THE GEORGE INSTITUTE FOR GLOBAL HEALTH
(formerly known as The George Institute for International Health)
AND CONTROLLED ENTITIES

(A PUBLIC COMPANY LIMITED BY GUARANTEE
ABN: 90 085 953 331)

Financial Report
FOR THE YEAR ENDED 30 JUNE 2010

Your directors present this report on the entity for the financial year ended 30 June 2010.

Directors

The names of each person who has been a director during the year and to the date of this report are:

Elsa Atkin
Joanna Susan Capon
Peter Campbell Church
Stephen Robert Garton (appointed 30 September 2009)
Donald Gordon Green
Jason Yat-sen Li
Stephen William MacMahon
Robyn Ngaire Norton
John Samuel Yu

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The following person held the position of entity secretary at the end of the financial year:

Bruce Robert Ramage BSc, BA (Hons) (Syd) appointed Company Secretary on 22 September 2008.

Short and Long-Term Objectives

The George Institute is an independent not-for-profit organisation, whose short and long-term objectives are to continue to be a world-leading research institute focused on the prevention and management of chronic disease and injury.

Strategy for Achieving Objectives

The organisation has developed a strategic plan that is designed to guide its work in its core business of research and in its operations globally.

Principal Activities

The principal activity of the entity during the financial year was to undertake clinical and epidemiological research.

No significant changes in the nature of the entity's activity occurred during the financial year.

How Principal Activities Contributed to Objectives

By strengthening our research in Australia to have a focus on health care delivery systems.

By strengthening academic activities in both China and India.

By developing academic links with the University of Oxford.

By developing new social enterprises.

By gaining peer-reviewed research grants through the National Health and Medical Research Council (NHMRC) in Australia.

By publishing scientific papers in prestige peer-reviewed journals.

Performance measurement

The establishment, in Australia, of *The Chalmers Centre for Partnerships in Health Care Innovation.*

Receipt of funds from new major funding sources such as the National Institutes of Health in the US for a study in China and the James Martin fund in the UK for work to be undertaken at the University of Oxford.

Two new social enterprises, *George Partners* and *George Ventures* being developed.

Success rate of NHMRC research grant applications is greater than national average.

Operating Results

The profit of the entity amounted to $221,674 (2009: loss $1,655,850).

Dividends Paid or Recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Review of Operations

A review of the operations of the entity during the financial year indicated that increased research activity led to a 17.6% increase in revenue. The growth in revenue was offset by 26% increase in operating costs, setting a framework in place for future growth.

Significant Changes in State of Affairs

No significant changes in the entity's state of affairs occurred during the financial year.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the entity, the results of those operations, or the state of affairs of the entity in future financial years.

Future Developments

The entity expects to maintain its present status. Its level of operations, however, will increase with expansion of its activities in the United Kingdom.

Environmental Issues

The entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, or of a State or Territory.

Options

No options over issued shares or interests in the entity were granted during or since the end of the financial year, and there were no options outstanding at the date of this report.

Information on Directors

Elsa Atkin	Director
Qualifications	BA
Experience	Cultural Management Consultant Executive Director, National Trust of Australia (NSW) (1994-2005) Deputy Director, Evatt Foundation (1990-93) Senior Manager, Australian Broadcasting Corporation (1987-90)
Joanna Susan Capon	Director
Qualifications	MA (Syd)
Experience	Art Historian, Industrial Archaeologist, Curator and Writer Member, Australia-China Council Member, Advisory Council of Westmead Children's Hospital (since 2005)

Peter Campbell Church	Director
Qualifications	BCom, LLB, LLM
Experience	Group Chairman, AFG Venture Group Former Regional Managing Partner for Asia, Freehills Former Special Counsel, Blake Dawson Chairman, Bangkok International Associates Limited
Stephen Robert Garton	Director
Qualifications	BA (Hons) (Syd), PhD (UNSW), FAHA, FASSA, FRAHS
Experience	Provost and Deputy Vice-Chancellor, University of Sydney since 2009 Dean, Faculty of Arts, University of Sydney (2001-2009) Associate Dean & Pro-Dean, Faculty of Arts, University of Sydney (1991-95, 1999) Appointed Professor of History in 2000 and Challis Professor of History in 2004.
Donald Gordon Green	Director
Qualifications	BBus (NSWIT), LLM (UNSW), FCAA, FCPA
Experience	Senior Partner, Ernst & Young Australia Chair, Taxation Taskforce of Infrastructure Partnerships Australia Former Director Australian Council for Infrastructure Development
Jason Yat-Sen Li	Director
Qualifications	BA, LLB (Syd), LLM (NYU)
Experience	Managing Director, Yatsen Associates Head, China Strategy & Senior Manager Sustainable Development, Insurance Australia Group Lawyer, UN International Criminal Tribunal for the former Yugoslavia in the Hague Governor, The Smith Family
Stephen William MacMahon	Director
Qualifications	BSc, MA (Canterbury), MPH, PhD (Syd), DSc (UNSW), FACC, FAHA, FCSANZ
Experience	Principal Director, The George Institute for International Health Professor of Cardiovascular Medicine and Epidemiology, University of Sydney Honorary Consultant Epidemiologist, Royal Prince Alfred Hospital Honorary Professor, Health Science Center, Peking University Honorary Professor, Faculty of Medicine and Health Sciences, University of Auckland
Robyn Ngaire Norton	Director
Qualifications	BA, MA (Canterbury), MPH, PhD (Syd)
Experience	Principal Director, The George Institute for International Health Professor of Public Health & Associate Dean (Global Health), Sydney Medical School, University of Sydney Honorary Consultant Epidemiologist, Royal Prince Alfred Hospital Honorary Professor, Health Science Center, Peking University

John Samuel Yu	Chair
Qualifications	MB BS (Syd), Hon MD (Syd), Hon D Litt (UWS), Hon DSc (UNSW), DCH (RCP & S), FRACP, FRACMA
Experience	Chief Executive, New Children's Hospital at Westmead (1978- 97) Chancellor, University of New South Wales (2000-05) Deputy Chancellor, the University of Western Sydney (1998- 2000)

Meetings of Directors

During the financial year, 26 meetings of directors (including committee meetings) were held.

Attendances by each director are listed below.

	Board		Remuneration Committee		Fundraising Committee		George Clinical Committee		Finance, Risk and Audit Committee		India Committee^		China Committee^	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Elsa Atkin	6	6	0		5	5	0		0		0		0	
Joanna Capon	6	5	0		5	4	0		0		0		1	1
Peter Church	6	4	0		0		3	3	0		2	2	0	
Stephen Garton	5	4	0		0		0		0		0		0	
Donald Green	6	6	1	1	0		3	3	8	8	0		0	
Jason Yat-sen Li	6	4	0		0		3	3	0		0		1	1
Stephen MacMahon*	6	6	0		5	3	3	3	8	0	2	0	1	0
Robyn Norton*	6	6	0		5	0	3	0	8	7	2	2	1	1
John Yu*	6	6	1	1	5	5	3	0	8	0	2	1	1	1

* ex officio member of all committees of the board

^ these committees were abolished during the year

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the entity.

Members Guarantee

The Parent Entity is a company limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute $10 towards meeting any outstanding obligations of the company. As at 30 June 2010 the number of members was nine.

Proceedings on Behalf of the Entity

No person has applied for Leave of Court to bring proceedings on behalf of the entity or intervene in any proceedings to which the entity is a party for the purpose of taking responsibility on behalf of the entity for all or any part of those proceedings.

The entity was not a party to any such proceedings during the year.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 8 of the directors' report.

Signed in accordance with a resolution of the Board of Directors.

John Samuel Yu (Director)

Dated this 29th day of September 2010

Stephen William MacMahon (Director)

Dated this 29th day of September 2010

AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF THE GEORGE INSTITUTE FOR INTERNATIONAL HEALTH

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

K.S. Black & Co Chartered Accountants

Stuart H. Cameron

Stuart Cameron, Partner

Date: 29/9/10

Sydney

THE GEORGE INSTITUTE FOR GLOBAL HEALTH
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AND CONTROLLED ENTITIES

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated		Company	
		2010	2009	2010	2009
		$	$	$	$
Operating revenue	2	46,787,585	39,800,271	45,687,926	38,720,085
Other income	2	1,545,141	1,719,305	1,541,548	1,716,649
Employee benefits expense		(18,967,691)	(18,529,699)	(18,402,313)	(17,256,944)
Depreciation and amortisation expense	3a	(534,965)	(552,065)	(502,077)	(512,343)
Rental expense		(2,617,076)	(2,482,640)	(2,617,076)	(2,482,640)
Training expense		(69,899)	(45,089)	(68,906)	(45,089)
Professional services		(4,409,165)	(3,957,357)	(228,375)	(102,274)
Administration expense		(4,827,531)	(3,137,533)	(4,202,289)	(3,137,533)
Investigator fees		(4,028,431)	(6,701,673)	(7,076,505)	(7,218,769)
Patient recruitment		(1,095,680)	(378,224)	(1,095,680)	(1,226,153)
Consultants external		(2,928,157)	(3,766,279)	(2,928,157)	(3,766,279)
Travel/Accommodation costs		(2,028,818)	(1,824,979)	(2,466,298)	(2,405,049)
Other expenses		(7,058,989)	(299,918)	(8,153,566)	(2,359,491)
Loss for the year		**(233,676)**	**(155,880)**	**(511,768)**	**(75,829)**
Other comprehensive income					
Unrealised gain/(loss) on revaluation of financial assets		1,046,408	(372,321)	1,046,408	(372,321)
Realised gain /(loss) on disposal of financial assets	3b	(591,058)	(1,127,649)	(591,058)	(1,127,649)
Other comprehensive income for the year, net of tax		**455,350**	**(1,499,970)**	**455,350**	**(1,499,970)**
Total comprehensive income for the year		**221,674**	**(1,655,850)**	**(56,418)**	**(1,575,799)**

The accompanying notes form part of these financial statements.

THE GEORGE INSTITUTE FOR GLOBAL HEALTH
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AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	Consolidated		Company	
		2010	2009	2010	2009
		$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	4	9,743,278	13,568,672	7,949,626	12,524,042
Trade and other receivables	5	12,695,079	6,875,136	10,509,968	6,352,561
Other assets	6	185,134	275,216	185,134	244,750
Intercompany loans	7	-	-	3,271,578	1,373,714
Investments	7	6,784,351	6,207,057	6,784,351	6,207,057
TOTAL CURRENT ASSETS		**29,407,842**	**26,926,081**	**28,700,837**	**26,702,124**
NON-CURRENT ASSETS					
Investments	7	-	-	1,692,747	1,690,687
Property, plant and equipment	8	1,750,522	1,862,120	1,383,370	1,401,823
Intangible assets	9	54,622	57,148	-	-
TOTAL NON-CURRENT ASSETS		**1,805,144**	**1,919,268**	**3,076,117**	**3,092,510**
TOTAL ASSETS		**31,212,986**	**28,845,349**	**31,776,774**	**29,794,634**
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	10	3,864,164	2,456,860	3,198,265	2,119,531
Deferred income	10	19,933,206	19,463,222	18,654,545	18,845,228
Borrowings	11	-	-	1,785,064	891,893
Provisions	12	1,792,528	1,550,671	1,790,694	1,550,671
TOTAL CURRENT LIABILITIES		**25,589,898**	**23,470,753**	**25,428,568**	**23,407,323**
NON-CURRENT LIABILITIES					
Provisions	12	345,636	328,323	345,636	328,323
TOTAL NON-CURRENT LIABILITIES		**345,636**	**328,323**	**345,636**	**328,323**
TOTAL LIABILITIES		**25,935,534**	**23,799,076**	**25,223,064**	**23,735,646**
NET ASSETS		**5,277,452**	**5,046,273**	**6,002,570**	**6,058,988**
EQUITY					
Foreign currency translation reserve		9,505	-	-	-
Retained earnings		5,267,947	5,046,273	6,002,570	6,058,988
TOTAL EQUITY		**5,277,452**	**5,046,273**	**6,002,570**	**6,058,988**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

Company

	Retained Earnings	Revaluation Surplus	Foreign Currency Translation Reserve	Total Equity
	$	$	$	$
Balance at 1 July 2008	**7,634,787**	**-**	**-**	**7,634,787**
Profit/(loss) attributable to the entity	(75,829)	-	-	(75,829)
Total other comprehensive income for the year	(1,499,970)	-	-	(1,499,970)
Balance at 30 June 2009	**6,058,988**	**-**	**-**	**6,058,988**
Profit/(loss) attributable to the entity	(511,768)	-	-	(511,768)
Total other comprehensive income for the year	455,350	-	-	455,350
Balance at 30 June 2010	**6,002,570**	**-**	**-**	**6,002,570**

Consolidated

	Retained Earnings	Revaluation Surplus	Foreign Currency Translation Reserve	Total Equity
	$	$	$	$
Balance at 1 July 2008	**6,702,123**	**-**	**-**	**6,702,123**
Profit/(loss) attributable to the entity	(155,880)	-	-	(155,880)
Total other comprehensive income for the year	(1,499,970)	-	-	(1,499,970)
Balance at 30 June 2009	**5,046,273**	**-**	**-**	**5,046,273**
Movement on financial assets reserve for the year	-	-	9,505	9,505
Profit /(loss) attributable to the entity	(233,676)	-	-	(233,676)
Total other comprehensive income for the year	455,350	-	-	455,350
Balance at 30 June 2010	**5,267,947**	**-**	**9,505**	**5,277,452**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated		Company	
		2010	2009	2010	2009
CASH FLOW FROM OPERATING ACTIVITIES		$	$	$	$
Receipt of grants and contract revenue		40,967,643	41,178,961	41,530,520	40,408,178
Payments to suppliers and employees		(45,493,172)	(37,930,576)	(45,827,852)	(37,629,032)
Rental income		844,850	704,312	844,850	704,312
Dividends received		308,087	285,550	308,087	285,550
Interest received		142,278	251,071	141,340	248,415
Net cash generated from operating activities	18b	(3,230,314)	4,489,318	(3,003,055)	4,017,423
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		12,000	12,318	12,000	12,318
Payment for property, plant and equipment		(514,096)	(896,132)	(483,624)	(872,103)
Proceeds from sale of available-for-sale investments		5,638,827	7,579,329	5,638,827	7,579,329
Payment for available-for-sale investments		(5,833,409)	(6,896,648)	(5,833,409)	(6,896,648)
Payment for held-to-maturity investments		101,599	(51,151)	101,599	(51,151)
Net cash used in investing activities		(595,079)	(252,284)	(564,607)	(228,255)
CASH FLOW FROM FINANCING ACTIVITIES					
Increase in intercompany loans		-	-	(1,006,753)	(285,186)
Net cash used in financing activities		-	-	(1,006,753)	(285,186)
Net increase in cash and cash equivalents held		(3,825,393)	4,237,034	(4,574,415)	3,503,982
Cash and cash equivalents at beginning of the financial year		13,568,672	9,331,638	12,524,041	9,020,060
Cash and cash equivalents at the end of the financial year	4	9,743,278	13,568,672	7,949,626	12,524,042

The accompanying notes form part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting Policies

a. **Revenue**

Revenue is recognised in the statement of comprehensive income when the entity obtains control of the research grants and contract revenue and it is probable that the economic benefits gained from these funds will flow to the entity and the amount of the revenue can be measured reliably.

If conditions are attached to the contract revenue which must be satisfied before it is eligible to receive the contribution, the recognition of the funds as revenue will be deferred until those conditions are satisfied.

When contract revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the contract revenue is recognised in the state of financial position as a liability until the service has been delivered to the contributor, otherwise the revenue is recognised as income on receipt.

The George Institute for International Health receives non-reciprocal contributions of assets from the government and other parties for zero or a nominal value. These assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in the statement of comprehensive income.

Donations and bequests are recognised as revenue when received.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

b. **Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	N/A
Plant and equipment	17% – 33.33%
Leased plant and equipment	N/A

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Asset classes carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

c. **Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

d. **Financial Instruments**

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified at *fair value through profit or loss* in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

i. the amount at which the financial asset or financial liability is measured at initial recognition;

ii. less principal repayments;

iii. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and

iv. less any reduction for impairment.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at *fair value through profit or loss* when they are held for trading for the purpose of short-term profit taking, or where they are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

If during the period the entity sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investment would be tainted and reclassified as available-for-sale.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after the end of the reporting period.

(v) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment

At the end of each reporting period, the entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

e. **Impairment of Assets**

At the end of each reporting period, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an assets class, the entity estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

f. **Employee Benefits**

Provision is made for the entity's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Contributions are made by the entity to an employee superannuation fund and are charged as expenses when incurred.

g. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

h. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i. **Income Tax**

No provision for income tax has been raised as the entity is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

Intangibles

j. **Patents**

Patents are recorded at cost. Patents have a finite life and are carried at cost less any accumulated amortisation and impairment losses. They have an estimated useful life of 20 years. They are assessed annually for impairment.

k. **Provisions**

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

l. **Comparative Figures**

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When an entity applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period must be disclosed.

m. **Trade and Other Payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

n. **Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key Judgments

Available-for-sale investments

The company maintained a portfolio of listed blue chip Australian securities with a carrying value of $6,784,351 at the end of the reporting period. At the date of this report there had been no material movement in the value since the end of the reporting period.

o. **Economic Dependence**

The George Institute for International Health is not dependent on any one particular organisation or entity for any major part of its income or business activity.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

p. **Adoption of New and Revised Accounting Standards**

During the current year the company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

q. **New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. There are no material impacts on the entity's results coming from these standards

NOTE 2: REVENUE AND OTHER INCOME

	Consolidated		Company	
	2010	2009	2010	2009
	$	$	$	$
Operating revenue				
Revenue from government grants and other contract revenue				
- state/federal government grants	12,061,696	10,348,070	12,015,925	10,067,222
- other government funding	2,550,159	2,460,841	2,411,500	2,408,956
- other organisations	32,175,730	26,991,359	31,260,501	26,243,907
Total operating revenue	46,787,585	39,800,270	45,687,926	38,720,085
Other income				
- gain on disposal of property, plant and equipment	12,000	12,318	12,000	12,318
- realised/unrealised FX gains/(losses)	-	264,983	-	264,983
- dividends received	337,048	376,019	337,048	376,019
- interest received	142,278	251,071	141,340	248,415
- rental income	844,850	704,312	844,850	704,312
- other	208,965	110,602	206,310	110,602
Total other income	1,545,141	1,719,305	1,541,548	1,716,649
Total operating revenue and other income	48,332,726	41,519,576	47,229,474	40,436,734

NOTE 3: PROFIT FOR THE YEAR

		Consolidated		Company	
		2010	2009	2010	2009
a.	**Expenses**	$	$	$	$
	Depreciation and amortisation:				
	- motor vehicle	-	-	-	4,535
	- furniture and fittings	281,491	264,188	235,622	230,109
	- office equipment	253,474	288,477	266,455	277,837
	Total depreciation and amortisation	534,965	552,065	502,077	512,343
	Rental expense on operating leases	2,803,837	2,661,206	2,617,076	2,482,640
	Auditor remuneration:				
	Audit services - Wearne & Co (Aust), India/China local firms	41,828	54,955	20,514	34,517
	Audit services - K S Black & Co (Aust)	8,051	-	8,051	-
		49,879	54,955	28,565	34,517
	Non-audit services - K S Black & Co (Aust), India/China local firms	9,071	5,540	3,859	-
	Total auditor remuneration	58,950	60,495	32,424	34,917
b.	**Significant revenue and expenses**				
	Net gain/(loss) on disposal of current assets				
	Investments:				
	Proceeds on disposal	5,047,769	6,451,680	5,047,769	6,451,680
	Disposals at cost	(5,638,827)	(7,579,329)	(5,638,827)	(7,579,329)
	Realised loss on disposal of investments for the year	(591,058)	(1,127,649)	(591,058)	(1,127,649)
	Property, plant and equipment:				
	Proceeds on disposal	12,000	12,318	12,000	12,318
	Net book value on disposal	-	-	-	-
	Realised gain on disposal of property, plant and equipment for the year	12,000	12,318	12,000	12,318

NOTE 4: CASH AND CASH EQUIVALENTS

	Consolidated		Company	
	2010	2009	2010	2009
	$	$	$	$
CURRENT				
Cash at bank - Westpac	2,849,621	5,589,101	1,490,392	4,893,454
Cash at bank - Westpac USD	70,046	129,628	29,399	129,628
Cash at bank - Westpac EUR	2,789,938	3,297,739	2,789,938	3,297,739
Cash at bank - Westpac GBP	517,177	928,212	517,177	928,212
Term Deposit - 180 days	2,761,138	3,131,000	2,761,138	3,131,000
Term Deposit - hedge security	350,000	-	350,000	-
Cash at bank - Westpac various	8,782	141,902	8,782	141,902
Cash at bank - RMB	175,311	304,822	-	-
Cash at bank - INR	218,463	44,118	-	-
Cash on hand	2,800	2,150	2,800	2,150
	9,743,278	13,568,672	7,949,626	12,524,042

NOTE 5: TRADE AND OTHER RECEIVABLES

	Consolidated		Company	
	2010	2009	2010	2009
	$	$	$	$
CURRENT				
Trade receivables	10,518,299	5,299,284	9,010,785	5,013,779
Provision for impairment	-	-	-	-
	10,518,299	5,299,284	9,010,785	5,013,779
Other receivables	2,176,780	1,575,852	1,499,183	1,338,782
Total current trade and other receivables	12,695,079	6,875,136	10,509,968	6,352,561

NOTE 5: TRADE AND OTHER RECEIVABLES

Credit Risk – Trade and Other Receivables

The company does not have any material credit risk exposure to any single receivable or group of receivables.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the company and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross amount	Past due and impaired	Past due but not impaired (days overdue)				Within initial trade terms
			< 30	31–60	61–90	> 90	
	$	$	$	$	$	$	$
2010							
Trade and term receivables	10,518,298	-	-	-	646,456	182,900	9,688,942
Other receivables	2,176,780	-	-	-	-		2,176,780
Total	12,695,079	-	-	-	646,456	182,900	11,865,722
2009							
Trade and term receivables	5,299,284	-	-	-	11,520	214,300	5,073,464
Other receivables	1,575,852	-	-	-	-		1,575,852
Total	6,875,136	-	-	-	11,520	214,300	6,649,316

The company does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

There are no balances within trade receivables that contain assets that are not impaired and are past due. It is expected that these balances will be received when due.

NOTE 6: OTHER ASSETS

	Consolidated		Company	
	2010	2009	2010	2009
	$	$	$	$
CURRENT				
Prepayments	185,134	275,216	185,134	244,750
	185,134	275,216	185,134	244,750

NOTE 7: FINANCIAL ASSETS

	Note	Consolidated		Company	
		2010	2009	2010	2009
		$	$	$	$
CURRENT					
Intercompany loans:					
- George Clinical Pty Limited		-	-	3,221,793	1,328,229
- The George Foundation for International Health Limited		-	-	49,785	45,485
		-	-	3,271,578	1,373,714
Financial assets at fair value through profit or loss	7a	4,384,351	6,207,057	4,384,351	6,207,057
Bank bill – 30 day		2,400,000	-	2,400,000	-
		6,784,351	6,207,057	6,784,351	6,207,057
NON-CURRENT					
Intercompany investments:					
- George Clinical Pty Limited		-	-	748,531	748,531
- George Institute for International Health - India		-	-	763,078	761,018
- Beijing George Medical Research Co. Ltd.		-	-	181,138	181,138
		-	-	1,692,747	1,690,687

a. **Financial assets at fair value through profit or loss**

	Consolidated 2010 $	Consolidated 2009 $	Company 2010 $	Company 2009 $
Held-for-trading Australian listed shares	4,384,351	6,207,057	4,384,351	6,207,057

Securities in listed corporations held for trading purposes to generate income through the receipt of dividends and capital gains.

NOTE 8: PROPERTY, FURNITURE AND EQUIPMENT

	Consolidated		Company	
	2010	2009	2010	2009
	$	$	$	$
FURNITURE AND EQUIPMENT				
Furniture and equipment				
At cost	4,432,880	3,985,690	3,868,265	3,445,577
Less accumulated depreciation	(2,682,358)	(2,123,570)	(2,484,895)	(2,043,754)
Total furniture and equipment	1,750,522	1,862,120	1,383,370	1,401,823

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Consolidated		Company	
	Furniture and Equipment	Total	Furniture and Equipment	Total
	$	$	$	$
2009				
Balance at the beginning of the year	1,518,055	1,518,055	1,042,063	1,042,063
Additions at cost	896,130	896,130	872,102	872,102
Additions at fair value	-	-	-	-
Disposals	-	-	-	-
Revaluation increment	-	-	-	-
Depreciation expense	(552,065)	(552,065)	(512,343)	(512,343)
Carrying amount at end of year	1,862,120	1,862,120	1,401,823	1,401,823
2010				
Balance at the beginning of the year	1,862,120	1,862,120	1,401,823	1,401,823
Additions at cost	514,096	514,096	483,624	483,624
Additions at fair value	-	-	-	-
Disposals	(93,256)	(93,256)	-	-
Depreciation expense	(532,438)	(532,438)	(502,077)	(502,077)
Carrying amount at end of year	1,750,522	1,750,522	1,383,370	1,383,370

NOTE 9: INTANGIBLE ASSETS

	Consolidated		Company	
	2010	2009	2010	2009
	$	$	$	$
Patents – at cost	70,999	70,999	-	-
Accumulated amortisation	(16,377)	(13,850)	-	-
Net carrying value	54,622	57,148	-	-
Movement note				
Opening net carrying value	57,148	60,148	-	-
Amortisation	(2,527)	(3,000)	-	-
Net carrying value	54,622	57,148	-	-

NOTE 10: TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2010	2009	2010	2009
CURRENT	$	$	$	$
Trade payables	1,601,947	2,179,078	3,008,487	1,841,749
Other current payables	2,262,217	277,782	189,778	277,782
	3,864,164	2,456,860	3,198,265	2,119,531
Deferred income*	19,933,206	19,463,222	18,654,545	18,845,228
Employee benefits	1,792,528	1,550,671	1,790,694	1,550,671
	25,589,898	23,470,753	23,643,504	22,515,430

*Future obligations on contracts

Financial liabilities at amortised cost classified as trade and other payables

Trade and other payables				
- total current	25,589,898	23,470,753	23,643,504	22,515,430
- total non-current	345,636	328,323	345,636	328,323
	25,935,534	23,799,076	23,989,140	22,843,753
Less deferred income	19,933,206	19,463,222	18,654,545	18,845,228
Less employee benefits	2,138,164	1,878,994	2,136,330	1,878,994
Total financial liabilities classified as trade and other payables	3,864,164	2,456,860	3,198,265	2,119,531

NOTE 11: BORROWINGS

	Consolidated		Company	
	2010	2009	2010	2009
	$	$	$	$
CURRENT				
Intercompany loans - China	-	-	1,660,081	891,893
Intercompany loans - India	-	-	124,983	-
	-	-	1,785,064	891,893

NOTE 12: PROVISIONS

	Consolidated		Company	
	2010	2009	2010	2009
	$	$	$	$
Employee entitlements				
Opening balance at 1 July 2009	1,878,993	2,495,096	1,878,993	2,495,096
Additional provisions raised during the year	1,728,488	636,682	1,726,654	636,682
Amounts used	(1,469,317)	(1,252,785)	(1,469,317)	(1,252,785)
Balance at 30 June 2010	2,138,164	1,878,993	2,136,330	1,878,993

	2010	2009	2010	2009
	$	$	$	$
Analysis of total provisions				
Current	1,792,528	1,550,671	1,790,694	1,550,671
Non-current	345,636	328,323	345,636	328,323
	2,138,164	1,878,994	2,136,330	1,878,994

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

NOTE 13: CAPITAL AND LEASING COMMITMENTS

	2010	2009	2010	2009
	$	$	$	$
Operating Lease Commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable – minimum lease payments				
- not later than 12 months	35,198	70,362	35,198	70,362
- later than 12 months but not later than 5 years	198,237	175,190	198,237	175,190
- greater than 5 years	-	-	-	-
	233,435	245,552	233,237	245,552
The property lease commitments are non-cancellable operating leases contracted for but not capitalised in the financial statements with a five-year term. Increase in lease commitments may occur in line with CPI.	2,619,866	2,283,710	2,619,86 6	2,283,710

NOTE 14: CONTINGENT LIABILITIES AND ASSETS

There are no contingent liabilities or contingent assets at the date of this report.

NOTE 15: EVENTS AFTER THE REPORTING PERIOD

There has been no significant event post the reporting period of June 30 2010 that may have an adverse effect on the future operations of the entity.

NOTE 16: KEY MANAGEMENT PERSONNEL COMPENSATION

	Short-term Benefits	Post Employment Benefits	Other Long-term Benefits	Total
	$	$	$	$
2010				
Total compensation	3,262,704	194,918	-	3,457,622
2009				
Total compensation	4,192,127	301,026	-	4,493,153

NOTE 17: RELATED PARTY TRANSACTIONS

	2010	2009
	$	$
Loans to subsidiaries		
The George Foundation for International Health Limited	49,786	45,486
George Clinical Pty Limited	3,221,793	1,328,229
Loans from subsidiaries		
Beijing George Medical Research Co. Ltd.	(1,660,081)	(891,893)
George Institute for International Health - India	(124,983)	-
	1,486,515	748,659

NOTE 18: CASH FLOW INFORMATION

		Consolidated		Company	
		2010	2009	2010	2009
		$	$	$	$
a.	**Reconciliation of cash**				
	Cash at bank	9,735,541	13,564,752	7,976,826	12,521,848
	Cash on hand	7,737	3,920	2,800	2,150
		9,743,278	13,568,672	7,949,626	12,523,998
b.	**Reconciliation of cash flow from operations with profit after income tax**				
	Profit after income tax	221,674	(1,655,850)	(56,418)	(1,575,799)
	Non cash flows:				
	Depreciation and amortisation	534,965	552,065	502,077	512,343
	Unrealised gain on fair value through profit and loss financial assets	(455,350)	1,499,970	(455,350)	1,499,970
	Profit on sale of property, plant and equipment	(12,000)	(12,318)	(12,000)	(12,318)
	Dividends/distributions reinvested	(28,961)	(90,469)	(28,961)	(90,469)
	Changes in assets and liabilities:				
	(Increase)/decrease in trade and other receivables	(5,819,942)	1,378,690	(4,157,406)	1,688,093
	Increase/(decrease) in trade and other payables	1,510,065	(2,759,377)	1,078,734	(2,860,941)
	Decrease in other assets	90,082	220,000	59,615	188,299
	Increase/(decrease) in provisions	469,984	5,972,710	(190,683)	5,284,348
	Increase/(decrease) in employee benefits	259,171	(616,102)	257,337	(616,102)
	Cash from operating activities	(3,230,314)	4,489,318	(3,003,055)	4,017,423

NOTE 19: FINANCIAL RISK MANAGEMENT

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term and long-term investments, accounts receivable and payable and leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2010	2009	2010	2009
		$	$	$	$
Financial assets					
Cash and cash equivalents	4	9,743,278	13,568,672	7,949,626	12,524,042
Trade and other receivables	5	12,695,079	6,875,137	10,509,968	6,352,562
30 day bank bills		2,400,000	-	2,400,000	-
Financial assets at fair value through profit or loss:					
- held-for-trading Australian listed shares	7a	4,384,351	6,207,057	4,384,351	6,207,057
Total financial assets		**29,222,708**	**26,650,866**	**25,243,945**	**25,083,661**
Financial liabilities					
Financial liabilities at amortised cost					
- trade and other payables	10	3,864,164	2,456,860	3,198,265	2,119,531
- borrowings, intercompany	11	-	-	1,785,064	891,893
Total financial liabilities		**3,864,164**	**2,456,860**	**4,983,329**	**3,011,424**

Financial Risk Management Policies

The Finance, Risk and Audit Committee (FRAC), a sub-committee of the Board, meets quarterly and on other occasions as required. FRAC reviews budgeted project activity and cash flow and actual results compared with budget; it also reviews business processes, policies and procedures on a regular basis including changes to financial systems and internal controls.

Specific Financial Risk Exposures and Management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk, foreign exchange risk and market risk relating to interest rate risk and equity price risk.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss for the company.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

NOTE 19: FINANCIAL RISK MANAGEMENT

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 5.

The company has no significant concentration of credit risk exposure to any single counterparty or group of counterparties. Details with respect to credit risk of trade and other receivables are provided in Note 5.

b. Liquidity risk

It is considered that the company does not have any material liquidity risk exposure as its major source of revenue is received prior to project execution. Liquidity risk is further mitigated as the majority of revenue received from sponsors and government bodies is in accordance with funding agreements of several years' duration.

The following financial liabilities are outstanding at balance date:

Payables	Cash Flow	<6 months	>12 months
Trade payables	1,601,947	1,607,947	-
Other payables	2,262,218	2,262,218	-
Employee benefits	1,792,528	1,792,528	-
	5,656,693	5,662,693	

c. Foreign exchange risk

The company receives revenue and pays expenses in currencies other than Australian dollars. To some extent, therefore, a natural hedge exists. In certain circumstances, where management considers it necessary, foreign currency hedges are used, particularly as regards Euro-denominated receivables.

The company also maintains bank balances in major foreign currencies and, therefore, obviates the need to convert all foreign currency amounts received into Australian dollars.

d. Market risk

i. ***Interest rate risk***

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The company is also exposed to earnings volatility on floating rate instruments.

ii. ***Price risk***

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities held.

The company is exposed to securities price risk on investments held for trading or for medium to longer terms. Such risk is managed through diversification of investments across industries and geographical locations.

NOTE 19: FINANCIAL RISK MANAGEMENT

The company's investments are held in the following sectors at reporting date:

	2010	2009
	$	$
Managed investments at market value		
Bell Potter Securities	4,946,990	4,508,445
Caledonia Investment Trust	1,837,361	1,698,612
	6,784,351	6,207,057

Sensitivity Analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	2010	2009
	$	$
Cash & Investments	14,733,977	18,731,099
+/-2% in interest rates	15,899	25,048
+/-10% in listed investments	678,435	620,706

NOTE 20: CAPITAL MANAGEMENT

Management controls the capital of the entity to ensure that adequate cash flows are generated to fund its research programs and infrastructure needs and that returns from investments are maximised. The Finance Risk and Audit Committee (FRAC) ensures that the overall risk management strategy is in line with this objective.

FRAC operates under policies approved by the Board of Directors.

Management manages the entity's capital by assessing the entity's financial risks and responding to changes in these risks and in the market.

There have been no changes to the strategy adopted by management to control the capital of the entity since the previous year.

NOTE 21: CONTROLLED ENTITIES

George Clinical Pty Limited
Country of incorporation: Australia
Percentage owned: 100%
Cost of investment: $748,531
Contribution to group profit ($201,087) loss

The George Foundation for International Health Limited
Country incorporation: Australia
Percentage owned: 100%
Cost of investment: $nil
Contribution to group profit $2,113

The George Institute for International Health (UK)
Country of incorporation: UK
Percentage owned: 100%
Cost of investment: $nil
Contribution to group profit $nil

Academic Alliance for Clinical Trials LLP
Country of incorporation: USA
Percentage owned: 100%
Cost of investment: $nil
Contribution to group profit $nil

George Institute for International Health - India
Country incorporation: India
Percentage owned: 100%
Cost of investment: $763,078
Contribution to group profit $131,332
The financial year end for The George Institute for International Health - India is 31 March 2010.

Beijing George Medical Research Co. Ltd.
Country incorporation: China
Percentage owned: 100%
Cost of investment: $181,138
Contribution to group profit $345,734
The financial year end for Beijing George Medical Research Co. Ltd. is 31 December 2009.

The audits of George Institute for International Health - India and Beijing George Medical Research Co. Ltd. are not conducted by K.S. Black & Co.

NOTE 22: ENTITY DETAILS

The registered office of the entity is:

The George Institute for International Health
Level 10, King George V Building
Royal Prince Alfred Hospital
Missenden Road
Camperdown, Sydney, NSW

The principal place of business is:

The George Institute for International Health
Level 7, 341 George Street
Sydney, NSW 2000

DIRECTORS' DECLARATION

The directors of the entity declare that:

1. The financial statements and notes, as set out on pages 9 to 31, are in accordance with the *Corporations Act 2001*:
   a. comply with Australian Accounting Standards; and
   b. give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the consolidated entity and the company.
2. In the directors' opinion there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

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

John Samuel Yu (Director)

Dated this 29th day of September 2010

Stephen William MacMahon (Director)

Dated this 29th day of September 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GEORGE INSTITUTE FOR INTERNATIONAL HEALTH AND CONTROLLED ENTITIES

We have audited the accompanying consolidated and company financial statements of The George Institute for International Health (the entity), which comprises the statement of financial position as at 30 June 2010 and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year ended on that date, a summary of significant accounting policies and the directors' declaration.

The Responsibility of the Directors for the Financial Statements

The directors of the company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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*, provided to the directors of The George Institute for International Health on 30 June 2010, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion, the consolidated and company financial statements present a true and fair view of the financial position of The George Institute for International Health as of 30 June 2010, and their financial performance and cash flows for the year then ended in accordance with the *Corporations Act 2001* and the Australian Accounting Standards (including Australian Accounting Interpretations).

K.S. Black & Co Chartered Accountants

Stuart H. Cameron

Stuart Cameron, Partner

Date: 27/9/10
Sydney