



HEARing CRC Limited
A company limited by guarantee
ABN 94 123 522 725

Annual Financial Report
30 June 2014

HEARing CRC Limited
A company limited by guarantee
For the year ended 30 June 2014

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HEARing CRC Limited
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Directors' report

For the year ended 30 June 2014

The directors present their report together with the financial report of the HEARing CRC Limited ("the Company") for the year ended 30 June 2014 and the auditor's report thereon.

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HEARing CRC Limited
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Directors' report (*continued*)

For the year ended 30 June 2014

1. Directors

The HEARing CRC Limited was established for the purposes of managing and conducting the activities of the HEARing Cooperative Research Centre, established and funded under the Cooperative Research Centres Program, an Australian Government Initiative.

The HEARing CRC Limited is established and operates under its Constitution, and a Members' Agreement amongst its five Core Members and twenty one Support Members. Under the terms of this Agreement, the composition of the Board includes the Chairman, one nominee director from each of the five Core Members (namely Australian Hearing, Cochlear Limited, Macquarie University, Siemens Hearing Instruments Pty Ltd, and The University of Melbourne), the CEO and a number of independent directors. In addition, each of the five nominee directors has the right to appoint an Alternate to the Board.

The directors of the Company at any time during or since the end of the reporting period are:

Name, qualifications and independence status

Experience, special responsibilities and other directorships

Richard Searby
AO, QC,
MA (Oxon),
Hon LLD (Deakin)

Chairman

Mr Searby was appointed as Chairman of the HEARing CRC Limited in April 2007. He is also Chairman of its associated companies HearWorks Pty Ltd and HEAR IP Pty Ltd. He is a leading member of Australia's legal profession, and has held a wide range of directorships of Australian and international corporations. Mr Searby is a Director of Times Newspapers Holdings Limited (UK). He has advised the Australian government on various occasions and has drafted amendments to Australian and Victorian legislation. He was Chancellor of Deakin University from 1997 through 2005. Amongst a long list of corporate activity, he was a Director of News Corporation from 1979 to 1992, and Chairman from 1981 to 1991, and a Director of Rio Tinto Ltd from 1977 to 1997. He was awarded the Order of Australia in 2006 for his services to education, as a contributor to the programs of major cultural institutions, business and the law.

Robert Cowan
BSc (Hons), MSc,
MBA, PhD(Melb),
DipAud,
GrCert HlthEcon,
Gr Dip Tech Mgt, FAudSA
(CCP), GAICD, FICRA

Director and
Chief Executive Officer

Associate Professor Cowan is CEO and Director of the HEARing CRC Limited and its associated companies HearWorks Pty Ltd and HEAR IP Pty Ltd. He is a Principal Research Fellow at The University of Melbourne, and an Adjunct Professor at Macquarie University. He has published extensively in the fields of audiology, cochlear implants, and biomedical management, and holds a number of Australian and international technology patents and trademarks. He holds Fellowships in Audiology Australia, the International Collegium of Rehabilitative Audiology, and the American Academy of Audiology. In addition to academic qualifications, he is a graduate Member of the Australian Institute of Company Directors. He is a Director and Treasurer of Audiology Australia, and Chair of its Finance Audit and Risk Committee, and National Conference Committee. He is a Past President and an Executive Board Member of the International Society of Audiology.

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Directors' report (*continued*)

For the year ended 30 June 2014

1. Directors (continued)

Michele Allan
BSc, PhD,
GAICD, FAICD

Independent Director

Dr Allan was appointed as a Director of the HEARing CRC Limited in December 2009. She is Chair of William Angliss Institute, Grains and Legumes Nutrition Council Limited, Wheat Industry Advisory Taskforce and Cleaner Technologies Food and Foundry Investment Committee. She is a Non-Executive Director of Board of Innovation, Australia, Forest and Wood Products Australia, Grape and Wine Research and Development Corporation, Meat and Livestock Australia Board, Ruralco Holdings Limited, Callaghan Innovation, Grain Technology Australia Limited, Tasmanian Irrigation Pty Ltd and Grain Growers. Dr Allan is a National Councillor of the Victorian Branch of AIFST.

Until 2008, Dr Allan was Chief Executive Officer and Managing Director of the listed food manufacturer and marketer Patties Foods. Prior to that role she was Group General Manager Risk and Sustainability for Amcor Limited. Dr Allan has held executive roles with Kraft Foods, Bonlac Foods Limited, ICI and Nestle. Dr Allan has a Bachelor of Applied Science from University of Technology Sydney, Master of Management of Technology from The University of Melbourne, Master Commercial Law Deakin University and Doctorate from RMIT. She is a graduate of the AICD and a fellow.

Bill Davidson

Nominee Director
(Australian Hearing
Services)

Mr Bill Davidson was appointed as a Director of the HEARing CRC Limited in October 2013. Mr Davidson is the Managing Director of Australian Hearing. Mr Davidson was formerly the CEO of Job Futures, a leading social enterprise committed to finding jobs for the more disadvantaged members of our community. Previously, he has operated at senior management levels in the Managed Services industry, both within the private and public sectors. He has extensive experience of the delivery of contracted, outsourced services both here in Australia, and also overseas in the UK, and South East Asia. Mr Davidson serves on the Board of CHOICE as Deputy Chair and as a member of the Audit and Risk Committee; a Director of Streetwise Publications Limited an Indigenous youth magazine; and Chair of Pat and Sticks Homemade Ice Cream Co.

Robin Evans
BE, PhD (Newcastle)

Nominee Director
(The University of
Melbourne)

Professor Evans was appointed as a Director of the HEARing CRC Limited in April 2007. Prof Evans is a Laureate Professor in the Department of Electrical and Electronic Engineering at The University of Melbourne and is currently Director of the Victoria Research Laboratory of National ICT Australia. Prof Evans is a Director of Bionic Vision Australia.

Following postdoctoral studies at MIT in 1978, he became Professor of Computer Engineering at the University of Newcastle. Prof Evans moved to The University of Melbourne in 1992, and has at various times has been Dean of Engineering and Director of the Centre for Networked Decision Systems (2000-2004). He has extensive experience in the design and implementation of hardware and software for industrial real-time embedded microprocessor systems, and has worked extensively with industry over the past 35 years. He played a major role in the CRC for Sensor Signal and Information Processing. He has over 450 peer-reviewed publications, and is a Fellow of the Australian Academy of Science and Australian Academy of Technological Sciences and Engineering, and Institution of Engineers Australia.

Professor Evans retired as a HEARing CRC Limited Director in July 2014.

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Directors' report (*continued*)

For the year ended 30 June 2014

1. Directors (*continued*)

Steven Grundy Dip Maritime Studies Dip Bus Admin FAIM MAICD Nominee Director (Australian Hearing Services)	<p>Mr Grundy was appointed as a Director of the HEARing CRC Limited in November 2011. Mr Grundy began his career in the Royal Australian Navy and amid many other highlights culminated in him becoming Commanding Officer of HMAS Rushcutter. He left the Navy in 1999 to further develop his interest in the commercial sector and undertook a management role with Telstra as the inaugural National General Manager for the management of Voice, Data & Project Management; this was a Woolworths Group of Companies account. He then went on to be the National General Manager for Telstra Payphones, including management of the Universal Service Obligation.</p> <p>Mr Grundy has held the role of Managing Director of Australian Hearing Services since November 2008 and was their Chief Operating Officer prior. He brings a wealth of operational knowledge to the organisation including his commercial and strategic mindset.</p> <p>In addition Mr Grundy is also the Director of Sitebau Pty Ltd, a property development company. He is a Member of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management.</p> <p>Mr Grundy retired as a HEARing CRC Limited Director in October 2013.</p>
Paul Guthrie B.App.Sc Nominee Director (Siemens Hearing Instruments Pty Ltd)	<p>Mr Paul Guthrie was appointed Director of the HEARing CRC Limited in February 2014. Mr Guthrie has extensive commercial and clinical experience in the healthcare sector. He has worked with Siemens Hearing Instruments from 2008.</p>
Neville Mitchell BComm, CA (SA) Nominee Director (Cochlear Limited)	<p>Mr Mitchell was appointed a Director of the HEARing CRC Limited in April 2007. Mr Mitchell has been CFO and Company Secretary of Cochlear Ltd since its listing in 1995, and was Cochlear's Financial Controller since joining the company in 1990. Mr Mitchell is Governor of the Warren Centre for Advanced Engineering, a member of the National Executive for the Group of 100 and a member of ASIC Accounting and Auditing Standing Committee. Mr Mitchell was formerly a Senior Manager with KPMG in Johannesburg, South Africa.</p>
Jim Piper BSc(Hons), PhD (Otago) Nominee Director (Macquarie University)	<p>Professor Piper was appointed as a Director of the HEARing CRC Limited in April 2007. Up to June 2013, he was Deputy Vice Chancellor (Research) and Professor of Physics at Macquarie University. Professor Piper is a Director of Environmental Biotechnology CRC, Access MQ Ltd, APAF Ltd, and Sydney First Marine Science Ltd.</p> <p>Professor Piper has extensive expertise and experience gained over 30 years of research in lasers, optics and photonics, and applications in micro fabrication. Professor Piper has received an Honorary Doctorate from Heriot-Watt University in 2006, a Centenary Professorship from Carnegie Trust Universities of Scotland (2004), the Australian Optical Society Medal (1997), the Pawsley Medal of the Australian Academy of Science (1982), and the Walter Boas Medal of the Australian Institute of Physics (1984).</p> <p>Professor Piper retired as a HEARing CRC Limited Director on 25th July 2013.</p>

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Directors' report (*continued*)

For the year ended 30 June 2014

1. Directors (*continued*)

Sakkie Pretorius
BSc, MSc, PhD
Nominee Director
(Macquarie University)

Professor Pretorius was appointed as a Director of the HEARing CRC Limited in August 2013. He is Deputy Vice Chancellor and Vice President: Research at Macquarie University. Professor Pretorius began his career in South Africa and became the founding Director of South Africa's Institute for Wine Biotechnology. He conducted research into molecular yeast genetics in New York, Germany and Belgium. He is internationally recognised as a pioneer in molecular microbiology and biotechnology, and the translation of research outcomes to industry.

He was the Managing Director and CEO of the Australian Wine Research Institute and held the position of Deputy Vice-Chancellor and Vice President: Research and Innovation at the University of South Australia. Professor Pretorius holds adjunct professorships at the University of Adelaide and the University of British Columbia. Prof Pretorius is committed to academic excellence that creates value and opportunity for students, staff, industry and the wider community. He is highly interested in authentic leadership principles and has completed an executive leadership course at Harvard University in February 2013.

Field Rickards
B.Sc (Hons) M.Ed
(Manc), PhD
Nominee Director
(The University of Melbourne)

Professor Field Rickards was appointed Director of the HEARing CRC Limited in July 2014. Prof Rickards is the Dean of the Melbourne Graduate School of Education at The University of Melbourne, and served four years on the Academic Board. He was appointed to the Foundation Chair in Education of Hearing Impaired Children at The University of Melbourne in 1994. His research in the 1980s led to the commercial development of an automatic evoked response audiometer (ASSR) which can accurately measure hearing in infants.

Barry Roberts
FCPA, FCIS
Nominee
Director
(Siemens Hearing
Instruments Pty Ltd)

Mr Roberts was appointed as a Director of the HEARing CRC Limited in April 2007. Mr Roberts is on the Advisory Board of WTS Australia Advisory and Consultancy Pty Ltd. Mr Roberts has been Chairman of Siemens Hearing Instruments Pty Ltd since 1994, having first joined the Board in 1988. He joined Siemens Australia in 1960, and was finance director, CFO and Deputy CEO of the Australian and New Zealand Group between 1985 and 2002. Mr Roberts has over 40 years' experience in budgeting, financial management and control, corporate governance, project management and administration. Mr Roberts is former Chairman of JAS-ANZ and Vice President of the Australian Electrical & Electronics Manufacturers Association.

Mr Roberts retired as a HEARing CRC Limited Director in January 2014.

Lisa Springer
BSc, PhD,
GAICD
Independent Director

Dr Springer was appointed as a Director of the HEARing CRC Limited in December 2009. Dr Springer is currently the Principal of Maia Partners, an independent corporate advisory firm which assists biotechnology and medical device companies to outperform. She is a Director of Neuromodics Pty Ltd, Executive of Australian Aphasia Association, Consumer Representative of Cancer Australia, Consultant to Tipa Tinnitus and a member of the Commonwealth R&D Tax Concession Committee.

Dr Springer has significant investment banking and investment analysis experience and has also held a strategic role at Johnson and Johnson, a multinational pharmaceutical company. Dr Springer has raised several hundred million dollars and provided corporate and strategic advice for several Australian life sciences companies enabling them to continue to develop their drug products and devices for the global market. She holds a PhD in physiology and molecular biology. She is a graduate member of the AICD.

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Directors' report (*continued*)

For the year ended 30 June 2014

1. Directors (*continued*)

Harvey Dillon
B.E PhD
Adjunct Professor Dillon was appointed as Mr Steven Grundy's alternate in August 2012 and Mr Bill Davidson's alternate in October 2013.

Alternate Director
(for Steven Grundy)
Alternate Director
(for Bill Davidson)
He is Director of the National Acoustic Laboratories in Sydney. He has performed research into many aspects of hearing aids. At various times he has also been responsible for the design of hearing aids and for the co-ordination of clinical service provision.

Most recently, his research has concerned signal processing schemes for hearing aids, prescription of hearing aids, evaluating the effectiveness of rehabilitation, electrophysiological assessment, auditory processing disorders, and methods for preventing hearing loss. Amongst his over 150 publications is a comprehensive text on hearing aids that is used widely throughout the world.

Richard Dowell
MSc
DipAud
PhD
Alternate Director
(for Robin Evans)
Alternate Director
(for Field Rickards)
Professor Richard Dowell was appointed as an alternate Director for Professor Robin Evans on the 19th of August 2012 and alternate for Prof Field Rickards on 8th July 2014. Prof Dowell is the Director of the Royal Victorian Eye and Ear Hospital Cochlear Implant Clinic and holds the Chair in Audiology and Speech Science at The University of Melbourne. He has been involved in clinical work and research in cochlear implants for over 30 years. He is the Chairman of Advisory Council for Children with Impaired Hearing Ltd and the proprietor of Academic Hearing Aids Pty Ltd. Some of his most significant achievements have included studies leading to the development of signal processing improvements for cochlear implants; the establishment of the first cochlear implant clinic at the Royal Victorian Eye and Ear Hospital in 1986; key contributions to the FDA approval of cochlear implants for adults (1985) and children (1990); initiation of the transition of the Graduate Diploma in Audiology (one year) training in clinical audiology to a two year Master's degree across Australia (1998); and development of professional training in speech pathology at The University of Melbourne (2012).

Janet Greeley
BSc
MA
PhD
Alternate Director
(for Jim Piper)
Professor Janet Greeley was appointed as an alternate Director for Prof Jim Piper on the 22nd of November 2010 and alternate for Prof Pretorius on 16th August 2013. She is an experienced university researcher and administrator, and is now Executive Dean of the Faculty of Human Sciences at Macquarie University. She has extensive experience in executive management and lists her areas of research interest as the psychology of addictive behaviour, especially the role of learning in drug tolerance and dependence. The early part of her academic career was spent in Canada, where she obtained a BSc (Hons), an MA and a PhD in Psychology.

Alternate Director
(for Sakkie Pretorius)
Professor Greeley has held academic positions at the University of New South Wales, James Cook University and served on a number of government advisory committees, and a range of professional societies. She is a member of the Strategic Policy Advisory Committee of the Australian Medical Council.

Dominic Jenkins
B.Ec
Mr Dominic Jenkins was appointed as Mr Barry Roberts' alternate in February 2009 and Mr Paul Guthrie's alternate in February 2014.

Alternate Director
(for Barry Roberts)
Alternate Director
(for Paul Guthrie)
Mr Jenkins is the CFO, Asia Pacific for Siemens Hearing Instruments Pty Ltd, and has worked with the company for 28 years.

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Directors' report (*continued*)

For the year ended 30 June 2014

1. Directors (continued)

Jim Patrick
BSc
MSc
MIE (AUST)
CPE (Biomed)
FTSE

Associate Professor Jim Patrick was appointed as alternate Director for Mr Neville Mitchell to the HEARing CRC Limited Board on 27 August 2009. He has been involved in cochlear implant research and development since 1975, when he joined Prof Graeme Clark's Melbourne University research team. Since joining the Nucleus group when the Cochlear project was established in 1981, Assoc Prof Patrick has been a member of Cochlear's senior management team, holding a number of senior technology management roles and at various times being responsible for R&D, Quality, and Manufacturing.

Alternate Director
(for Neville Mitchell)

He is currently Chief Scientist and Senior Vice President, and holds honorary appointments of Associate Professor at the University of Melbourne and Adjunct Professor at The Graeme Clark Centre, La Trobe University.

2. Directors' meetings

The number of directors' meetings (including meetings of Board committees of directors) and number of meetings attended by each of the directors of the Company during the financial reporting period are as shown in the following table:

Table of Meetings

Director	Board of Directors		Finance and Audit Committee		Nominations and Appointments Committee	
	Nº of meetings attended	Nº of meetings held *	Nº of meetings attended	Nº of meetings held *	Nº of meetings attended	Nº of meetings held *
Richard Searby – Chairman	3	3	3	3	1	1
Michele Allan – Acting Chair (Nov)	3	4	4	5	1	1
Robert Cowan	4	4	4	5	2	2
Robin Evans	1	4				
• <i>Alt: Richard Dowell</i>	2	3				
Steven Grundy	1	1				
Bill Davidson	2	3				
• <i>Alt: Harvey Dillon</i>						
Neville Mitchell	3	4	5	5		
• <i>Alt: Jim Patrick</i>	1	1				
Jim Piper	-	-				
Sakkie Pretorius	1	4				
• <i>Alt: Janet Greeley</i>						
Barry Roberts	2	2			1	1
Paul Guthrie	2	2			1	1
• <i>Alt: Dominic Jenkins</i>						
Lisa Springer	4	4			2	2

* number of meetings held during time Director held office in reporting period

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Directors' report (*continued*)

For the year ended 30 June 2014

2. Directors' meetings (*continued*)

Whilst the CEO is not a member of the F&A and N&A, it is Company practice for the CEO and CFO to be in attendance at all F&A meetings and the CEO to be in attendance at all N&A meetings.

The Chairman, Mr Richard Searby was granted a short leave of absence during the year; effectively missing one Board meeting, two F&A meetings and one N&A meeting held during the month of November 2013.

3. Company secretary

The Company Secretary as at 30 June 2014 was Mrs Lisa Norden, who also acts as Chief Financial Officer (CFO) of the Company. Mrs Norden has over 20 years of financial experience in industry and not-for-profit organisations. Her qualifications include Certified Practising Accountant (CPA), Governance Institute of Australia Corporate Governance Graduate Diploma and Australian Institute of Company Directors Course Diploma. Mrs Norden was appointed Company Secretary on 10 April 2009.

4. Corporate governance

The Board of Directors is accountable to the Commonwealth Government and to the Members for the governance, management and control of the activities, business and affairs of the Company. Currently the Board comprise an independent chair, nominee directors for each of the five Core Members of the HEARing CRC (Australian Hearing Services, Cochlear Limited, Siemens Hearing Instruments Pty Ltd, Macquarie University and The University of Melbourne), two independent non-executive directors and its Chief Executive Officer (CEO). The HEARing CRC Limited Constitution allows for the appointment of alternate directors for the five nominee directors, consistent with the terms of the HEARing CRC Members' Agreement.

The HEARing CRC operates under the terms and guiding doctrines of: its Constitution, the Members' Agreement for the Establishment and Operation of the HEARing Cooperative Research Centre, an agreement amongst each of the individual Members and the HEARing CRC Limited; and the agreement between the Commonwealth of Australia and the HEARing CRC Limited (Commonwealth Agreement). The HEARing CRC follows good governance practice as recommended by ASX corporate governance guidelines. The HEARing CRC is registered under Australian Charities and Not-for-profits Commission (ACNC).

To assist the Board in fulfilling its duties, it has established two committees: (1) Finance and Audit; and (2) Nominations and Appointments. Details of each of these committees are stated below.

The Board has also established a Science Advisory Group and a Commercial Working Group to provide specific advice on matters relevant to research and commercial activities. Details of the each of these working groups are stated below. The day-to-day management of the Company has been delegated to the CEO and through him, to the Management Team.

The HEARing CRC has agreements and deeds in place to manage its intellectual property trusts and commercial activities. HearWorks Pty Ltd manages commercial activities in regards to the commercialisation of intellectual property held in both the CRC HEAR Intellectual Property Trust and the HEARing CRC Intellectual Property Trust and other activities as delegated by the HEARing CRC Board.

HearWorks Pty Ltd is the Trustee for the CRC HEAR Intellectual Property Trust, which holds intellectual property created in the prior CRC HEAR and is referred to as Trust 1. HEAR IP Pty Ltd is the Trustee for the HEARing CRC Intellectual Property Trust which is referred to as Trust 2.

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Directors' report (*continued*)

For the year ended 30 June 2014

4.1 Finance and Audit Committee

The Finance and Audit Committee assists the Board by providing oversight of the financial operations and affairs of the Company. This Committee also oversees the relationship with the external auditor, and the process of identification and management of business, commercial and financial risks. For the reporting period this committee met five times and the members' attendance record is disclosed in the table of meetings.

The members of the Finance & Audit Committee during the period were:

Mr Neville Mitchell (Chair)
Dr Michele Allan
Mr Richard Searby (*ex officio*)

It is Company practice that the CEO and CFO are in attendance for all meetings of this Committee.

4.2 Nominations and Appointments Committee

The Nominations and Appointments Committee assists the Board by making recommendations on the appointment and remuneration of directors of the HEARing CRC and HearWorks Pty Ltd. If required, this Committee also assists in the appointment of a Chairman, or CEO, and in making recommendations on the remuneration of these officers. For the reporting period this committee met two times and the members' attendance record is disclosed in the table of meetings.

The members of the Nominations and Appointments Committee during the year were:

Mr Paul Guthrie (Chair)
Mr Barry Roberts (Chair)
Mr Richard Searby (*ex officio*)*
Dr Lisa Springer

*Dr Michele Allan attended one meeting in her role as Acting Chair of the CRC.

It is Company practice that the CEO attends meetings of this Committee.

4.3 Risk management

Oversight of the risk management system

The Board oversees the establishment, implementation and annual review of the Company's Risk Management System, coordinated through the Finance and Audit Committee. The Chief Executive Officer manages a risk database established and developed by the Board in consultation with the Company's insurers. The Board receives a regular Risk Management Report on incident reports, activities and exceptions.

4.4 Science Advisory Group

The Science Advisory Group provides independent scientific advice to the Board and management. Membership includes: Professor Robert Patuzzi (Chair); Professor Bronya Keats (independent genetics expert); Professor Jon Shalloo (independent international expert); and key scientists drawn from across the Members including: Professor Doug Hilton, Professor Richard Dowell, Professor Louise Hickson, Adjunct Professor Harvey Dillon, Associate Professor Jim Patrick, Dr Catherine McMahon, and the CEO. The group meets annually to conduct the Annual Project Review process, and as required to address specific issues.

4.5 Commercial Working Group

The Commercial Working Group provides expertise and assistance to management in commercialisation activities. Membership of this group includes: the CEO; two independent directors with commercial experience, Dr Springer & Dr Allan; legal counsel Ms Jenni Lightowlers; and IP management staff. The group meets as and when required.

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Directors' report (*continued*)

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4.6 Communication with Members

During the reporting period the Company's Members met on two occasions: 29 August 2013 at the Australian Hearing Hub; and 21 November 2013 for the AGM in Melbourne.

Informal communication with Members occurs on a regular basis by means of an integrated email network, and by regular face-to-face meetings with the CEO, management team members and project leaders. A travel budget for this activity has been provided. Internal news is provided to the Members by email on a semi-regular basis, and a full annual report of activities is provided to the Members annually.

In addition, the "HEARing Education and Research Network of Australia" (HEARnet™), has been established to enhance communication amongst the Members, and with other research agencies and the public who have an interest in HEARing research. This is a primary technology transfer activity which will assist in ensuring that the wider community is informed of developments of HEARing CRC research, and increases the potential that clinical developments will achieve widespread uptake and use.

5. Principal activities

The principal activities of the HEARing CRC are to undertake collaborative research into hearing loss prevention and mitigation leading to innovative products, processes and services that address the economic impact of hearing loss on the Australian economy. Through education and commercialisation of research findings, the HEARing CRC and its Members aim to reduce the incidence of hearing loss and increase the effectiveness of treatments for hearing loss and associated communication disorders.

The research portfolio comprises a range of collaborative research projects nominally grouped in the following areas:

1. Biomolecular/Genetic/Physiological Solutions to Hearing Loss;
2. Intelligent Sound Processing;
3. Integrated Bio-engineering; and
4. Clinical Tools, Services and Techniques.

The HEARing CRC is recognised as a health promotion charity and a deductible gift recipient by the Australian Taxation Office.

6. Short and long term objectives

Mission – 'creating sound value@'

The Hearing Cooperative Research Centre (CRC) brings together an internationally unique consortium of research, clinical and industry organisations dedicated to the common purpose of 'creating sound value' through research and education – to prevent and better remediate the lost productivity resulting from hearing loss in children and adults.

Objectives

The objectives of the HEARing CRC are:

- to enhance Australia's industrial, commercial and economic growth through a program of sustained, user-driven cooperative research into hearing loss prevention and mitigation; and
- through education and commercialisation of research findings, to reduce the incidence of hearing loss and increase the effectiveness with which hearing loss and hearing disorders are treated through improved technology, processes or clinical services.

The consortium will also create opportunities for industry growth in hearing healthcare together with improved clinical tools and procedures to meet projected increases in demand for hearing healthcare.

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Directors' report (*continued*)

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7. Strategies for achieving these objectives

MAXIMISE LIFELONG HEARING
RETENTION:

by genetic and pharmacological approaches to identify and ameliorate childhood and acquired (including age-related) hearing loss; application of new sound coding and bioengineering knowledge to the design, capabilities and function of hearing protection, hearing remediation and telecommunication devices; and application of new knowledge to the diagnosis and rehabilitation of tinnitus and central auditory processing disorders.

➤ Prevalence stabilised

IMPROVED TAKE-UP OF TECHNOLOGY:

by helping industry partners to achieve significant economic growth through investigation of barriers to use of hearing protection, and to the uptake of and use of implantable and acoustic prosthetics, thereby resulting in new and expanding markets, industry export and domestic earnings and job growth.

➤ Increased uptake

REDUCED PRODUCTIVITY LOSSES
FROM HEARING LOSS:

by provision of more effective hearing protection, improved implantable technology and improved hearing aids that people will consistently use; and by providing innovative solutions that increase workforce capacity and effectiveness, helping Australians to age productively.

➤ Accelerated intervention

EDUCATION AND TRAINING:

by postgraduate and professional education and the development of an expanded network of clinicians, to support effective adoption of innovations, delivery of improved hearing services and encourage greater uptake of commercial products developed by HEARing CRC industry partners.

➤ Accelerated intervention

8. How principal activities assisted in achieving these objectives

The research projects are overseen by the CEO, the three Research Project Coordinators, and by other respective management team members in regards to IP development and registration, PhD and higher degree research student involvement and progress, commercialisation/utilisation activities and financial performance against budget. Projects are reviewed on a quarterly basis by the Board and management, and where appropriate on a monthly basis to ensure that opportunities and challenges are identified at the earliest moment and can be addressed in a well-considered strategy.

9. How performance is measured including KPIs used by the Company

At the outset, the HEARing CRC agreed a set of key objectives, outcomes and milestones that were to be achieved under the terms of the CRC activities. These were encapsulated in a Schedule to the Commonwealth Agreement, and are reported against on an annual basis to the CRC Program under their required guidelines.

From an operational perspective, the HEARing CRC Limited has implemented a series of annual project reviews, involving its Science Advisory Group, which includes independent international experts. The Science Advisory Group reviews the progress against milestones for each project for the past year, together with plans for the next annual year, and makes recommendations to the Board. Projects are reviewed quarterly against their annual milestones by the management team, and significant variations addressed.

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Directors' report (*continued*)

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9. How performance is measured including KPIs used by the Company (continued)

In regards to utilisation of research outcomes, performance is measured against agreed milestones for commercialisation (e.g. licences signed, royalty income) and/or end-user take-up.

In regards to financial performance, there is a dedicated suite of documentation that provides an ongoing quarterly analysis of individual project performance against budget, enabling the Board, Finance and Audit Committee, and management team to closely monitor performance against budget and address variations as they occur.

10. Registered office

550 Swanston Street
Audiology, Hearing and Speech Sciences
The University of Melbourne
Victoria 3010

11. Operating and financial review

Total income for the year was \$22,176,730 (2013 \$23,399,604), which is matched by expenditure, resulting in a nil balance for the year. Profit is nil each year as profits not spent are committed to being returned via contractual agreement. The income for the period includes all cash and in-kind contributions of the Members to the HEARing CRC and we take this opportunity to thank these Members.

The Company was successful in obtaining an extension to its Commonwealth funding for an additional five year period under the CRC Program. The Company has signed a third Commonwealth Agreement.

12. Environmental regulations

As a clinical research entity, the HEARing CRC is subject to clinical regulatory requirements and legislation governing such activity in Australia. As such, the Company is aware of and abides by National Health and Medical Research Council (NH&MRC) guidelines, Australian Research Council (ARC) guidelines and Australian Research Ethics Committee (AREC) guidelines, and is compliant with Good Clinical Practice procedures and with relevant Commonwealth and State Privacy legislation. The Company's operations are not subject to any significant environmental regulation under either Commonwealth or State legislation. However, the Board believes that the Company has adequate systems in place for the management of its environmental obligations and requirements, and is not aware of any breach of those requirements as they apply to the Company.

13. Dividends

The HEARing CRC is limited by guarantee and has no share capital. The directors of the HEARing CRC are precluded by the Company's Constitution from declaring a dividend.

14. Events subsequent to reporting date

The directors are not aware of any matters or circumstance, subsequent to the reporting period that has significantly affected the activities of the Company, its performance and state of affairs.

15. Likely developments

It is not foreseen that the Company will undertake any change in its general direction during the coming year. The Company will continue to operate as detailed earlier in the report. To guide its operations during the 5-year extension under the CRC Program, the HEARing CRC Ltd and its Members will operate under the terms of a Members Agreement which will be amended to be consistent with the terms of the Commonwealth Agreement, and to note a number of changes in the Supporting Members (termed Other Participants in future), in particular: the accession of the Queensland Neurosensory Ltd and the University of Western Sydney as Other Participants, and the retirement of Acoustics Pty Ltd, Murigen Therapeutics Pty Ltd, the University of Sydney, and the Walter and Eliza Hall Institute of Medical Research as Supporting Members.

HEARing CRC Limited
A company limited by guarantee
Directors' report (*continued*)

For the year ended 30 June 2014

16. Indemnification and insurance of officers

The HEARing CRC had and continues to hold directors' and officers' insurance in respect to these persons whilst legitimately performing their duties. The Company indemnifies its directors and officers against any liability incurred during the course of executing their duties on behalf of the Company with the exception if the director or officer is found to be in breach of his/her obligations under the Corporations Law. The Company has not entered into an agreement to indemnify its auditors.

During and since the end of the financial year, the company has paid a premium under a contract insuring the past or present directors and certain officers of the company against liabilities incurred in those capacities except where the liability arises out of a wrongful act as defined by the policy. Particulars of the directors & officers insurance cannot be disclosed without the permission of the insurer.

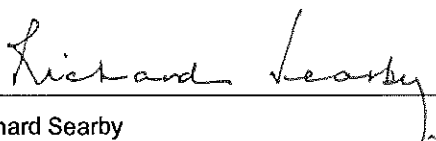
17. Companies limited by guarantee

The Company is a public company limited by guarantee. If the Company is wound up each Member may be required to contribute a maximum of \$100 towards meeting any outstanding obligations of the company. There were 26 Members of the company as at 30 June 2014.

18. Auditor's Independence declaration

The auditor's independence declaration is set out on page 36 and forms part of the directors' report for reporting year ended 30 June 2014.

This report is made with a resolution of the directors of the Company:



Richard Searby
Chairman

Dated at Melbourne this 16th day of October 2014.

HEARing CRC Limited

A company limited by guarantee

Statement of surplus or deficit and other comprehensive income

For the year ended 30 June 2014

	<i>Note</i>	2014 \$	2013 \$
Revenue	6a	22,176,730	23,399,604
Expenditure			
Contributions – In-kind by members	3(h)	(15,795,484)	(16,578,316)
Contractor expenses	6d	(4,237,566)	(4,607,049)
Employee expenses		(819,698)	(700,850)
Research consumable expenses		(214,479)	(361,373)
Rental expenses		(216,132)	(223,004)
Depreciation expenses		(136,000)	(136,000)
Other expenses	6c	(804,538)	(846,398)
Deficit from operating activities		<u>(47,167)</u>	<u>(53,386)</u>
Finance income	6b	47,167	53,386
Net finance income		<u>47,167</u>	<u>53,386</u>
Surplus before income tax		<u>-</u>	<u>-</u>
Income tax expense	3(a)	-	-
Surplus for the period		<u>-</u>	<u>-</u>
Other comprehensive income			
Items that will never be reclassified to profit or loss		-	-
Items that are or may be reclassified to profit or loss		-	-
Other comprehensive income, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>-</u>	<u>-</u>

The statement of surplus or deficit and other comprehensive income is to be read in conjunction with the notes to the financial statements from pages 22 to 32.

HEARInG CRC Limited
A company limited by guarantee
Statement of financial position

As at 30 June 2014

	Note	2014 \$	2013 \$
Assets			
Current assets			
Cash and cash equivalents	8a	2,380,166	1,009,283
Trade and other receivables	7	448,311	554,426
Total current assets		<u>2,828,477</u>	<u>1,563,709</u>
Non-current assets			
Plant and equipment	9	-	136,000
Total non-current assets		<u>-</u>	<u>136,000</u>
Total assets		<u>2,828,477</u>	<u>1,699,709</u>
Liabilities			
Current liabilities			
Bank overdraft	8b	70,798	-
Trade and other payables	12	1,786,639	1,177,809
Deferred income	11	906,285	494,938
Employee benefits	13	31,628	26,962
Total current liabilities		<u>2,795,350</u>	<u>1,699,709</u>
Non-current liabilities			
Employee benefits	13	33,127	-
Total non-current liabilities		<u>33,127</u>	<u>-</u>
Total liabilities		<u>2,828,477</u>	<u>1,699,709</u>
Net assets		<u>-</u>	<u>-</u>
Equity			
Retained earnings	10	-	-
Total equity		<u>-</u>	<u>-</u>

The statement of financial position is to be read in conjunction with the notes to the financial statements from pages 22 to 32.

HEARing CRC Limited
A company limited by guarantee
Statement of changes in equity

For the year ended 30 June 2014

	Attributable to equity holders of the Company		
	Share capital	Retained Earnings	Total equity
	2013	2013	2013
	\$	\$	\$
Balance at 1 July 2012	-	-	-
Total comprehensive income for the year			
Surplus for the year	-	-	-
Other comprehensive income for the year	-	-	-
<i>Total comprehensive income for the year</i>	-	-	-
Transactions with owners, recorded directly in equity			
Issuance of shares	-	-	-
<i>Total transactions with owners</i>	-	-	-
Balance at 30 June 2013	-	-	-

	Attributable to equity holders of the Company		
	Share capital	Retained Earnings	Total equity
	2014	2014	2014
	\$	\$	\$
Balance at 1 July 2013	-	-	-
Total comprehensive income for the year			
Surplus for the year	-	-	-
Other comprehensive income for the year	-	-	-
<i>Total comprehensive income for the year</i>	-	-	-
Transactions with owners, recorded directly in equity			
Issuance of shares	-	-	-
<i>Total transactions with owners</i>	-	-	-
Balance at 30 June 2014	-	-	-

The statement of changes in equity is to be read in conjunction with the notes to the financial statements from pages 22 to 32.

HEARing CRC Limited
A company limited by guarantee
Statement of cash flows

For the year ended 30 June 2014

	<i>Note</i>	2014 \$	2013 \$
Cash flows from operating activities			
Cash receipts from members and government		7,524,709	6,250,372
Cash paid to suppliers and employees		(6,271,791)	(7,493,351)
Interest received		47,167	53,386
Net cash used in operating activities		<u>1,300,085</u>	<u>(1,189,593)</u>
Cash flows from investing activities		-	-
Net cash from/(used in) investing activities		<u>-</u>	<u>-</u>
Cash flows from financing activities		-	-
Net cash from/(used in) financing activities		<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents		1,300,085	(1,189,593)
Cash and cash equivalents at the beginning of the period		1,009,283	2,198,876
Cash and cash equivalents at 30 June	8	<u>2,309,368</u>	<u>1,009,283</u>

The statement of cash flows is to be read in conjunction with the notes to the financial statements from pages 22 to 32.

HEARing CRC Limited
A company limited by guarantee
For the year ended 30 June 2014

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HEARing CRC Limited
A company limited by guarantee
For the year ended 30 June 2014

Notes to the financial statements

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HEARing CRC Limited

A company limited by guarantee

For the year ended 30 June 2014

Notes to the financial statements

1. Reporting entity

The financial report covers HEARing CRC Limited as an individual entity. The Company is limited by guarantee and is incorporated and domiciled in Australia. The HEARing CRC Limited is recognised by the ATO as a health promotion charity and is therefore income tax exempt and it is a not-for-profit entity registered under the Australian Charities and Not-for-profits Commission (ACNC).

The financial statements were approved by resolution of the Board of Directors on the 16th of October 2014.

2. Basis of preparation

(a) Statement of compliance

The company early adopted AASB 1053 Application of Tiers of Accounting Standards and AASB 2010-2 Amendments to Australian Standards arising from Reduced Disclosure Requirements for the financial year beginning 1 July 2010 to prepare Tier 2 general purpose financial statements.

The financial report of the Company are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB-RDRs) (including Australian interpretations) adopted by the Australian Accounting Standards Board ("AASB"), Australian Charities and Not-for-profits Commission Act 2012 and the Australian Charities and Not-for-profits Commission Regulation 2013.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value.

The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(e) Financial period

The current financial period is the 12 months ended 30 June 2014.

(f) Changes in accounting policies

Except for the changes explained in Note 3(m), the Company has consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

HEARInG CRC Limited

A company limited by guarantee

For the year ended 30 June 2014

Notes to the financial statements

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Certain comparative amounts have been reclassified to conform to the current year's presentation.

(a) Income Tax

The Company has been approved for tax exemption status under Division 50-B of the Income Tax Assessment Act 1997 as a not-for-profit entity.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in Statement of surplus or deficit and other comprehensive income.

(c) Financial Instruments

(i) Non-derivative financial assets

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and deferred income.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset.

Non-derivative financial assets are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these financial assets are measured as described below.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date. Accounting for finance income is discussed in note 3(k).

Other non-derivative financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Non-derivative financial liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: Trade and other payables.

HEARing CRC Limited

A company limited by guarantee

For the year ended 30 June 2014

Notes to the financial statements

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Non-derivative financial liabilities (continued)

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

(d) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Borrowing costs related to the acquisition, construction or production of qualifying assets are recognised in profit or loss as incurred.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within "other income" in profit or loss.

(ii) Subsequent costs

The costs of replacing part of an item of plant and equipment are recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit and loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the life of the HEARing CRC.

The estimated useful lives for the current and comparative periods are as follows:

- a. Fixtures and fittings 3 - 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(e) Impairment of Assets

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity investment securities) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

HEARing CRC Limited

A company limited by guarantee

For the year ended 30 June 2014

Notes to the financial statements

3. Significant accounting policies (continued)

(e) Impairment of Assets (continued)

(i) Non-derivative financial assets (continued)

Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Impairment losses are recognised in profit or loss.

(f) Research and development

Expenditure on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as expenses in the year when incurred. The Members of the HEARing CRC directly employ research staff, funded in part or in full by the Company, to conduct the HEARing CRC's research activities.

(g) Employee benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(h) Revenue

Revenue from services rendered is recognised in proportion to the stage of completion of the transaction at the reporting date.

Finance income – Interest income

Interest income and other sundry income are brought to account when the Company controls a right relating to the consideration payable.

Cash contributions received from the members

Income arising from cash contributions received from the Members is recognised when the Company is in control of or has the right to receive the contributions.

Government grants

Government grants are recognised as revenue when the entity obtains control over the assets comprising the contribution. Where the Company considers the funds to be reciprocal in nature, the grant is treated as deferred income. This income is tied to specific research and other activities. All government grants are initially recorded as deferred income until which time the Company complies with the conditions associated with the grants.

HEARing CRC Limited

A company limited by guarantee

For the year ended 30 June 2014

Notes to the financial statements

3. Significant accounting policies (continued)

(h) Revenue (continued)

In-kind contributions

In-kind contributions from Members are brought to account as revenue and expenditure incurred in accordance with AASB 1004. These in-kind contributions are measured at fair value based on the dollar value provided by each Member in their reporting to the Company consistent with the valuation principles agreed under the terms of the HEARing CRC Members' Agreement.

The types of in-kind expenditure recorded by the Company largely include salary and overhead costs and other expenses incurred on equipment and consumables by the Members in conducting research activities on behalf of the Company. In relation to in-kind expenditure for overhead costs the Company has adopted the same on costs as those reported under the Commonwealth Agreement on the basis that they are deemed reasonable and reliably measured by management.

(i) Leases

(i) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(ii) Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset.

(j) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of financial position.

Cash flows are included in the Statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(k) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in the Statement of surplus or deficit and other comprehensive income.

HEARing CRC Limited

A company limited by guarantee

For the year ended 30 June 2014

Notes to the financial statements

3. Significant accounting policies (continued)

(l) Presentation of financial statements and reduced disclosures

The Company early adopted AASB 1053 Application of Tiers of Accounting Standards and AASB 2010-2 amendments to Australian Standards arising from Reduced Disclosure Requirements. This has resulted in a reduction of disclosures for items such as financial instruments, share based payments, defined benefit superannuation plans, equity accounted investments and business combinations. Since the change in accounting policy only impacts presentation aspects, there is no impact on comprehensive income.

(m) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for AASB 9 Financial Instruments, which becomes mandatory for the Company's 2018 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

In the current year, the Company adopted AASB 119 Employee Benefits (2011), which revised the definition of short-term employee benefits to benefits that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service.

As a result of the change, the annual leave liability for certain of the Company's employees is now considered to be a long-term employee benefit, when previously it was a short-term benefit. The Company's obligation is determined as the amount of future benefit that employees have earned in return for their service in the current and prior periods, applying actuarial assumptions, discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

The Company has applied the new policy retrospectively in accordance with the transitional provision of the standard.

The impact on the comparative figures and opening statement of financial position of the earliest comparative presented (1 July 2013) is not material.

(n) Company limited by guarantee

The Company is a public company limited by guarantee. If the Company is wound up each Member may be required to contribute a maximum of \$100 towards meeting any outstanding obligations of the company. There were 26 Members of the company as at 30 June 2014.

4. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(b) In-kind contributions

The fair value of in-kind contributions is based on the terms of the Members' Agreement.

5. Capital management

There were no changes in the Company's approach to capital management during the year.

HEARing CRC Limited
A company limited by guarantee
For the year ended 30 June 2014

Notes to the financial statements

6. Revenue and expenses

6(a) Revenue

	2014 \$	2013 \$
Commonwealth government – CRC program grants	5,489,884	4,825,403
Contributions from members – cash contributions	845,000	845,000
Contributions from members – in-kind contributions	15,795,484	16,578,316
Other income – HearWorks contributions	34,691	423,500
Other income – distribution income from related parties	-	684,888
Other income – other	11,671	42,497
Total revenue	<u>22,176,730</u>	<u>23,399,604</u>

6(b) Finance income

	2014 \$	2013 \$
Interest income on cash and cash equivalents	<u>47,167</u>	<u>53,386</u>

6(c) Other expenses

	2014 \$	2013 \$
Legal	1,724	8,124
Animal cost	145,982	150,739
Travel	120,051	97,397
Audit	27,850	28,068
Other	508,931	562,070
Total other expenses	<u>804,538</u>	<u>846,398</u>

6(d) Contractor expenses

Contractor expenses represent wages and salaries paid by the HEARing CRC to employees of Member entities during the reporting period.

	2014 \$	2013 \$
Contractor expenses	<u>4,237,566</u>	<u>4,607,049</u>

HEARInG CRC Limited
A company limited by guarantee
For the year ended 30 June 2014

Notes to the financial statements

7. Trade and other receivables

	2014	2013
	\$	\$
Receivables due from related parties	4,401	24,483
Other receivables	88,293	83,247
Accrued income from related entities	355,617	446,696
Total receivables	448,311	554,426

8. Cash and cash equivalents

	2014	2013
	\$	\$
8a) Call deposits	2,380,166	997,693
Bank balances	-	11,590
Cash and cash equivalents	2,380,166	1,009,283
8b) Bank overdraft	(70,798)	-
Cash and cash equivalents per cashflow statement	2,309,368	1,009,283

9. Plant and equipment

	2014	2013
	\$	\$
Furniture and fittings		
<i>Cost</i>		
Opening balance	600,000	600,000
Net additions/(disposals)	-	-
Closing balance	600,000	600,000
<i>Accumulated depreciation</i>		
Opening balance	(464,000)	(328,000)
Depreciation for the year	(136,000)	(136,000)
Closing balance	(600,000)	(464,000)
Net book value	-	136,000
Total plant and equipment		
<i>Cost</i>	600,000	600,000
<i>Accumulated depreciation</i>	(600,000)	(464,000)
Total written down amount	-	136,000

HEARing CRC Limited
A company limited by guarantee
For the year ended 30 June 2014

Notes to the financial statements

10. Capital and reserves

Share capital

	2014	2013
	\$	\$
On issue at 30 June 2014 and 30 June 2013	-	-

The Company is a public company limited by guarantee. If the company is wound up each Member may be required to contribute a maximum of \$100 towards meeting any outstanding obligations of the company. There were 26 Members of the company as at 30 June 2014. The Company is prohibited from issuing dividends.

The Company has been approved for tax exemption status under Division 50-B of the Income Tax Assessment Act 1997 as a not-for-profit entity. Hence the franking account balance is nil.

11. Deferred income

	2014	2013
	\$	\$
Current		
Government grants	143,554	218,438
Funds in advance – HearWorks	597,425	276,500
Funds in advance – Other Grants	165,306	-
	<u>906,285</u>	<u>494,938</u>
Non-current		
Funds in advance – HearWorks	-	-
	<u>-</u>	<u>-</u>

The Company has utilised revenue from the Members' cash contributions and from bank interest to fund activities as agreed under the HEARing CRC Members' Agreement and initial Operational Plan. Commonwealth CRC Program grants have been applied to the activities as agreed under the HEARing CRC Commonwealth Agreement (and Schedules), and the unexpended government grants represent activities not yet undertaken.

HearWorks Pty Ltd paid its seven years commitment in 2009. Unexpended funds represent activities not yet undertaken for the next financial year.

12. Trade and other payables

	2014	2013
	\$	\$
Trade payables	50,887	140,290
Other payables	170,362	100,325
Other payables owed to related parties	1,565,390	937,194
Total	<u>1,786,639</u>	<u>1,177,809</u>

HEARing CRC Limited
A company limited by guarantee
For the year ended 30 June 2014

Notes to the financial statements

13. Employee benefits

	2014	2013
	\$	\$
Current		
Employee entitlements for annual leave	19,256	26,962
Employee entitlements for long service leave	12,372	-*
	<u>31,628</u>	<u>26,962</u>
Non-current		
Employee entitlements for long service leave	33,127	-*
Total	<u>64,755</u>	<u>26,962</u>

* Long service leave was not recorded in financial year 2013 due to the limited life of the CRC at that point. With the five year extension granted in 2014 long service leave has been recorded.

14. Related parties

(a) Individual directors and executives compensation disclosures

During the reporting period, the following were key governance and management personnel of the Company.

Non-Executive directors:

Mr Richard Searby AO, QC

Dr Michele Allan

Mr Barry Roberts

Professor Robin Evans

Professor Sakkie Pretorius

Mr Neville Mitchell

Professor Jim Piper

Dr Lisa Springer

Mr Steven Grundy

Mr Bill Davidson

Mr Paul Guthrie

Mr Dominic Jenkins (Alternate)

Professor Richard Dowell (Alternate)

Professor Janet Greeley (Alternate)

Associate Professor Jim Patrick (Alternate)

Professor Janet Greeley (Alternate)

Adjunct Professor Harvey Dillon (Alternate)

Adjunct Professor Harvey Dillon (Alternate)

Mr Dominic Jenkins (Alternate)

Executive directors:

Associate Professor Robert Cowan

Compensation paid to individual directors and executives was as follows:

	2014	2013
	\$	\$
Short term employee benefits	407,050	396,000
Long term employee benefits	12,372	-
Total	<u>419,422</u>	<u>396,000</u>

Key management personnel costs are listed under "employee expenses" and "contributions to members for salaries" in the Statement of surplus or deficit and other comprehensive income.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company for this financial period and there were no material contracts involving directors' interests existing at the end of the financial reporting period. Nominee directors and their alternates do not receive compensation.

HEARInG CRC Limited
A company limited by guarantee
For the year ended 30 June 2014

Notes to the financial statements

14. Related parties (continued)

(b) Associates - HearWorks Pty Ltd & Hear IP Unit Trust & CRC Hear IP Trust

During the year ended 30 June 2014, all related parties' transactions were made on an arm's length basis at market prices and on commercial terms. Outstanding balances at year-end were unsecured, interest free and settlement occurs in cash. No guarantees were provided or received for any related party receivable or payable.

	2014	2013
	\$	\$
Income - trust distributions (Note 6 "other income")	-	684,888
Income – HearWorks Pty Ltd (Note 6 "other income")	34,691	423,500
Trade receivables – owing (refer Note 7)	4,401	24,483
Accrued income from related entities (refer Note 7)	355,617	446,696

15. Subsequent events

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

16. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2014	2013
	\$	\$
Less than one year	-	200,000
Between one and five years	-	-
	-	200,000

17. Economic dependency

The Company relies on its associate HearWorks Pty Ltd for marketing and commercialisation of intellectual property and support from the Commonwealth of Australia for funding through the Cooperative Research Centre Program.

HEARing CRC Limited
A company limited by guarantee
For the year ended 30 June 2014
Directors' declaration

In the opinion of the directors of HEARing CRC Limited the Company:

- (a) the financial statements and notes that are set out on pages 16 to 32 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2014 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards – Reduced Disclosure Regime and the Australian Charities and Not-for-profits Commission Regulation 2013; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Richard Searby

Chairman

Dated at Melbourne this 16th day of October 2014.



Independent auditor's report to the members of HEARing CRC Limited

We have audited the accompanying financial report of HEARing CRC Limited (the Company), which comprises the statement of financial position as at 30 June 2014, and statement of surplus or deficit and other comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company.

This audit report has also been prepared for the members of the Company in pursuant to *Australian Charities and Not-for-profits Commission Act 2012* and the *Australian Charities and Not-for-profits Commission Regulation 2013* (ACNC).

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the ACNC. The Directors' responsibility also includes such internal control as the Directors determine 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.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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 Company'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 performed the procedures to assess whether in all material respects the financial report gives a true and fair view, in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, and the ACNC, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.



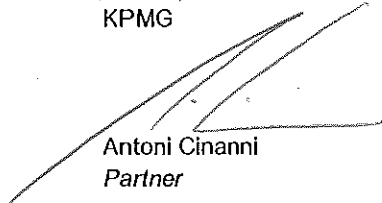
Independent auditor's report to the members of HEARing CRC Limited (continued)

Auditor's opinion

In our opinion, the financial report of HEARing CRC Limited is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Australian Charities and Not-for-profits Commission Regulation 2013.

KPMG
KPMG



Antoni Cinanni
Partner

Melbourne

16th October 2014



Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the directors of HEARing CRC Limited:

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG
KPMG

Antoni Cinanni
Partner

Melbourne

16 October 2014