

The Financial Markets Foundation for Children Trust

Financial Report For the year ended 30 June 2020

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

The Financial Markets Foundation for Children

Financial Report – 30 June 2020

Contents

Trustee's Report	3
Statement of Comprehensive Income	7
Balance Sheet	8
Statement of Cash Flows	9
Statement of Changes in Equity	10
Notes to the Financial Statements.....	11
Chairman's declaration under the NSW Charitable Fundraising Act.....	23
Statement by Trustee's Directors.....	24
Independent auditor's report to the members of The Financial Markets Foundation for Children.....	26

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 25, Angel Place
123 Pitt Street
Sydney NSW 2000

Trustee's Report

In respect of the year ended 30 June 2020, the Trustee of The Financial Markets Foundation for Children Trust submits the following report:

Principal Activities

The principal activity of The Financial Markets Foundation for Children Trust ("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:

P Lowe (Chairman)	Governor, Reserve Bank of Australia
M Comyn	Managing Director & CEO, Commonwealth Bank of Australia
C Darvall AM	Company Director
SC Elliott	Managing Director & CEO, Australia and New Zealand Banking Group
MT Grounds	Company Director
WP Gurry AO	Company Director
BC Hartzer	Managing Director & CEO, Westpac Banking Corporation (resigned 2 December 2019)
MJ Reemst	Managing Director & CEO, Macquarie Bank
PJ Robertson AO	Company Director

Company Secretaries: U Hogben, PJ Robertson AO

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
IM Narev
RJ Norris
R Oates
JM Stewart
R Sawers
MRP Smith
GR Stevens AC

Results and review of operations

The Foundation generated a surplus before the approval of grants of \$2,326,681 (2019: \$2,462,125). The surplus after the approval of grants was \$322,181 (2019: \$1,412,342).

Trustee's Report

(continued)

Grants were paid during the financial year to fund the following projects:

(2017-179) Pre-clinical validation of a CRISPR/Cas therapy for inherited blinding disease.

This project reports viral mediated gene editing in the retina, and the application of this technology opens the prospect for anticipatory cures to some inherited retinal diseases. The trial is to generate substantial pre-clinical data for use in our case submitted to the TGA for a first in human clinical trial for gene-based therapy for PCDH15-related Usher Syndrome. Children affected by this neglected, orphan disease are born deaf and generally become blind during their teenage years.

(2018-016) Brain cells in a dish: strategies for novel therapeutics in CDKL5 disorder. Children with CDKL5 disorder suffer severe seizures and impairment of early brain development. There are no effective treatments, and little is known about the disorder. The CDKL5 protein is essential for forming connections between neighbouring brain cells during normal brain development. We will use genetic technologies to transform skin cells from affected patients into stem cells, correct the gene mutation, and convert them to brain cells. These studies will address fundamental questions about CDKL5 disorder and help develop new therapies.

(2018-043) Improving brain outcomes in the growth restricted newborn using placental stem cell treatment. Growth restriction during pregnancy causes impaired development of the fetal brain and poor neurodevelopmental outcomes such as cerebral palsy. Currently no treatment exists to prevent brain injury in these babies. Our project is investigating a novel stem cell treatment to protect baby's brains - using the baby's own placenta.

(2018-065) Evaluation of the effectiveness and cost-saving of a mobile teledentistry in a community-based dental screening amongst Australian school children. Employing oral health professionals other than dentists and embracing telehealth, in dental screening, could facilitate identifying high-risk children at a low-cost and allow them to receive specific care, thus improving children dental health and reducing the use of resources. In view of limitations of the traditional screening approach, the proposed project aims to evaluate the use of teledentistry in community-based dental screening amongst school children, based on dental photographs obtained by a smartphone camera, for a later evaluation by OHTs.

(2018-067) Do immunosuppressive medications during pregnancy affect the infant immune system and response to vaccines: A pilot study? Immunosuppressive medications taken during pregnancy cross the placenta into a woman's baby and can have a negative impact on a baby's immune system. For this reason, there are safety and efficacy concerns around vaccination in infancy. However, the impact is not well studied. This project aims to study the effect of immunosuppressive medications taken during pregnancy on the mother and baby's immune responses to recommended vaccines to generate new knowledge of significant importance for pregnant women and their clinicians.

(2018-102) Caring for Children after a Concussion: Uptake, Outcomes, and Health Care Impacts of a Patient-Driven Technology-Assisted Clinical Care Pathway. Clinical pathways are tools that enable health professionals deliver optimal care using the best available evidence. They translate clinical guidelines into practical step-by-step processes of care. In collaboration with a similar Canadian initiative, this project will adapt practice guidelines for the management of concussion into clinical pathways that can be used in hospital and community settings in Australia. We will design interactive web applications and text messaging systems (tested by Australian patients and families) to facilitate recovery from concussion.

(2018-150) Non-invasive detection of rejection after heart transplantation in children. Patients undergoing HT require life-long monitoring for rejection. Currently, prevention of rejection is guided by invasive and expensive heart biopsies. We have previously developed a genetic test for determining early rejection with approximately 80% accuracy and identified genetic markers of immune cells that are involved in rejection. We aim to investigate these immune cells in blood samples taken after heart transplantation. This assessment of immune cells will likely result in a clinically applicable, non-invasive test for diagnosing transplant rejection.

(2018-194) Understanding the causes of skill loss (regression) in children with autism. Autism is a neurodevelopmental disorder of social-communication and restricted/repetitive behaviours. One subgroup of children shows typical development before losing skills ('autistic regression') and then being diagnosed with autism. Although this onset of autism is well described, little is known about the sequence of skill loss, the biological mechanisms that produce it, and best practice for care once identified. We will establish a cohort of children with 'autistic regression' to enable clinical and discovery research to find causes and improve care.

(2018-218) Curing Blindness Using Novel Gene Delivery Vectors that Target Human Retina. Retinal eye diseases affect light-sensing pathways of the eye, resulting in vision impairment in millions of children worldwide. Currently there are no available treatments. We will use advances in vector and genomic technologies to develop new ways to efficiently and safely deliver therapeutic genes to affected cells in paediatric patients, to stop disease progression before irreversible changes leading to blindness occur. This project is the initial step to bring our new technology to the clinic, to cure blindness in children.

Trustee's Report

(continued)

(2019-083) Preterm birth and the risk of mental health disorders in childhood and adolescence: identifying targets to intervene early. Prematurity at birth has life-long impacts on children and their families, including an increased risk of developing anxiety and depression. Exactly how preterm birth causes changes to the emotional centres of the brain as it grows and interconnects, leading to an increased risk of mental health problems, is unknown. Identifying the exact brain regions and how they are altered will aid in the development of improved pharmacological treatments and early behavioural interventions.

(2019-098) Investigating a Potential Point of Care Test for Neonatal Sepsis. Sepsis affects more than 3 million neonates worldwide each year. We will measure the relative level of two proteins (biomarkers) in the blood of neonates who are being evaluated for sepsis, along with clinical parameters. These biomarkers are being used in development of a new “point of care” sepsis test for use in adults, and this study will show whether the same biomarkers will be useful for neonates, with appropriate modification and/or inclusion of clinical parameters if required.

(2019-112) Discovery of a new treatment for childhood leukaemia. Acute myeloid leukemia (AML) represents the deadliest form of blood cancer in children. Mutations in an enzyme called FMS-like tyrosine kinase 3 (FLT3) are the most common molecular abnormalities of AML and confer a particularly poor prognosis. We have identified a highly potent and selective FLT3 inhibitor (CDDD5-5) that markedly increases the survival of AML-bearing animals. We will investigate how CDDD5-5 stops AML progression in cells and animal models. The outcome will allow rapid progress of CDDD5-5 towards the clinic.

(2019-127) Follow-up at two years of children at risk of neonatal hypoglycaemia randomised to prophylactic oral dextrose gel or placebo gel. (hPOD-FU@2YR). Low blood sugar levels in babies soon after birth are common and can cause brain damage. Dextrose gel rubbed into the inside of a baby's cheek can treat low blood sugar. We want to find out if using the gel in at risk babies, to prevent low blood sugar levels from occurring in the first place, will improve the development of babies at 2 years of age and help prevent brain damage.

(2019-137) Cord blood stem cell therapy for children at risk of heart failure death. This study aims to reduce the high risk of heart failure and death faced by children with severe congenital or acquired heart diseases. This project will trial our unique cord blood stem cell therapy for safety and clinical capacity to stimulate normal heart muscle growth and improve heart function and survival in patients receiving cardiopulmonary bypass heart surgery to treat hypoplastic left heart syndrome (Norwood operation), or to treat dilated cardiomyopathy (ventricular assist device (VAD) surgical implantation).

(2019-201) Gene therapy for infants with severe metabolic liver disorders using genome editing technology. This project offers a unique opportunity to develop cutting-edge gene therapy treatments, and provide the foundations for a future clinical trial, in children with urea cycle disorders. We will exploit our privileged access to patient livers and elite AAV vector-based gene delivery systems to advance an innovative and clinically-relevant genome editing approach for infants with severe and often fatal genetic metabolic liver disease.

(2019-226) Acute Resuscitation In Paediatric SEpsis (ARISE-KIDS) – a randomised controlled trial to reduce morbidity and mortality due to sepsis in children. This study aims to establish effective treatment for sepsis in children. Sepsis is a disease caused by overwhelming infection, which kills more children than road traffic accidents and has a huge impact on patients, families, and society. The study will test the two most promising treatments for sepsis resuscitation in children, with the aim of reducing the number of deaths and improving long-term outcomes. The results are expected to inform best practice in Australia, and globally.

The carrying value of assets

The carrying value of the assets at the end of the financial year amounted to \$4,826,003 (2019: \$7,513,065).

Significant changes in state of affairs

In the opinion of the directors, the COVID 19 pandemic and the restrictions imposed by State and Federal Governments in response to the pandemic resulted in changes to the operation of the Foundation. While material fundraising activities for the financial year were completed prior to the pandemic, as at 30 June 2020, the 2020 grants program had been suspended.

Matters subsequent to the end of the financial year

Subsequent to the end of the financial year, restrictions arising from the COVID-19 pandemic have had and will continue to have significant impact on the Foundation's activities. Specifically, fundraising activities of the Foundation scheduled for the 2020 calendar year have been cancelled and the 2020 research grants program has been suspended. At the time of this Report, the Directors were in the process of confirming alternate funding arrangements to ensure that the Foundation continues to meet its commitments as they fall due.

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 Foundation, 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.

Trustee's Report

(continued)

Likely developments

Due to the COVID-19 Pandemic, the directors are of the view that the fundraising activities of the Foundation and the annual research grants program are unlikely to proceed in a manner consistent with prior years. The directors are confirming alternate funding arrangements for the Foundation.

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 60-30 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

PAUL ROBERTSON

Sydney

XX October 2020

23

Statement of Comprehensive Income

For the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Income			
Interest on cash and deposits		12,443	23,352
Interest and indexation on Capital Indexed & Social Bonds		226,386	296,519
Corporate donations		357,750	350,450
Donation from ASX Thomson Reuters golf day		32,463	42,500
Proceeds from Melbourne ball		1,697,639	1,624,754
Prior year grant returned		-	124,550
Total income		2,326,681	2,462,125
Expenses		-	-
Total expenses		-	-
Surplus arising in the year before approval of grants		2,326,681	2,462,125
Grants			
Research grants	17	(1,004,500)	(1,049,783)
University Chair grants	17	(1,000,000)	-
Total grants		(2,004,500)	(1,049,783)
Surplus arising in the year after approved grants		322,181	1,412,342

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

Balance Sheet

As at 30 June 2020

	Notes	2020 \$	2019 \$
Current Assets			
Cash and cash equivalents	6	1,041,847	2,382,541
Receivables and other current assets	7	35,656	20,397
Capital indexed bonds	8	3,531,000	-
Social benefit bonds	10	100,000	75,000
Total Current Assets		4,708,503	2,477,938
Non-Current Assets			
Capital indexed bonds	8	-	4,810,127
Social benefit bonds	10	117,500	225,000
Total Non-Current Assets		117,500	5,035,127
Total Assets		4,826,003	7,513,065
Current Liabilities			
Research grants payable	12	527,397	1,009,243
University Chair grants payable	13	-	2,000,000
Total Current Liabilities		527,397	3,009,243
Non-Current Liabilities			
Research grants payable	12	-	527,397
Total Non-Current Liabilities			527,397
Total Liabilities		527,397	3,536,640
Net Assets		4,298,606	3,976,425
Trust Funds			
Settled sum		20	20
Indexation reserve	9	616,200	786,171
Undistributed funds	14	3,682,386	3,190,234
Total Trust Funds		4,298,606	3,976,425

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

Statement of Cash Flows

For the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from donors and other debtors		2,067,852	2,019,963
Interest received		181,027	276,608
Research grants paid (including grant bonuses)	2	(2,013,743)	(1,219,348)
University Chair grants paid	3	(3,000,000)	(2,000,000)
Net cash flows from operating activities	11	(2,764,864)	(922,777)
Cash flows from investing activities			
Proceeds/(purchase) of term deposits		-	1,500,000
(Purchase)/proceeds from bonds		1,424,170	100,000
Net cash flows from investing activities		1,424,170	1,600,000
Net increase/(decrease) in cash held		(1,340,694)	677,223
Cash and cash equivalents at the beginning of the financial year		2,382,541	1,705,319
Cash and cash equivalents at the end of the financial year		1,041,847	2,382,541

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 2020

	2020 \$	2019 \$
Total equity at the beginning of the financial year	3,976,425	2,564,083
Surplus arising in the year after approved grants	322,181	1,412,342
Total recognised income and expense for the year	322,181	1,412,342
Total equity at the end of the financial year	4,298,606	3,976,425

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

Notes to the Financial Statements

30 June 2020

Contents

Note 1 Summary of significant accounting policies	12
Note 2 Research grants paid	14
Note 3 University Chair grants paid	16
Note 4 Deed of settlement	16
Note 5 Trustee	16
Note 6 Cash and cash equivalents	16
Note 7 Receivables and other current assets	16
Note 8 Capital indexed bonds	17
Note 9 Indexation reserve	17
Note 10 Social benefit bonds	17
Note 11 Cash flow information	18
Note 12 Research grants payable	19
Note 13 University Chair grants payable	21
Note 14 Reconciliation of undistributed funds	21
Note 15 Financial risk management	21
Note 16 Events occurring after the reporting date	22
Note 17 Contingent assets and liabilities and commitments	22
Note 18 Related parties	23
Note 19 Auditors remuneration	23

Notes to the Financial Statements

30 June 2020

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, 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 (AIFRS). 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 probable 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. Coupons on social benefit bonds are recognised when the entitlement to a coupon has been established or informed.

(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.

(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.

Notes to the Financial Statements

30 June 2020

(f) Capital indexed bonds

Investments in capital indexed bonds are classified as financial assets measured at amortised cost. The classification is driven by the Foundation's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Capital indexed bonds are purchased primarily with the intention to collect the contractual cash flows and the contractual cash flows represent solely payments of principal and interest (SPPI). 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) Social benefit bonds

Investments in Social benefit bonds are recognised as financial assets held at fair value through profit or loss. The bonds are recorded at their fair value on acquisition date, being the amount of the initial principal investment. Subsequently an analysis of the success of the issuer in meeting the stated performance objectives under the social benefit bond is performed, 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. Any redemption coupon is recognised in profit and loss when entitlement to receive a coupon is established or informed.

(h) New accounting standards and interpretations

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2019 that have a material impact on the amounts recognised in prior periods or will affect current or future periods.

(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 12.

University Chair and other grants and other 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 a present contractual 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

	2020	2019
	\$	\$
Grants 2017		
Research grants paid in the year		
2017-179 Pre-clinical validation of a CRISPR/Cas therapy for inherited blinding disease.	27,500	27,500
Total	27,500	27,500

	2020	2019
	\$	\$
Grants 2018		
Research grants paid in the year		
2018-016 Brain cells in a dish: strategies for novel therapeutics in CDKL5 disorder	79,054	79,434
2018-043 Improving brain outcomes in the growth restricted newborn using placental stem cell treatment	35,087	104,042
2018-065 Evaluation of the effectiveness and cost-saving of a mobile teledentistry in a community-based dental screening amongst Australian school children	80,000	79,890
2018-067 Do immunosuppressive medications during pregnancy affect the infant immune system and response to vaccines: A pilot study?	50,000	70,000
2018-102 Caring for Children after a Concussion: Uptake, Outcomes, and Health Care Impacts of a Patient-Driven Technology-Assisted Clinical Care Pathway	39,930	119,853
2018-150 Non-invasive detection of rejection after heart transplantation in children	80,000	80,000
2018-183 Improving the transition at birth of infants born by vaginal delivery: a trial of early versus delayed Oxytocin administration	55,286	72,738
2018-194 Understanding the causes of skill loss (regression) in children with autism	55,286	72,139
2018-218 Curing Blindness Using Novel Gene Delivery Vectors that Target Human Retina	40,000	120,000
Total	459,357	798,096

	2020 \$	2019 \$
Grants 2019		
Research grants paid in the year		
2019-083 Preterm birth and the risk of mental health disorders in childhood and adolescence: identifying targets to intervene early	80,857	-
2019-098 Investigating a Potential Point of Care Test for Neonatal Sepsis	52,000	-
2019-112 Discovery of a new treatment for childhood leukaemia	80,000	-
2019-127 Follow-up at two years of children at risk of neonatal hypoglycaemia randomised to prophylactic oral dextrose gel or placebo gel. (hPOD-FU@2YR)	69,663	-
2019-137 Cord blood stem cell therapy for children at risk of heart failure death	80,000	-
2019-201 Gene therapy for infants with severe metabolic liver disorders using genome editing technology	80,000	-
2019-226 Acute Resuscitation In Paediatric SEpsis (ARISE-KIDS) – a randomised controlled trial to reduce morbidity and mortality due to sepsis in children	79,866	-
Total	522,386	-

	2020 \$	2019 \$
Other research grants paid in the year		
Instalment paid to ANZCHOG for Brain Cancer Trials Research	1,000,000	-
Total	1,000,000	-

Note 3 University Chair grants paid

	2020 \$	2019 \$
University Chair grants paid in the year		
Instalment paid to University of New South Wales for the establishment of an endowed chair	1,000,000	1,000,000
Instalment paid to University of Sydney for the establishment of an endowed Chair	1,000,000	1,000,000
Instalment paid to Monash University for the establishment of an endowed Chair	1,000,000	-
Total	3,000,000	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

	2020 \$	2019 \$
Cash at bank and in hand	1,041,847	2,382,541

(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:

Balances as above	1,041,847	2,382,541
Balances per statement of cash flows	1,041,847	2,382,541

(b) Cash at bank and on hand

Cash at bank had a floating interest rate at year end of 0.1% (2019: 0.5%).

Note 7 Receivables and other current assets

	2020 \$	2019 \$
Interest receivable from financial institutions	15,655	20,397
Corporate donations receivable	20,000	-
	35,655	20,397

Note 8 Capital indexed bonds

	2020 \$	2019 \$
Capital indexed bonds		
Opening balance	4,810,127	4,767,223
Maturity of bonds	(1,077,940)	-
Indexation of face value of bonds	70,000	72,300
Reduction of indexation for bonds maturing during the year	(239,971)	-
Amortisation of discount / (premium) on acquisition of investments	(31,216)	(29,396)
Total Capital indexed bonds	3,531,000	4,810,127

Capital indexed bonds held has a maturity date of 2020. The timing of maturity is as follows; less than one year: \$3,531,000 (2019: \$nil) and one to five years: nil (2019: \$4,810,127). 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 2020 was \$3,564,200 (2019: \$4,909,200). Investments held are issued by the Commonwealth Government.

Note 9 Indexation Reserve

	2020 \$	2019 \$
Accumulated indexation of face value of capital indexed bonds	882,171	786,171
Movements		
Balance at beginning of year	786,171	713,871
Reduction for bonds maturing during the year	(239,971)	-
Indexation on investments transferred from undistributed funds (Note 14)	70,000	72,300
Balance at end of year	616,200	786,171

Note 10 Social benefit bonds

The valuation of Social benefit bonds is based on unobservable market data, and therefore they are classified as level 3 financial assets. The key risk factors that drive the fair value of the Social benefit bonds are included below.

- Newpin Social Benefit Bond (\$100,000):** The bond was acquired in 2013 and relates to a program sponsored by the NSW Government in collaboration with UnitingCare Burnside and Social Ventures Australia. 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% per annum 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.
- Aspire Social Impact Bond (\$50,000):** Key terms of the social bonds include an effective annual fixed coupon rate of 2% and the potential payment of a flexible coupon based on the quantum of Trust assets. The quantum of Trust assets may depend on the amounts payable to the Trust from the South Australian Government based on savings generated by the program in terms of reduced requirements for hospital beds, reduced convictions and reductions in short-term/emergency accommodation. The term of the program is seven years, with a proportion of the outstanding bonds to be mandatorily redeemed between years five and six. The bonds are limited in recourse to the assets of the Trust.

An initial payment of \$25,000 in respect of the bonds was made in March 2017, with a further amount paid of \$25,000 in June 2018.

Notes to the Financial Statements

30 June 2020

- c) **Resolve Social Benefit Bonds (\$75,000):** Under the terms of the bonds, as agreed with the New South Wales Government and the party responsible for delivering the program, the total fixed and performance coupon payable on the bonds may be 7.5% per annum to the extent that there is a reduction in the consumption of health services in New South Wales arising from the program that meets the agreed target.

The Resolve Social Benefit Bonds are medium term notes that are limited in recourse to the Resolve Social Benefit Trust. The bonds have a 7.75 year term, mirroring the term of the Resolve Program. An initial payment of \$37,500 in respect of the bonds was made in June 2017, with a further amount paid in June 2018 of \$37,500. Subsequent to year end, the Noteholders approved a Circular Resolution to amend the terms of the Resolve Social Benefit Bond Implementation and Services Agreements to alter the program due to poor results in Year 2 of the program. The carrying value of the Bonds has been adjusted to reflect the principal amount that would be recovered if the program was not to continue.

Note 11 Cash flow information

2020	2019
\$	\$

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	1,041,847	2,382,541
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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	322,181	1,412,342
Net (increase) / decrease in investments due to indexation	(93,760)	(72,300)
Amortisation of premium / (discount) on acquisition of capital indexed bonds	31,216	29,396
Changes in assets and liabilities		
(Increase) / Decrease in receivables	(15,258)	1,901
Increase / (Decrease) in grants payable	(3,009,243)	(2,294,116)
Net cash inflow / (outflow) from operating activities	(2,764,864)	(922,777)

Note 12 Research grants payable

The following grants were approved by the board in May 2019 to be paid in July 2020 and January 2021

2019-083 Preterm birth and the risk of mental health disorders in childhood and adolescence: identifying targets to intervene early	71,342
2019-098 Investigating a Potential Point of Care Test for Neonatal Sepsis	47,500
2019-112 Discovery of a new treatment for childhood leukaemia	80,000
2019-127 Follow-up at two years of children at risk of neonatal hypoglycaemia randomised to prophylactic oral dextrose gel or placebo gel. (hPOD-FU@2YR)	88,925
2019-137 Cord blood stem cell therapy for children at risk of heart failure DEAT	80,000
2019-201 Gene therapy for infants with severe urea cycle disorders using genome editing technology	80,000
2019-226 Acute Resuscitation In Paediatric Sepsis (ARISE-KIDS) – a randomised controlled trial to reduce morbidity and mortality due to sepsis in children	79,630
	527,397

Note 13 University Chair grants payable

	2020 \$	2019 \$
The following grants were approved by the board in September 2015 to be paid by 30 June 2020:		
Instalments of \$1,000,000 paid yearly to the University of New South Wales for establishment of an endowed Chair	-	1,000,000
Instalments of \$1,000,000 paid yearly to the University of Sydney for the establishment of an endowed Chair	-	1,000,000
	<u>-</u>	<u>2,000,000</u>
Total current university Chair grants payable	-	2,000,000
Total university Chair grants payable	<u>-</u>	<u>2,000,000</u>

Note 14 Reconciliation of undistributed funds

	2020 \$	2019 \$
Undistributed Funds		
Undistributed funds at beginning of year	3,190,234	1,850,192
Surplus arising in the year after payment and approval of grants	322,181	1,412,342
Indexation on investments transferred to indexation reserve (Note 9)	169,971	(72,300)
Undistributed funds at year end	<u>3,682,386</u>	<u>3,190,234</u>

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 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.

Notes to the Financial Statements

30 June 2020

Note 15 Financial risk management (continued)

(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 2020	Price risk (\$)		Interest rate risk (\$)	
	+1%	-1%	+100bps	-100bps
Surplus arising in the year after approved grants	21,000	(21,000)	17,815	(17,815)
Net assets	21,000	(21,000)	17,815	(17,815)

Year ended June 2019	Price risk (\$)		Interest rate risk (\$)	
	+1%	-1%	+100bps	-100bps
Surplus arising in the year after approved grants	30,000	(30,000)	23,825	(23,825)
Net assets	30,000	(30,000)	23,825	(23,825)

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.

The Foundation determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2020 and 30 June 2019, all receivables, cash and capital indexed bonds are held with counterparties with a credit rating of AA or higher. The Social benefit bonds are unrated. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Foundation.

(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.

(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. This may create variability in the value of the Social benefit bonds, where outcomes are uncertain. Refer to Note 10 for further information.

Note 16 Events occurring after the reporting period

The COVID-19 pandemic, and the restrictions imposed by State and Federal Governments in respect of the pandemic, has presently resulted in the cessation of major fundraising activities and the suspension of the 2020 research grants program.

Notes to the Financial Statements

30 June 2020

Note 17 Contingent assets and liabilities and commitments

During the year to 30 June 2019, the Foundation committed to the following donations:

- \$5 million to Monash University, in five equal instalments, over a period of five years. Monash University is permitted to use the funds to establish a Chair of the University in Neonatal Paediatrics.
- \$5 million funding for the Financial Markets Foundation for Children Brain Cancer Clinical Trials, in five equal instalments of \$1 million each, over five years.

Noting that during the financial year payments of \$1 million were made both to Monash University and for the Children Brain Cancer Clinical trials respectively, as at 30 June 2020, the Foundation has no present contractual obligation relating to the remaining payments in respect of these commitments.

As at 30 June 2020 the Foundation did not have any contingent assets or contingent liabilities other than those noted above.

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 Australian Financial Markets Association Ltd and LegalVision, 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 social 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.

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, Philip Lowe, Chairman of the Financial Markets Foundation for Children ("the Foundation") 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.



P Lowe
Chairman

Sydney
~~XX~~ October 2020

23


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 2020 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 trust 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
 John Rosenthal

Sydney
XX October 2020

12
23



Independent auditor's report

To the members of The Financial Markets Foundation for Children Trust

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of The Financial Markets Foundation for Children Trust (The Financial Markets Foundation for Children or the Foundation) is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

- (a) giving a true and fair view of the Foundation's financial position as at 30 June 2020 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

What we have audited

The financial report comprises:

- the balance sheet as at 30 June 2020
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the trustee's declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Foundation in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757

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Other information

The directors of the Trustee are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors of the Trustee for the financial report

The directors of the Trustee of the Foundation 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* and for such internal control as the directors of the Trustee determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Trustee are responsible for assessing the ability of the Foundation to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Trustee either intends to liquidate the Foundation or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.



Report on the requirements of the Charitable Fundraising Act 1991 (NSW) and the Charitable Fundraising Regulation 2015 (NSW)

We have audited the financial report of The Financial Markets Foundation for Children as required by Section 24(2) of the *Charitable Fundraising Act 1991 (NSW)* (the Act). The directors of the Foundation are responsible for the preparation and presentation of the financial report in accordance with the Act and the *Charitable Fundraising Regulation 2015 (NSW)* (the Regulation). Our responsibility is to express an opinion on the financial report based on our audit.

In our opinion, in all material respects:

- a) the financial report of the Foundation represents a true and fair view of the financial result of the fundraising appeals for the year ended 30 June 2020 and has been prepared in accordance with section 24(2)(a) of the Act.
- b) the accounts and associated records have been properly kept in accordance with sections 20(1), 22(1-2) and 24(1-3) of the Act during the year ended 30 June 2020.
- c) money received as a result of fundraising appeals conducted by the Foundation during the year ended 30 June 2020 has been properly accounted for and applied in accordance with the Act and the Regulation.

A handwritten signature in black ink, appearing to read 'Nicholas Cope'.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Marcus Laithwaite'.

Marcus Laithwaite
Partner

Sydney
23 October 2020