

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

**FINANCIAL REPORT**  
FOR THE YEAR ENDED 30 JUNE 2009

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

**CONTENTS**

|                                    | <b>Page No.</b> |
|------------------------------------|-----------------|
| Director's Report                  | 2               |
| Auditor's Independence Declaration | 4               |
| Income Statement                   | 5               |
| Balance Sheet                      | 6               |
| Statement of Changes in Equity     | 7               |
| Cash Flow Statement                | 8               |
| Notes to the Financial Statements  | 9               |
| Director's Declaration             | 17              |
| Independent Audit Report           | 18              |
| Detailed Profit and Loss Statement | 20              |

# THE GEORGE INSTITUTE FOR INTERNATIONAL HEALTH AND CONTROLLED ENTITIES

## DIRECTORS' REPORT

Your directors present their report on the group for the financial year ended 30 June 2009

The names of the directors in office at anytime during or since the end of the year are:

Elsa Atkin  
Joanna Capon  
Peter Campbell Church  
Andrew Justin Coats (Resigned 3 May 2009)  
Donald Gordon Green  
Jason Yat-sen Li  
Stephen William MacMahon  
Robyn Ngaire Norton  
John Yu  
Ross Bidencope (Resigned 25 September 2008)

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

The net loss of the group for the financial year after providing for income tax amounted to \$1,655,850.

A review of the operations of the group during the financial year and the results of those operations are as follows.

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

The principal activity of the group during the financial year was to undertake:

Clinical and Epidemiological Research

No significant change in the nature of these activities occurred during the financial year.

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

Likely developments in the operations of the group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the group.

No dividends were paid during the year and no recommendation is made as to dividends.

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

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

### **Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is attached to this financial report.

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

**DIRECTORS' REPORT**

**Information on Directors**

|   |                     |
|---|---------------------|
| Elsa Atkin<br>Director/ Consultant  | Director 2 years    |
| Joanna Capon<br>Art Historian   | Director 2.5 years  |
| Peter Campbell Church<br>Solicitor  | Director 5 years    |
| Donald Gordon Green<br>Chartered Accountant                                     | Director 5.8 years  |
| Jason Yat-sen Li<br>Lawyer  | Director 2 years    |
| Stephen William MacMahon<br>Professor of Cardiovascular Medicine & Epidemiology | Director 10.5 years |
| Robyn Ngaire Norton<br>Professor of Public Health                               | Director 10.5 years |
| John Yu<br>Chairman & Doctor  | Director 3 years    |

During the year and since the last Annual General Meeting there have been 4 ordinary board of directors meetings.

The attendance at these meetings were as follows:


|                          | Attended | Apologies |
|--------------------------|----------|-----------|
| Elsa Atkin               | 4        | 0         |
| Joanna Capon             | 4        | 0         |
| Peter Campbell Church    | 1        | 3         |
| Andrew Justin Coats      | 1        | 3         |
| Donald Gordon Green      | 4        | 0         |
| Jason Yat-sen Li         | 3        | 1         |
| Stephen William MacMahon | 3        | 1         |
| Robyn Ngaire Norton      | 3        | 1         |
| John Yu                  | 4        | 0         |

Number of employees at year end:

|      |      |
|------|------|
| 2009 | 2008 |
| 261  | 270  |

Signed in accordance with a resolution of the board of directors:

Director   
Stephen William MacMahon

Director   
Donald Gordon Green

Dated: 30<sup>th</sup> October 2009

**AUDITOR'S INDEPENDENCE DECLARATION UNDER  
SECTION 307C OF THE CORPORATIONS ACT 2001**

**TO THE DIRECTOR'S OF  
THE GEORGE INSTITUTE FOR INTERNATIONAL HEALTH AND  
CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 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.



---

Peter Douglas Woodhead  
Wearne & Co Audit Pty Limited

Date 3-11-09.

THE GEORGE INSTITUTE FOR INTERNATIONAL HEALTH AND  
CONTROLLED ENTITIES

INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2009

|  | Note | 2009<br>\$                |
|--|------|---------------------------|
| Revenue  | 2    | 41,507,258                |
| Other income   | 2    | 12,318                    |
| Employee benefits expense                                  | 3    | (19,126,399)              |
| Depreciation and amortisation expenses                     |      | (552,065)                 |
| Other expenses   |      | <u>(23,496,952)</u>       |
| <b>Profit (loss) before income tax expense</b>             | 4    | (1,655,840)               |
| Income tax expense   |      | <u>-</u>                  |
| <b>Profit (loss) attributable to member of the company</b> |      | <u><u>(1,655,840)</u></u> |

The accompanying notes form part of these financial statements.

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

**BALANCE SHEET**

**AS AT 30 JUNE 2009**

|                                  | Note | 2009<br>\$               |
|----------------------------------|------|--------------------------|
| <b>ASSETS</b>                    |      |                          |
| <b>CURRENT ASSETS</b>            |      |                          |
| Cash and cash equivalents        | 5    | 13,568,672               |
| Trade and other receivables      | 6    | 6,875,138                |
| Other current assets             | 7    | 275,216                  |
| <b>TOTAL CURRENT ASSETS</b>      |      | <u>20,719,026</u>        |
| <b>NON-CURRENT ASSETS</b>        |      |                          |
| Property, plant and equipment    | 8    | 1,862,120                |
| Investment property              | 9    | 6,207,057                |
| Intangibles                      | 10   | 57,148                   |
| <b>TOTAL NON-CURRENT ASSETS</b>  |      | <u>8,126,325</u>         |
| <b>TOTAL ASSETS</b>              |      | <u><u>28,845,351</u></u> |
| <b>LIABILITIES</b>               |      |                          |
| <b>CURRENT LIABILITIES</b>       |      |                          |
| Trade and other payables         | 11   | 2,402,413                |
| Short-term provisions            | 12   | 21,342,215               |
| Other                            | 13   | 54,450                   |
| <b>TOTAL CURRENT LIABILITIES</b> |      | <u>23,799,078</u>        |
| <b>TOTAL LIABILITIES</b>         |      | <u>23,799,078</u>        |
| <b>NET ASSETS</b>                |      | <u><u>5,046,273</u></u>  |
| <b>EQUITY</b>                    |      |                          |
| Retained profits                 |      | <u>5,046,273</u>         |
| <b>TOTAL EQUITY</b>              |      | <u><u>5,046,273</u></u>  |

The accompanying notes form part of these financial statements.

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

**STATEMENT OF CHANGES IN EQUITY**

**AS AT 30 JUNE 2009**

Balance at 1 July 2008  
 Profit (loss) attributable to equity  
 shareholders  
 Balance at 30 June 2009

|  | Retained<br>Earnings | Total              |
|--|----------------------|--------------------|
|  | \$                   | \$                 |
|  | 6,702,123            | 6,702,123          |
|  | <u>(1,655,850)</u>   | <u>(1,655,850)</u> |
|  | <u>5,046,273</u>     | <u>5,046,273</u>   |

The accompanying notes form part of these financial statements.



THE GEORGE INSTITUTE FOR INTERNATIONAL HEALTH AND  
CONTROLLED ENTITIES

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

|  | Note | 2009                     |
|--|------|--------------------------|
|  |      | \$                       |
| Cash flows from operating activities           |      | 4,489,318                |
|  |      | -                        |
| Net cash provided by operating activities      |      | <u>4,489,318</u>         |
| Cash flows from investing activities           |      |                          |
| Purchases of investments                       |      | (6,896,647)              |
| Sales of investments                           |      | 7,579,329                |
| Cash management                                |      | (51,151)                 |
| Proceeds of sale of property plant & equipment |      | (896,132)                |
| Purchases of property plant & equipment        |      | 12,318                   |
| Net cash provided by investing activities      |      | <u>(252,283)</u>         |
| Net increase in cash held                      |      | 4,237,035                |
| Cash at beginning of financial year            |      | <u>9,331,637</u>         |
| Cash at end of financial year                  |      | <u><u>13,568,672</u></u> |

The accompanying notes form part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

This financial report is a special purpose financial report prepared to satisfy the financial report preparation requirements of the Corporations Act 2001. The directors have determined that the company is not a reporting entity.

The George Institute For International Health and controlled entities are group of companies limited by guarantee, incorporated and domiciled in Australia.

**Basis of Preparation**

The report has been prepared in accordance with the requirements of the Corporations Act 2001 and the following applicable Accounting Standards and Australian Accounting Interpretations:

AASB 101: Presentation of Financial Statements

AASB 107: Cash Flow Statement

AASB 110: Events After the Balance Sheet Date

AASB 1031: Materiality

No other Australian Accounting Standards, Australian Accounting Interpretations or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

**Reporting Basis and Conventions**

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

**(a) Property, Plant and Equipment**

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

**(b) Plant and Equipment**

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**(Continued)**

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

**(c) Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's 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 income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

**(d) Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. 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, plus related on-costs. 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.

**(e) Cash and Cash Equivalents**

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

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax 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 the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009  
(Continued)**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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 a service to the customers.

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

**(f) 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 Tax 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 the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

**(g) Comparative Figures**

No comparative figures have been provided as this is the first year of consolidation.

**(h) Income Tax**

The Parent entity is exempt from income tax in accordance with Section 50-5 of the Income Tax Assessment Act.

**(i) 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 2009 the number of members was 6

**(j) Future Project Revenue**

The George Institute for International Health receives funding based on its contributions to the University of Sydney in terms of teaching and research. Revenue has been recognised in these accounts to the extent of the contributions made and known by the university for the period ending 31 December 2008.

The Institute has an expectation that such contributions will continue, however this is not certain, nor is any amount of any contribution certain.

The Institute has therefore recognised any revenue in respect of any contribution for the calendar year 2008 which may be attributable to the six months of operation up to June 2009.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009  
(Continued)**

**(k) Critical accounting estimates and adjustments**

The directors evaluate estimates and judgements incorporated into the financial report 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.

**(l) Long Term Projects**

Long term projects that span more than one accounting period are valued at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific projects, and those costs that are attributable to the project activity in general and that can be allocated on a reasonable basis.

Long term project profits are recognised on the stage of completion basis and measured on the basis of percentage complete of the project. Where losses are anticipated they are provided for in full.

Long term projects have been recognised on the basis of the terms of the contract adjusted for any variations under contract.

Trade debtors represent the project receipts not as yet collected, and future project liabilities represent project costs not as yet invoiced, adjusted for profit recognised to date.

**(m) Principles of Consolidation**

A controlled entity is any entity over which The George Institute for International Health has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 14 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporate into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered or (left) the consolidated group during the year, their operating results have been included or (excluded) from the date control was obtained or (ceased).

**(n) Business Combinations**

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009  
(Continued)**

|           |   |                   |
|-----------|---|-------------------|
| <b>2.</b> | <b>REVENUE</b>                                      |                   |
|           | Rendering of services                               | 39,800,271        |
|           | Dividends received                                  | 376,019           |
|           | Interest received                                   | 251,071           |
|           | Miscellaneous Income                                | 1,079,897         |
|           | Total Revenue                                       | <u>41,507,258</u> |
|           | Other Income  |                   |
|           | Gain (loss) on disposal of property, plant and      | 12,318            |
|           | Total Other Income                                  | <u>12,318</u>     |
|           | (a) Dividends received from:                        |                   |
|           | Other related corporations                          | 376,019           |
|           | (b) Interest received from:                         |                   |
|           | Other related corporations                          | 251,071           |
| <b>3.</b> | <b>EMPLOYEE BENEFITS EXPENSE</b>                    |                   |
|           | Employees entitlement                               | 2,443,292         |
|           | Wages and salaries                                  | 16,683,107        |
|           |   | <u>19,126,399</u> |
| <b>4.</b> | <b>PROFIT BEFORE INCOME TAX</b>                     |                   |
|           | (a) Expenses:                                       |                   |
|           | Audit remuneration of the group                     | 43,549            |
|           | Provision for employee entitlements                 | 2,443,292         |
|           | Depreciation  | 549,065           |
|           | Amortisation  | 3,000             |
|           | (b) Revenue and net gains:                          |                   |
|           | Net gain on disposal of non-current assets:         | 12,318            |
|           | Property, plant and equipment                       |                   |
|           | (c) Significant revenue and expenses:               |                   |
|           | The following significant revenue and expense items |                   |
|           | Gain (loss) on Investments                          | (1,499,970)       |

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009  
(Continued)**

|   | Note | 2009               |
|---|------|--------------------|
| <b>5. CASH AND CASH EQUIVALENTS</b>   |      |                    |
| Cash on hand  |      | 3,920              |
| Cash at bank  |      | 10,433,752         |
| Term Deposit  |      | 3,131,000          |
|   |      | <u>13,568,672</u>  |
| (a) The bank has security over the term deposit of \$3.131m, relating to the George St lease, and for some Forward Exchange Contract (USD). |      |                    |
| <b>6. TRADE AND OTHER RECEIVABLES</b>   |      |                    |
| <b>CURRENT</b>  |      |                    |
| Trade debtors (Less provision for doubtful debts-\$Nil)   |      | 5,406,050          |
| Sundry Debtors  |      | 3,509              |
| Other debtors   |      | 1,429,008          |
| Deposit bonds   |      | 36,571             |
|   |      | <u>6,875,138</u>   |
| <b>7. OTHER ASSETS</b>  |      |                    |
| <b>CURRENT</b>  |      |                    |
| Prepayments   |      | <u>275,216</u>     |
| <b>8. PROPERTY, PLANT AND EQUIPMENT</b>   |      |                    |
| Motor vehicles- at cost   |      | 40,744             |
| Less accumulated depreciation   |      | <u>(40,744)</u>    |
|   |      | 0                  |
| Office equipment- at cost   |      | 2,198,422          |
| Less accumulated depreciation   |      | <u>(1,461,172)</u> |
|   |      | 737,250            |
| Furniture and fittings- at cost   |      | 1,726,566          |
| Less accumulated depreciation   |      | <u>(601,696)</u>   |
|   |      | 1,124,870          |
| <b>Total plant and equipment</b>  |      | <u>1,862,120</u>   |
| <b>9. OTHER FINANCIAL ASSETS</b>  |      |                    |
| Managed Investments at market value   |      |                    |
| Bell Potter   |      | 4,508,445          |
| Caledonia   |      | 1,698,612          |
|   |      | <u>6,207,057</u>   |

THE GEORGE INSTITUTE FOR INTERNATIONAL HEALTH AND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009  
(Continued)

10. INTANGIBLE ASSETS

|                                  |               |
|----------------------------------|---------------|
| Patents and trademarks - at cost | 70,998        |
| Less accumulated amortisation    | (13,850)      |
|                                  | <u>57,148</u> |

11. TRADE AND OTHER PAYABLES

CURRENT

|                 |                  |
|-----------------|------------------|
| Trade creditors | 890,254          |
| Other Creditors | 1,512,159        |
|                 | <u>2,402,413</u> |

12. PROVISIONS

|                                     |                   |
|-------------------------------------|-------------------|
| Unearned revenue                    | 19,463,222        |
| Provision for employee entitlements | 1,878,993         |
|                                     | <u>21,342,215</u> |

Analysis of Total Provisions

|         |                   |
|---------|-------------------|
| Current | <u>21,342,215</u> |
|---------|-------------------|

13. OTHER LIABILITIES

CURRENT

|                         |               |
|-------------------------|---------------|
| Funds held for donation | <u>54,450</u> |
|-------------------------|---------------|



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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**(Continued)**

**14. CONTROLLED ENTITIES**

**SUBSIDIARIES**

**George Clinical Pty Ltd**

Country Incorporation: Australia

Percentage owned: 100%

Cost of Investment: \$748,531

Contribution to group profit: (\$299,327) loss

**BUSINESS COMBINATION**

**The George Foundation for International Health Limited**

Country of Incorporation: Australia

Percentage Controlled: 100%

Cost of investment: \$nil

Contribution to group profit: (\$35,096) loss

**The George Institute India**

Country of Incorporation: India

Percentage Controlled: 100%

Cost of Investment: \$494,181

Contribution to group profit: \$3,492

**The George Institute China**

Country of Incorporation: China

Percentage Controlled: 100%

Cost of Investment: \$181,138

Contribution to group profit: \$258,879

The financial year end for The George Institute -  
India is 31-03-2009

The financial year end for The George Institute -  
China is 31-12-2008.

The audit of The George Institute - India & China is  
not conducted by Wearne & Co Audit Pty Limited.

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

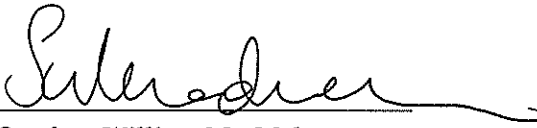
**DIRECTOR'S DECLARATION**


The directors declare that the company & controlled entities is not a reporting entity. The directors have determined that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

- 1 the financial statements and notes, as set out on pages 5 to 16 are in accordance with the Corporations Act 2001:
  - (a) comply with accounting standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the company & controlled entities financial position as at 30 June 2009 and of it's performance for the year ended on that date with the accounting policies described in Note 1 to the financial statements;
  
- 2 in the directors' opinion there are reasonable grounds to believe that the company & controlled entities 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.

Director   
Stephen William MacMahon

Director   
Donald Gordon Green

Dated:

**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF  
THE GEORGE INSTITUTE FOR INTERNATIONAL HEALTH AND  
CONTROLLED ENTITIES**

We have audited the accompanying financial report, being a special purpose financial report, of The George Institute For International Health And Controlled Entities (the company) as set out in note 14, which comprises the balance sheet as at 30 June 2009 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the director's declaration.

We are not the auditors of the George Institute China or the George Institute India. An unqualified audit report has been issued by the auditors of these entities.

*Director's Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the Corporations Act 2001 and are appropriate to meet the needs of the members. The director's responsibility also includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the member. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

The financial report has been prepared for distribution to the member for the purpose of fulfilling the director's financial reporting under the Corporations Act 2001. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF  
THE GEORGE INSTITUTE FOR INTERNATIONAL HEALTH AND  
CONTROLLED ENTITIES**

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

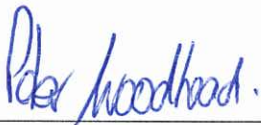
*Independence*

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 And Controlled Entities previously, 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 financial report of The George Institute For International Health And Controlled Entities is in accordance with the Corporations Act 2001 including:

- a. giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and
- b. complying with Australian Accounting Standards to the extent described in Note 1 and the Corporations Regulations 2001.



---

Peter Douglas Woodhead  
Wearne & Co Audit Pty Limited

Dated: 3-11-09.

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

**PROFIT AND LOSS STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2009**

|                                      | 2009<br>\$ |
|--------------------------------------|------------|
| <b>INCOME</b>                        |            |
| Grant and project income             | 39,800,271 |
| Profit on sale of non-current assets | 12,318     |
| Dividends received                   | 376,019    |
| Interest Received                    | 251,071    |
| Miscellaneous income                 | 1,079,897  |
|                                      | 41,519,576 |
| <br><b>LESS EXPENDITURE</b>          |            |
| Accountancy fees                     | 5,540      |
| Administration recharge              | 594,814    |
| Advertising                          | 58,298     |
| Amortisation                         | 3,000      |
| Accommodation                        | 589,493    |
| Audit Fees                           | 43,549     |
| Annual report                        | 45,312     |
| Bank charges                         | 122,042    |
| Brand development & media            | 73,169     |
| Courier                              | 326,327    |
| Consultancy fees                     | 3,794,135  |
| Conference & seminars                | 172,076    |
| Depreciation                         | 549,065    |
| Donations                            | 119,811    |
| Employees entitlement                | 2,443,292  |
| Entertainment expenses               | 248,790    |
| Filing fees                          | 695        |
| Foreign exchange loss                | 13,202     |
| Internet costs                       | 96,215     |
| Insurance                            | 460,267    |
| Immigration costs                    | 45,709     |
| Leasing charges                      | 70,362     |
| Legal costs                          | 99,694     |
| Learning & development               | 29,600     |
| Loss on Investments                  | 1,499,970  |
| Management fees                      | 23,327     |
| Motor vehicle expenses               | 21,180     |

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

**PROFIT AND LOSS STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2009**

|  | 2009<br>\$         |
|--|--------------------|
| Make good provision  | 82,354             |
| Meeting costs  | 172,047            |
| Payroll charges  | 111,437            |
| Printing and stationery                                      | 374,478            |
| Relocation costs   | 41,127             |
| Brokerage  | 100,795            |
| Rent   | 2,801,426          |
| Repairs and maintenance                                      | 87,912             |
| Software   | 330,211            |
| Staff training and welfare                                   | 89,950             |
| Staff recruitment  | 305,756            |
| Storage  | 74,890             |
| Subscriptions  | 100,209            |
| Sundry expenses  | 348,281            |
| Temp staff   | 258,670            |
| Telephone  | 354,736            |
| Project costs  | 6,251,940          |
| Translation  | 65,526             |
| Travelling expenses  | 2,689,856          |
| Wages  | 16,683,106         |
| UK based staff   | 275,721            |
| Website development  | 26,064             |
|  | 43,175,426         |
| <b>NET OPERATING PROFIT (LOSS)</b>                           | <b>(1,655,850)</b> |
| Retained profits at the beginning of the financial year      | 6,702,123          |
| <b>TOTAL AVAILABLE FOR APPROPRIATION</b>                     | <b>5,046,273</b>   |
| <b>RETAINED PROFITS AT THE END OF THE<br/>FINANCIAL YEAR</b> | <b>5,046,273</b>   |