The Financial Markets Foundation for Children

Financial Report
For the year ended 30 June 2015

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 2015

Contents

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

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

The trustee's registered office is:
67 Fitzroy Street
Surry Hills NSW 2010

Trustee's Report

In respect of the year ended 30 June 2015, 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
C Darvall AM	Company Director
WP Gurry AO	Chairman, Rabobank Australia Limited
B Hartzer	Managing Director & CEO, Westpac Banking Corporation (Appointed 8 May 2015)
GP Kelly	Managing Director & CEO, Westpac Banking Corporation (Resigned 8 May 2015)
IM Narev	Managing Director & CEO, Commonwealth Bank of Australia
M Reemst	Managing Director & CEO, Macquarie Bank (Appointed 24 July 2014)
PJ Robertson AM	Company Director
MRP Smith	Managing Director & CEO, Australia and New Zealand Banking Group Limited
A Thorburn	Managing Director & CEO, National Australia Bank (Appointed 1 September 2014)

Company Secretaries: CM Logan (Resigned 8 May 2015), U Hogben (Appointed 8 May 2015), PJ Robertson AM

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

Results and review of operations
The Foundation generated a surplus before the approval of grants of $2,231,531 (2014: $2,348,802). The surplus after the approval of grants was $1,146,468 (2014: $1,344,184).

Grants were paid to fund the following projects:
(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.

(2014-211) Using polymer technology to deliver human nerve progenitors into the colon of new-born patients with a birth defect of colonic nerves

We propose a novel cell replacement therapy for Hirschsprung Disease, a fatal disease where the distal colon lacks nerves. We will use patients gut cells to obtain the 'right' cell type (from same patient to avoid immune rejection, and of the nerve cell family), reprogram them to the 'right' stage (quasi-embryonic progenitor cell stage), expand them to the 'right' numbers for therapy using novel polymer growth surface, and test them for the 'right' nerve-forming ability in Hirschsprung patient colon tissue.

Trustee's Report
(continued)

(2014-167) Childhood exposure to environmental pollutants in Australia
Persistent Organic Pollutants (POPs) are chemicals that accumulate in the environment. Common POPs include: dioxins, organochlorine pesticides (OCPs), triclosan, brominated flame retardants (BFRs) and polyfluoralkyl chemicals (PFCs). Humans are exposed via food, household equipment, dust, air and water. POPs are reported to have a variety of adverse effects in humans and animals including cancer, immune, reproductive and hormonal effects. Children are particularly vulnerable to their effects. This project will determine the concentration of a range of these chemicals in children as well as potential sources of exposure in their environment.

(2014-233) Reducing adverse reactions and boosting immune response to HPV vaccination with exercise
HPV is a sexually-transmitted infection that can lead to several cancers. HPV vaccination is an important way to protect against these cancers, so it is important that vaccination rates are high and teenage girls and boys complete all 3 doses of vaccines. Exercising at the time of getting the vaccine might be a way to stop some of the side effects children often experience, like pain and redness, and improve the experience of vaccination, helping improve vaccination rates.

(2014-058) Identifying underlying causes of craniofacial defects in newborns
Clefts of lip and palate (CL/P) are amongst the most common birth defects with lifelong functional, aesthetic and psychological impacts. While several genetic causes of these anomalies have been identified, the majority of cases remain unexplained. The aim of this Project is to define mechanisms underpinning these defects and to identify new genetic causes.

(2014-134) Can we predict health outcomes of extremely preterm birth?
Many premature babies develop problems with their heart, lungs or brain. This group have shown that such children are born with a long-lasting legacy written on top of their genes. This legacy can be read at birth and related to the illnesses these children get as they age to adults.

(2014-114) Do lower airway biofilms and NETs contribute to development of chronic lung infection in children?
Protracted bacterial bronchitis (PBB) and bronchiectasis are chronic lung diseases that cause a substantial disease burden in children- especially in indigenous children. The microbial and inflammatory mechanisms underlying these diseases are not understood. This study will determine if biofilm (a type of bacterial growth resistant to antibiotics) and Neutrophil Extracellular Traps (NETs / pro-inflammatory host structures) are present in lung specimens from children with PBB or bronchiectasis. This work will explore the potential of biofilm and NETs as targets for new treatments.

(2014-074) PPREMO: Prediction of PReterm Early Motor and neurodevelopmental Outcomes
The risk of cerebral palsy is greater for infants born very preterm (<31 weeks gestation); but often goes undetected until 6-24 months of age. One in 10 of these very preterm infants develop major disabilities - such as cerebral palsy and half develop clumsiness, intellectual, educational or behavioural problems. This project will utilise advanced brain imaging with an MRI-compatible incubator permitting safe scanning at 30 weeks gestation. This will be combined with clinical measures to develop a diagnostic toolbox that will accurately predict motor and neurobehavioral outcomes.

(2014-055) Growing Up in Australia's Family Health CheckPoint: Pilot for an intergenerational health module.
In 2015, the landmark Longitudinal Study of Australian Children (LSAC) will be enriched with a comprehensive physical health and biomakers module. This group will develop, test and implement parallel assessments for parents of the 4,000 11-12 year old participants, efficiently creating an intergenerational health repository for all Australian researchers. If they demonstrate high intergenerational concordance of important outcomes, research can then focus on mechanisms - especially those that may enhance prevention (environmental, epigenetic) and/or mitigation.

The carrying value of assets
The carrying value of the assets at the end of the financial year amounted to $13,081,647 (2014: $13,765,377).

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

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 Foundation in subsequent financial years, except as noted in Note 16 of the financial statements.

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

Trustee's Report
(continued)

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 Foundation against losses incurred while acting on behalf of the Foundation. The auditors of the Foundation are in no way indemnified out of the assets of the Foundation.

Environmental regulation
The operations of the Foundation 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 327 of the *Australian Charities and Not-for-Profit Commission (ACNC) Act 2012*.

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

For and on behalf of the Trustee

Director

Sydney
23 October 2015

Statement of Comprehensive Income

For the year ended 30 June 2015

	Notes	2015 $	2014 $
Income			
Interest – deposits		**61,501**	54,887
Interest and indexation – Capital indexed bonds		**513,945**	597,912
Corporate donations		**350,000**	400,000
ASX Thomson Reuters golf day		**50,000**	100,000
Melbourne ball		**1,229,460**	1,130,157
Other donations and events		**26,625**	65,846
Total income		**2,231,531**	2,348,802
Expenses		**-**	-
Total expenses		**-**	-
Surplus arising in the year before approval of grants		**2,231,531**	2,348,802
Grants			
Research grants approved during the year		**(1,085,063)**	(1,004,618)
Total grants		**(1,085,063)**	(1,004,618)
Surplus arising in the year after approved grants		**1,146,468**	1,344,184

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

Balance Sheet

As at 30 June 2015

	Notes	2015 $	2014 $
Current Assets			
Cash and cash equivalents	6	**2,498,169**	2,291,192
Receivables and other current assets	7	**144,667**	1,143,799
Held-to-maturity investments – Capital indexed bonds	8	**4,407,300**	-
Total Current Assets		**7,050,136**	3,434,991
Non-Current Assets			
Held-to-maturity investments – Capital indexed bonds	8	**5,831,511**	10,130,386
Available-for-sale investment – Social benefit bonds	10	**200,000**	200,000
Total Non-Current Assets		**6,031,511**	10,330,386
Total Assets		**13,081,647**	13,765,377
Current Liabilities			
Research grants payable	12	**1,174,535**	1,078,233
University chair grants payable	13	**1,000,000**	2,000,000
Total Current Liabilities		**2,174,535**	3,078,233
Non-Current Liabilities			
Research grants payable	12	**476,294**	402,794
University chair grants payable	13	**1,000,000**	2,000,000
Total Non-Current Liabilities		**1,476,294**	2,402,794
Total Liabilities		**3,650,829**	5,481,027
Net Assets		**9,430,818**	8,284,350
Trust Funds			
Settled sum		**20**	20
Indexation reserve	9	**1,689,971**	1,529,271
Undistributed funds	14	**7,740,827**	6,755,059
Total Trust Funds		**9,430,818**	8,284,350

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

Statement of Cash Flows

For the year ended 30 June 2015

	Notes	2015 $	2014 $
Cash flows from operating activities			
Receipts from donors and other debtors		**1,656,086**	1,596,003
Interest received		**466,153**	440,046
Research grants paid	2	**(915,262)**	(1,078,078)
University chair grants paid	3	**(2,000,000)**	-
Net cash flows from operating activities	11	**(793,023)**	957,971
Cash flows from investing activities			
Proceeds/(purchase) of term deposits		**1,000,000**	(1,000,000)
Social bonds purchased	10	**-**	(100,000)
Net cash flows from investing activities		**-**	(1,100,000)
Net increase/(decrease) in cash held		**206,977**	(142,029)
Cash and cash equivalents at the beginning of the financial year		**2,291,192**	2,433,221
Cash and cash equivalents at the end of the financial year		**2,498,169**	2,291,192

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 2015

	Notes	2015 $	2014 $
Total equity at the beginning of the financial year		**8,284,350**	6,940,166
Surplus arising in the year after approved grants		**1,146,468**	1,344,184
Total recognised income and expense for the year		**1,146,468**	1,344,184
Total equity at the end of the financial year		**9,430,818**	8,284,350

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

Notes to the Financial Statements
30 June 2015

Contents

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 Australian Charities and Not-for-profits Commission (ACNC) Act 2012.

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.

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 Foundation'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 Foundation'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 Foundation's functional and presentation currency.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

The Foundation 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 Foundation'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. Interest and indexation 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.

(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.

Note 1 Summary of significant accounting policies (continued)

(f) Held-to-maturity investments – Capital indexed bonds

The Foundation 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 Foundation 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 benefit 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 2015 reporting periods. The Foundation's assessment of the impact of these new standards and interpretations is set out below.

(i) ***AASB 9 Financial Instruments*** *(effective from 1 January 2018)*

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

The Foundation will adopt this standard for the year ending 30 June 2019 and is yet to assess its full impact.

(ii) ***AASB 15 Revenue from Contracts with Customers*** *(effective 1 January 2017)*

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 January 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

The Foundation will adopt this standard for the year ending 30 June 2018 and 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.

Note 1 Summary of significant accounting policies (continued)

(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 12.

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 an enforceable obligation to pay the recipient. University chair grants payable are shown in Note 13.

(k) Indexation reserve

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

Note 2 Research grants paid

	2015 $	2014 $
(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
(2012-007) Developmental pathways of children with autism and developmental delay: What can early skills and behaviour teach us?	-	79,951
(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
(2012-083) Optimising pertussis vaccination in infants: a new approach	-	70,000
(2012-114) CardioCAPS: Determining the effects of the transition through puberty on vascular structure and function at age 14 years	-	58,203
(2012-142) Understanding the effect of preterm birth on brain blood flow and subsequent brain injury	-	78,257
(2012-213) Optimising sleep for Australian children: Understanding the effects of daytime sleep periods in childcare services	-	29,831
(2012-214) Regulation of myelination Intrauterine Growth Restriction: identification of potential therapeutic targets	-	68,774
(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**	80,000
(2013-030) Whose behaviour is and is not managed in the early years of school, why and with what effects?	**54,088**	71,087
(2013-059) Modelling intrauterine inflammation in second trimester pregnancy to prevent early preterm birth and improve neonatal outcomes	**70,000**	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**	80,000

Note 2 Research grants paid (continued)

	2015 $	2014 $
(2013-100) Decreasing neutrophil activation, infiltration and damage in respiratory syncytial virus (RSV) infection: a means to ameliorate infant bronchiolitis	**69,015**	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	**79,406**	79,641
(2013-277) Novel treatment for Paediatric OCF: Improving client access to treatment & outcomes	**43,900**	43,900
(2014-055) Growing Up in Australia's Family Health CheckPoint: Pilot for an intergenerational health module.	**40,000**	-
(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?	**39,978**	-
(2014-134) Can we predict health outcomes of extremely preterm birth?	**48,881**	-
(2014-211) Using polymer technology to deliver human nerve progenitors into the colon of new-born patients with a birth defect of colonic nerves	**34,114**	-
(2014-233) Reducing adverse reactions and boosting immune response to HPV vaccination with exercise	**75,000**	-
Total	**915,262**	1,078,078

Note 3 University chair grants paid

University chair grants paid in the year	2015 $	2014 $
Instalments paid to The University of Melbourne for establishment of an endowed chair – the Financial Markets Foundation Chair of Developmental Mental Health.	**2,000,000**	-
Total	**2,000,000**	-

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 Cash and cash equivalents

	2015 $	2014 $
Cash at bank and in hand	**2,498,169**	2,291,192

(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:

	2015 $	2014 $
Balances as above	**2,498,169**	2,291,192
Bank overdrafts	**-**	-
Balances per statement of cash flows	**2,498,169**	2,291,192

(b) Cash at bank and on hand

The cash at bank had a floating interest rate at year end of 1.35% (2014: 2.46%).

Note 7 Receivables and other current assets

	2015 $	2014 $
Interest receivable – financial institutions	**44,667**	43,799
Corporate donations receivable	**100,000**	100,000
Term deposits	**-**	1,000,000
	144,667	1,143,799

Note 8 Held-to-maturity investments – Capital indexed bonds

	2015 $	2014 $
Capital indexed bonds		
Opening balance	**10,130,386**	9,918,679
Indexation of face value of bonds	**160,700**	272,300
Amortisation of discount / (premium) on acquisition of investments	**(52,275)**	(60,593)
	10,238,811	10,130,386

Capital indexed bonds held have maturity dates ranging between 2015 and 2020. The timing of maturity is as follows; less than one year: $4,407,300 (2014: nil), one to five years: nil (2014: $5,559,479) and five to ten years: $5,831,511 (2014: $4,570,907). 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 2015 was $10,901,580 (2014: $10,909,640). Investments held are issued by the Commonwealth Bank of Australia and Commonwealth and State Government authorities.

Note 9 Indexation reserve

	2015 $	2014 $
Accumulated indexation of face value of capital indexed bonds	**1,689,971**	1,529,271
Movements		
Balance at beginning of year	**1,529,271**	1,256,971
Indexation on investments transferred from undistributed funds (refer Note 14)	**160,700**	272,300
Transfer of realised indexation income on maturity to undistributed funds	-	-
Balance at end of year	**1,689,971**	1,529,271

Note 10 Available-for sale investments – Social benefit bonds

During the last three years the Foundation has invested in social benefit bonds, through the acquisition of a $100,000 Newpin Social Benefit Bond and $100,000 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.

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 Foundation 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 11 Cash flow information

	2015 $	2014 $
Reconciliation of net cash flows from operating activities to operating profit		
Surplus / (Deficit) arising in the year after approved grants	**1,146,468**	1,344,184
Net (increase) / decrease in investments due to indexation	**(160,700)**	(272,300)
Amortisation of premium / (discount) on acquisition of investments	**52,275**	60,593
Changes in assets and liabilities		
(Increase) / Decrease in receivables	**(868)**	(101,046)
Increase / (Decrease) in grants payable	**(1,830,198)**	(73,461)
Net cash inflow / (outflow) from operating activities	**(793,023)**	957,971

Note 12 Research grants payable

	2015 $
The following grants were approved by the board on 9 May 2014 to be paid in January 2015, but were unpaid as at 30 June 2015:	
(2014-055) Growing Up in Australia's Family Health CheckPoint: Pilot for an intergenerational health module.	40,000
(2014-114) Do lower airway biofilms and NETs contribute to development of chronic lung infection in children?	39,977
(2014-134) Can we predict health outcomes of extremely preterm birth?	48,881
(2014-211) Using polymer technology to deliver human nerve progenitors into the colon of new-born patients with a birth defect of colonic nerves	34,113
	162,971
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
The following grants were approved by the board on 8 May 2015 to be paid in July 2015 and January 2016:	
(2015-043) The effects of mass drug administration on scabies and strongyloidiasis prevalence five years later	99,968
(2015-014) Clinical trial of Zoledronic acid (Aclasta) in children and adolescents with Duchenne Muscular Dystrophy (DMD)	74,509
(2015-111) Does a pregnant mother's alcohol consumption change a newborn's DNA?	63,610
(2015-137) Targeting CDK6 for treatment of childhood medulloblastoma	80,000
(2015-252) Breaking the cycle of intergenerational mental disorder: A longitudinal study of social and biological transmission in three long-standing Australian cohorts	78,278
(2015-301) The intermittent modified fast diet and insulin resistance in obese adolescents: a pilot study	80,000
(2015-314) Investigation of the role of virus-specific cell receptors in acute asthma in children	52,405
(2015-368) Can a controlled low oxygen environment protect the neonatal brain?	80,000
	608,770

Note 12 Research grants payable (continued)

	2015 $
The following grants were approved by the board on 8 May 2015 to be paid in July 2016 and January 2017:	
(2015-014) Clinical trial of Zoledronic acid (Aclasta) in children and adolescents with Duchenne Muscular Dystrophy (DMD)	74,509
(2015-111) Does a pregnant mother's alcohol consumption change a newborn's DNA?	63,610
(2015-137) Targeting CDK6 for treatment of childhood medulloblastoma	80,000
(2015-252) Breaking the cycle of intergenerational mental disorder: A longitudinal study of social and biological transmission in three long-standing Australian cohorts	40,650
(2015-301) The intermittent modified fast diet and insulin resistance in obese adolescents: a pilot study	59,418
(2015-314) Investigation of the role of virus-specific cell receptors in acute asthma in children	83,205
(2015-368) Can a controlled low oxygen environment protect the neonatal brain?	74,902
	476,294
Total current research grants payable	**1,174,535**
Total non-current research grants payable	**476,294**
Total research grants payable	**1,650,829**

Note 13 University chair grants payable

	2015 $	2014 $
The following grant was approved by the board on 1 May 2013 to be paid by 30 June 2017:		
Instalments of $1,000,000 paid yearly to The University of Melbourne for establishment of an endowed chair – the Financial Markets Foundation Chair of Developmental Mental Health.	**2,000,000**	4,000,000
	2,000,000	4,000,000
Total current university chair grants payable	**1,000,000**	2,000,000
Total non-current university chair grants payable	**1,000,000**	2,000,000
Total university chair grants payable	**2,000,000**	**4,000,000**

Note 14 Reconciliation of undistributed funds

	2015 $	2014 $
Undistributed Funds		
Undistributed funds at beginning of year	**6,755,059**	5,683,175
Surplus arising in the year after payment and approval of grants	**1,146,468**	1,344,184
Indexation on investments transferred to indexation reserve (refer Note 9)	**(160,700)**	(272,300)
Undistributed funds at year end	**7,740,827**	6,755,059

Note 15 Financial risk management

The Foundation'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 Foundation'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 Foundation 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 Foundation's activities. The Foundation, 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 Foundation 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 Foundation 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 2015	**Price risk ($)**		**Interest rate risk ($)**	
	+1%	**-1%**	**+100bps**	**-100bps**
Surplus arising in the year after approved grants	60,000	(60,000)	24,982	(24,982)
Net assets	60,000	(60,000)	24,982	(24,982)

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)

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 Foundation will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy its commitments. The Foundation holds cash on deposit sufficient to cover its contractual obligations. The earliest possible contractual maturity of the Foundation's financial liabilities is less than 12 months, with the exception of non-current research grants payable amounting to $476,294 (2014: $402,794) which are payable within 19 months and non-current university chair grants payable amounting to $1,000,000 (2014: $2,000,000) which are payable within two years.

Note 15 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 10 for further information.

Note 16 Events occurring after the reporting period

Subsequent to the end of the financial year the Foundation signed grant funding agreements with The University of Sydney and The University of New South Wales to provide funding for university chairs. The total funding commitment is $10 million payable in instalments over a period of at least 5 years. Entitlement to each instalment of funding will be dependent upon each University performing its obligations under the funding agreement.

Note 17 Commitments and contingencies

As at 30 June 2015 the Foundation did not have any contingent assets, contingent liabilities or contractual commitments.

Note 18 Related parties

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

Accounting and legal services are provided to the Foundation by AFMA Ltd and Legal Vision, 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 Foundation has received or is entitled to receive remuneration during the financial year.

Paul Robertson, a director of the Foundation, is also a director and chairman of Social Ventures Australia Ltd ("SVA"). SVA is manager of the issuing trust which issued Newpin Social Benefit Bonds referred to in Notes 1 and 10 of the financial statements. Paul Robertson does not receive any remuneration as a director of SVA.

Note 19 Auditor's Remuneration

Auditing services are provided to the Foundation by PricewaterhouseCoopers. The firm undertakes the annual audit of the Foundation on a pro-bono basis.

The Financial Markets Foundation for Children

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 Foundation 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 Foundation from any of its fundraising appeals.

GR Stevens
Chairman

Sydney
23 October 2015

The Financial Markets Foundation for Children

Statement by Trustee's Directors

In the opinion of the Directors of the Trustee, The Financial Markets Foundation for Children, the financial statements of the Foundation are drawn up so as to present fairly the financial position of the Foundation as at 30 June 2015 and the results of its operations and its cash flows for the financial year ended on that date.

There are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they fall due.

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
23 October 2015

pwc

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 Foundation"), which comprises the balance sheet as at 30 June 2015, 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 directors' declaration.

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 Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012, Charitable Fundraising Act 1991 (NSW), Charitable Fundraising Regulations 2008 (NSW)* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

Auditor's 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 Foundation's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations).

(b) the Foundation's financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

(c) during the year ended 30 June 2015, the financial report and associated records have been properly kept in accordance:

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

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

(d) the money received as a result of fundraising appeals conducted during the year ended 30 June 2015 have been properly accounted for and applied in accordance with the *Charitable Fundraising Act 1991 (NSW)* and the *Charitable Fundraising Regulations 2008 (NSW)*.

PricewaterhouseCoopers

Marcus Laithwaite
Partner

Sydney
23 October 2015