The Financial Markets Foundation for Children

Financial Report
For the year ended 30 June 2014

The Financial Markets Foundation for Children is a charitable trust, established and domiciled in Australia.

The Financial Markets Foundation for Children
Financial Report – 30 June 2014

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This financial report covers The Financial Markets Foundation for Children Trust as an individual entity.

The trustee of The Financial Markets Foundation for Children Trust is The Financial Markets Foundation for Children Limited (ACN 050 033 835).

The trustee's registered office is:
Level 13, 1 Macquarie Place
Sydney NSW 2000

Trustee's Report

In respect of the year ended 30 June 2014, the Trustee of The Financial Markets Foundation for Children submits the following report:

Principal Activities
The principal activity of the Foundation during the period has been to raise funds to be used in making grants to projects related to the promotion of health and welfare of Australian children. There were no significant changes in the nature of the Foundation's activities during the year.

Directors
The following persons were directors of the Trustee during the financial year and up to the date of this report:

GR Stevens	(Chairman) Governor, Reserve Bank of Australia
CA Clyne	Managing Director, National Australia Bank (Resigned 9 May 2014)
C Darvall	Vice-Chairman, Deutsche Bank AG Australia
WP Gurry AO	Chairman, Rabobank Australia Limited
GP Kelly	Managing Director, Westpac Banking Corporation
IM Narev	Managing Director, Commonwealth Bank of Australia
M Reemst	Managing Director & CEO, Macquarie Bank (Appointed 24 July 2014)
PJ Robertson AM	Company Director
MRP Smith	Managing Director, Australia and New Zealand Banking Group Limited
A Thorburn	CEO, National Australia Bank (Appointed 1 September 2014)
GC Ward	Managing Director, Macquarie Bank (Resigned 9 May 2014)

Company Secretaries: CM Logan, PJ Robertson AM

Life Members:
The late D Clarke
KG Farrow
B Fraser
IJ Macfarlane
J McFarlane
Prof CM Mellis
DR Morgan
DV Murray
RJ Norris
R Oates
JM Stewart
VF Kelly
RA Johnston
CA Clyne
R Sawers

Results and Review of Operations
The Foundation generated a surplus before the approval of grants of $2,348,802 (2013: $2,209,931). The surplus after the approval of grants was $1,344,184 (2013 deficit: $3,821,231).

Grants were paid to fund the following projects:
(2006-061) Newborn brain injury and studies of the responses of endogenous brain neural system cell
Newborn brain injury is a devastating condition associated with significant mortality and often long-term disability in survivors. This project explores the possible therapeutic role of brain stem cells in reducing the mortality and disability associated with newborn brain injury. An optimistic view is that we might be able to recruit the repair potential of brain stem cells. The immediate beneficiaries should the therapeutic potential of this research be realised are term and preterm babies suffering mild to severe forms of newborn brain injury.

(2009-136) A randomised trial to prevent the development of eczema and asthma in children
Infantile eczema is a common condition, and infants with eczema often develop asthma. Damaged skin caused by eczema probably leads to sensitisation to inhaled allergens and subsequently asthma. Both eczema and asthma may be prevented by improving the infants' skin-barrier-function in early life. Unlike topical steroids, a new ceramide-based cream has been shown to

Trustee's Report
(continued)

improve skin barrier function. We will conduct a randomised-controlled-study of a ceramide cream for the prevention of eczema in infants, and eventually childhood asthma.

(2012-007) Developmental pathways of children with autism and developmental delay: What can early skills and behaviour teach us?
This study aims to determine whether there are early markers of developmental outcomes (eg learning and language skills) in primary school children with autism. To answer this question, we will follow-up the development of young children from early childhood to late primary school. Understanding of these markers of child outcomes will lead to an improved understanding of the pathways to successful development and adjustment. This will facilitate the identification of specific early interventions to aid in improving outcomes for children.

(2012-057) Developing more accurate measures of immune response and vaccine efficacy of standard and novel schedules of two new pneumococcal conjugate vaccines (Prevenar13 or Synflorix) in indigenous infants
Our PREV-IX_COMBO trial of PREVenar13 and SynflorIX10 aims to determine whether a schedule of both vaccines, potentially maximising protection from all vaccine components, may be most beneficial for high risk children. Immune correlates are globally recognised as the most cost effective way to evaluate expanded conjugate vaccines and different schedules. At the same time, important inconsistencies have emerged. Linking this FFC project with data from the PREV-IX_COMBO trial will support evidence based decisions for PCVs in high risk children

(2012-083) Optimising pertussis vaccination in infants: a new approach
Australia is currently experiencing a pertussis (whooping cough) epidemic. Infants under 4 months old are too young to be protected by our current vaccine schedule and older children, aged 3- 5 years old have waning immunity from their last pertussis vaccine resulting in high rates of pertussis. The aim of this study is to see if 2 early pertussis vaccine doses, prior to 4 months old, and a later booster dose at 12 months gives the same immune responses after 2 doses and better responses following a later 3rd dose than the current standard schedule.

(2012-114) CardioCAPS: Determining the effects of the transition through puberty on vascular structure and function at age 14 years
Significant changes occur in body composition, sensitivity to insulin, lipoprotein levels, blood pressure and hormones during pregnancy. We aim to determine the effect of the transition through puberty on vascular structure and function. We aim to examine which factors of pubertal development influence cardiovascular health. This project will provide information that will better inform prevention programs that target adolescents and aim to reduce the burden of future cardiovascular disease.

(2012-142) Understanding the effect of preterm birth on brain blood flow and subsequent brain injury
Making the transition from fetus to neonate is one of the greatest physiological challenges; this is even more challenging for preterm babies. These babies need to cope with extreme changes to blood flow within the lung, heart and brain and subsequently this can result in brain injury and poor neurodevelopmental outcome. This application will focus on developing simple techniques at delivery, to prevent adverse outcomes related to poor circulation at preterm birth.

(2012-213) Optimising sleep for Australian children: Understanding the effects of daytime sleep periods in childcare services
Emerging evidence suggests that compulsory sleep times in childcare may adversely affect child well-being and health. Most 4 year olds do not require day-time sleep, yet 50% of centres have compulsory sleep-times without alternative activities. Such practise is potentially stressful and disruptive for night sleep and attendant long-term health. This study compares a range of physiological and psychological child outcomes across centres with compulsory and child-centred sleep practices during the child's final year of attendance and in the following year.

(2012-214) Regulation of myelination Intrauterine Growth Restriction: identification of potential therapeutic targets
Growth-restricted babies are often born with brain damage, and then grow up with disabilities such as cerebral palsy and/or learning and behavioural problems. A major challenge for the obstetrician and scientist is to identify why poor fetal growth can lead to brain injury – in particular, to abnormal development of white matter. With this knowledge we will be able to design treatments that prevent this type of brain injury and improve childhood health.

(2013-207) Can we predict cerebral palsy at birth?
Cerebral palsy describes a number of debilitating conditions involving impaired movement due to brain damage early in life. Although cerebral palsy mostly originates before birth, diagnosis often has to wait until the second year of life. We propose that "gene switches" known to be influenced by the environment in the womb can be used to identify which babies will develop cerebral palsy, enabling immediate intervention to help lessen the symptoms of this condition.

Trustee's Report
(continued)

(2013-017) Clinical and Genetic Basis of Sudden Unexplained Death in Children

Sudden unexplained death in children is a tragic event that can cause further devastating consequences to living family and friends of the deceased child. This proposed Australia-wide research initiative will shed light on the genetic cardiac causes of sudden unexplained death in children, enable clinical screening of at-risk family relatives, and allow the initiation of appropriate therapeutic and preventative strategies, with the primary goal to reduce the incidence of sudden death amongst children in Australia.

(2013-030) Whose behaviour is and is not managed in the early years of school, why and with what effects?

Exclusion of disruptive students has increased significantly in recent years. Research suggests that the seeds to this problem are sown in the first few years of school and that many children referred to separate settings remain until they drop out or enter juvenile detention. This research will track 200 children through the early school years to understand how and why some students do not benefit from common behaviour management practices and what supports are needed to avert such negative trajectories.

(2013-059) Modelling intrauterine inflammation in second trimester pregnancy to prevent early preterm birth and improve neonatal outcomes

Preterm birth is the leading cause of neonatal death and disease in Australia. Although infection and inflammation are established as the primary causes of early preterm birth, we do not understand how they impact the fetus early in pregnancy.Our new second trimester sheep model will allow us to study infection and inflammation in early pregnancy. This study will help us understand how early preterm birth occurs and help develop treatments to improve the health of babies and their mothers.

(2013-094) eADVICE (electronic Advice and Diagnosis Via the Internet following Computerised Evaluation): Interactive e-Health tools for shared health management between patients, general practitioners and specialists.

This project involves the development and piloting of the eADVICE-incontinence© program. This program, which is supervised by GPs, mimics multiple visits to a specialist paediatric continence service. It combines assessment, diagnosis, tailored treatment advice, monitoring and feedback and well as education of the GP and families. Parents can also input further information about their child's progress, with modification of the ongoing treatment advice. The program will then be piloted on 50 children with urinary incontinence.

(2013-100) Decreasing neutrophil activation, infiltration and damage in respiratory syncytial virus (RSV) infection: a means to ameliorate infant bronchiolitis.

Bronchiolitis is the most common severe respiratory tract illness in infants and remains a major cause of hospitalisation. Apart from supportive intervention, there is no treatment. We have found that during bronchiolitis immune cells damage the lung, increasing disease severity and leading to asthma/wheeze in approximately 50% of patients. Recently our lab demonstrated the ability of a protein, feG, to treat such lung damage. We aim to test the therapeutic potential of feG in decreasing lung damage caused by bronchiolitis.

(2013-126) Systemic gene expression and the economic cost of non-cystic fibrosis bronchiectasis in children: Enhancement of a NHMRC-funded randomised controlled trial.

This proposed study is embedded within an already funded multicentre randomised controlled trial. It provides an unique opportunity to study two additional novel components that has never been studied in people with bronchiectasis. The first component aims to determine if a blood marker can be used to predict a respiratory exacerbation. The second is an evaluation of the economic costs of bronchiectasis. The results of this will potentially alter clinical practice and inform public health policy.

(2013-277) Novel treatment for Paediatric OCD: Improving client access to treatment & outcomes

This project examines the efficacy of a novel treatment for children who suffer from highly debilitating obsessive-compulsive disorder (OCD), in order to improve access to treatment and child outcomes. The active novel treatment involves 2-sessions intensive exposure therapy, coupled with anti-tuberculosis drug d-Cycloserine (DCS), recently been shown to improve outcomes when given prior to exposure therapy, through enhancing learning processes. This study involves a randomized controlled trial and examines outcomes up to 6 months follow-up.

The Carrying Value of Assets

The carrying value of the assets at the end of the financial year amounted to $13,765,377 (2013: $12,494,654).

Significant changes in state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Trust that occurred during the financial year, except as noted above.

Trustee's Report
(continued)

Matters subsequent to the end of the financial year
No other matters or circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the operations of the Trust, the results of those operations, or the state of affairs of the Trust in subsequent financial years, except as noted in Note 17 of the financial statements.

Likely Developments
The directors do not consider that there will be any change in the operations of the Trust during the next financial year.

Directors Benefits
No director has received or become entitled to receive benefits during the financial year.

Indemnification and insurance of officers and auditors
No insurance premiums are paid for out of the assets of the Foundation in regards to insurance cover provided to either the officers of The Financial Markets Foundation for Children or the auditors of the Foundation. So long as the officers of The Financial Markets Foundation for Children act in accordance with the Trust Constitution and the Law, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditors of the Trust are in no way indemnified out of the assets of the Trust.

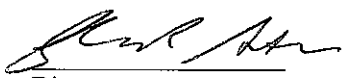
Environmental Regulation
The operations of the Trust are not subject to any particular or significant environment regulations under a Commonwealth, State or Territory Law.

Auditor
PricewaterhouseCoopers continues as the auditor in accordance with section 60-30 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*.

Auditors independence declaration
A copy of the auditors' independence declaration as required under section 60-40 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012* is set out on page 7.

This report is made in accordance with a resolution of the directors.

For and on behalf of the Trustee



Director

Sydney
24 October 2014

pwc

Auditor's Independence Declaration

As lead auditor for the audit of The Financial Markets Foundation for Children for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

IL Hammond
Partner
PricewaterhouseCoopers

Sydney
24 October 2014

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Statement of Comprehensive Income

For the year ended 30 June 2014

	2014 $	2013 $
Income		
Interest – deposits	**54,887**	78,228
Interest and indexation – Capital indexed bonds	**597,912**	538,698
Corporate Donations	**400,000**	400,000
ASX Thomson Reuters Charity Foundation	**100,000**	90,000
Melbourne Ball	**1,130,157**	1,050,230
Other Events	**65,846**	52,775
Total income	**2,348,802**	2,209,931
Expenses	**-**	-
Total expenses	**-**	-
Surplus arising in the year before approval of grants	**2,348,802**	2,209,931
Grants		
Research grants approved during the year	**(1,004,618)**	(1,031,162)
University chair grants committed during the year	**-**	(5,000,000)
Total grants	**1,004,618**	6,031,162
Surplus/(deficit) arising in the year after approved grants	**1,344,184**	(3,821,231)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Balance Sheet

As at 30 June 2014

	Notes	2014 $	2013 $
Current Assets			
Cash and cash equivalents	7	**2,291,192**	2,433,221
Receivables and other current assets	8	**1,143,799**	42,753
Total Current Assets		**3,434,991**	2,475,974
Non-Current Assets			
Held-to-maturity investments – Capital Indexed Bonds	9	**10,130,386**	9,918,679
Available-for-sale investment – Social Benefit Bonds	11	**200,000**	100,000
Total Non-Current Assets		**10,330,386**	10,018,679
Total Assets		**13,765,377**	12,494,654
Current Liabilities			
Research grants payable	13	**1,078,233**	1,078,078
University chair grants payable	14	**2,000,000**	1,000,000
Total Current Liabilities		**3,078,233**	2,078,078
Non-Current Liabilities			
Research grants payable	13	**402,794**	476,410
University chair grants payable	14	**2,000,000**	3,000,000
Total Non-Current Liabilities		**2,402,794**	3,476,410
Total Liabilities		**5,481,027**	5,554,488
Net Assets		**8,284,350**	6,940,166
Trust Funds			
Settled sum		**20**	20
Indexation reserve	10	**1,529,271**	1,256,971
Undistributed funds	15	**6,755,059**	5,683,175
Total Trust Funds		**8,284,350**	6,940,166

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2014

	Notes	2014 $	2013 $
Cash flows from operating activities			
Receipts from donors and other debtors		**1,596,003**	1,593,004
Interest received		**440,046**	454,441
Research grants paid	2	**(1,078,078)**	(1,113,373)
University chair grants paid	3	**-**	(1,000,000)
Net cash flows from operating activities		**957,971**	(65,928)
Cash flows from investing activities			
Proceeds/(purchase) of term deposits		**(1,000,000)**	-
Social bonds purchased	11	**(100,000)**	(100,000)
Net cash flows from investing activities		**(1,100,000)**	(100,000)
Net increase/(decrease) in cash held		**(142,029)**	(165,928)
Cash and cash equivalents at the beginning of the financial year		**2,433,221**	2,599,149
Cash and cash equivalents at the end of the financial year		**2,291,192**	2,433,221

The above statement of cash flows should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2014

	Notes	2014 $	2013 $
Total equity at the beginning of the financial year		**6,940,166**	10,761,397
Surplus/(deficit) arising in the year after approved grants		**1,344,184**	(3,821,231)
Total recognised income and expense for the year		**1,344,184**	(3,821,231)
Total equity at the end of the financial year		**8,284,350**	6,940,166

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements
30 June 2014

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Note 1 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

(a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRSs
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRSs).

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Trust's accounting policies. There were no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

(b) Functional and presentation currency

Items included in the financial statements of each of the Trust's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the Trust's functional and presentation currency.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties.

The trust recognises revenue when the amount of revenue can be reliably measured, it is probably that future economic benefits will flow to the entity and specific criteria have been met for each of the trust's activities as described below.

Revenues are recognised for the major business activities as follows:

(i) Donations: Revenue from donor organisations is recognised when there is a contractual right to receive funding. Otherwise revenue is recognised on receipt of cash.

(ii) Interest and Indexation Revenue: Interest income comprises interest on deposits held at call, coupon interest received and accrued, amortisation of discounts on purchase of investments, and the unrealised indexation of investments.

(iii) Investment Income: Interest income is recognised in profit or loss for all financial instruments that are not held at fair value through profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Trust estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

(d) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(e) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(f) Held-to-maturity investments – Capital Indexed Bonds

The Trust classifies its investments in capital indexed bonds as held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. If the trust were to sell other than an insignificant amount of held-to-maturity assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets.

Capital indexed bonds are purchased primarily with the intention of holding until maturity. Such investments are stated at the year end inflation-adjusted capital value, adjusted for the amortisation of discounts to maturity. The inflation adjustment is based on movements in the Consumer Price Index (CPI).

Interest income and indexation of the face value of the bonds are accrued to income together with the amortisation of discounts or premiums on acquisition. The unrealised income arising from the indexation of face value is then transferred to the indexation reserve.

(g) Available-for-sale investments – Social benefit bonds

Social benefit bonds are accounted for as an available for sale financial asset. The bonds are recorded at their fair value on acquisition date, being the amount of the initial principal investment. At each reporting period the social bonds are assessed for impairment. This impairment assessment includes an analysis of the success of the issuer in meeting the stated performance objectives under the social benefit bond, in order to determine the probability of receiving future coupon and principal repayments. This probability assessment is used in the determination of the discounted future cash flow analysis in order to support the carrying value of the social bonds.

Coupon payments are recognised in interest income at each coupon date. Any impairments are recognised in profit and loss in the year in which they are assessed.

(h) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The Trust's assessment of the impact of these new standards and interpretations is set out below.

(i) ***AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*** *and* ***AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures*** *(effective from 1January 2015)*

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

The Trust is yet to assess its full impact.

(i) Taxation

Pursuant to Division 50-5 of the Income Tax Assessment Act 1997, the Foundation is not liable to pay income tax.

(j) Grants paid and payable

Research grants paid and payable are brought to account in the period in which they are approved by the Board of Directors and the grantee is notified via a letter of offer. Research grants payable are shown in Note 11.

University chair grants paid and payable are brought to account in the period in which they are approved by the Board of Directors and the Foundation has committed to an obligation. University chair grants payable are shown in Note 14.

(k) Indexation Reserve

Realised indexation income on maturity is transferred from the indexation reserve to the undistributed funds.

Note 2 Research grants paid

	2014	2013
	$	$
Research grants paid in the year		
(2006-061) Newborn brain injury and studies of the responses of endogenous brain neural system cell	**27,500**	-
(2009-136) A randomised trial to prevent the development of eczema and asthma in children	**31,109**	-
(2011-019) Can a pneumococcal H. influenzae protein D conjugate vaccine (PHiD-CV) reduce the frequency of NTHi infection in the lower airway (defined by >10E4 cfu/ml bronchoalveolar lavage) and upper airway (nasopharynx) colonisation of children with chronic suppurative lung disease?	-	80,000
(2011-056) Are low neonatal vitamin D stores associated with an increased risk of Multiple Sclerosis during Childhood?	-	66,480
(2011-161) Preventing dental decay in young children from disadvantaged communities	-	70,550
(2011-164) Finding a Cure for Peanut Allergy	-	80,000
(2011-210) "Move it to Improve It" (MiTii) Australia: Efficacy of a Web-Based Multimodal Intervention for Children with Cerebral Palsy.	-	80,000
(2011-224) Randomised controlled trial of timed voiding using an alarm watch vs standard watch for the treatment of daytime urinary incontinence in children	-	80,000
(2012-007) Developmental pathways of children with autism and developmental delay: What can early skills and behaviour teach us?	**79,951**	79,951
(2012-016) Cardio-inflammatory markers in neonates born to overweight or obese women	-	79,474
(2012-057) Developing more accurate measures of immune response and vaccine efficacy of standard and novel schedules of two new pneumococcal conjugate vaccines (Prevenar13 or Synflorix) in indigenous infants	**79,700**	79,848
(2012-083) Optimising pertussis vaccination in infants: a new approach	**70,000**	80,000
(2012-114) CardioCAPS: Determining the effects of the transition through puberty on vascular structure and function at age 14 years	**58,203**	58,203
(2012-142) Understanding the effect of preterm birth on brain blood flow and subsequent brain injury	**78,257**	76,335
(2012-213) Optimising sleep for Australian children: Understanding the effects of daytime sleep periods in childcare services	**29,831**	128,729
(2012-214) Regulation of myelination Intrauterine Growth Restriction: identification of potential therapeutic targets	**68,774**	73,803

Note 2 Research grants paid (continued)

	2014	2013
	$	$
(2013-207) Can we predict cerebral palsy at birth?	**79,768**	-
(2013-017) Clinical and genetic basis of sudden unexplained death in children	**80,000**	-
(2013-030) Whose behaviour is and is not managed in the early years of school, why and with what effects?	**71,087**	-
(2013-059) Modelling intrauterine inflammation in second trimester pregnancy to prevent early preterm birth and improve neonatal outcomes	**60,200**	-
(2013-094) eADVICE (electronic Advice and Diagnosis Via the Internet following Computerised Evaluation): Interactive e-Health tools for shared health management between patients, general practitioners and specialists.	**80,000**	-
(2013-100) Decreasing neutrophil activation, infiltration and damage in respiratory syncytial virus (RSV) infection: a means to ameliorate infant bronchiolitis	**60,157**	-
(2013-126) Systemic gene expression and the economic cost of non-cystic fibrosis bronchiectasis in children: Enhancement of a NHMRC-funded randomised controlled trial	**79,641**	-
(2013-277) Novel treatment for Paediatric OCF: Improving client access to treatment & outcomes	**43,900**	-
Total	**1,078,078**	1,113,373

Note 3 University chair grants paid

	2014	2013
University chair grants paid in the year	$	$
Instalment of $1,000,000 paid to University of Melbourne for establishment of an endowed chair – the Financial Markets Foundation Chair of Developmental Mental Health.	-	1,000,000
Total	-	1,000,000

Note 4 Deed of Settlement

The Financial Markets Foundation for Children was established under a Deed of Settlement dated 4 January 1988.

Note 5 Trustee

The Financial Markets Foundation for Children (ACN 050 033 835), a company incorporated in New South Wales and limited by guarantee, is Trustee for the Foundation.

Note 6 Dollar In – Dollar Out Concept

The Board of the Trustee has adopted a basic "dollar in – dollar out" concept for the Foundation, subject only to unavoidable expenses.

Accounting, auditing and legal services are provided to the Foundation by AFMA Ltd, PricewaterhouseCoopers and Hunt & Hunt, respectively. Those firms do not receive any professional fees but are entitled to be recompensed for disbursements incurred by them (usually governmental charges such as registration and filing fees and fees paid to third parties in respect to the administration of the Foundation and the Trustee). No Trustee of the Foundation or person connected with the administration of the Foundation is given any benefit from the funds of the Foundation, apart from the reimbursement of those disbursements.

Special events are conducted by, on behalf of and for the benefit of the Foundation from time to time. Those special events are run, so far as possible, on a voluntary basis. The surpluses are contributed to the funds of the Foundation and are subject to the "dollar in – dollar out" concept.

All other donations are contributed to the funds of the Foundation without deduction.

No director of the Trust has received or is entitled to receive remuneration during the financial year.

Paul Robertson, a director of the Trust, is also a director and chairman of Social Ventures Australia Ltd ("SVA"). SVA is manger of the issuing trust which issued social bonds referred to in Notes 1 and 11 of the financial statements. Paul Robertson does not receive any remuneration as a director of SVA.

Note 7 Cash and cash equivalents

	2014	2013
	$	$
Cash at bank and in hand	**2,291,192**	2,433,221

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	2014	2013
	$	$
Balances as above	**2,291,192**	2,433,221
Bank overdrafts	**-**	-
Balances per statement of cash flows	**2,291,192**	2,433,221

(b) Cash at bank and on hand

The cash at bank had a floating interest rate at year end of 2.46% (2013: 2.85%).

Note 8 Receivables and other current assets

	2014	2013
	$	$
Interest receivable – financial institutions	**43,799**	42,753
Corporate donations receivable	**100,000**	-
Term deposits	**1,000,000**	-
	1,143,799	42,753

Term deposits mature in December 2014 and have a fixed rate of interest of 3.4% per annum.

Note 9 Held-to-maturity Investments – Capital Indexed Bonds

	2014 $	2013 $
Capital indexed bonds		
Opening balance	**9,918,679**	9,757,072
Indexation of face value of bonds	**272,300**	222,200
Amortisation of discount / (premium) on acquisition of investments	**(60,593)**	(60,593)
	10,130,386	9,918,679

Capital indexed bonds held have maturity dates ranging between 2015 and 2020. The timing of maturity is as follows; less than one year: nil (2013: nil), one to five years: $5,559,479 (2013: $5,439,476), five to ten years: $4,570,907 (2013: $4,479,232) and greater than 10 years: nil (2013: nil). The capital value of the bonds is indexed to the CPI over the life of the bond. Coupon interest between 3.6% and 4% is payable on the indexed face value of the bonds. The net market value of these investments as at 30 June 2014 was $10,909,640 (2013: $10,652,770). Investments held are issued by the Commonwealth Bank of Australia and Commonwealth and State Government authorities.

Total held-to-maturity investments – capital indexed bonds	**10,130,386**	9,918,679

Note 10 Indexation Reserve

	2014 $	2013 $
Accumulated indexation of face value of capital indexed bonds	**1,529,271**	1,256,971
Movements		
Balance at beginning of year	**1,256,971**	1,034,771
Indexation on investments transferred from undistributed funds (refer Note 12)	**272,300**	222,200
Transfer of realised indexation income on maturity to undistributed funds	-	-
Balance at end of year	**1,529,271**	1,256,971

Note 11 Available-for sale Investments – Social Benefit Bonds

During the last two years the Foundation has invested in a social benefit bonds, through the acquisition of a $100,000 Newpin Social Benefit Bond and $100,000 of The Benevolent Society Social Benefit Trust No. 1 Bonds.

a) **Newpin Social Benefit Bond:** The Newpin Social Benefit Bond has raised private capital to achieve social benefits by supporting children and young people in out-of-home care to be safely restored to their families or to prevent them from entering care. The NSW Government Department of Family and Community Services is working with UnitingCare Burnside and Social Ventures Australia (SVA) to implement the Social Benefit Bond.

Key terms of the social bond includes minimum 5% interest for the first three years, principal protection of 75% for the first one to three years and 50% for years four to seven, and an early termination right for poor performance from year three. If the social outcome is achieved the maximum possible interest rate is 15%pa over the term of the bond. The restoration rate of children who enter the program is the key performance indicator, which in turn produces the interest rate and repayment obligations of the Newpin Social Benefit Bond. Interest payments are subject to cumulative adjustments depending on the restoration rate.

Note 11 Available-for sale Investments – Social Benefit Bonds (continued)

b) **Benevolent Society Social Benefit Trust No. 1 Bond:** The Benevolent Society Social Benefit Trust No.1 Bond has raised private capital to achieve social benefits in the area of intensive family support. The NSW Government Department of Family and Community Services is working with The Benevolent Society, Westpac Banking Corporation and the Commonwealth Bank of Australia to implement the Social Benefit Bond.

The Trust holds 2 tranches of bonds, with $50,000 invested in each tranche. Key terms of the bonds include:

Class P Bonds: Unsubordinated with limited recourse, the principal of Class P Bonds is repayable on the termination date. Interest is calculated based on achieving specified tiers of the Performance Level, where interest of up to 10%pa is earned for out-performance over the bond's term of 5 years. No interest is payable for failure to meet the minimum performance tier.

Class E Bonds: Subordinated with limited recourse, the principal of Class E Bonds is repayable on the termination date provided the baseline performance level is met. Otherwise repayment of the outstanding principal is limited to the remaining assets of the Benevolent Society Social Benefit Trust No. 1. Interest is calculated based on achieving specified tiers of the Performance Level, where interest of up to 30%pa is earned for out-performance over the bond's term of 5 years. No interest is payable for failure to meet the minimum performance tier.

Note 12 Cash Flow Information

	2014	2013
	$	$
Reconciliation of cash and cash equivalents		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the income statements as follows:		
Cash at financial institutions	**2,291,192**	2,433,221
Cash is deposited with Australian financial institutions at call and receives a floating rate of interest.		
Reconciliation of net cash flows from operating Activities to operating profit		
Surplus / (Deficit) arising in the year after approved grants	**1,344,184**	(3,821,231)
Net (increase) / decrease in investments due to indexation	**(272,300)**	(222,200)
Amortisation of premium / (discount) on acquisition of investments	**60,593**	60,593
Changes in assets and liabilities		
(Increase) / Decrease in receivables	**(101,046)**	(878)
Increase / (Decrease) in grants payable	**(73,461)**	3,917,788
Net cash inflow / (outflow) from operating activities	**957,971**	(65,928)

Note 13 Research grants payable

	2014 $
The following grants were approved by the board on 10 May 2013 to be paid in July 2014 and January 2015:	
(2013-017) Clinical and Genetic Basis of Sudden Unexplained Death in Children	80,000
(2013-030) Whose behaviour is and is not managed in the early years of school, why and with what effects?	54,088
(2013-059) Modelling intrauterine inflammation in second trimester pregnancy to prevent early preterm birth and improve neonatal outcomes	70,000
(2013-094) eADVICE (electronic Advice and Diagnosis Via the Internet following Computerised Evaluation): Interactive e-Health tools for shared health management between patients, general practitioners and specialists.	80,000
(2013-100) Decreasing neutrophil activation, infiltration and damage in respiratory syncytial virus (RSV) infection: a means to ameliorate infant bronchiolitis.	69,016
(2013-126) Systemic gene expression and the economic cost of non-cystic fibrosis bronchiectasis in children: Enhancement of a NHMRC-funded randomised controlled trial.	79,406
(2013-277) Novel treatment for Paediatric OCD: Improving client access to treatment & outcomes	43,900
	476,410
The following grants were approved by the board on 9 May 2014 to be paid in July 2014 and January 2015:	
(2014-055) Growing Up in Australia's Family Health CheckPoint: Pilot for an intergenerational health module.	80,000
(2014-167) Childhood exposure to environmental pollutants in Australia	59,961
(2014-058) Identifying underlying causes of craniofacial defects in newborns	65,027
(2014-074) PPREMO: Prediction of PReterm Early Motor and neurodevelopmental Outcomes	75,892
(2014-114) Do lower airway biofilms and NETs contribute to development of chronic lung infection in children?	79,955
(2014-134) Can we predict health outcomes of extremely preterm birth?	97,762
(2014-211) Using polymer technology to deliver human nerve progenitors into the colon of new-born patients with a birth defect of colonic nerves	68,227
(2014-233) Reducing adverse reactions and boosting immune response to HPV vaccination with exercise	75,000
	601,824

Note 13 Research grants payable (continued)

	2014 $
The following grants were approved by the board on 9 May 2014 to be paid in July 2015 and January 2016:	
(2014-058) Identifying underlying causes of craniofacial defects in newborns	53,701
(2014-074) PPREMO: Prediction of Preterm Early Motor and neurodevelopmental Outcomes	75,892
(2014-114) Do lower airway biofilms and NETs contribute to development of chronic lung infection in children?	79,994
(2014-134) Can we predict health outcomes of extremely preterm birth?	49,980
(2014-211) Using polymer technology to deliver human nerve progenitors into the colon of new-born patients with a birth defect of colonic nerves	68,227
(2014-233) Reducing adverse reactions and boosting immune response to HPV vaccination with exercise	75,000
	402,794
Total current research grants payable	**1,078,233**
Total non-current research grants payable	**402,794**
Total research grants payable	**1,481,027**

Note 14 University chair grants payable

	2014 $	2013 $
The following grant was approved by the board on 1 May 2013 to be paid by 30 June 2017:		
Four instalments of $1,000,000 paid yearly to University of Melbourne for establishment of an endowed chair – the Financial Markets Foundation Chair of Developmental Mental Health.	**4,000,000**	4,000,000
	4,000,000	4,000,000
Total current university chair grants payable	**2,000,000**	1,000,000
Total non-current university chair grants payable	**2,000,000**	3,000,000
Total university chair grants payable	**4,000,000**	4,000,000

Note 15 Reconciliation of Undistributed Funds

	2014 $	2013 $
Undistributed Funds		
Undistributed funds at beginning of year	**5,683,175**	9,726,606
Surplus/(deficit) arising in the year after payment and approval of grants	**1,344,184**	(3,821,231)
Indexation on investments transferred to indexation reserve (refer Note 9)	**(272,300)**	(222,200)
Undistributed funds at year end	**6,755,059**	5,683,175

Note 16 Financial Risk Management

The Trust's activities expose it to a variety of financial risks: market risk, (including price risk and interest rate risk) credit risk and liquidity risk. The Trust's risk management programme focuses on minimising exposure to financial risk whilst providing a return on investment comparable to inflation. Financial risk management is carried out by the Directors of the Trustee.

Risk management policies are established to identify and analyse the risks faced by the Trust to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Trust's activities. The Trust, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all officers understand their roles and obligations.

(a) Market risk

(i) Price risk: Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the inflation linked index rate. The Trust holds capital indexed bonds and is exposed to price risk on through those investments.

(ii) Interest rate risk: Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Trust holds capital indexed bonds and cash on deposit and is exposed to interest rate risk through those investments.

(b) Summarised sensitivity analysis

The impact of an increase/decrease in market risk variables on the surplus arising in the year after approved grants and net assets is summarised below.

Year ended June 2014	**Price risk ($)**		**Interest rate risk ($)**	
	+1%	**-1%**	**+100bps**	**-100bps**
Surplus arising in the year after approved grants	60,000	(60,000)	22,912	(22,912)
Net assets	60,000	(60,000)	22,912	(22,912)

Year ended June 2013	**Price risk ($)**		**Interest rate risk ($)**	
	+1%	**-1%**	**+100bps**	**-100bps**
Surplus arising in the year after approved grants	60,000	(60,000)	24,332	(24,332)
Net assets	60,000	(60,000)	24,332	(24,332)

The impact on net assets, and surplus arising in the year after approved grants, of a change in interest rates does not include the effect on the fair value of the capital indexed bonds. These instruments are classified as held-to-maturity investments, and accordingly are recorded in the balance sheet at their amortised cost. The reasonably possible movements in the risk variables have been determined based on historical levels of changes in inflation and interest rates. Actual movements in the risk variables may be greater or less than anticipated due to changes in economic factors.

(c) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract. Credit risk primarily arises from investments in capital indexed bonds, none of which are impaired nor past due but not impaired.

Concentrations of credit risk are minimised by ensuring counterparties are approved and are of an investment grade. The maximum exposure to credit risk at reporting date is the carrying value of the bonds. All capital indexed bond investments are currently AA or AAA rated. Social benefit bonds are unrated.

(d) Liquidity risk

Liquidity risk is the risk that the Trust will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy its commitments. The Trust holds cash on deposit sufficient to cover its contractual obligations. The earliest possible contractual maturity of the Trust's financial liabilities is less than 12 months, with the exception of non-current research grants payable amounting to $601,824 (2013: $476,410) which are payable within 19 months and non-current university chair grants payable amounting to $2,000,000 (2013: $3,000,000) which are payable within three years.

Note 16 Financial risk management (continued)

(e) Capital risk management

There are no externally imposed capital requirements.

(f) Social outcome risk

Returns on the Foundation's investment in social benefit bonds is subject to the achievement of agreed social outcomes. Refer to Note 11 for further information.

Note 17 Events occurring after the reporting period

No significant events have occurred after the reporting period.

Note 18 Contingent assets and liabilities and commitments

As at 30 June 2014 the Trust did not have any contingent assets, contingent liabilities or contractual commitments.

Chairman's declaration under the NSW Charitable Fundraising Act

Declaration furnished under the NSW Charitable Fundraising Act 1991. This declaration is made in accordance with the Authority Conditions 7(4) and 7(5) issued by the Minister under Section 19 of the Charitable Fundraising Act 1991.

I, Glenn Stevens, Chairman of the Financial Markets Foundation for Children declare that in my opinion:

(a) the financial statements give a true and fair view of all income and expenditure of the Trust with respect to fundraising appeals;

(b) the Balance Sheet gives a true and fair view of the state of affairs with respect to fundraising appeals;

(c) the provisions of the *Charitable Fundraising Act 1991*, the regulations under the Act and the conditions attached to the authority have been complied with; and

(d) the internal controls are appropriate and effective in accounting for all income received and applied by the Trust from any of its fundraising appeals.

GR Stevens
Chairman

Sydney
24 October 2014

Declaration by Trustee's Directors

The directors declare that the financial statements and notes set out on pages 8 to 24:

(a) comply with Accounting Standards and other mandatory professional reporting requirements; and

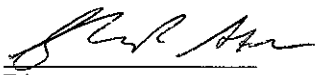
(b) give a true and fair view of the trust's financial position as at 30 June 2014 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*; and

(b) there are reasonable grounds to believe that the trust will be able to pay its debts as and when they become due and payable.

Signed for and on behalf of the Directors of the Trustee, The Financial Markets Foundation for Children, in accordance with a resolution of the Board.



Director

Sydney
24 October 2014

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Independent auditor's report to the members of The Financial Markets Foundation for Children

Report on the financial report

We have audited the accompanying financial report of The Financial Markets Foundation for Children (the Trust), which comprises the balance sheet as at 30 June 2014, 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, other explanatory notes and the declaration by the trustees' directors.

Directors' responsibility for the financial report

The directors of the trustee are responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012, NSW Charitable Fundraising Act 1991, NSW Charitable Fundraising Regulations 2008* and for such internal control as the directors of the trustee determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 of the trustee, as well as evaluating the overall presentation of the financial report.

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

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Opinion

In our opinion:

(a) the financial report of the Financial Markets Foundation for Children is in accordance with the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

  (i) giving a true and fair view of the Trust's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards.

(b) during the year ended 30 June 2014, the financial report and associated records have been properly kept in accordance with:

  (i) section 20(1) and section 22(1-2) of the *NSW Charitable Fundraising Act 1991*; and

  (ii) section 10 and section 7 of Schedule 1 of the *NSW Charitable Fundraising Regulations 2008*.

(c) the money received as a result of fundraising appeals conducted during the year ended 30 June 2014 have been properly accounted for and applied in accordance with the *NSW Charitable Fundraising Act 1991* and the *NSW Charitable Fundraising Regulations 2008*.

PricewaterhouseCoopers

IL Hammond
Partner

Sydney
24 October 2014