Statutory Financial Report.

St Vincent's Institute
Financial Statements for the
Year Ended 31 December 2011

Directors' Report

Your Directors present their report on the company for the financial year ended 31 December 2011.

1. Directors

The names of each person who has been a director during the year and to the date of this report are:

Ms Susan M Alberti	Prof James Best (from 23/5/11)
Mr Paul Holyoake	Prof Thomas WH Kay
Mr John MacFarlane	Mr Michael McGinniss
Mr Stephen Marks (from 3/10/11)	Prof Patricia O'Rourke
Mr Christopher Page (from 3/10/11)	Ms Ruth A O'Shannassy
Mr Gregory J Robinson	Ms Brenda M Shanahan
Prof Jim McCluskey (resigned 5/1/11)	Mr G John Pizzey (resigned 28/11/11)

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

2. Principal Activities

The principal activity of the company during the financial year was medical research.

3. Objectives

The objective is to reduce the burden of common diseases. St Vincent's Institute (SVI) carries out biomedical research into common diseases of the community, including: diabetes (type 1 and type 2), obesity, cardiovascular disease, bone diseases including arthritis and osteoporosis, cancer and Alzheimer's disease. Our progress is ultimately measured by the impact of our discoveries on how diseases are treated. Past examples have included: Edman's protein sequenator; the discovery of parathyroid hormone-related protein and its role in the effects of cancer on the skeleton; the purification of AMP dependent protein kinase, the body's fuel gauge and carrying out Victoria's first pancreatic islet transplant.

The entity's short-term objectives are:

We aim to achieve demonstrable outcomes including:

- high quality and high impact publications describing new findings of our research.
- the application of our research to healthcare.
- grow competitive grant funding to further support our work. We rely on competitive peer-reviewed grants from government and charities that support disease based research for most of our income. Philanthropy is critical to our success especially to support young investigators and provide additional funding for research.
- the development of new sources of income that will contribute to funding our infrastructure costs. Currently SVI is substantially reliant on the Federal and Victorian State governments for their support of the indirect costs of research through the Independent Research Institutes Infrastructure Support Scheme (IRIIS) and the Operational Infrastructure Support Program (OIS), respectively. While we are very grateful to both governments, we require additional funds to meet our needs.
- develop our employee's and student's skills and attributes.
- provide improved processes and take advantage of technological developments to better place researchers to achieve research excellence.

Directors' Report

The entity's long-term objectives are:

- to improve the health and health care of the community through scientific excellence.
- to build a financially strong organization through good management of our resources and fund-raising programs.
- to have productive relationships with partners, especially those organizations involved in the Aikenhead Centre for Medical Discovery, which aims to integrate research, education and clinical practice on the St. Vincent's campus.
- to build a strong internal culture with an emphasis on research integrity and ethics as outlined in the Australian Code for the Responsible Conduct of Research. This also extends to complying with laws and social and ethical behavioural standards.

To achieve these objectives, the entity has adopted the following strategies:

- maintain appropriate risk management policies and procedures.
- implement quality internal growth and external recruitment practices.
- improve internal and external communication and research collaborations.
- build clinical and commercial links.
- build on our collaboration with our close affiliates, St. Vincent's Health and The University of Melbourne and with other Australian and international groups.
- seek additional funding to purchase leading edge technology, which has always been a feature of the Institute's research.
- maintain resource excellence.

4. Information on Directors

Ms Brenda M Shanahan	Chairperson
Qualifications	BEc BCom,
Experience	Board member since May 1996, Chair since 2005, Director of several public companies.
Ms Susan M Alberti	Director
Qualifications	Hon LLD,
Experience	Board member since April 2003, Chair of St Vincent's Institute Foundation, President Juvenile Diabetes Research Foundation Australia.
Prof James Best	Director
Qualifications	MBBS, MD, FRACP, FRCPath, FRCP Edin.
Experience	Board member since 2011 and previously a board member from 1991 to 2008. Currently Head of Melbourne Medical School and Professor of Medicine, Faculty of Medicine, Dentistry and Health Sciences, University of Melbourne.
Mr Paul Holyoake	Director
Qualifications	BEngMech(Hons), MEngSci,
Experience	Board member since May 2006, Executive Chairman Oakton Ltd.
Special Responsibilities	Member of the Audit & Finance committee.
Prof Thomas WH Kay	Director
Qualifications	BMedSc, MBBS PhD Melb, FRACP, FRCPA,
Experience	Board member since April 2003, Executive Director of St Vincent's Institute of Medical Research.
Special Responsibilities	Member of the Audit & Finance committee and Commercialisation committee.

Directors' Report

Mr John (JT) MacFarlane	Director
Qualifications	MCom,
Experience	Board member since July 2008, Executive Chairman and Chief Country Officer, Deutsche Bank Group, Australia & New Zealand.
Mr Michael McGinniss	Director
Qualifications	BCom(Hons), MEc
Experience	Board member since November 2005, retired former partner PricewaterhouseCoopers.
Special Responsibilities	Member of the Audit & Finance committee and Commercialisation committee.
Mr Stephen Marks	Director
Qualifications	FCA.
Experience	Board member since November 2011, chartered accountant.
Ms Patricia O'Rourke	Director
Qualifications	Grad Dip App Sci (Nursing), GAICD,
Experience	Board member since July 2010, CEO St Vincent's Health Melbourne.
Ms Ruth A O'Shannassy	Director
Qualifications	BCom,
Experience	Board member since April 2003, former stockbroker, London and Asia.
Special Responsibilities	Deputy Chairperson of board and Chair of the Audit & Finance committee,
Mr Christopher Page	Director
Qualifications	BA (Hons),
Experience	Board member since November 2011, Chief Risk Officer ANZ Banking Group.
Mr G John Pizzey	Director
Qualifications	BE(Chem), Fell Dip (Management), FTSE, FAICD, FAIM,
Experience	Board member since April 2004, Director of several public companies.
Mr Gregory J Robinson	Director
Qualifications	BSc(Hons), MBA(Columbia),
Experience	Board member April 2004, CEO, Newcrest Mining Ltd.
Special Responsibilities	Member of the Commercialisation committee.

Directors' Report

5. Meetings of directors

During the financial year, 12 meetings of directors (including committees) were held. Attendees were:

	Directors' Meetings		Committee Meetings			
			Commercialisation		Audit & Finance	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Alberti, SM	5	0	-	-	-	-
Holyoake, P	5	3	-	-	6	3
Kay, TWH	5	5	1	0	6	6
Best, J	4	3	-	-	-	-
MacFarlane, JT	5	3	-	-	-	-
McGinniss, M	5	4	1	1	6	5
Marks, S	1	1	-	-	-	-
O'Rourke, P	5	3	-	-	-	-
O'Shannassy, RA	5	3	-	-	6	6
Page, C	1	0	-	-	-	-
Pizzey, GJ	5	3	-	-	-	-
Robinson, GJ	5	4	1	1	-	-
Shanahan, BM	5	5	-	-	-	-

The entity is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the entity is wound up, the constitution states that each member is required to contribute a maximum of $100 each towards meeting any outstanding obligations of the entity. At 31 December 2011 the collective liability of the members was $300 (2010: $300).

6. Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 31 December 2011 has been received and can be found on page 6 of the financial statements.

Signed in accordance with a resolution of the Board of Directors.

Brenda M. Shanahan

Director
BM Shanahan

Director
TWH Kay

Dated this 19th day of March 2012, Melbourne, Australia

William Buck

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors Of St Vincent's Institute of Medical Research

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2011 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

AP Marks
Director

Dated: Melbourne 19th March 2012

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

Melbourne: Level 20, 181 William Street, Melbourne VIC 3000 | **Hawthorn:** Level 1, 465 Auburn Road, Hawthorn East VIC 3123
PO Box 185, Toorak VIC 3142 • Telephone: +61 3 9824 8555 • Facsimile: +61 3 9824 8580
williambuck.com

Statement Of Comprehensive Income For The Year Ended 31 December 2011

	Note	2011 ($)	2010 ($)
Revenue	2	15,135,998	15,714,128
Other income	2	5,042,860	4,986,568
Total revenue		**20,178,858**	**20,700,696**
Consumables and general research expenses		(4,482,852)	(4,936,146)
Employee benefits expense		(11,675,402)	(11,169,874)
Depreciation and amortisation		(1,918,271)	(1,758,827)
Administration expenses		(1,480,315)	(1,483,263)
Transfers to collaborators		(826,760)	(269,356)
Total expenses		**(20,383,600)**	**(19,617,466)**
Surplus/(Deficit) for the year		**(204,742)**	**1,083,230**
Other Comprehensive income:			
Net (loss)/gain on revaluation of financial assets	3	(379,292)	(19,330)
Total Comprehensive income for the year		**(584,034)**	**1,063,900**
Total Comprehensive income attributable to members of the entity		**(584,034)**	**1,063,900**

The accompanying notes form part of these financial statements.

Statement Of Financial Position
As At 31 December 2011

	Note	2011 ($)	2010 ($)
ASSETS			
Current Assets			
Cash and cash equivalents	6	13,153,786	14,556,068
Trade and other receivables	7	2,051,994	899,406
Other assets	9	51,172	241,110
Total Current Assets		**15,256,952**	**15,696,584**
Non-current Assets			
Trade and other receivables	7	250,000	250,000
Financial assets	8	2,824,956	2,614,110
Property, plant & equipment	10	7,859,523	8,631,915
Total Non-current Assets		**10,934,479**	**11,496,025**
Total Assets		**26,191,431**	**27,192,609**
Current Liabilities			
Trade and other payables	11	2,568,524	3,282,282
Short-term provisions	12	939,197	701,338
Funds held in trust for NSRL accrued leave	16	138,280	138,280
Total Current Liabilities		**3,646,001**	**4,121,900**
Non-current Liabilities			
Provisions	12	204,233	145,478
Total Non-current Liabilities		**204,233**	**145,478**
Total Liabilities		**3,850,234**	**4,267,378**
NET ASSETS		**22,341,197**	**22,925,231**
EQUITY			
Retained surplus		22,658,536	22,863,278
Reserve	13	(317,339)	61,953
TOTAL EQUITY		**22,341,197**	**22,925,231**

The accompanying notes form part of these financial statements.

Statement Of Changes In Equity For Year Ended 31 December 2011

	Note	Retained Surplus $	Financial Asset Reserve $	Total $
Balance at 1 January 2010		**21,780,048**	**81,283**	**21,861,331**
Total comprehensive income for the year				
Surplus attributable to members		**1,083,230**	**-**	**1,083,230**
Other comprehensive income for the year				
Net loss on revaluation of assets	3	-	(19,330)	(19,330)
Total other comprehensive income		**-**	**(19,330)**	**(19,330)**
Total comprehensive income for the year		**1,083,230**	**(19,330)**	**1,063,900**
Balance at 31 December 2010		**22,863,278**	**61,953**	**22,925,231**

		Retained Surplus $	Financial Asset Reserve $	Total $
Balance at 1 January 2011		**22,863,278**	**61,953**	**22,925,231**
Total comprehensive income for the year				
Deficit attributed to members		**(204,742)**	**-**	**(204,742)**
Other comprehensive income for the year				
Net loss on revaluation of assets	3	-	(379,292)	(379,292)
Total other comprehensive income		**-**	**(379,292)**	**(379,292)**
Total comprehensive income for the year		**(204,742)**	**(379,292)**	**(584,034)**
Balance at 31 December 2011		**22,658,536**	**(317,339)**	**22,341,197**

The accompanying notes form part of these financial statements.

Statement Of Cash Flows For The Year Ended 31 December 2011

	Note	2011 Inflows (Outflows) $	2010 Inflows (Outflows) $
Cash flow from operating activities			
Grants received		13,969,612	15,179,138
Payments to suppliers and employees		(18,242,282)	(16,991,859)
Donations, legacies and bequests		2,254,894	2,836,922
Other revenue		1,588,595	1,096,773
Interest received		616,073	648,185
Dividends received		146,843	168,819
Net cash provided by operating activities		**333,735**	**2,937,978**
Cash flow from investing activities			
Payment for property, plant, equipment and fittings		(1,145,880)	(1,357,229)
Purchase of motor vehicle		-	(38,914)
Payments for available-for–sale investments		(590,138)	(654,948)
Net cash used in investing activities		**(1,736,018)**	**(2,051,091)**
Net increase/(decrease) in cash held		(1,402,283)	886,887
Cash and cash equivalents at the beginning of the financial year		14,556,068	13,669,181
Cash and cash equivalents at the end of the financial year	6	**13,153,786**	**14,556,068**

The accompanying notes form part of these financial statements.

Notes To The Financial Statements For The Year Ended 31 December 2011

The financial report is for St Vincent's Institute of Medical Research as an individual entity, incorporated and domiciled in Australia. St Vincent's Institute of Medical Research is a company limited by guarantee.

Note 1: Summary of Significant Accounting Policies

Basis of Preparation

St Vincent's Institute of Medical Research has elected to early adopt the pronouncements AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2011-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements to the annual reporting period beginning 1 July 2010.

The financial statements are a general purpose financial report that has been prepared in accordance with Australian Accounting Standards' Reduced Disclosure Requirements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting Policies

(a) Revenue

Grant revenue is recognised in the statement of comprehensive income when the entity obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

If conditions are attached to the grant, which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

Donations and bequests are recognised as revenue when received.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

(b) Property, Plant and Equipment

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

(i) Leasehold Improvements

Existing Building: In 2002 and 2003 the company extended and refurbished the existing building, which is leased by the company from the Sisters of Charity Healthcare Australia Limited. The building lease arrangement provides the company with both a future economic benefit and control over that future economic benefit. The cost of the leasehold improvement has been capitalised and appears in the statement of financial position.

Bio-resources Centre: In 2005 the company paid $825,574 towards the building of an additional research facility on the St Vincent's Hospital Melbourne campus. The hospital will manage the facility and the company's investment gives long-term entitlement to access the facility. The entitlement provides the company with an economic benefit and control over that future economic benefit. The cost of the leasehold improvement has been capitalised and appears in the statement of financial position. There was no additional expenditure on leasehold improvements in 2011.

Notes To The Financial Statements
For The Year Ended 31 December 2011

(ii) Plant and Equipment
Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts. The company does not apply the recoverable amount valuation process. However prudent depreciation rates have been selected to overcome the difficulty in determining the recoverable amount. The company's plant, equipment and fixtures are generally fully depreciated well before the end of the assets useful life and leasehold improvement is depreciated in line with the duration of the lease.

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

(iii) Depreciation:
The depreciable amount of all fixed assets including leasehold improvements are depreciated on a straight line basis over the assets useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Depreciation is recognized in the statement of comprehensive income. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	7%
Plant and equipment	20-33%
Motor vehicles	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(c) Financial Instruments
Initial recognition and measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Notes To The Financial Statements
For The Year Ended 31 December 2011

Classification and subsequent measurement

Finance instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted

Amortised cost is calculated as:

(i) the amount at which the financial asset or financial liability is measured at initial recognition;

(ii) less principal repayments;

(iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and

(iv) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the statement of comprehensive income.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking, or where they are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period (all other loans and receivables are classified as non-current assets).

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those, which are expected to mature within 12 months after the end of the reporting period, which will be classified as current assets.

If during the period the company sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Such assets are subsequently measured at fair value.

Available-for-sale assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after the end of the reporting period, which will be classified as current assets.

Notes To The Financial Statements For The Year Ended 31 December 2011

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. The company does not have any derivative instruments at 31 December 2011.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arms length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the statement of comprehensive income.

(d) Impairment of Assets

At the end of each reporting period, the company reviews the carrying values of its tangibles assets and intangible assets to determine whether those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the assets fair value less costs to sell and value in use is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of a class of assets, the entity estimates the recoverable amount of a class of assets, the entity estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

(e) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of the company is measured using the currency of the primary economic environment in which the company operates. The financial statements are presented in Australian dollars, which is the company's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Notes To The Financial Statements For The Year Ended 31 December 2011

(f) Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(g) Trade and other payables
Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(h) Provisions
Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(i) Employee benefits
Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the long service leave liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Contributions are made by the entity to an employee superannuation fund and are charged as expenses when incurred.

(j) Goods and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the state of financial position.

Cash flows are included in the statement of cash flows on a gross basis, except for the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to, the ATO. The GST component of financing and investing activities, which is recoverable from or payable to, the ATO is classified as a part of operating cash flows. Accordingly, investing and financing cash flows are presented in the statement of cash flows net of the GST that is recoverable from, or payable to, the ATO.

(k) Income tax
The company is granted exemption from income tax under Subdivision 50 of the Income Tax Assessment Act 1997 because of the charitable nature of the business.

(l) National Serology Reference Laboratory
The company is the host company for the National Serology Reference Laboratory (NSRL). In this role the company provides contract administration services to the 31 employees. The NSRL financial reporting is separate from the company and reported on a 30 June financial year basis to the Commonwealth Government. The current host agreement expires on the 30 June 2012.

(m) Comparative figures
When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(n) Critical accounting estimates and judgments
The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Notes To The Financial Statements
For The Year Ended 31 December 2011

(o) Key judgements
Available-for-sale investments.
The company maintains a portfolio of securities with a carrying value of $2,824,956 at the end of the reporting period. During the 2011 year the combined value of investments has declined by $379,292. The directors do not believe this decline constitutes a significant or prolonged decline below cost at this stage and hence no impairment has been recognised. The value of the investments are carefully monitored during the year by the Audit and Finance Committee in consultation with the company's external financial planners. Reports are regularly given to the directors, who review the value at year end to determine whether such investments will be considered impaired.

(p) Economic dependence
St Vincent's Institute of Medical Research Limited is dependent on State and Federal government funding for 53% of its revenue used to operate the business. At the date of this report the board of directors has no reason to believe the governments will not continue to support St Vincent's Institute of Medical Research Limited.

The financial report was authorised for issue on 19 March 2012 by the board of directors.

Notes To The Financial Statements
For The Year Ended 31 December 2011

Note 2: Revenue and Other Income

	Note	2011 ($)	2010 ($)
Revenue			
Income from research activities:			
- government grants for direct research	4-5	7,700,479	7,501,259
- other research grants		4,414,651	5,153,253
- government grants for operational support	4-5	3,020,868	3,059,616
		15,135,998	**15,714,128**
Other income:			
- legacies, bequests, donations		2,254,894	2,840,222
- dividends from other corporations		146,843	168,819
- interest from other corporations		729,354	787,646
- contract services		1,763,663	813,994
- royalty		36,142	28,401
- other		111,964	347,486
		5,042,860	**4,986,568**
Total revenue		**20,178,858**	**20,700,696**

Note 3: Deficit for the year

	Note	2011 ($)	2010 ($)
(a) The following expenditure was incurred in determining the deficit:			
Expenses			
- direct research		13,988,673	14,010,467
- operational support		3,649,896	3,578,816
		17,638,569	17,589,283
Transfer of funds to external, joint collaborators		826,760	269,356
Depreciation of non-current assets		1,200,524	1,041,080
Amortisation of non-current assets		717,747	717,747
(b) Significant revenues and expenses:			
Unrealised (gain)/loss on market value of shares	13	(379,292)	(19,330)

Notes To The Financial Statements For The Year Ended 31 December 2011

	2011 ($)	2010 ($)
Note 4: Grants – Commonwealth Government		
National Health and Medical Research Council		
- Independent Research Institutes Infrastructure Support Scheme	1,360,360	1,509,894
- Research grants	7,062,785	6,688,451
Australian Research Council	424,303	607,865
Department of Innovation, Industry, Science and Research	213,391	204,943
	9,060,839	**9,011,153**
Note 5: Grants – Victorian State Government		
Department of Business and Innovation		
- Operational Infrastructure Support Program	1,660,508	1,549,722
	1,660,508	**1,549,722**
Note 6: Cash and Cash Equivalents		
Cash at bank and on hand	1,153,786	2,056,068
Term Deposits	12,000,000	12,500,000
	13,153,786	**14,556,068**
Note 7: Trade and Other Receivables		
Current		
Grants and reimbursements	2,051,994	899,406
Provision for impairment of receivables	-	-
	2,051,994	**899,406**
Non-current		
St. Vincent's Hospital Melbourne – imprest advance	**250,000**	**250,000**
a. Financial assets classified as loans and receivables		
Trade and other receivables:		
- Total current	2,051,994	899,406
- Total non-current	250,000	250,000
Financial assets	**2,301,994**	**1,149,406**

Provision for Impairment of Receivables

Current trade receivables are generally on 30 day terms. These receivables are assessed for recoverability and a provision for impairment is recognised when there is objective evidence that the individual trade receivable is impaired. There is no provision for impairment of receivables at 31 December 2011.

Notes To The Financial Statements
For The Year Ended 31 December 2011

	2011 ($)	2010 ($)

Note 8: Financial Assets

	2011 ($)	2010 ($)
Non-current		
Available for sale financial instruments		
Shares in listed corporations – at fair value	**2,824,956**	**2,614,110**

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

Note 9: Other Assets

	2011 ($)	2010 ($)
Current		
Prepayments	**51,172**	**241,110**

Note 10: Property, Plant & Equipment

	2011 ($)	2010 ($)
Plant & equipment		
Plant, equipment & fixtures at cost	11,227,388	10,081,509
Less accumulated depreciation	(8,255,890)	(7,067,847)
Total plant, equipment & fixtures	2,971,498	3,013,662
Property		
Leasehold improvements at cost	10,712,637	10,712,637
Less accumulated amortisation	(5,824,612)	(5,106,865)
Total leasehold improvements	4,888,025	5,605,772
Motor vehicles		
Motor vehicles at cost	103,775	103,775
Less accumulated depreciation	(103,775)	(91,294)
Total motor vehicles	0	12,481
Total Property, Plant and Equipment	7,859,523	8,631,915
Motor vehicles		
Motor vehicles at cost	103,775	103,775
Less accumulated depreciation	(103,775)	(91,294)
Total motor vehicles	0	12,481
Total Property, Plant and Equipment	**7,859,523**	**8,631,915**

Notes To The Financial Statements For The Year Ended 31 December 2011

	2011 ($)	2010 ($)
Movements in Carrying Amounts:		
Movement in the carrying amounts for each class of asset, between the beginning and end of the current financial year.		
Balance at the beginning of the year for plant, equipment & fixtures	3,013,662	2,663,267
Additions	1,145,879	1,357,229
Depreciation expense	(1,188,043)	(1,006,834)
Carrying amount at the year end	2,971,498	3,013,662
Balance at the beginning of the year for property leasehold improvements	5,605,772	6,323,519
Additions	-	-
Amortisation expense	(717,747)	(717,747)
Carrying amount at the year end	4,888,025	5,605,772
Balance at the beginning of the year for motor vehicles	12,481	7,813
Additions	-	38,914
Depreciation expense	(12,481)	(34,246)
Carrying amount at the year end	0	12,481
Total	**7,859,523**	**8,631,915**

Note 11: Trade and other payables

	2011 ($)	2010 ($)
Current		
Unsecured liabilities:		
Trade payables	1,490,822	1,798,313
Deferred income	401,214	851,466
Employee benefits	676,488	632,503
	2,568,524	3,282,282
a. Financial liabilities at amortised cost classified as trade and other payables		
Trade and other payables:		
- total current	2,568,524	3,282,282
- total non current	-	-
Less deferred income	401,214	851,466
Less annual leave entitlements	676,488	632,503
Financial liabilities as trade and other payables	**1,490,822**	**1,798,313**

Notes To The Financial Statements For The Year Ended 31 December 2011

	2011 ($)	2010 ($)
Note 12: Provisions	Long-term Employee entitlements	
Opening balance at 1 January 2011	846,816	774,316
Additional provisions raised during the year	319,380	175,055
Amounts used	(22,766)	(102,555)
Balance at 31 December 2011	**1,143,430**	**846,816**
Analysis of total provisions		
Current	939,197	701,338
Non-current	204,233	145,478
	1,143,430	**846,816**

Provision for long–term employee entitlements:
A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1(i) to this report.

Leave benefits:
The company's long service leave liability of $1,143,430 represents a gross liability of $1,208,981 offset by net present value reimbursement obligations of $65,551 from National Health and Medical Research Council (NHMRC), applicable up to 31 December 2011. This payment will be receivable upon payment of long service leave by the company on behalf of eligible employees. NHMRC reimburse long service leave payments on a pro-rata basis for the period of their grant support.

Note 13: Reserve

Financial assets reserve
The financial assets reserve records revaluation of increments and decrements (that do not represent impairment write-downs) that refer to financial assets that are classified as available-for-sale. The total depreciation in the market value of the shares for 2011 is $379,292, which is reflected in the financial accounts as a reduction in the financial asset reserve from a positive $61,953 (in 2010) to a negative $317,339 this financial year.

Note 14: Contingent Liabilities and Contingent assets

There are no contingent assets or liabilities to be disclosed in the financial report.

Note 15: Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

	2011 ($)	2010 ($)
Ms B Shanahan, a Director, was a director of a company for part of the year, which provided investment advice and brokerage services. Not applicable in 2011.	-	26,499
Mr Paul Holyoake, a Director, was a director of a company that provided risk management audit services during the year. Not applicable in 2011.	-	8,400

Notes To The Financial Statements
For The Year Ended 31 December 2011

Note 16: Funds held in trust

The $138,280 represents funds transferred to the company in December 1998 to cover the value of accumulated annual and long service leave for the National Serology Reference Laboratory (NSRL) staff, who transferred to the company under the company's agreement with the Commonwealth of Australia. If at anytime the contractual agreement with the Commonwealth of Australia ceases, the funds will be allocated to the payment of NSRL staff leave entitlements.

Note 17: Key Management Personnel Compensation

The totals of remuneration paid to key management personnel of the company during the year are as follows:

Key management personnel compensation	560,000	535,531

Other key management personnel compensation transactions:

- for details of other transactions with key management personnel, refer to Note 15: Related party transactions.

Note 18: Financial risk management

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, bills and leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2011 ($)	2010 ($)
Financial Assets			
Cash and cash equivalents	6	13,153,786	14,556,068
Loans and receivables	7	2,301,994	1,149,406
Available-for-sale financial assets:			
- at fair value			
- Shares in listed corporations	8	2,824,956	2,614,110
Total financial assets		**18,280,736**	**18,319,584**
Financial Liabilities			
Financial liabilities at amortised cost			
- Trade and other payables	11	1,490,822	1,798,313
Total financial liabilities		**1,490,822**	**1,798,313**

Net fair values

For listed available-for-sale financial assets the fair values have been based on the closing price at the end of the reporting period.

Notes To The Financial Statements For The Year Ended 31 December 2011

Note 19: Retirement benefit obligations

The UniSuper Defined Benefit Division (DBD) is a defined benefit plan under Superannuation law, but is considered to be a defined contribution plan under Accounting Standard AASB 119.

Financial Position

As at 30 June 2011 the assets of DBD in aggregate were estimated to be $906.5 million in deficiency of vested benefits. The vested benefits are benefits, which are not conditional upon continued membership (or any factor other than leaving the service of the participating institution) and include the value of indexed pensions being provided by the DBD.

As at 30 June 2011 the assets of the DBD in aggregate were estimated to be $426.7 million in excess of accrued benefits. The accrued benefits have been calculated as the present value of expected future benefit payments to members and indexed pensioners, which arise from membership of UniSuper up to the reporting date.

The vested benefit and accrued benefit liabilities were determined by the Fund's actuary, Russell Employee Benefits, using the actuarial demographic assumptions outlined in their report dated 9 November 2011 on the actuarial investigation of the DBD as at 30 June 2011. The financial assumptions used were:

	Vested Benefits	Accrued Benefits
Gross of tax investment return	7.25%pa	8.5%pa
Net of tax investment return	6.75%pa	8.0%pa
Consumer Price Index	2.75%pa	2.75%pa
Inflationary salary increases long term (2 years)	5.00%pa	5.00%pa
Inflationary salary increases long term	3.75%pa	3.75%pa

Assets have been included at their net market value, i.e. allowing for realisation costs.

The Defined Benefit Division as at 30 June 2011 is therefore in an "unsatisfactory financial position" as defined by SIS Regulation 9.04. An "unsatisfactory financial position" for a defined benefit fund is defined as when ' the value of the assets of the fund is inadequate to cover the value of the liabilities of the Fund in respect of benefits vested in the members Fund'. The Actuary and the Trustee have followed the procedure required by Section 130 of the SIS Act when funds are found to be in an unsatisfactory financial position.

Clause 34 was initiated following the 31 December 2008 actuarial investigation and it has again been initiated following the 30 June 2011 actuarial investigation.

The actuary currently believes, in respect of the long-term financial condition of the Fund, that assets as at 30 June 2011, together with current contribution rates, are expected to be sufficient to provide for the current benefit levels for both existing members and anticipated new members if experience follows the "best estimate" assumptions.

Note 20: Segment reporting

The company operates in the medical research sector where it undertakes basic and clinical research in Australia.

Note 21: Events after the reporting period

No matter or circumstances have arisen between the end of the financial year and the date of this report which have or may significantly affect the state of the operations or the state of the affairs of the company in subsequent years.

Note 22: Company Details

The registered office and principal place of business of the company is:
St. Vincent's Institute of Medical Research
9 Princes Street
Fitzroy, Vic 3065

Notes To The Financial Statements
For The Year Ended 31 December 2011

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 23 are in accordance with the Corporations Act 2001 and:

a) comply with Accounting Standards: and

b) give a true and fair view of the financial position as at 31 December 2011 and of the performance for the year ended on that date of the company:

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director
BM Shanahan

Director
TWH Kay

Dated this 19th day of March 2012, Melbourne, Australia

William Buck

Independent Auditor's Report to the Members of St Vincent's Institute of Medical Research

Report on the Financial Report

We have audited the accompanying financial report of St Vincent's Institute of Medical Research, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is few from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

Melbourne: Level 20, 181 William Street, Melbourne VIC 3000 | **Hawthorn:** Level 1, 465 Auburn Road, Hawthorn East VIC 3123
PO Box 185, Toorak VIC 3142 • Telephone: +61 3 9824 8555 • Facsimile: +61 3 9824 8580
williambuck.com

30/3

Independent Auditor's Report to the Members of St Vincent's Institute of Medical Research

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of St Vincent's Institute of Medical Research on 19 March 2012 would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion, the financial report of St Vincent's Institute of Medical Research is in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the year ended on that date; and

b. complying with Australian Accounting Standards – Reduced Disclosure Requirements (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of St Vincent's Institute of Medical Research for the year ended 31 December 2011 included on St Vincent's Institute of Medical Research's web site. The company's directors are responsible for the integrity of the St Vincent's Institute of Medical Research's web site. We have not been engaged to report on the integrity of the St Vincent's Institute of Medical Research's web site. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

AP Marks
Director

Dated: at Melbourne (Victoria) this 19th day of March 2012

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

31/31

Melbourne: Level 20, 181 William Street, Melbourne VIC 3000 | **Hawthorn:** Level 1, 465 Auburn Road, Hawthorn East VIC 3123
PO Box 185, Toorak VIC 3142 • Telephone: +61 3 9824 8555 • Facsimile: +61 3 9824 8580
williambuck.com

St Vincent's Institute
Postal: 41 Victoria Parade,
Fitzroy Victoria 3065
Location: 9 Princes Street,
Fitzroy Victoria 3065

Tel: 03 9288 2480
Fax: 03 9416 2676
Email: enquiries@svi.edu.au
Web: www.svi.edu.au
ABN: 52 004 705 640

ST VINCENT'S INSTITUTE
MEDICAL RESEARCH