Use	<u>24,061</u>	<u>25,790</u>
9. OTHER FINANCIAL ASSETS		
Non-Current Financial Assets		
<i>Available-for-sale financial assets at fair value</i>		
Managed funds	91,859,563	83,037,550
	<u>91,859,563</u>	<u>83,037,550</u>

**Children's Medical Research Institute
(A Company Limited by Guarantee)
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Notes to the Financial Statements

for the year ended 30 June 2007

	2007	2006
	\$	\$
10. PROPERTY, PLANT AND EQUIPMENT		
Leasehold Buildings and Improvements		
At Cost	14,493,678	14,479,679
Less: Accumulated Depreciation	3,831,201	3,541,327
	10,662,477	10,938,352
Building Work In Progress – at cost	264,026	244,153
Plant, Furniture and Equipment - At Cost	11,232,687	9,829,154
Less: Accumulated Depreciation	7,840,342	7,159,989
	3,392,345	2,669,165
	14,318,848	13,851,670

Reconciliation

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

	Leasehold Building & Improvement \$	Building Work in Progress \$	Plant & Equipment \$	Total \$
Carrying amount at 1 July 2006	10,938,352	244,153	2,669,165	13,851,670
Additions	13,998	19,873	1,666,115	1,699,986
Disposals	-	-	(219,763)	(219,763)
Depreciation expense	(289,873)	-	(723,172)	(1,013,045)
Carrying amount at 30 June 2007	10,662,477	264,026	3,392,345	14,318,848

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

for the year ended 30 June 2007

	2007	2006
	\$	\$
11. TRADE AND OTHER PAYABLES		
Trade Creditors	40,034	970,931
Other Creditors	349,131	961,699
Grants held for future years	243,355	732,901
	<u>632,520</u>	<u>2,665,531</u>
12. EMPLOYEE ENTITLEMENTS		
Current		
Employee Benefits	<u>2,184,102</u>	<u>1,661,959</u>
Non-Current		
Employee Benefits	<u>221,237</u>	<u>190,676</u>
13. RESERVES AND RETAINED FUNDS		
(a) Reserves		
Funds for Perpetual Investment	65,131,273	65,131,273
Available for Sale investment Reserve	10,278,910	10,884,229
	<u>75,410,183</u>	<u>76,015,502</u>
Movements		
Balance at the beginning of the financial year	76,015,502	73,593,107
Available-for-Sale Investment Reserve	<u>(605,319)</u>	<u>2,422,395</u>
	<u>75,410,183</u>	<u>76,015,502</u>
(b) Retained Funds		
Retained funds at the beginning of the financial year	22,082,417	14,053,340
Net surplus for the financial year	9,933,608	8,029,077
	<u>32,016,025</u>	<u>22,082,417</u>
Retained funds at the end of the financial year	<u>32,016,025</u>	<u>22,082,417</u>

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

for the year ended 30 June 2007

13. RESERVES AND RETAINED FUNDS (continued)

(c) Nature and Purpose of Reserves

(i) Funds for Perpetual Investment

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

(ii) Available-for-Sale Investment Reserve

Changes in the fair value of investments classified as available-for-sale financial assets are taken to the Available-for-Sale Investment Reserve as described in note 1(b)

	2007	2006
	\$	\$
14. AUDITORS' REMUNERATION		
Total amounts received, or due and receivable by the auditors of the company for:		
Audit services – current year	35,500	20,000
– prior year	23,000	4,555
Accounting assistance	6,000	4,500
Other services	7,864	2,235
	72,364	31,290

15. SUPERANNUATION COMMITMENTS

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

There is a legally enforceable obligation for the Institute to contribute to the Fund.

Contributions during the year amounted to \$1,002,951 (2006: \$820,781).

16. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk Exposures

The Institute's exposure to interest rate risk arises predominantly from 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.

(b) Credit Risk Exposures

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

(c) Liquidity Risk

The directors do not consider there to be a material risk that the Institute will not be able to meet commitments associated with financial instruments.

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

for the year ended 30 June 2007

16. FINANCIAL INSTRUMENTS (cont'd)

(d) Net Fair Value of Financial Assets and Liabilities

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

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

	2007	2006
	\$	\$
17. RECONCILIATION OF NET CASH OUTFLOW/INFLOW FROM OPERATING/RESEARCH ACTIVITIES TO NET SURPLUS FOR THE FINANCIAL YEAR		
Net surplus for the financial year	9,933,608	8,029,077
Depreciation	1,013,045	1,060,685
(Profit) loss on disposal of fixed assets	88,307	27,879
(Profit) loss on sale of investments	(273,435)	(1,669,215)
Distributions reinvested	(1,153,897)	-
(Increase) decrease in receivables	1,918,254	(1,717,646)
(Increase) decrease in inventories	(45,032)	62,868
(Increase) decrease in prepayments and other assets	(200,131)	157,366
Increase (decrease) in trade creditors and accruals	(2,033,011)	1,514,421
Increase in provision for annual leave	287,915	(26,755)
Increase in provision for long service leave	264,790	67,728
Public contributions received	(11,057,589)	(9,143,472)
Receipts from sale of merchandise	(403,017)	(277,199)
Payments to employees and suppliers for fund raising	2,723,437	2,490,053
	1,063,244	575,790
Net Cash Inflow from Operating/Research Activities	1,063,244	575,790

18. CAPITAL COMMITMENTS PLANT AND EQUIPMENT

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

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

for the year ended 30 June 2007

19. RELATED PARTIES

(a) Directors

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

Mr RJ Atfield (Treasurer)	Professor A Kemp
Mr JD Bevins	Assoc. Prof FJ Martin
Professor I Caterson	Professor K North
Mr CS Cullen	Mrs P Payne
Mr JA Dunlop	Professor P Rowe (retired July 2006)
Mrs C Forster	Professor G Stewart
Ms E Hallett	Mr Craig Knowles (appointed June 2007)
Dr R Reddel (from July 2006)	

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

(b) Other key management personnel

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

<i>Name</i>	<i>Position</i>
S Ryall	Company Secretary
G Craig	Operations Manager
R Reddel	Acting Director (from July 2006)
P Tam	Research Head
P Robinson	Research Head
E Hardeman	Research Head
T Bryan	Research Head
A Braithwaite	Research Head
P Rowe	Director (to July 2006)

(c) Key management personnel compensation

	2007	2006
	\$	\$
Salary	1,111,413	943,013
Other benefits	235,405	118,152
Post employment benefits	198,552	766,636
Movement in leave provisions including on costs	281,317	134,074
	<u>1,826,687</u>	<u>1,961,875</u>

20. COMPLIANCE WITH CHARITABLE FUNDRAISING ACT, 1991

The provisions of the Charitable Fundraising Act 1991 and the regulations under the Act and the conditions attached to the authority have been complied with, except that not all monies from fundraising have been paid into a fundraising account which consists of no other income. The Children's Medical Research Institute is satisfied with the internal controls over receipt of monies from fundraising.

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

for the year ended 30 June 2007

	2007	2006
	\$	\$
21. FUNDRAISING INCOME AND EXPENDITURE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2007		
Gross proceeds from Fundraising Appeals		
Jeans for Genes	4,017,798	3,655,055
Sale of Merchandise	403,017	397,228
Direct Mail	298,144	197,025
Committees	402,226	447,176
Bequests	4,804,133	3,460,410
Others	1,192,824	1,263,777
	11,118,142	9,420,671
Less: Total costs of Fundraising Appeals		
Jeans for Genes	1,890,246	1,425,109
Sale of Merchandise	104,874	124,038
Direct Mail	187,484	143,042
Other	540,833	797,864
	2,723,437	2,490,053
Net Surplus obtained from Fundraising Appeals	8,394,705	6,930,618

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Notes to the Financial Statements

for the year ended 30 June 2007

22. SOURCES OF FUNDS FOR EXPENDITURE ON CHARITABLE PURPOSES

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

Expenditure on Charitable Purposes:

	2007 \$'000	2006 \$'000
Expenditure on direct services	11,783	11,472
Expenditure on indirect services	1,101	1,089
	12,884	12,561
Capital expenditure	1,437	1,169
	14,321	13,730
Total expenditure	14,321	13,730
Total expenditure was funded from the following sources:		
Investment income	4,709	4,177
Grant income	6,183	6,106
Other income	177	154
	11,069	10,437
Drawn from reserves*	3,252	3,293
	14,321	13,730

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

	2007		2006	
	\$ (‘000)	%	\$ (‘000)	%
23. COMPARISONS OF INCOME AND EXPENDITURE				
Total cost of fundraising/gross income from fundraising	2,723/11,118	24.5	2,490/9,421	26.4
Net surplus from fundraising/gross income from fundraising	8,395/11,118	75.5	6,931/9,421	73.6
Total costs of services/Total expenditure	11,783/14,321	82.28	11,472/13,730	85.8
Total costs of services/Total income received	11,783/28,369	41.5	11,472/25,862	44.4

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

for the year ended 30 June 2007

24. SEGMENT INFORMATION

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

25. OTHER INFORMATION

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

214 Hawkesbury Road
WESTMEAD NSW 2145

**Children's Medical Research Institute
(A Company Limited by Guarantee)
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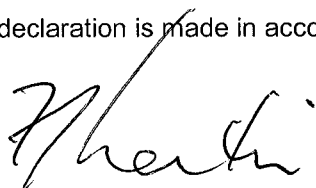
Directors' Declaration

for the year ended 30 June 2007

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 22 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c)
 - (i) the Income Statement gives a true and fair view of the results of fundraising appeals for the financial year;
 - (ii) the Balance Sheet gives a true and fair view of the state of affairs with respect to fundraising appeals;
 - (iii) the provisions of the Charitable Fundraising Act 1991 and the regulations under the Act and the conditions attached to the authority have been complied with except as outlined in note 20; 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: 19 OCTOBER 2007

Independent Audit Report

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

We have audited the accompanying financial report of Children's Medical Research Institute, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration, as set out on pages 4 to 23.

Directors' Responsibility for the Financial Report

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

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

Auditor's Responsibility

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

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

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

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

**Children's Medical Research Institute
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**Independent Audit Report
(continued)**

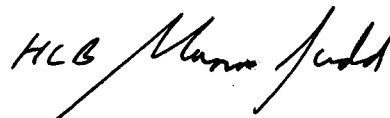
Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Children's Medical Research Institute on 18 October 2007, would be in the same terms if provided to the directors as at the time this auditors' report was made.

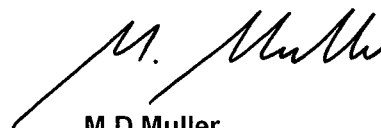
Auditor's Opinion on the Financial Report

In our opinion:

- (a) the financial report of Children's Medical Research Institute is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.
- (c) In accordance with the provisions of the Charitable Fundraising Act 1991 and the regulations thereto, and money received as a result of fundraising appeals conducted during the financial year has been properly accounted for and applied with those provisions except as outlined in Note 20.



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



**M D Muller
Partner**

Sydney
23 October 2007