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**THE QUEEN ELIZABETH HOSPITAL RESEARCH
FOUNDATION INCORPORATED AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THE QUEEN ELIZABETH HOSPITAL RESEARCH FOUNDATION
INCORPORATED AND CONTROLLED ENTITIES**

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying summarised financial report of The Queen Elizabeth Hospital Research Foundation Inc and Controlled Entities ("the consolidated entity"), comprising the summary statement of financial position as at 30 June 2010, the summary statement of comprehensive income, summary statement of changes in equity and summary statement of cash flows for the year then ended, and related notes, which was derived from the financial report of the consolidated entity for the year ended 30 June 2010. We expressed an unmodified auditor's opinion on that financial report in our auditor's report dated 24 November 2010.

The Responsibility of the Committee Members for the Summarised Financial Report

The Committee Members are responsible for the preparation and presentation of the summarised financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Associations Incorporations Act 1985. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report, ensuring that it 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 summarised financial report based on our procedures, which were conducted in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements.

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional ethical pronouncements.

Auditor's Opinion

In our opinion, the information reported in the summarised financial report is consistent, in all material respects, with the financial report from which it was derived. For a better understanding of the scope of our audit, the auditor's report should be read in conjunction with the unabridged financial report and with our audit report on the financial report. Refer to Note 1 of the summarised financial report.

Edwards Marshall
Chartered Accountants

Noel Clifford
Partner

Adelaide
South Australia

24 November 2010

THE QUEEN ELIZABETH HOSPITAL RESEARCH FOUNDATION INC AND CONTROLLED ENTITIES
SUMMARISED FINANCIAL INFORMATION PREPARED FROM THE AUDITED CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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**THE QUEEN ELIZABETH HOSPITAL RESEARCH FOUNDATION INC AND CONTROLLED ENTITIES
SUMMARISED FINANCIAL INFORMATION PREPARED FROM THE AUDITED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

REPORT OF THE COMMITTEE MEMBERS

Your Committee members submit the financial statements of The Queen Elizabeth Hospital Research Foundation Inc and controlled entities for the financial year ended 30 June 2010.

Committee Members

The names of the committee members throughout the financial year and at the date of the report are:

Lee Jameson	Melinda O'Leary (Appointed 24 June 2009)
John MacPhail	Harold Anderson (Resigned 28 October 2009)
Ken Milne	Caroline Eastwood (Resigned 30 September 2009)
Prof John Beltrame	Peter Wylie (Resigned 20 January 2010)
Prof Richard Ruffin	John Michell (resigned 26 August 2009)
John Hender	Ray McGrath (Resigned 28 October 2009)
Luciana Larkin (Appointed 20 January 2010)	

Principal Activities

The principal activity of the Association during the year was to raise funds to support the continued research principally at The Queen Elizabeth Hospital and the Basil Hetzel Institute for Medical Research, in the development of cures and treatment of health diseases.

Significant Changes

There were no significant changes in the state of affairs of the Association which occurred during the financial year.

Operating Results

The net profit/(loss) from ordinary activities after income tax and payments for research, hospital support and patient care activities of \$2,834,833 (2009 \$1,948,564) was a profit of \$4,456,070 (2009 - loss of \$28,214). To allow for forward commitments to research, hospital support and patient care activities, the Association has transferred \$4,400,000 to a research reserve. When the direct funding amount of \$2,834,833 provided to research, hospital support and patient care activities is added to the \$4,400,000 appropriated to a specific forward commitment research reserve in the 2010 financial year, the total of \$7,234,833 represents 83.95% of the Association's Gross Profit that has been spent on research, hospital support and patient care activities and or allocated to the research reserve in 2010.

After Balance Date Events

No matter or circumstance has arisen since 30 June 2010 that has significantly affected or may significantly affect:

- (i) the operations of the Association;
- (ii) the results of the operations; and
- (iii) the state of affairs of the Association.

THE QUEEN ELIZABETH HOSPITAL RESEARCH FOUNDATION INC AND CONTROLLED ENTITIES
SUMMARISED FINANCIAL INFORMATION PREPARED FROM THE AUDITED CONSOLIDATED
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FOR THE YEAR ENDED 30 JUNE 2010

REPORT OF THE COMMITTEE MEMBERS (CONT)

COMMITTEE MEMBERS BENEFITS

During the financial year:

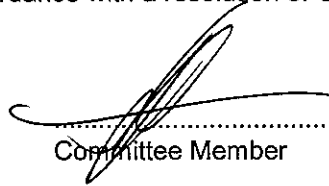
- (i) no Committee member of the Association;
- (ii) no firm in which a Committee member is a member; and
- (iii) no body corporate in which a Committee member has a substantial interest,

has received or become entitled to receive a benefit as a result of a contract between the Committee member, firm or body corporate and the Association and no officer has received either directly or indirectly from the Association any payment or other benefit of a pecuniary value, other than those described in Note 9 to the Financial Statements.

Signed at Adelaide this 24th day of November 2010, in accordance with a resolution of Committee Members.



.....
Committee Member



.....
Committee Member

STATEMENT BY COMMITTEE MEMBERS

In the opinion of the Committee members of The Queen Elizabeth Hospital Research Foundation Inc, the summarised consolidated financial statements comprising the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the attached notes:

- a) present a true and fair view of the financial position of the Association as at 30 June 2010 and its performance for the year ended on that date in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board; and
- b) are consistent with the full consolidated financial statements of the Association for the year ended 30 June 2010; and
- c) at the date of this statement, there are reasonable grounds to believe that the Association will be able to pay its debts as and when they fall due.

Signed this 24th day of November 2010, in accordance with a resolution of Committee Members.



.....
Committee Member



.....
Committee Member

**THE QUEEN ELIZABETH HOSPITAL RESEARCH FOUNDATION INC AND CONTROLLED ENTITIES
SUMMARISED FINANCIAL INFORMATION PREPARED FROM THE AUDITED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

**SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR
ENDED 30 JUNE 2010**

	2010 \$	2009 \$
Gross Revenue	15,820,875	8,068,945
Cost of Goods Sold		
Major lottery expenses	(6,681,558)	(3,168,557)
Fundraising expenses	(520,949)	(1,557,323)
	<hr/>	<hr/>
Gross Profit	8,618,368	3,343,065
	<hr/>	<hr/>
Operating Expenses		
Employee expenses	(1,011,567)	(1,183,085)
Other expenses	(230,282)	(161,522)
Depreciation and amortisation expenses	(91,510)	(72,859)
	<hr/>	<hr/>
Net Profit before Funding Payments and Tax	\$7,285,009	\$1,925,599
	<hr/>	<hr/>
Funds Paid for Research, Hospital Support and Patient Care Activities	(2,834,833)	(1,948,564)
	<hr/>	<hr/>
Net Profit/(Loss) before tax	4,450,176	(22,965)
Income tax benefit/(expense)	5,894	(5,249)
	<hr/>	<hr/>
Net Profit/(Loss) after Funding Payments and Tax	4,456,070	(28,214)
	<hr/>	<hr/>
Other Comprehensive Income	-	-
	<hr/>	<hr/>
Total Comprehensive Income/(Loss) attributable To members of the entity	\$4,456,070	\$(28,214)
	<hr/>	<hr/>

The accompanying notes form part of these summarised financial statements

**THE QUEEN ELIZABETH HOSPITAL RESEARCH FOUNDATION INC AND CONTROLLED ENTITIES
SUMMARISED FINANCIAL INFORMATION PREPARED FROM THE AUDITED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	2010 \$	2009 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	4,334,950	915,847
Trade and other receivables	119,425	101,008
Inventories	-	18,260
Other current assets	116,206	140,696
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	4,570,581	1,175,811
	<hr/>	<hr/>
NON CURRENT ASSETS		
Financial Assets	2,384,258	503,973
Plant & equipment	125,188	184,150
Intangible Assets	185,377	185,377
	<hr/>	<hr/>
TOTAL NON CURRENT ASSETS	2,694,823	873,500
	<hr/>	<hr/>
TOTAL ASSETS	7,265,404	2,049,311
	<hr/>	<hr/>
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	1,657,465	855,790
Short-term provisions	54,115	90,176
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	1,711,580	945,966
	<hr/>	<hr/>
NON CURRENT LIABILITIES		
Long-term provisions	-	5,591
	<hr/>	<hr/>
TOTAL NON CURRENT LIABILITIES	-	5,591
	<hr/>	<hr/>
TOTAL LIABILITIES	1,711,580	951,557
	<hr/>	<hr/>
NET ASSETS	\$5,553,824	\$1,097,754
	<hr/>	<hr/>
EQUITY		
Retained Earnings	1,153,824	62,831
Reserves	4,400,000	1,034,923
	<hr/>	<hr/>
TOTAL EQUITY	\$5,553,824	\$1,097,754
	<hr/>	<hr/>

The accompanying notes form part of these summarised financial statements

**THE QUEEN ELIZABETH HOSPITAL RESEARCH FOUNDATION INC AND CONTROLLED ENTITIES
SUMMARISED FINANCIAL INFORMATION PREPARED FROM THE AUDITED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Retained Earnings	General Reserve	Financial Asset Reserve	Research Reserve	Total Member Funds
	\$	\$	\$	\$	\$
Balance 1 July 2008	91,045	1,064,464	(29,541)	-	1,125,968
Profit/(Loss) attributable to members	(28,214)	-	-	-	(28,214)
Transfer (to)/from reserves	-	(29,541)	29,541	-	-
Balance 30 June 2009	<u>62,831</u>	<u>1,034,923</u>	<u>-</u>	<u>-</u>	<u>1,097,754</u>
Profit/(Loss) attributable to members	4,456,070	-	-	-	4,456,070
Transfer (to)/from reserves	(3,365,077)	(1,034,923)	-	4,400,000	-
Balance 30 June 2010	<u>1,553,824</u>	<u>-</u>	<u>-</u>	<u>4,400,000</u>	<u>5,553,824</u>

The accompanying notes form part of these summarised financial statements

**THE QUEEN ELIZABETH HOSPITAL RESEARCH FOUNDATION INC AND CONTROLLED ENTITIES
SUMMARISED FINANCIAL INFORMATION PREPARED FROM THE AUDITED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

**SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010**

	2010 \$ Inflows (Outflows)	2009 \$ Inflows (Outflows)
Cash flows from Operating Activities:		
Receipts from clients and customers	5,338,676	2,939,752
Receipts from major lottery	10,238,557	4,989,301
Payments made in relation to major lottery	(6,681,558)	(3,168,557)
Payments to suppliers and employees	(1,033,342)	(3,313,938)
Research, hospital support and patient care activities	(2,838,976)	(1,948,564)
Investment income	62,409	55,037
Interest received	152,410	43,956
	<hr/>	<hr/>
Net cash flows provided by Operating Activities	5,238,176	(403,013)
	<hr/>	<hr/>
Cash flows from Investing Activities:		
Proceeds from disposal of fixed assets	35,455	-
Payments to acquire fixed assets	(86,558)	(50,248)
Purchase of investments	(1,767,970)	(9,191)
Loan repayments (advances)	-	(20,000)
	<hr/>	<hr/>
Net cash flows (used in) Investing Activities	(1,819,073)	(79,439)
	<hr/>	<hr/>
Net increase (decrease) in cash held	3,419,103	(482,452)
Cash at the beginning of the year	915,847	1,398,299
	<hr/>	<hr/>
Cash at the end of the year	\$4,334,950	\$915,847
	<hr/>	<hr/>

The accompanying notes form part of these summarised financial statements

**THE QUEEN ELIZABETH HOSPITAL RESEARCH FOUNDATION INC AND CONTROLLED ENTITIES
SUMMARISED FINANCIAL INFORMATION PREPARED FROM THE AUDITED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 30 JUNE 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Association's revenues from ordinary activities increased in 2010 by 96.07% to \$15,820,875 (2009: \$8,068,945), which included Association fundraising revenue of \$5,067,995 (2009: \$2,716,445), grant income of \$65,033 (2009: \$132,418), major lottery receipts of \$10,238,557 (2009: \$4,989,301), rental income of \$95,222 (2009: \$95,222), interest income of \$152,514 (2009: \$55,544), and investment revenue of \$174,725 (2009: \$55,037).

Total expenditure increased in 2010 by 40.36% to \$11,364,805 (2009: \$8,097,159), which included employee expenses of \$1,011,567 (2009: \$1,183,085), fundraising expenses of \$520,949 (2009: \$1,557,323), depreciation and amortisation expenses of \$91,510 (2009: \$72,859) major lottery expenses of \$6,681,558 (2009: \$3,168,557), and payments for research, hospital support and patient care activities of \$2,834,833 (2009: \$1,948,564) and \$4,400,000 to a future commitments Research Reserve.

The profit attributable to members increased in 2010 by \$4,484,284 to \$4,456,070; from a loss in 2009 of \$28,214.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Association's net assets increased by 406% in 2010 to \$5,553,824 (2009: 1,097,754). This increase of \$4,456,070 reflects the Association's operating surplus for 2010.

Total assets in 2010 increased by \$5,216,093 or 254.53% to \$7,265,404 (2009: \$2,049,311). Cash holdings increased during the period by \$3,419,103, trade and other receivables increased by \$18,417, financial assets increased by \$1,880,285 and plant and equipment decreased by \$58,962.

Total liabilities in 2010 increased by \$760,023 or 79.87% to \$1,711,580 (2009: \$951,557). Trade creditors increased by \$659,928, accruals increased by \$649, grant provisions increased \$187,584, loans payable decreased by \$19,000 and employee entitlements decreased by \$41,652.

ESTABLISHMENT OF RESEARCH RESERVE

The Association has established a research reserve to ensure that sufficient funds are available in the future to fund forward grant commitments which the Association estimates will be in excess of \$13 million. During the year an amount of \$4,400,000 was apportioned from retained earnings to this reserve. When the direct funding amount of \$2,834,833 provided to research, hospital support and patient care activities is added to the \$4,400,000 appropriated to the research reserve in the 2010 financial year, the total of \$7,234,833 represents 83.95% of the Association's Gross Profit that has been spent on research, hospital support and patient care activities and or allocated to the research reserve in 2010.

**THE QUEEN ELIZABETH HOSPITAL RESEARCH FOUNDATION INC AND CONTROLLED ENTITIES
SUMMARISED FINANCIAL INFORMATION PREPARED FROM THE AUDITED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 30 JUNE 2010 (CONT)

CONSOLIDATED STATEMENT OF CASH FLOWS

Net cash in flows provided by operating activities in 2010 were \$5,238,176 (2009: Outflows of \$403,013), which represents an increase of \$5,641,189 in cash provided by operating activities.

During 2010 receipts from clients and customers increased by \$2,398,924, major lottery receipts increased by \$5,249,256, payments to suppliers and employees decreased by \$2,280,596, payments made in relation to major lotteries increased by \$3,513,001 and payments made for research, hospital support and patient care activities increased by \$890,412.

The net cash flows used in investing activities were \$(1,819,073). Payments for plant, equipment and motor vehicles increased by \$36,310, proceeds from the sale of assets increased by \$35,455 and payments for the purchase of investments increased by \$1,758,779.

The Association's cash increased by \$3,419,103 during the year to \$4,334,950 (2009 decrease of \$482,452).

**THE QUEEN ELIZABETH HOSPITAL RESEARCH FOUNDATION INC AND CONTROLLED ENTITIES
SUMMARISED FINANCIAL INFORMATION PREPARED FROM THE AUDITED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1 BASIS OF PREPARATION OF SUMMARISED FINANCIAL REPORT

The summarised financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, and the requirements of the Associations Incorporation Act, 1985.

The financial report covers the consolidated financial statements of The Queen Elizabeth Hospital Research Foundation Inc and its controlled entities. The Queen Elizabeth Hospital Research Foundation Inc is an Association incorporated in South Australia under the Associations Incorporation Act 1985.

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 to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The summarised financial statements and specific disclosures have been derived from the Association's full financial report for the financial year. The summarised financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the Association, and should be read in conjunction with the full financial statements which includes all disclosures required by the relevant financial reporting framework.

The summarised financial statements have been prepared on an accruals basis and are 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.

The accounting policies used in the preparation of the Association's full financial report have been consistently applied, unless otherwise stated and are, in the opinion of the Committee members, appropriate to meet the needs of the Association.

2 SEGMENT REPORTING

The Association predominately operates in one business and geographical segment raising funds to support research principally at the Queen Elizabeth Hospital.

3 KEY MANAGEMENT PERSONNEL COMPENSATION

	Short Term Benefit \$	Post Employment Benefit \$	Total \$
2010 Total Compensation	135,222	154,698	289,920
2009 Total Compensation	254,917	50,765	305,682

**THE QUEEN ELIZABETH HOSPITAL RESEARCH FOUNDATION INC AND CONTROLLED ENTITIES
SUMMARISED FINANCIAL INFORMATION PREPARED FROM THE AUDITED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

**NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010
(CONT)**

4 CAPITAL AND LEASING COMMITMENTS

(a) Finance Lease Commitments

The Association had no finance lease commitments owing as at 30 June 2010.

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the Financial Statements:

	2010 \$	2009 \$
Minimum Operating Lease Payments Payable:		
not later than 1 year	57,969	57,838
later than 1 year but not later than 5 years	5,500	35,426
later than 5 years		-
	<u>\$63,469</u>	<u>\$93,264</u>

(c) Capital Commitments

The Association has entered into a contract to purchase a property at 60 Woodville Road, Woodville for \$895,000 which is due for payment on 23 July 2010. There were no other commitments for capital expenditure, which at reporting date have not been recognised as liabilities (2009 \$Nil).

5 CONTINGENT LIABILITIES

The Association has a facility for wages with its bankers of \$45,000 for the purposes of paying payroll. None of this facility was utilised at 30 June 2010. There were no other contingent liabilities as at 30 June 2010 (2009 \$4,670,000).

6 RESEARCH COMMITMENT

The Association has agreed to funding commitments for research of \$13,197,285 payable to various organisations. This amount is payable by yearly grant research expenditure and patient care support costs of \$2,639,457 payable until the year ending 30 June 2015.

7 FUNDING AND SOLVENCY

The ability of the Committee to provide services at the current level of operations is dependent upon the Association maintaining and increasing the existing Donor levels, sponsorship funding, grant funding and other additional sources of funding, as well as achieving positive operating cash flows and operational surpluses.

**THE QUEEN ELIZABETH HOSPITAL RESEARCH FOUNDATION INC AND CONTROLLED ENTITIES
SUMMARISED FINANCIAL INFORMATION PREPARED FROM THE AUDITED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

**NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010
(CONT)**

8 EVENTS AFTER THE BALANCE SHEET DATE

- (a) The financial report was authorised for issue on 24 November 2010.
- (b) There have been no significant events which have occurred subsequent to 30 June 2010.

9 ASSOCIATION DETAILS

The registered office of the Association is:

The Queen Elizabeth Hospital Research Foundation Inc
60 Woodville Road
WOODVILLE SA 5011

The principal place of business is:

The Queen Elizabeth Hospital Research Foundation Inc
60 Woodville Road
WOODVILLE SA 5011

10 REMUNERATION OF COMMITTEE MEMBERS

During the year the Association and Controlled Entities utilised the services of organisations related to three Committee members. The transactions were conducted under normal trading terms and conditions. There were no benefits arising out of these transactions directly attributable to the Committee members.

Details of the transactions were as follows:

	2010	2009
Advertiser Newspapers Limited – marketing costs	245,165	186,704
Finlaysons – legal advice	58,098	14,193
Perpetual Trustee	5,254	810
	<hr/>	<hr/>
	308,517	201,707
	<hr/>	<hr/>