



HEARing CRC Limited

A company limited by guarantee

ABN 94 123 522 725

Annual Financial Report

30 June 2013

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HEARing CRC Limited

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Directors' report

For the year ended 30 June 2013

The directors present their report together with the financial report of the HEARing CRC Limited ("the Company") for the year ended 30 June 2013 and the auditor's report thereon.

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Directors' report *(continued)*

For the year ended 30 June 2013

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 Commonwealth of Australia Cooperative Research Centres Program.

The HEARing CRC Limited is established and operates under its Constitution, and a Members' Agreement amongst its five Core Members and 21 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 have rights 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
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Richard Searby AO, QC, MA (Oxon), Hon LLD (Deakin)	Mr Searby was appointed as Chairman of the HEARing CRC Limited in April 2007. 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.
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Robert Cowan BSc (Hons), MSc, MBA, PhD(Melb), DipAud, GrCert HlthEcon, Gr Dip Tech Mgt, FAudSA (CCP), GAICD, FICRA	Associate Professor Cowan is CEO and ex-officio 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 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. In addition to academic qualifications, he is a graduate member of the AICD and in 2004 was Professions Australia 'Professional of the Year'. He is an alternate Board member of the Cooperative Research Centres Association, and was its Deputy Chair from 2002-2005. He advises the government on hearing healthcare as a member of the Commonwealth Hearing Services Consultative Committee, and as a Federal Executive Councillor and Fellow of The Audiology Society of Australia, of which he was President 1992-1996 and 1997-2000. He is President of the International Society of Audiology, and a Fellow of the International Collegium of Rehabilitative Audiology.
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Directors' report *(continued)*

For the year ended 30 June 2013

1. Directors (continued)

Michele Allan
BSc, PhD,
GAICD, FAICD

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, Cleaner Technologies Food and Foundry Investment Committee. She is also 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 Melbourne University, Master Commercial Law Deakin University and Doctorate from RMIT. She is a graduate of the AICD and a fellow.

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 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.

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.

Neville Mitchell
BComm, CA (SA)

Nominee
Director
(Cochlear Limited)

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.

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Directors' report *(continued)*

For the year ended 30 June 2013

1. Directors (continued)

Jim Piper
BSc(Hons), PhD
(Otago)

Professor Piper was appointed as a Director of the HEARing CRC Limited in April 2007. He retired as Deputy Vice Chancellor (Research) and Professor of Physics at Macquarie University on 28 June 2013. Prof Piper is a Director of Environmental Biotechnology CRC, Access MQ Ltd, APAF Ltd, and Sydney First Marine Science Ltd.

Nominee Director
(Macquarie University)

Professor Piper has extensive expertise and experience gained over 30 years of research in lasers, optics and photonics, and applications in micro fabrication. Prof 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 Walter Boas Medal of the Australian Institute of Physics (1984) and the Pawsley Medal of the Australian Academy of Science (1982). Professor Piper ceased his directorship of The HEARing CRC Ltd on 28 June 2013.

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 a former Chairman of JAS-ANZ and Vice President of the Australian Electrical & Electronics Manufacturers Association.

Lisa Springer
BSc, PhD,
GAICD

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. For the past 13 years, 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.

Steven Grundy
Dip Maritime Studies
Dip Bus Admin
FAIM
MAICD

Director

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. Steven then went on to be the National General Manager for management of Telstra Payphones, including management of the Universal Service Obligation.

Mr Grundy has held the role of Managing Director of Australian Hearing 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.

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.

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Directors' report (*continued*)

For the year ended 30 June 2013

1. Directors (*continued*)

Jim Patrick BSc MSc MIE (AUST) CPE (Biomed) FTSE Alternate Director (for Mr Neville Mitchell)	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. 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.
Janet Greeley BSc MA PhD Alternate Director (for Prof Jim Piper, then Prof Pretorius)	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. 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 the Universities Australia representative on the Specialist Education Accreditation Committee of the Australian Medical Council and on the Leadership for Excellence in Learning & Teaching Program Standing Committee of the ALTC. She is an auditor with the Australian Universities Quality Agency.
Richard Dowell MSc DipAud PhD Alternate Director (for Prof Robin Evans)	Professor Richard Dowell was appointed as an alternate Director for Professor Robin Evans on the 19th of August 2011. 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 Masters degree across Australia (1998); and development of professional training in speech pathology at The University of Melbourne (2011).
Dominic Jenkins B.Ec Alternate Director (for Barry Roberts)	Mr Dominic Jenkins was appointed as Mr Barry Roberts' alternate in February 2009. 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 2013

1. Directors (continued)

Harvey Dillon
B.E PhD

Adjunct Professor Dillon was appointed as Mr Steven Grundy's alternate in August 2012.

Alternate Director
(for Steven Grundy)

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.

2. Company secretary

The Company Secretary as at 30 June 2013 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), Chartered Secretaries Australia Corporate Governance Graduate Diploma and Australian Institute of Company Directors Course Diploma. Mrs Norden was appointed Company Secretary on 10 April 2009.

3. 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 Meetings		Finance & Audit Committee (F&A) Meetings		Nominations & Appointments Committee (N&A) Meetings	
	A	B	A	B	A	B
Richard Searby – Chairman	6	6	4	4	3	3
Robert Cowan	6	6	4*	4*	3*	3*
Michele Allan	5	6	2	3	n/a	n/a
Robin Evans	3	6	n/a	n/a	n/a	n/a
Neville Mitchell	5	6	4	4	n/a	n/a
Jim Piper	2	6	n/a	n/a	n/a	n/a
Barry Roberts	6	6	n/a	n/a	3	3
Lisa Springer	6	6	n/a	n/a	2	2
Steven Grundy	5	6	n/a	n/a	n/a	n/a
Jim Patrick (Alternate for Neville Mitchell)	1	1	n/a	n/a	n/a	n/a
Janet Greeley (Alternate for Jim Piper)	3	3	n/a	n/a	n/a	n/a
Richard Dowell (Alternate for Robin Evans)	3	3	n/a	n/a	n/a	n/a
Harvey Dillon (Alternate for Steven Grundy)	1	1	n/a	n/a	n/a	n/a

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

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Directors' report *(continued)*

For the year ended 30 June 2013

3. 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.

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 practice as recommended by ASX corporate governance practices.

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.

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 four 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 three times and the members' attendance record is disclosed in the table of meetings.

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Directors' report *(continued)*

For the year ended 30 June 2013

4.2 Nominations and Appointments Committee *(continued)*

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

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

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 Shallop (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 Lightowers; and IP management staff. The group meets as and when required.

4.6 Communication with members

During the reporting period the Company's Members met on three occasions: 22 November 2012 for the AGM in Melbourne; at the Project Review on 3 April 2013; and the Australian Hearing Hub Launch on 17 April 2013.

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.

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Directors' report *(continued)*

For the year ended 30 June 2013

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 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)

For the year ended 30 June 2013

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 an external Science Advisory Group, which involves 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)*

For the year ended 30 June 2013

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. licenced signed, royalty income) and/or end-user take-up.

In regards to financial performance, there is a dedicated suite of documentation that provide 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 \$23,399,604 (2012: \$27,263,569), 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.

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. The Company is currently in the process of seeking an extension to the Commonwealth Agreement which ends on 30 June 2014. Refer Note 2(b) for further considerations on the going concern basis of accounting. Further information about likely developments in the operation of the Company and the expected results of those operations in future financial years have not been included in this report because disclosures of the information would be likely to result in unreasonable prejudice to the Company.

16. Indemnification and insurance of officers and auditors

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.

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Directors' report (*continued*)

For the year ended 30 June 2013

16. Indemnification and insurance of officers (continued)

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 2013.

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 2013.

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



Neville Mitchell

Finance & Audit Committee Chairman

Dated at Melbourne this 18th day of October 2013.

HEARing CRC Limited

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Statement of surplus or deficit and comprehensive income

For the year ended 30 June 2013

	<i>Note</i>	2013	2012
		\$	\$
Revenue	6a	23,399,604	27,263,569
Expenditure			
Contributions – In-kind by members	3(h)	(16,578,316)	(18,869,765)
Contractor expenses	6d	(4,607,049)	(5,846,213)
Employee expenses		(700,850)	(663,542)
Research consumable expenses		(361,373)	(482,189)
Rental expenses		(223,004)	(201,601)
Depreciation expenses		(136,000)	(136,000)
Other expenses	6c	(846,398)	(1,132,646)
Deficit from operating activities		<u>(53,386)</u>	<u>(68,387)</u>
Finance income	6b	53,386	68,387
Net finance income		<u>53,386</u>	<u>68,387</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		-	-
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>-</u>	<u>-</u>

The statement of surplus or deficit and comprehensive income is to be read in conjunction with the notes to the financial statements from pages 21 to 32.

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

As at 30 June 2013

	<i>Note</i>	2013 \$	2012 \$
Assets			
Current assets			
Cash and cash equivalents	8a	1,009,283	2,218,770
Trade and other receivables	7	554,426	1,137,250
Total current assets		<u>1,563,709</u>	<u>3,356,020</u>
Non-current assets			
Plant and equipment	9	136,000	272,000
Total non-current assets		<u>136,000</u>	<u>272,000</u>
Total assets		<u>1,699,709</u>	<u>3,628,020</u>
Liabilities			
Current liabilities			
Bank overdraft	8b	-	19,894
Trade and other payables	12	1,177,809	1,486,214
Deferred income	11	494,938	1,701,091
Employee benefits	13	26,962	20,821
Total current liabilities		<u>1,699,709</u>	<u>3,228,020</u>
Non-current liabilities			
Deferred income	11	-	400,000
Total non-current liabilities		<u>-</u>	<u>400,000</u>
Total liabilities		<u>1,699,709</u>	<u>3,628,020</u>
Net assets		<u>-</u>	<u>-</u>
Equity	10	-	-
Retained earnings		-	-
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 21 to 32.

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

For the year ended 30 June 2013

	Attributable to equity holders of the Company		
	Share capital	Retained Earnings	Total equity
	2012	2012	2012
	\$	\$	\$
Balance at 1 July 2011	-	-	-
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 2012	-	-	-

	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	-	-	-

The statement of changes in equity is to be read in conjunction with the notes to the financial statements from pages 21 to 32.

HEARing CRC Limited
A company limited by guarantee
Statement of cash flows
For the year ended 30 June 2013

	<i>Note</i>	2013	2012
		\$	\$
Cash flows from operating activities			
Cash receipts from members and government		6,250,372	8,501,941
Cash paid to suppliers and employees		(7,493,351)	(9,098,910)
Interest received		53,386	68,387
Net cash used in operating activities		<u>(1,189,593)</u>	<u>(528,582)</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		(1,189,593)	(528,582)
Cash and cash equivalents at the beginning of the period		2,198,876	2,727,458
Cash and cash equivalents at 30 June	8	<u>1,009,283</u>	<u>2,198,876</u>

The statement of cash flows is to be read in conjunction with the notes to the financial statements from pages 21 to 32.

HEARing CRC Limited
A company limited by guarantee
For the year ended 30 June 2013

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HEARing CRC Limited

A company limited by guarantee

For the year ended 30 June 2013

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, 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.

The financial statements were approved by resolution of the Board of Directors on 18 October 2013.

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”) and the Corporations Act 2001.

(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.

Going Concern basis of accounting

The financial report is prepared on a going concern basis, which contemplates continuity of normal operating activities and the realisation of assets and settlement of liabilities in the ordinary course of operations. In making this assessment, the directors have considered future events and conditions for a period of at least 12 months following the approval of these financial statements.

As at 30 June 2013 the Company has a net current asset deficiency of \$136,000 (2012: net current asset surplus of \$128,000). The going concern assumption of the Company is dependent on continued contracted income from the CRC Program, a Commonwealth Government initiative. The Company entered a seven year contract with the Commonwealth which completes 30 June 2014, and has applied for a five year extension. The Company has been accepted to the second stage of the extension application process and is expected to be advised of the outcome by the Commonwealth Government in December 2013. The Company has the resources to carry out its seventh year of contracted research and has forecast sufficient funding for a six month wind up period in the event no further funding is obtained for future research activities.

Notwithstanding the net current asset deficiency and pending extension of government funding, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis based on the following mitigating factors:

- The Company has an ongoing contract with the Commonwealth Government which provides the Company with funding, up to and including the period 30 June 2014.
- The Company has not made any commitments nor has any contracts that extend post 31 December 2014.
- The Company has prepared a 2013-14 budget based on contracted cash from the Commonwealth and Participants and is expected to fulfil its milestone commitments to the Commonwealth.
- The Company has completed a detailed profitability and cash flow forecast. The cash flow forecast indicates positive cash balances will be maintained each month up until the end of forecast period of 31 December 2014.

HEARing CRC Limited

A company limited by guarantee

For the year ended 30 June 2013

Notes to the financial statements

2. Basis of preparation (continued)

(b) Basis of measurement (continued)

Going concern basis of accounting (continued)

- The Company maintains adequate cash reserves and annual grant income to fulfil its financial commitments for the 30 June 2014 financial year.
- The Company is solvent at 30 June 2013, has no external financial liabilities and can meet its financial obligations when they fall due without the need to liquidate.
- The deferred income classified as a current liability is not expected to be settled in cash in the next 12 months.
- The Company is in the second stage of competitive funding for a five year extension 2014-2019 and the directors expect this funding will be secured.

As stated above, the Company's ongoing operations and research activities beyond 30 June 2014 are dependent upon the Company maintaining adequate cash levels and obtaining an extension to the Commonwealth Government funding agreement. Given the extension to Government funding has yet to be confirmed for the period beyond 30 June 2014 as at the date of the approval of these financial statements, there is a material uncertainty as to whether the Company will continue normal operating activities beyond 30 June 2014. In the event Government funding is not secured for the period beyond 30 June 2014 the Company may be required to realise its assets at amounts different to that recorded in the statement of financial position, and settle its liabilities other than in the ordinary course of operations and make provision for other costs which may arise as a result of cessation or curtailment of normal business operations.

(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 2013.

(f) Changes in accounting policies

Starting as of 1 January 2010, the Company has changed its accounting policies by early adopting AASB 1053 Application of Tiers of Accounting Standards and AASB 2010-2 amendments to Australian Standards arising from Reduced Disclosure Requirements to prepare Tier 2 general purpose financial statements. The impact of this change in accounting policy is discussed at Note 3(l).

HEARing CRC Limited

A company limited by guarantee

For the year ended 30 June 2013

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 with 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 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 or 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 2013

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. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent costs

The costs of replacing part of an item of plant and equipment is 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 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 2013

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 as they are not employed by the Company.

(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 2013

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 as 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 comprehensive income.

HEARing CRC Limited

A company limited by guarantee

For the year ended 30 June 2013

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 2012, 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 2016 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.

(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 2013.

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) Plant and equipment

The market value of items of plant and equipment is based on the quoted market prices for similar items.

(b) 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.

(c) 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 2013

Notes to the financial statements

6. Revenue and expenses

6(a) Revenue

	2013 \$	2012 \$
Commonwealth government – CRC program grants	4,825,403	5,016,476
Contributions from members – cash contributions	845,000	1,115,000
Contributions from members – in-kind contributions	16,578,316	18,869,765
Other income – HearWorks contributions	423,500	300,000
Other income – Distribution income from related parties	684,888	1,962,328
Other income - Other	42,497	-
Total revenue	<u>23,399,604</u>	<u>27,263,569</u>

6(b) Finance income

	2013 \$	2012 \$
Interest income on cash and cash equivalents	<u>53,386</u>	<u>68,387</u>

6(c) Other expenses

	2013 \$	2012 \$
Legal	8,124	5,630
Animal cost	150,739	125,034
Travel	97,397	141,078
Audit	28,068	28,805
Withholding tax expense incurred on royalty income	-	191,322
Other	562,070	640,776
Total other expenses	<u>846,398</u>	<u>1,132,645</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.

	2013 \$	2012 \$
Contractor expenses	<u>4,607,049</u>	<u>5,846,213</u>

HEARing CRC Limited
A company limited by guarantee
For the year ended 30 June 2013

Notes to the financial statements

7. Trade and other receivables

	2013	2012
	\$	\$
Current		
Receivables due from related parties	24,483	105,315
Other receivables	83,247	10,930
Accrued income from related entities	446,696	1,021,005
Total receivables	<u>554,426</u>	<u>1,137,250</u>

8. Cash and cash equivalents

	2013	2012
	\$	\$
8a) Call deposits	997,693	2,218,770
Bank balances	11,590	-
Cash and cash equivalents	<u>1,009,283</u>	<u>2,218,770</u>
8b) Bank overdraft	-	(19,894)
Cash and cash equivalents in the statement of cash flows	<u>1,009,283</u>	<u>2,198,876</u>

9. Plant and equipment

	2013	2012
	\$	\$
Furniture and fittings		
<i>Cost</i>		
Opening balance	600,000	600,000
Net additions/(disposals)	-	-
Closing balance	<u>600,000</u>	<u>600,000</u>
<i>Accumulated depreciation</i>		
Opening balance	(328,000)	(192,000)
Depreciation for the year	(136,000)	(136,000)
Closing balance	<u>(464,000)</u>	<u>(328,000)</u>
Net book value	<u>136,000</u>	<u>272,000</u>
Total plant and equipment		
Cost	600,000	600,000
Accumulated depreciation	(464,000)	(328,000)
Total written down amount	<u>136,000</u>	<u>272,000</u>

HEARing CRC Limited
A company limited by guarantee
For the year ended 30 June 2013

Notes to the financial statements

10. Capital and reserves

Share capital

	2013	2012
	\$	\$
On issue at 30 June 2013 and 30 June 2012	-	-

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 2013. 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

	2013	2012
	\$	\$
Current		
Government grants	218,438	1,401,091
Funds in advance - HearWorks	276,500	300,000
	<u>494,938</u>	<u>1,701,091</u>
Non-current		
Funds in advance - HearWorks	-	400,000
	<u>-</u>	<u>400,000</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 its associated 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

	2013	2012
	\$	\$
Trade payables	140,290	114,937
Other payables	100,325	162,223
Other payables owed to related parties	937,194	1,209,054
Total	<u>1,177,809</u>	<u>1,486,214</u>

13. Employee benefits

	2013	2012
	\$	\$
Employee entitlements for annual leave	<u>26,962</u>	<u>20,821</u>

HEARing CRC Limited
A company limited by guarantee
For the year ended 30 June 2013

Notes to the financial statements

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	Mr Dominic Jenkins (Alternate)
Professor Rob Evans	Professor Richard Dowell (Alternate)
Professor Sakkie Pretorius	Professor Janet Greeley (Alternate)
Mr Neville Mitchell	Associate Professor Jim Patrick (Alternate)
Professor Jim Piper	Professor Janet Greeley (Alternate)
Dr Lisa Springer	
Mr Steven Grundy	Adjunct Professor Harvey Dillon (Alternate)

Executive directors:

Associate Professor Robert Cowan

Compensation paid to individual directors and executives was as follows:

	2013	2012
	\$	\$
Short term employee benefits	396,000	363,800
Total	<u>396,000</u>	<u>363,800</u>

Key management personnel costs are listed under “employee expenses” and “contributions to members for salaries” in the Statement of 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.

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

During the year ended 30 June 2013, all related parties’ transactions were made 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.

	2013	2012
	\$	\$
Income - trust distributions (Note 6 “other income”)	684,888	1,962,328
Income – HearWorks Pty Ltd (Note 6 “other income”)	423,500	300,000
Trade receivables – owing (refer Note 7)	24,483	105,315
Accrued income from related entities (refer Note 7)	446,696	1,021,005

HEARing CRC Limited
A company limited by guarantee

For the year ended 30 June 2013

Notes to the financial statements

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:

	2013	2012
	\$	\$
Less than one year	200,000	200,000
Between one and five years	-	200,000
	<u>200,000</u>	<u>400,000</u>

17. Economic dependency

The Company relies on its associate HearWorks Pty Ltd for marketing and commercialisation of Intellectual Property and support from Commonwealth of Australia for funding as per the Cooperative Research Centre Programme. Refer to Note 2(b).

HEARing CRC Limited
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Directors' declaration

- 1 In the opinion of the directors of HEARing CRC Limited ('the Company'):
- (a) the financial statements and notes set out on pages 15 to 32, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2013 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001; 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:



Neville Mitchell

Finance & Audit Committee Chairman

Dated at Melbourne this 18th day of October 2013.

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 2013, and the statement of surplus or deficit and comprehensive income, statement of changes in equity and statement 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.

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 *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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 presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards – Reduced Disclosure Requirements, 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 *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of HEARing CRC Limited on 18 October 2013, would be in the same terms if given to the directors as at the time of this auditor's report.



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 *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2(b) in the financial report which indicates that at 30 June 2013 the Company has a net current asset deficiency of \$136,000 (2012: net current assets of \$128,000). This condition, along with other matters set forth in Note 2(b), indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern and therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

KPMG
KPMG



Antoni Cinanni
Partner

Melbourne
22 October 2013



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

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 2013 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG
KPMG

Antoni Cinanni
Partner

Melbourne
18 October 2013