

**THE GEORGE INSTITUTE FOR GLOBAL HEALTH
AND CONTROLLED ENTITIES**

(A PUBLIC COMPANY LIMITED BY GUARANTEE

ABN: 90 085 953 331)

**Financial Report
FOR THE YEAR ENDED 30 JUNE 2012**

THE GEORGE INSTITUTE FOR GLOBAL HEALTH AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Your directors present this report on the consolidated entity consisting of The George Institute for Global Health (the company) and the entities it controlled for the financial year ended 30 June 2012.

Directors

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

Gina Nancy McGregor Anderson (appointed 24 February 2012)
Elsa Atkin
Joanna Susan Capon OAM
Peter Campbell Church OAM
William Louis Delaat AM (appointed 24 February 2012)
Donald Gordon Green
Michael John Hawker AM
Jason Yat-sen Li
Stephen William MacMahon
Robyn Ngaire Norton

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 company secretary at the end of the financial year:

Aina Kristina Elisabet McDaid BSc (Econ)

Short and Long-Term Objectives

The consolidated entity is an independent not-for-profit entity with short and long-term objectives to continue to be a world-leading research institute focused on:

- improving the health of disadvantaged populations worldwide;
- better management of common chronic and critical conditions;
- innovation to ensure the sustainability of healthcare services, and
- new approaches to managing injury, frailty and disability across the globe.

Strategy for Achieving Objectives

The consolidated entity 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 consolidated entity during the financial year was to undertake clinical and epidemiological research.

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

DIRECTORS' REPORT

How Principal Activities Contributed to Objectives

- The strengthening of our research in Australia on health care delivery systems.
- The strengthening of research activities in China, India and UK.
- The development of academic links with the University of Oxford.
- The development of new social enterprises.
- The gaining of peer-reviewed research grants through the National Health and Medical Research Council (NHMRC) in Australia and,
- The publication of scientific papers in prestige peer-reviewed journals.

Performance Measurement

Performance indicators include the following financial and non-financial targets:

- Number of scientific papers in prestige peer-reviewed journals.
- Number and value of peer-reviewed research grants.
- Growth in revenue of clinical and epidemiological research.
- Financial sustainability as measured by the dollar value of surplus, cash, net current assets and total net assets (equity)

Operating Results

The surplus of the consolidated entity for the financial year ended 30 June 2012 amounted to \$1,610,825 (2011: Surplus \$1,550,499).

Dividends Paid or Recommended

As a not-for-profit entity the constitution prohibits the payment of dividends and accordingly no dividends were paid.

Review of Operations

This has been a year of strong revenue growth and careful management of expenses. The net result was a surplus of \$1,610,825 (2011: Surplus \$1,550,499) which has strengthened the capital base of the consolidated entity and its financial sustainability.

Significant Changes in State of Affairs

No significant changes in the consolidated 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future Developments

The consolidated entity expects to maintain its present status.

Environmental Issues

The consolidated 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 consolidated entity were granted during or since the end of the financial year, and there were no options outstanding at the date of this report.

THE GEORGE INSTITUTE FOR GLOBAL HEALTH AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Information on Directors

Gina Nancy McGregor Anderson

Director

Qualifications

BA, GAICD

Experience

Chair, Women's Community Shelters Limited
Philanthropy Fellow, Centre for Social Impact, University of New South Wales
Member, City of Sydney Appeals Committee, The Salvation Army
Former Executive Director and Chief Executive, Philanthropy Australia
Former Director, Youth Off The Streets Limited
Former Director, Landcare Australia Limited

Elsa Atkin

Director

Qualifications

BA

Experience

Cultural Management Consultant
Extensive experience in management acquired in roles as CEO and Board Director across diverse fields, including not-for-profit, change management, advocacy, and media and corporate relations.
Member, NSW Library Council
Former Executive Director, National Trust of Australia (NSW)
Former Deputy Director, Evatt Foundation
Former Senior Executive, Australian Broadcasting Corporation
Former member of many Government & non-Government boards, including Symphony Australia, University of Western Sydney (Nepean Campus), and Heritage Council.

Joanna Susan Capon OAM

Director

Qualifications

MA (Syd)

Experience

Art Historian, Industrial Archaeologist, Curator and Writer
Board Member, Sydney Children's Hospital Network (Randwick and Westmead)
Member, Health Care Quality Committee of the Sydney Children's Hospital Network
Chair, Operation Art
Member, Editorial Advisory Board, Art and Australia
Former Board Member, Museums and Galleries NSW
Former Member, Australia-China Council

Peter Campbell Church OAM

Director

Qualifications

BCom, LLB, LLM

Experience

Group Chairman, AFG Venture Group
Special Counsel, Stephenson Harwood
Chair, Bangkok International Associates Limited
Chair, Indochina Starfish Foundation Australia
Director, OM Holdings Limited
Director, Singapore International Chamber of Commerce
Chair, Asia Pacific Business Advisory Group, International Award for Young People / Duke of Edinburgh Award

DIRECTORS' REPORT

William Louis Delaat AM

Qualifications

Experience

Director

BSc (Hons), GAICD

Chair, EnGeneIC Ltd

Non-Executive Director, Pharmaxis Pty Ltd

Board Member, Fragile X Association of Australia

Board Member, National Return of Unwanted Medicines Ltd

Former Independent Chair, Medicines Australia

Former Chair, Pharmaceuticals Industry Council

Former Co-Chair, Access to Medicines Working Group

Former Non-Executive Director, iNova Pharmaceuticals

Former Managing Director, Merck Sharp & Dohme (MSD) Australia and New Zealand

Donald Gordon Green

Qualifications

Experience

Director

BBus (NSWIT), LLM (UNSW), FCAA, FCPA

Senior Partner, Ernst & Young Australia

Chair, Taxation Taskforce of Infrastructure Partnerships Australia

Former Director, Australian Council for Infrastructure Development

Michael John Hawker AM

Qualifications

Experience

Chairman

BSc (Syd), FAICD, FAIM, SF Fin

Non-Executive Director, Aviva Plc (UK), Macquarie Group, Macquarie Bank

Chair, Australian Rugby Union

Member, Executive Committee, International Rugby Board

Member (previous Chairman), Board of Trustees, Giant Steps Foundation

Member, Advisory Council, General Enterprise Management Services International (GEMS) (HK)

Founder, Australian Business and Community Network (ABCN)

Former CEO and Managing Director, Insurance Australia Group

Former President, Insurance Council of Australia; former Chair, Australian Financial Markets Association; former Board Member, Geneva Association; former Member, Financial Sector Advisory Council

Jason Yat-Sen Li

Qualifications

Experience

Director

BA, LLB (Syd), LLM (NYU)

Managing Director, Yatsen Associates

Director, China Australia Chamber of Commerce

Governing Member, The Smith Family

Member, Australian Government's Wanwu Advisory Panel on Clean Technology

Former Head, China Strategy, and Senior Manager, Sustainable Development, Insurance Australia Group

Previously Solicitor, Corrs Chambers Westgarth

Previously Lawyer, United Nations International Criminal Tribunal for the former Yugoslavia

THE GEORGE INSTITUTE FOR GLOBAL HEALTH AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Stephen William MacMahon

Director

Qualifications

BSc, MA (Canterbury), MPH, PhD (Syd), DSc (UNSW), FAA, FMedSci, FACC, FAHA, FCSANZ

Experience

Principal Director, The George Institute for Global Health
Executive Director, George Centre for Healthcare Innovation, University of Oxford
Professor of Medicine and James Martin Professorial Fellow, University of Oxford
Director, The George Institute for Global Health (UK)
Professor of Cardiovascular Medicine, University of Sydney
Honorary Consultant Epidemiologist, Royal Prince Alfred Hospital
Honorary Professor, Health Science Center, Peking University
Director, Macromedica Pty Ltd

Robyn Ngaire Norton

Director

Qualifications

BA, MA (Canterbury), MPH, PhD (Syd)

Experience

Principal Director, The George Institute for Global Health
Executive Director, George Centre for Healthcare Innovation, University of Oxford
Professor of Global Health and James Martin Professorial Fellow, University of Oxford
Director, The George Institute for Global Health (UK)
Professor of Public Health, University of Sydney
Honorary Consultant Epidemiologist, Royal Prince Alfred Hospital
Honorary Professor, Health Science Center, Peking University

THE GEORGE INSTITUTE FOR GLOBAL HEALTH AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Meetings of Directors

During the financial year, 23 meetings of directors (including committee meetings) were held. Attendances by each director are listed below.

	Board		Remuneration Committee		Nominations Committee		Fundraising Committee		George Health Enterprises Committee		Finance, Risk and Audit Committee		Research Committee	
	# eligible to attend	# attended	# eligible to attend	# attended	# eligible to attend	# attended	# eligible to attend	# attended	# eligible to attend	# attended	# eligible to attend	# attended	# eligible to attend	# attended
Gina Anderson	2	2	-	-	-	-	1	1	-	-	-	-	-	-
Elsa Atkin	5	5	1	1	1	1	3	3	-	-	-	-	-	-
Joanna Capon	5	5	1	1	-	-	3	3	-	-	-	-	4	4
Peter Church	5	4	-	-	1	-	-	-	5	5	-	-	-	-
William Delaat	2	1	-	-	-	-	-	-	1	1	-	-	-	-
Donald Green	5	5	1	1	1	1	-	-	5	5	4	4	-	-
Michael Hawker*	5	5	1	1	1	1	-	-	-	2	-	3	4	4
Jason Yat-sen Li	5	5	-	-	-	-	-	-	5	4	-	-	-	-
Stephen MacMahon*	5	5	-	-	1	-	3	2	5	5	-	-	4	4
Robyn Norton*	5	5	-	-	1	-	-	-	-	2	4	4	4	4

* Ex-officio member of all committees of the board. The number of meetings they attended is noted.

THE GEORGE INSTITUTE FOR GLOBAL HEALTH
AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Indemnifying Officers

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 of the company.

Members Guarantee

The company is incorporated under the Corporations Act 2001 and 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 2012 the number of members was eight.

Proceedings on Behalf of the Company

No person has applied to bring proceedings on behalf of the company or 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 any part of those proceedings.

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

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 9 of the directors' report.

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

Director



Michael John Hawker (Director)

Dated this

31

day of

August

2012

Director



Stephen William MacMahon (Director)

Dated this

31

day of

August

2012

**DECLARATION OF INDEPENDENCE BY BDO EAST COAST PARTNERSHIP TO THE DIRECTORS OF THE
GEORGE INSTITUTE FOR GLOBAL HEALTH**

As lead auditor of The George Institute for Global Health for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of The George Institute for Global Health and the entities it controlled during the period.



Paul Bull
Partner

BDO East Coast Partnership (formerly PKF East Coast Practice)

Sydney, 31 August 2012

**THE GEORGE INSTITUTE FOR GLOBAL HEALTH
AND CONTROLLED ENTITIES**

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012**

	Note	Consolidated	
		2012	2011
		\$	\$
Operating Revenue	2	51,149,906	45,265,426
Other Income	2	1,874,333	1,795,090
Employee Benefits Expense		(24,646,684)	(22,000,342)
Depreciation and Amortisation Expense	3	(449,607)	(418,476)
Impairment of Intangible Assets	3	(36,856)	-
Rental Expense		(2,478,410)	(2,672,677)
Administration Expense		(2,567,378)	(1,894,101)
Study Contract Fee		(5,401,055)	(6,745,750)
Patient Recruitment Expense		(4,677,954)	(1,228,103)
Consultants and Sub-contractors Fee		(4,807,636)	(5,457,016)
Travel/Accommodation Costs		(2,200,949)	(2,460,483)
Other Expenses		(3,973,990)	(2,633,069)
Realised Loss on Disposal of Financial Assets		(172,895)	-
Surplus for the Year		1,610,825	1,550,499
Other Comprehensive Income			
Exchange Differences on Translation of Foreign Operations		(79,574)	(389,760)
Changes in the Fair Value of Available-for-sale Financial Assets		(823,699)	(105,614)
Total Other Comprehensive Income/(Expense) for the Year		(903,273)	(495,374)
Total Comprehensive Income for the Year		707,552	1,055,125

The accompanying notes form part of these financial statements.

**THE GEORGE INSTITUTE FOR GLOBAL HEALTH
AND CONTROLLED ENTITIES**

STATEMENT OF FINANCIAL POSITION			
AS AT 30 JUNE 2012			
	Note	Consolidated 2012 \$	2011 \$
CURRENT ASSETS			
Cash and Cash Equivalents	4	16,183,038	12,631,765
Trade and Other Receivables	5	7,971,612	10,819,228
Other Assets	6	583,778	391,164
TOTAL CURRENT ASSETS		24,738,428	23,842,667
NON-CURRENT ASSETS			
Investments	7	6,109,537	6,942,510
Plant and Equipment	8	917,894	1,252,852
Intangible Assets	9	-	45,739
TOTAL NON-CURRENT ASSETS		7,027,431	8,241,101
TOTAL ASSETS		31,765,859	32,083,258
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	10	4,596,201	2,806,589
Deferred Income	11	16,361,740	20,262,649
Provisions	12	2,962,322	2,282,547
TOTAL CURRENT LIABILITIES		23,920,263	25,351,785
NON-CURRENT LIABILITIES			
Provisions	13	805,467	398,896
TOTAL NON-CURRENT LIABILITIES		805,467	398,896
TOTAL LIABILITIES		24,725,730	25,750,681
NET ASSETS		7,040,129	6,332,577
EQUITY			
Foreign Currency Translation Reserve		(459,829)	(380,255)
Available-for-sale Financial Asset Reserve		(929,313)	(105,614)
Accumulated Surplus		8,429,271	6,818,446
TOTAL EQUITY		7,040,129	6,332,577

The accompanying notes form part of these financial statements.

**THE GEORGE INSTITUTE FOR GLOBAL HEALTH
AND CONTROLLED ENTITIES**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

<u>Consolidated</u>	Accumulated Surplus	Available- for-sale Financial Asset Reserve*	Foreign Currency Translation Reserve[#]	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2010	5,267,947	-	9,505	5,277,452
Surplus for the year	1,550,499	-	-	1,550,499
Other comprehensive income for the year	-	(105,614)	(389,760)	(495,374)
Total comprehensive income for the year	1,550,499	(105,614)	(389,760)	1,055,125
Balance at 30 June 2011	6,818,446	(105,614)	(380,255)	6,332,577
Surplus for the year	1,610,825	-	-	1,610,825
Other comprehensive income for the year	-	(823,699)	(79,574)	(903,273)
Total comprehensive income for the year	1,610,825	(823,699)	(79,574)	707,552
Balance at 30 June 2012	8,429,271	(929,313)	(459,829)	7,040,129

***Available-for-sale financial asset reserve**

Changes in the fair value arising on translation of investments, such as securities in listed corporations, classified as available-for-sale financial assets, are recognised in other comprehensive income and accumulated in a separate reserve within equity (available-for-sale financial asset reserve).

[#]Foreign currency translation reserve

Exchange difference arising on translation of foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity (foreign currency translation reserve). The cumulate amount is reclassified to surplus or deficit when the net investment is disposed of.

The accompanying notes form part of these financial statements.

**THE GEORGE INSTITUTE FOR GLOBAL HEALTH
AND CONTROLLED ENTITIES**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated	
		2012 \$	2011 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipt of grants and contract revenue		56,580,507	51,184,903
Payments to suppliers and employees		(53,103,246)	(49,515,690)
Rental income		-	953,576
Dividends received		327,248	219,261
Interest received		347,161	176,304
Net cash generated from/(used in) operating activities	18b	4,151,670	3,018,354
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for purchase of plant and equipment		(481,274)	(185,604)
Proceeds from sale of available-for-sale financial assets		4,757,632	3,685,235
Payment for purchase of available-for-sale financial assets		(4,566,755)	(3,629,498)
Payment for purchase of held-to-maturity investments		(310,000)	-
Net cash generated from/(used in) investing activities		(600,397)	(129,867)
Net increase/(decrease) in cash and cash equivalents held		3,551,273	2,888,487
Cash and cash equivalents at the beginning of the financial year		12,631,765	9,743,278
Cash and cash equivalents at the end of the financial year	4	16,183,038	12,631,765

The accompanying notes form part of these financial statements.

THE GEORGE INSTITUTE FOR GLOBAL HEALTH AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of The George Institute for Global Health (the company) and its subsidiaries.

The financial statements were authorised for issue in accordance with a resolution of the directors on 31 August 2012.

The George Institute for Global Health is a company limited by guarantee, incorporated and domiciled in Australia. The nature of the operations and principal activities of the company are described in the directors' report.

Basis of Preparation

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, including the Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 as appropriate for not-for-profit oriented entities.

Early adoption of standards

The company has elected to apply the following Australian accounting standards to the annual reporting period beginning 1 July 2011:

- AASB 1053: Application of Tiers of Australian Accounting Standards; and
- AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.

These accounting standards are not required to be applied until annual reporting periods beginning on or after 1 July 2013.

AASB 1053 establishes a differential financial reporting framework consisting of two tiers of reporting requirements for general purpose financial statements:

- Tier 1 – Australian Accounting Standards
- Tier 2 – Australian Accounting Standards – Reduced Disclosure Requirements

AASB 2010-2 makes amendments to each accounting standard and interpretation indicating the disclosures not required to be made by Tier 2 entities or inserting Reduced Disclosure Requirements paragraphs requiring simplified disclosures for Tier 2 entities.

The adoption of these accounting standards has resulted in reduced disclosures in respect of related parties and financial instruments. There was no other impact on the current or prior year financial statements.

The company has elected to apply the following Australian accounting standard to the annual reporting period beginning 1 July 2010:

- AASB 9: Financial Instruments

This accounting standard is not required to be applied until annual reporting periods beginning on or after 1 July 2013.

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. In accordance with AASB 9, on initial recognition, the consolidated entity has made the election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of AASB 9 that is not held for trading. None of the items in the financial statements had to be restated as the result of applying this standard.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Historical cost convention

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) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of The George Institute for Global Health (the company) as at 30 June 2012 and the results of all the subsidiaries for the year ended 30 June 2012. The company and its subsidiaries are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies.

Intercompany transactions, balances and unrealised gains or losses on transactions between entities in the consolidated entity are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

b) Foreign Currency Translation

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the foreign exchange rates, which approximate the rate at the date of the translating transaction, for the period. All resulting foreign exchange differences are recognised in the foreign currency reserve in equity.

The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

c) Revenue

The consolidated entity's activities are supported by funding from research grants and contracts. Funding received on the condition that specified services are delivered, or conditions fulfilled are considered reciprocal. Such funding is initially recognised as a liability and revenue is recognised as services are performed or conditions fulfilled. Revenue from non-reciprocal grants and contracts are recognised when the consolidated entity obtains control of the funds.

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.

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

THE GEORGE INSTITUTE FOR GLOBAL HEALTH AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

d) Income Tax

The parent company is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*. All other subsidiaries' income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and the adjustment recognised for prior periods, where applicable.

e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks and other short-term highly liquid investments with original maturities of three months or less.

f) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the consolidated entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the consolidated entity commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transactions 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.

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, 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

(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 consolidated 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.

(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.

Impairment

At the end of each reporting period, the consolidated 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.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the consolidated entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability, which is extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

THE GEORGE INSTITUTE FOR GLOBAL HEALTH AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

g) Plant and Equipment

Each class of plant and equipment is carried at cost, less, where applicable, accumulated depreciation and impairment losses.

Depreciation

Items of the plant and equipment are depreciated on a straight line basis over their useful lives to the consolidated 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
Furniture and equipment	17% – 33.33%

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.

h) Intangible Assets

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

i) Impairment of Assets

At the end of each reporting period, the consolidated 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 consolidated 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 consolidated 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.

j) 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.

k) Deferred Income

The liability for deferred income is the unutilised amounts of funding from research grants and contracts received on the condition that specified services are delivered or conditions fulfilled. The services are usually provided or conditions usually fulfilled within 12 months of receipt of the funding.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

l) Provisions

Provisions are recognised when the consolidated 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.

m) Employee Benefits

Provision is made for the consolidated 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 consolidated entity to an employee superannuation fund and are charged as expenses when incurred.

n) 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.

o) 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.

p) Comparative Figures

Where required by Australian 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.

q) Significant 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 judgements

Revenue from reciprocal grants and contracts

Revenue from reciprocal grants and contracts is recognised as revenue when services are performed or conditions fulfilled under the terms of the grant or contract. The recognition of revenue in relation to these grants and contracts requires the use of judgement in assessing the stage of completion, such as number of patients recruited and/or budgeted costs to complete.

Employee benefits estimation

A provision has been recognised for employee benefits 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 GEORGE INSTITUTE FOR GLOBAL HEALTH
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

r) 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 consolidated entity's results coming from these standards.

**THE GEORGE INSTITUTE FOR GLOBAL HEALTH
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 2: REVENUE AND OTHER INCOME

	Consolidated	
	2012	2011
	\$	\$
Operating Revenue		
<i>Revenue from government grants and other contract revenue</i>		
State/Federal government grants	20,557,319	17,644,592
Other government funding	820,649	1,144,492
Other organisations	29,771,938	26,476,342
Total Operating Revenue	51,149,906	45,265,426
Other Income		
Gain on disposal of plant and equipment	6,860	-
Net foreign exchange gains (realised/unrealised)	750,885	104,082
Dividends received (including dividends reinvested)	418,500	219,261
Interest received	375,191	176,304
Rental income	-	953,576
Gain on disposal of available-for-sale financial assets	-	81,889
Other	322,897	259,978
Total Other Income	1,874,333	1,795,090
Total Operating Revenue and Other Income	53,024,239	47,060,516

**THE GEORGE INSTITUTE FOR GLOBAL HEALTH
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 3: EXPENSES

	Consolidated	
	2012	2011
	\$	\$
Surplus for the year includes the following specific expenses:		
Depreciation and Amortisation:		
Furniture and fittings	273,681	254,364
Office equipment	175,926	164,112
	<u>449,607</u>	<u>418,476</u>
Impairment of intangible assets	35,856	-
Rental Expense:		
Rental Expense on operating leases	2,478,410	2,672,677
Onerous lease expense	593,340	-
	<u>3,071,750</u>	<u>2,672,677</u>

NOTE 4: CASH AND CASH EQUIVALENTS

	Consolidated	
	2012	2011
	\$	\$
CURRENT		
Cash at bank	16,180,444	12,629,116
Cash on hand	2,594	2,649
	<u>16,183,038</u>	<u>12,631,765</u>

NOTE 5: TRADE AND OTHER RECEIVABLES

	Consolidated	
	2012	2011
	\$	\$
CURRENT		
Trade receivables	6,519,204	9,575,530
Provision for impairment	-	-
	<u>6,519,204</u>	<u>9,575,530</u>
Other receivables	1,452,408	1,243,698
	<u>7,971,612</u>	<u>10,819,228</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 5: TRADE AND OTHER RECEIVABLES (CONT'D)

Credit Risk — Trade and Other Receivables

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

The following table details the consolidated entities' 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 consolidated entity 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 consolidated entity.

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	\$
2012							
Trade receivables	6,519,204	-	259,355	515,899	853,325	-	4,890,625
Other receivables	1,452,408	-	-	-	-	-	1,452,408
Total	7,971,612	-	259,355	515,899	853,325	-	6,343,033
2011							
Trade receivables	9,575,530	-	17,285	11,680	80,115	-	9,466,450
Other receivables	1,243,698	-	-	-	-	-	1,243,698
Total	10,819,228	-	17,285	11,680	80,115	-	9,518,014

The consolidated entity does not have any trade and other receivables whose terms have been renegotiated, but which would otherwise be past due or impaired.

**THE GEORGE INSTITUTE FOR GLOBAL HEALTH
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 6: OTHER ASSETS

	Consolidated	
	2012	2011
	\$	\$
CURRENT		
Prepayments	334,394	375,085
Deposits and bonds	249,384	16,078
	<hr/>	<hr/>
	583,778	391,164
	<hr/>	<hr/>

NOTE 7: INVESTMENTS

	Consolidated	
	2012	2011
	\$	\$
NON CURRENT		
Available-for-sale financial assets comprise:		
Securities in listed corporations	5,799,537	6,942,510
Held-to-maturity Investments comprise:		
Term deposits/bank bills – maturity greater than 3 months	310,000	-
	<hr/>	<hr/>
	6,109,537	6,942,510
	<hr/>	<hr/>

**THE GEORGE INSTITUTE FOR GLOBAL HEALTH
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 8: PLANT AND EQUIPMENT

	Consolidated	
	2012	2011
	\$	\$
NON-CURRENT		
Furniture and Equipment		
At cost	3,931,616	4,307,214
Less accumulated depreciation	(3,013,722)	(3,054,362)
	<u>917,895</u>	<u>1,252,852</u>

Movements in Carrying Amounts

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

	Consolidated	
	Furniture and Equipment	Total
	\$	\$
2012		
Carrying amount at the beginning of the year	1,252,852	1,252,852
Additions at cost	481,274	481,274
Disposals and write offs	(351,117)	(351,117)
Exchange differences	(15,507)	(15,507)
Depreciation expense	(449,607)	(449,607)
	<u>917,895</u>	<u>917,895</u>
Carrying amount at end of the year		

**THE GEORGE INSTITUTE FOR GLOBAL HEALTH
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 9: INTANGIBLE ASSETS

	Consolidated	
	2012	2011
	\$	\$
NON-CURRENT		
Patents — at cost	70,999	70,999
Accumulated amortisation and impairment	(70,099)	(25,260)
	-	45,739

Movement in carrying amounts

Movement in the carrying amount of each class of intangible asset between the beginning and end of the current financial year

Carrying amount at the beginning of the year	45,739	54,622
Amortisation	(8,883)	(8,883)
Impairment expense	(36,856)	-
Carrying amount at the end of the year	-	45,739

NOTE 10: TRADE AND OTHER PAYABLES

	Consolidated	
	2012	2011
	\$	\$
CURRENT		
Trade payables	1,286,095	929,410
Other payables and accruals	3,310,106	1,877,179
	4,596,201	2,806,589

NOTE 11: DEFERRED INCOME

	Consolidated	
	2012	2011
	\$	\$
CURRENT		
Deferred income – Unutilised amount of funding	16,361,740	20,262,649

**THE GEORGE INSTITUTE FOR GLOBAL HEALTH
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 12: PROVISIONS

	Consolidated	
	2012	2011
CURRENT	\$	\$
Employee benefits - annual leave	1,368,924	1,180,596
Employee benefits - long service leave	305,281	211,951
Provision for onerous lease	215,760	-
Bonus provision	1,072,357	890,000
	<u>2,962,322</u>	<u>2,282,547</u>

Note 13: PROVISIONS

	Consolidated	
	2012	2011
NON-CURRENT	\$	\$
Employee benefits - long service leave	427,887	398,896
Provision for onerous lease	377,580	-
	<u>805,467</u>	<u>398,896</u>

**THE GEORGE INSTITUTE FOR GLOBAL HEALTH
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 14: CAPITAL AND LEASING COMMITMENTS

	Consolidated	
	2012	2011
	\$	\$
Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
Less than one year	1,582,753	2,642,014
Between one and five years	3,889,072	6,947,244
More than five years	-	-
	<u>5,471,825</u>	<u>9,589,258</u>

NOTE 15: CONTINGENT LIABILITIES

There are no contingent liabilities or contingent assets at 30 June 2012 (30 June 2011: Nil)

NOTE 16: KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation made to directors and other members of key management personnel of the company is set out below.

	Consolidated	
	2012	2011
	\$	\$
Total compensation	<u>719,889</u>	<u>639,035</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 17: RELATED PARTY DISCLOSURES

	2012	2011
	\$	\$
a) Key management personnel		
Disclosures relating to key management personnel are set out in note 16		
b) Loans to Related parties		
The George Foundation for Global Health	65,188	51,486
The George Clinical Pty Ltd	7,906,265	8,443,876
The George Partners (UK) Ltd	693,844	546,746
George Centre for Healthcare Innovation	32,712	-

The above loans eliminate on consolidation

c) Loans From Related parties

Beijing George Medical Research Co. Ltd	(1,463,657)	(1,045,005)
George Institute for Global Health - India	(545,382)	(286,134)
Academic Alliance for Clinical Trials LLP	(813,589)	(814,333)

The above loans eliminate on consolidation

d) Other related party transactions

Donald Gordon Green, who is a director of the company, is a partner of Ernst & Young Australia. During the financial year ending 30 June 2012, consulting fees totalling \$30,024 were paid to Ernst & Young Australia.

**THE GEORGE INSTITUTE FOR GLOBAL HEALTH
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 18: CASH FLOW INFORMATION

	Consolidated	
	2012	2011
	\$	\$
a. Reconciliation of cash and cash equivalents		
Cash at bank	16,180,444	12,629,116
Cash on hand	2,594	2,649
	<u>16,183,038</u>	<u>12,631,765</u>
b. Reconciliation of Cash flow from Operations with Surplus		
Surplus after income tax	1,610,825	1,550,499
Non cash flows:		
Depreciation and amortisation	449,607	418,476
Impairment expense of intangible assets	36,856	-
Gain/(loss) on disposal of available-for-sale financial assets	172,895	(81,889)
Gain/(loss) of plant and equipment	(6,860)	-
Dividends reinvested	(53,552)	(37,935)
Net exchange differences	311,848	81,884
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	2,847,616	1,875,851
(Increase)/decrease in other assets	(192,614)	(603,680)
Increase/(decrease) in trade and other payables	1,789,612	(1,057,575)
Increase/(decrease) in deferred income	(3,900,909)	329,443
Increase/(decrease) in provisions	1,086,346	543,279
Net cash generated from operating activities	<u>4,151,670</u>	<u>3,018,353</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 19: PRIOR PERIOD ERROR CORRECTION

The following prior period errors have been identified and corrected.

Realised loss on disposal of financial assets

In the prior 2011 year, the realised loss on disposal of financial assets was incorrectly classified under 'other comprehensive income' within the statement of comprehensive income rather than within profit or loss. This error has been corrected for the current 2012 year and restated for the prior 2011 year under 'other income'.

Changes in the Fair value of Available-for-sale Financial Assets

In the prior 2011 year, changes in the fair value of available-for-sale financial assets were incorrectly classified under 'accumulated surplus' within the statement of financial position and statement of changes in equity rather than showing separately as 'available-for-sale financial asset reserve'. This error has been corrected for the current 2012 year and restated for the prior 2011 year.

Exchange Differences on Translation of Foreign Operations

In the prior 2011 year, exchange differences on translation of foreign operations were incorrectly excluded from 'other comprehensive income' within the statement of comprehensive income. This error has been corrected for the current 2012 year and restated for the prior 2011 year.

Overall, the above errors have resulted in a restatement of 2011 surplus for the year of \$1,550,499 (previously \$1,468,610), other comprehensive expense of \$495,374 (previously \$23,725) and total comprehensive income for the year of \$1,055,125 (previously \$1,444,885).

	2011	Change	2011 (Reinstated)
STATEMENT OF COMPREHENSIVE INCOME (Extract)	\$	\$	\$
Other Income (Realised Loss on Disposal of Financial Assets)	1,713,201	81,889	1,795,090
Surplus for the Year	1,468,610	81,889	1,550,499
 Other Comprehensive Income			
Exchange Differences on Translation of Foreign Operations	-	(389,760)	(389,760)
Realised Loss on Disposal of Financial Assets	81,889	-	-
Total Other Comprehensive Income for the Year	(23,725)	(389,760)	(495,374)
Total Comprehensive Income for the Year	1,444,885	(389,760)	1,055,125

**THE GEORGE INSTITUTE FOR GLOBAL HEALTH
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 20: PARENT ENTITY DISCLOSURES

Set out below is the supplementary information about the parent company.

	2012	2011
	\$	\$
Results of parent entity		
Surplus/(deficit) for the year	(221,574)	1,914,182
Other comprehensive income	(823,699)	(105,614)
Total comprehensive income for the year	<u>(1,045,273)</u>	<u>1,808,568</u>
Financial position of parent entity at year end		
Current assets	10,155,880	13,371,833
Total assets	29,264,844	32,051,851
Current liabilities	22,815,249	23,841,817
Total liabilities	22,498,985	24,240,713
Total equity of the parent entity comprising of:		
Accumulated surplus	7,695,173	7,916,752
Available-for-sale financial asset reserve	(929,313)	(105,614)
Total equity	<u>6,765,860</u>	<u>7,801,138</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 21: SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1 (a)

George Clinical Pty Ltd

Country of Incorporation: Australia

Percentage owned: 100% (2011: 100%)

The George Foundation for Global Health Limited

Country of Incorporation: Australia

Percentage owned: 100% (2011: 100%)

The George Institute for Global Health (UK) Ltd

Country of Incorporation: United Kingdom

Percentage owned: 100% (2011: 100%)

The George Partners (UK) Ltd

Country of Incorporation: United Kingdom

Percentage owned: 100% (2011: 100%)

Academic Alliance for Clinical Trials LLP

Country of Incorporation: United States of America

Percentage owned: 100% (2011: 100%)

The George Institute for Global Health – India

Country of Incorporation: India

Percentage owned: 100% (2011: 100%)

Beijing George Medical Research Co. Ltd

Country of Incorporation: China

Percentage owned: 100% (2011: 100%)

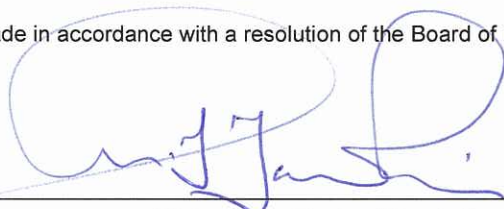
THE GEORGE INSTITUTE FOR GLOBAL HEALTH
AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

In the directors' opinion:

1. The financial statements and notes, as set out on pages 10 to 33, are in accordance with the *Corporations Act 2001* including;
 - a. complying with Australian Accounting Standards;
 - b. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of the performance for the year ended on that date.
2. there are reasonable grounds to believe that the company 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.



Michael John Hawker (Director)

Dated this 31 day of August 2012



Stephen William MacMahon (Director)

Dated this 31 day of August 2012

INDEPENDENT AUDITOR'S REPORT

To the members of The George Institute for Global Health

Report on the Financial Report

We have audited the accompanying financial report of The George Institute for Global Health, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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*, which has been given to the directors of The George Institute for Global Health, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion the financial report of The George Institute for Global Health is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

BDO East Coast Partnership (formerly PKF East Coast Practice)

A handwritten signature in black ink, appearing to read 'Paul Bull', is written over the printed name and title.

Paul Bull
Partner

Sydney, 31 August 2012