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 2011

DIRECTORS' REPORT

Your directors present this report on the entity for the financial year ended 30 June 2011.

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 OAM
Peter Campbell Church OAM
Stephen Robert Garton (until 17 August 2010)
Donald Gordon Green
Michael John Hawker AM (appointed 28 February 2011)
Jason Yat-sen Li
Stephen William MacMahon
Robyn Ngaire Norton
John Samuel Yu AC (until 31 December 2010)

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:

Aina Kristina Elisabet McDaid BSc (Econ) appointed Company Secretary on 4 April 2011.

Short and Long-Term Objectives

The George Institute is an independent not-for-profit entity with short and long-term objectives 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 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 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

The strengthening of our research in Australia to have a focus on health care delivery systems.
The strengthening of academic 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.
The publication of scientific papers in prestige peer-reviewed journals.

Performance measurement

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 profits, cash, net current assets and total net assets (equity)

Operating Results

The profit of the entity amounted to $1,444,885 (**2010:** Profit $221,674).

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 consolidation with little revenue growth and careful management of expenses. The net result was a surplus of $1,444,885 which has strengthened the capital base of the Institute and its financial sustainability.

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.

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, Company Director Current member of NSW Library Council Former member of many Government & Non-Government Boards including Symphony Australia and Heritage Council Executive Director, National Trust of Australia (NSW) (1994-2005) Deputy Director, Evatt Foundation (1990-93) Senior Manager, Australian Broadcasting Corporation (1987-90)

DIRECTORS' REPORT

Joanna Susan Capon OAM	Director
Qualifications	MA (Syd)
Experience	Art Historian, Industrial Archaeologist, Curator and Writer Member, Australia-China Council (until January 2011) Member, Advisory Council of the Children's Hospital at Westmead (until September 2010) Member, Advisory Council of the Sydney Children's Hospital Network (Randwick and Westmead) Member, the Children's Hospital at Westmead's Health Care Quality Committee (until October 2010) Member, Health Care Quality Committee of the Sydney Children's Hospital Network
Peter Campbell Church OAM	Director
Qualifications	BCom, LLB, LLM
Experience	Group Chairman, AFG Venture Group Special Counsel, Stephenson Harwood, South East Asia and India Chairman, Bangkok International Associates Limited Chairman, Indochina Starfish Foundation Australia Honorary Asian Regional Adviser, International Award for Young People/Duke of Edinburgh Award Advisory Board, Aksara Foundation, Indonesia
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
Michael John Hawker AM	Chairman (appointed 28 February 2011)
Qualifications	BSc (Syd), FAICD, FAIM, SF Fin
Experience	Non Executive Director, Aviva PLC (UK), Macquarie Group, Macquarie Bank, Australian Rugby Union Member (Previous Chairman), Board of Trustees, the Giant Steps Foundation Member, Advisory Council, General Enterprise Management Services International (HK) CEO and Managing Director, Insurance Australia Group (2001-2008) Founder, Australian Business and Community Network (ABCN) Former President, Insurance Council of Australia; former Chairman, Australian Financial Markets Association; former board member, Geneva Association; former member, Financial Sector Advisory Council

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 Solicitor, Corrs Chambers Westgarth Lawyer, UN International Criminal Tribunal for the former Yugoslavia Vice Chairman, China Australia Chamber of Commerce 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 Global Health Director, The George Institute for Global Health (UK) Director, The George Centre for Healthcare Innovation, University of Oxford Professor of Cardiovascular Medicine, University of Sydney Honorary Consultant Epidemiologist, Royal Prince Alfred Hospital Honorary Professor, Health Science Center, Peking University
Robyn Ngaire Norton	Director
Qualifications	BA, MA (Canterbury), MPH, PhD (Syd)
Experience	Principal Director, The George Institute for Global Health Director, The George Institute for Global Health (UK) Director, The George Centre for Healthcare Innovation, University of Oxford Professor of Public Health & Associate Dean (Global Health), University of Sydney Honorary Consultant Epidemiologist, Royal Prince Alfred Hospital Honorary Professor, Health Science Center, Peking University
John Samuel Yu AC	Chairman (until 31 December 2010)
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, 24 meetings of directors (including committee meetings) were held. Attendances by each director are listed below.

	Board		Remuneration Committee		Fundraising Committee		George Health Enterprises Committee		Finance, Risk and Audit 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
Elsa Atkin	5	2	1	1	7	7	-	-	-	-
Joanna Capon	5	5	1	1	7	5	-	-	-	-
Peter Church	5	5	-	-	-	-	6	6	-	-
Stephen Garton	-	-	-	-	-	-	-	-	-	-
Donald Green	5	5	2	2	-	-	6	5	4	4
Michael Hawker*	1	1	-	-	-	-	-	1	-	-
Jason Yat-sen Li	5	4	-	-	-	-	6	6	-	-
Stephen MacMahon*	5	4	-	-	6	6	6	6	-	1
Robyn Norton*	5	5	-	-	-	-	-	3	4	4
John Yu*	3	3	1	1	-	4	-	-	-	-

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

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 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 2011 the number of members was eight.

Proceedings on Behalf of the Entity

No person has applied 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 2011 has been received and can be found on page 8.

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

Director ______________________________

Michael John Hawker (Director)

Dated this 24th day of August 2011

Director ______________________________

Stephen William MacMahon (Director)

Dated this 24th day of August 2011

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 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: 24/8/11

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 $	2010 $
Operating Revenue	2	45,265,426	45,237,585
Other Income	2	1,713,201	1,545,141
Employee Benefits Expense		(22,000,342)	(19,361,461)
Depreciation and Amortisation Expense	3a	(418,476)	(534,965)
Rental Expense		(2,672,677)	(2,617,076)
Training Expense		(159,441)	(239,159)
Professional Services		(270,130)	(218,481)
Administration Expense		(1,894,101)	(2,304,308)
Study Contract fee		(6,745,750)	(7,398,460)
Patient Recruitment Expense		(1,228,103)	(1,107,735)
Consultants and Sub-contractors fees		(5,457,016)	(6,205,486)
Travel/Accommodation Costs		(2,460,483)	(2,898,778)
Other Expenses		(2,203,498)	(4,130,492)
Profit/(Loss) for the year		**1,468,610**	**(233,676)**
Other comprehensive income			
Unrealised gain/(loss) on revaluation of financial assets		(105,614)	1,046,408
Realised gain /(loss) on disposal of financial assets	3b	81,889	(591,058)
Other comprehensive income for the year, net of tax		**(23,725)**	**455,350**
Total comprehensive income for the year		**1,444,885**	**221,674**

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2011

	Note	Consolidated 2011 $	2010 $
CURRENT ASSETS			
Cash and Cash Equivalents	4	12,631,765	9,743,278
Trade and Other Receivables	5	10,819,228	12,695,079
Other Assets	6	391,164	185,134
Investments	7	6,942,510	6,784,351
TOTAL CURRENT ASSETS		**30,784,667**	**29,407,842**
NON-CURRENT ASSETS			
Property, Plant and Equipment	8	1,252,852	1,750,522
Intangible Assets	9	45,739	54,622
TOTAL NON-CURRENT ASSETS		**1,298,591**	**1,805,144**
TOTAL ASSETS		32,083,258	**31,212,986**
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	10	2,806,589	3,864,164
Deferred Income	10	20,262,649	19,933,206
Provisions	11	2,282,547	1,792,528
TOTAL CURRENT LIABILITIES		**25,351,785**	**25,589,898**
NON-CURRENT LIABILITIES			
Provisions	11	398,896	345,636
TOTAL NON-CURRENT LIABILITIES		**398,896**	**345,636**
TOTAL LIABILITIES		**25,750,681**	**25,935,534**
NET ASSETS		6,332,,577	**5,277,452**
EQUITY			
Foreign Currency Translation reserve		(380,255)	9,505
Retained Earnings		6,712,832	5,267,947
TOTAL EQUITY		6,332,,577	**5,277,452**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

Consolidated

	Retained Earnings	Revaluation Surplus	Foreign Currency Translation Reserve	Total Equity
Balance at 1 July 2009	**5,046,273**	**-**	**-**	**5,046,273**
Profit/(loss) attributable to the entity	(233,676)	-	-	(233,676)
Total other comprehensive income for the year	455,350	-	-	455,350
Movement on Financial Assets Reserve for the year	-	-	9,505	9,505
Balance at 30 June 2010	**5,267,947**	**-**	**9,505**	**5,277,452**
Movement on Financial Assets Reserve for the year	-	-	(389,760)	(389,760)
Profit attributable to the entity	1,468,610	-	-	1,468,610
Total other comprehensive income for the year	(23,725)	-	-	(23,725)
Balance at 30 June 2011	**6,712,832**	**-**	**(370,751)**	**6,332,577**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated	
		2011	2010
CASH FLOW FROM OPERATING ACTIVITIES		$	$
Receipt of grants and contract revenue		51,184,903	40,967,643
Payments to suppliers and employees		(49,515,690)	(45,493,172)
Rental income		953,576	844,850
Dividends received		219,261	308,087
Interest received		176,304	142,278
Net cash generated from/(used in) operating activities	16b	**3,018,354**	**(3,230,314)**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	12,000
Payment for property, plant and equipment		(185,604)	(514,096)
Proceeds from sale of available-for-sale investments		3,685,235	5,638,827
Payment for available-for-sale investments		(3,629,498)	(5,833,409)
Payment for held-to-maturity investments		-	101,599
Net cash used in investing activities		**(129,867)**	**(595,079)**
CASH FLOW FROM FINANCING ACTIVITIES - nil			
Net cash used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents held		2,888,487	(3,825,393)
Cash and cash equivalents at beginning of the financial year		9,743,278	13,568,672
Cash and cash equivalents at the end of the financial year	4	**12,631,765**	**9,743,278**

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 statement 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 Global Health receives non-reciprocal contributions of cash from the government and other parties for zero or a nominal value.

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 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 (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.

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.

(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 current assets.

(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 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and other short-term highly liquid investments with original maturities of three months or less.

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.

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*.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

j. **Intangibles**

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 $6,942,510 at the end of the reporting period.

o. **Economic Dependence**

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

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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	
	2011	**2010**
	$	**$**
Operating Revenue		
Revenue from government grants and other contract revenue		
— state/federal government grants	17,644,592	12,061,696
— other government funding	1,144,492	2,550,159
— other organisations	26,476,342	30,625,730
Total Operating Revenue	45,265,426	45,237,585
Other Income		
— gain on disposal of property, plant and equipment	-	12,000
— realised/unrealised FX gains/(losses)	104,082	-*
— dividends received	219,261	337,048
— interest received	176,304	142,278
— rental income	953,576	844,850
— other	259,978	208,965
Total Other Income	1,713,201	1,545,141
Total Operating Revenue and Other Income	46,978,627	46,782,726

* Realised/unrealised FX loss of $970,699 was included under other expenses in last year's financial report

NOTE 3: PROFIT FOR THE YEAR

	2011	2010
a. **Expenses**	**$**	**$**
Depreciation and Amortisation:		
- Furniture and fittings	254,364	281,491
- Office equipment	164,112	253,474
Total Depreciation and Amortisation	418,476	534,965
Rental Expense on Operating Leases	2,672,677	2,803,837
Auditor Remuneration:		
Audit Services - Wearne & Co (Aust), India/China local firms	-	41,828
Audit Services - K S Black & Co (Aust), India, China and UK local firms	52,803	8,051
	52,803	49,879
Non-Audit Services - K S Black & Co (Aust), India, China and UK local firms	38,753	9,071
Total Auditor Remuneration	91,556	58,950
b. **Other Comprehensive Income**		
Net Gain/(Loss) on Disposal of Current Assets		
Investments:		
Proceeds on Disposal	1,229,498	5,047,769
Disposals at Cost	(1,147,609)	(5,638,827)
Realised Gain/(loss) on Disposal of Investments for the Year	81,889	(591,058)
Property, Plant and Equipment:		
Proceeds on Disposal	-	12,000
Net Book Value on Disposal	-	-
Realised Gain on Disposal of Property, Plant and Equipment for the Year	-	12,000

NOTE 4: CASH AND CASH EQUIVALENTS

	Consolidated	
	2011	2010
	$	$
Cash at bank – Westpac AUD	2,859,987	2,849,621
Cash at bank – Westpac USD	3,280,327	70,046
Cash at bank – Westpac EUR	2,957,794	2,789,938
Cash at bank – Westpac GBP	557,929	517,177
Term Deposit – 180 days	2,311,139	2,761,138
Term Deposit – Forward exchange security (2)	550,000	350,000
Cash at bank – Westpac various	0	8,782
Cash at bank - RMB	78,747	175,311
Cash at bank - INR	33,842	218,463
Cash on hand	2,000	2,800
	12,631,765	9,743,278

NOTE 5: TRADE AND OTHER RECEIVABLES

	Consolidated	
	2011	2010
	$	$
CURRENT		
Trade receivables	9,575,530	10,518,299
Provision for impairment	-	-
	9,575,530	10,518,299
Other receivables	1,243,698	2,176,780
Total current trade and other receivables	10,819,228	12,695,079

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

Credit Risk — Trade and Other Receivables

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

The following table details the group 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 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 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	
	$	$	$	$	$	$	$
2011							
Trade and term 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
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

The group entities do 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 6: OTHER ASSETS

	Consolidated 2011 $	Consolidated 2010 $
CURRENT		
Prepayments	375,085	179,173
Deposits and Bonds	16,078	5,961
	391,164	185,134

NOTE 7: INVESTMENTS

	Note	Consolidated 2011 $	Consolidated 2010 $
Financial assets at fair value through profit or loss	7a	6,942,510	4,384,351
Bank bill – 30 day		-	2,400,000
		6,942,510	6,784,351

7a. **Financial assets at fair value through profit or loss**

Available-for-sale Australian listed shares	6,942,510	4,384,351

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

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2011	2010
	$	$
FURNITURE AND EQUIPMENT		
Furniture and equipment		
At cost	4,307,214	4,432,880
Less accumulated depreciation	(3,054,362)	(2,682,358)
Total Furniture and Equipment	1,252,852	1,750,522

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	
	Furniture and Equipment	Total
	$	$
2010		
Balance at the beginning of the year	1,862,120	1,862,120
Additions at cost	514,096	514,096
Additions at fair value	-	-
Disposals and write offs	(93,256)	(93,256)
Translation (decrement)/increment	-	-
Depreciation expense	(532,438)	(532,438)
Carrying amount at end of year	1,750,522	1,750,522
2011		
Balance at the beginning of the year	1,750,522	1,750,522
Additions at cost	185,604	185,604
Additions at fair value	-	-
Disposals and write offs	(200,245)	(200,245)
Translation (decrement)/increment	(73,435)	(73,435)
Depreciation expense	(409,594)	(409,594)
Carrying amount at end of year	1,252,852	1,252,852

NOTE 9: INTANGIBLE ASSETS

	Consolidated	
	2011	**2010**
	$	**$**
Patents — at cost	70,999	70,999
Accumulated amortisation	(25,260)	(16,377)
Net carrying value	45,739	54,622
Movement Note		
Opening net carrying value	54,622	57,148
Amortisation	(8,883)	(2,527)
Net carrying value	45,739	54,622

NOTE 10: TRADE AND OTHER PAYABLES

	Consolidated	
	2011	**2010**
CURRENT	**$**	**$**
Trade payables	929,410	1,601,947
Other current payables	1,877,179	2,262,217
	2,806,589	3,864,164
Deferred income*	20,262,649	19,933,206
Provisions	2,282,547	1,792,528
	25,351,785	25,589,898

*Future obligations on contracts including any profit element

Financial liabilities at amortised cost classified as Trade and other payables

	2011	2010
Trade and other payables		
— Total current	25,351,785	25,589,898
— Total non-current	398,896	345,636
	25,750,681	25,935,534
Less Deferred income	20,262,649	19,933,206
Less Provisions	2,681,443	2,138,164
Total Financial liabilities classified as Trade and other payables	2,806,589	3,864,164

NOTE 11: PROVISIONS

	Consolidated	
	2011	2010
	$	$
Employee Entitlements		
Opening balance at 1 July 2010	2,138,164	1,878,993
Additional provisions raised during the year	2,182,998	1,728,488
Amounts used	(1,639,719)	(1,469,317)
Balance at 30 June 2011	2,681,443	2,138,164

	2011	2010
	$	$
Analysis of Total Provisions		
Current	2,282,547	1,792,528
Non-Current	398,896	345,636
	2,681,443	2,138,164

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 12: CAPITAL AND LEASING COMMITMENTS

	2011	2010
	$	**$**
Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- Less than one year	35,700	35,198
- Between one and five years	178,500	198,237
- More than 5 years	-	-
	214,200	233,435
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.		
Payable - minimum lease payments		
- Less than one year	2,606,314	2,619,866
- Between one and five years	6,768,744	9,468,904
- More than 5 years	-	-
	9,375,058	12,088,770

NOTE 13: CONTINGENT LIABILITIES

A claim for $429,460 has been made which has been assessed as being without foundation. Accordingly no provision has been made in the entity's financial report for the year ended 30 June 2011.

NOTE 14: KEY MANAGEMENT PERSONNEL COMPENSATION

	Short-term Benefits	Post employment Benefits	Other Long-term Benefits	Total
	$	**$**	**$**	**$**
2011				
Total compensation	638,224	20,280	-	658,504
2010				
Total compensation	475,332	20,658	-	495,989

NOTE 15: RELATED PARTY DISCLOSURES

	2011	2010
	$	$
a. Key management personnel: Executive directors	-	-
b. **Loans to Subsidiaries#**		
The George Foundation for Global Health	41,486	49,786
The George Clinical Pty Ltd	8,443,875	3,221,793
The George Partners (UK) Ltd	546,746	-
c. **Loans From Subsidiaries#**		
Beijing George Medical Research Co. Ltd	(1,045,005)	(1,660,081)
George Institute for Global Health - India	(286,134)	(124,983)
Academic Alliance for Clinical Trials LLP	(814,333)	-
	6,886,635	**1,486,515**

eliminated on consolidation

NOTE 16: CASH FLOW INFORMATION

	Consolidated	
	2011	2010
	$	$
a. Reconciliation of cash and cash equivalents		
Cash at bank	12,629,765	9,735,541
Cash on hand	2,000	7,737
	12,631,765	**9,743,278**
b. Reconciliation of Cash flow from Operations with Profit after Income Tax		
Profit after income tax	1,444,880	221,674
Non cash flows:		
Depreciation and amortisation	418,476	534,965
Unrealised loss/(gain) on fair value through profit and loss financial assets	105,614	(1,046,408)
Profit on sale of property, plant and equipment	-	(12,000)
Dividends/distributions reinvested	(37,935)	(28,961)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	1,875,851	(5,819,942)
Increase/(decrease) in trade and other payables	(1,057,575)	1,510,065
(Increase)/Decrease in other assets	(603,680)	(681,138)
Increase/(Decrease) in deferred income	329,443	469,984
Increase/(Decrease) in provisions	543,279	259,171
Net cash generated from operating activities	**3,018,353**	**(3,230,314)**

NOTE 17: PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2011 the parent entity of the Group was The George Institute For Global Health.

	2011 $	2010 $
Results of parent entity		
Profit/(Loss) for the period	1,832,293	(511,768)
Other comprehensive income	(23,725)	455,350
Total comprehensive income for the period	**1,808,568**	**(56,418)**
Financial position of parent entity at year end		
Current assets	20,314,343	28,700,657
Total assets	32,051,851	31,776,774
Current liabilities	23,841,817	25,428,568
Less: Deferred income	(20,262,649)	(19,933,206)
	3,579,165	5,495,362
Total liabilities	24,240,713	25,774,204
Total equity of the parent entity comprising of:		
Retained Earnings	7,811,138	6,002,570
Total equity	**7,801,138**	**6,002,570**

Changes in Equity

	Retained Earnings $	Revaluation Surplus $	Foreign Currency Translation Reserve $	Total Equity $
Balance at 1 July 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**
Profit/(loss) attributable to the entity	1,832,293	-	-	1,832,293
Total other comprehensive income for the year	(23,725)	-	-	(23,725)
Balance at 30 June 2011	**7,811,138**	**-**	**-**	**7,811,138**

NOTE 18: CONTROLLED ENTITIES

George Clinical Pty Ltd
Country of Incorporation: Australia
Percentage owned: 100%
Cost of Investment: $748,531
Contribution to group profit $nil

The George Foundation for Global Health Ltd
Country Incorporation: Australia
Controlled Company Limited by Guarantee
Cost of Investment: $nil
Contribution to group profit $2,913

The George Institute for Global Health (UK) Ltd
Country of Incorporation: UK
Controlled Company
Cost of Investment: $nil
Contribution to group profit $nil

The George Partners (UK) Ltd
Country of Incorporation: UK
Controlled Company
Cost of Investment: $nil
Contribution to group profit ($569,536) loss

Academic Alliance for Clinical Trials LLP
Country of Incorporation: USA
Percentage owned: 100%
Cost of Investment: $nil
Contribution to group profit $10,910

The George Institute – India
Country Incorporation: India
Percentage owned: 100%
Cost of Investment: $763,078
Contribution to group profit $110,068
The financial year end for The George Institute India is 31-03-2011

Beijing George Medical Research Co. Ltd
Country Incorporation: China
Percentage owned: 100%
Cost of Investment: $181,138
Contribution to group profit $81,962
The financial year end for The George Institute China is 31-12-2010

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

DIRECTORS' DECLARATION

The directors of the entity declare that:

1. The financial statements and notes, as set out on pages 9 to 30, 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 2011 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.

Michael John Hawker (Director)

Dated this 24th day of AUGUST 2011

Stephen William MacMahon (Director)

Dated this 24th day of AUGUST 2011

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

We have audited the accompanying consolidated and company financial statements of The George Institute of Global Health (the entity), which comprises the statement of financial position as at 30 June 2011 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 2011, 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 Global Health as of 30 June 2011, and their financial performance for the year then ended in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including Australian Accounting Interpretations).

K.S. Black & Co
Chartered Accountants

Stuart H. Cameron

Stuart Cameron
Partner

Date: 24/8/11