

NATIONAL STEM CELL FOUNDATION OF AUSTRALIA

ABN 84 152 713 098

FINANCIAL REPORT

for the period ended 30 June 2012

CONTENTS

	Page
1. Directors' Report	3
2. Auditor's Independence Declaration	7
3. Financial Report	
Statement of Comprehensive Income	8
Statement of Changes in Equity	8
Statement of Financial Position	9
Statement of Cash Flows	10
Notes to the Financial Statements	11
4. Directors' Declaration	14
5. Independent Auditor's Report to the Members	15

This Financial Report covers National Stem Cell Foundation of Australia ('the Company') as an individual entity. National Stem Cell Foundation of Australia is a Company limited by guarantee, incorporated and domiciled in Australia. The Company was registered on 17 August 2011.

The Company's registered office and principal place of business is:

Unit 1102
201 Collins Street
Melbourne Victoria 3000

A description of the nature of the Company's operations and its principal activities is included in the Directors' Report on pages 3 to 6 which is not part of this Financial Report.

The Financial Report was authorised for issue by the directors on 31 August 2012. The directors have the power to amend and reissue the Financial Report.

NATIONAL STEM CELL FOUNDATION OF AUSTRALIA. ABN 84 152 713 098

The directors present their report together with the Financial Report of National Stem Cell Foundation of Australia for the period ended 30 June 2012 and the Auditor's Report thereon.

Directors

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

<i>Name</i>	<i>Age</i>	<i>Period of directorship, special responsibilities, experience, other current directorships and former directorships in the last three years</i>
Dr Graeme Blackman OAM, PhD, BSc (Hons), BD, MTheol, FTSE, FRACI, FAICD, FloD (Non-Executive Director, Chairman)	66	Independent non-executive director and Chairman of the Company, appointed 17 August 2011. Dr Blackman is a former Professor of Pharmaceutical Chemistry at the Victorian College of Pharmacy. He is presently Chairman of IDT Australia Ltd, an Australian Securities Exchange (ASX) listed public company operating in the pharmaceutical industry. In particular he has chaired the Australian Government's Pharmaceuticals Industry Action Agenda, which developed a policy framework for the industry over a ten year period. He was a director of the Australian Stem Cell Centre. He has been or continues to be a member of various Commonwealth and State advisory committees and working groups in pharmaceuticals and biotechnology, including the Australian Biotechnology Advisory Council, the Pharmaceutical Industry Working Group and the Pharmaceutical Industry Strategy Group.
Emeritus Professor Graham Macdonald AM, MD, BS, BSc (Med), FRACP, FRCP, FANZCC (Non-Executive, Deputy Chairman)	75	Independent non-executive director and Deputy Chairman of the Company appointed 29 September 2011. Professor Macdonald brings a wealth of experience in clinical medicine, basic biomedical science and in the field of licensing and commercialisation to the Company. He has had an outstanding career first as an academic nephrologist, and then moving into the pharmaceutical industry with Merck Sharp and Dohme (Australia). During this time he successfully brokered a number of high profile agreements including a US\$100 million-plus deal with AMRAD (now Zenyth Therapeutics) to develop a new asthma treatment. Graham is currently a director and Chairman of Vectus Biosciences Limited and director and chairman of Stem Cells Limited. In June 2012 Professor Macdonald received an Australian Queen's Birthday Honour in the General Division of the Order of Australia for "service to biomedical research in the areas of hypertension and renal disease, to medical education, to the promotion and awareness raising of organ donation, and as a mentor".
Emeritus Professor Richard Smallwood AO, MB, BS, MD, FRACP, FRCP, FACP (Hon) (Non-Executive Director)	75	Independent non-executive director appointed 17 August 2011. Professor Smallwood is Emeritus Professor of Medicine, University of Melbourne. As Professor of Medicine within the University of Melbourne, he was Head of the Department of Medicine, Chairman of the Division of Medicine and Director of Gastroenterology at the Austin and Repatriation Medical Centres. Professor Smallwood was President of the Royal Australasian College of Physicians from 1996 to 1998 and was Chief Medical Officer of Australia from 1999 to 2003. Professor Smallwood has served as a chair of a large number of organisations including the NH&MRC, the National Influenza Pandemic Advisory Council, the National Health Information Management Advisory Council, the National Health Priority Action Council, the National Blood Authority and the Ministerial Taskforce for Cancer in Victoria. Professor Smallwood is currently President of the Australian Medical Council. He was until 2010 a member of the Board of Governance of the Victorian Health Promotion Foundation and, until 2009, a director of the Murdoch Children's Research Institute. He was a director of the Australian Stem Cell Centre.
Dr Christopher Juttner MBBS, BMedSci, FRACP (Non-Executive Director)	68	Independent non-executive director, appointed 17 August 2011. Dr Juttner has more than 35 years experience in providing, analysing and developing advanced medical care in haematology, cancer and general clinical medicine. Dr Juttner has extensive biotechnology experience which includes senior management appointments in Australia and the United States. He served as the Vice President of Clinical Development at SyStemix Incorporated (USA), then later with Genetic Therapy Incorporated (USA). Dr Juttner also served as an independent and later executive director and Senior VP of Clinical Development of BresaGen Ltd, a pioneer Australian stem cell company. Dr Juttner was a director of Stem Cell Sciences Australian Limited and continues to provide consultancy services to Novartis Australia and Stem Cell Inc (USA). He was a director of the Australian Stem Cell Centre.

NATIONAL STEM CELL FOUNDATION OF AUSTRALIA. ABN 84 152 713 098

<i>Name</i>	<i>Age</i>	<i>Period of directorship, special responsibilities, experience, other current directorships and former directorships in the last three years</i>
Dr Peter Riddles BSc (Hons), PhD, Grad Dip Bus (Management), FAICD (Non-Executive Director)	58	<p>Independent non-executive director appointed 29 September 2011. Dr Riddles has extensive experience in biotechnology having served as director on many start-up enterprises, and having worked with universities and with the private sector. He is presently Chairman of the Griffith University Enterprise Board, the CRC for Wound Management Innovation and Wound Management Pty Ltd. In addition he serves on the boards of Innovation Australia (including Chair of its Innovation Grants Committee), the Alberta Research and Innovation Authority (Canada) and is the inaugural Chairman of Life Sciences Queensland. He is presently the Director of ViciBio Pty Ltd that provides services to organisations involved in science, technology commercialisation and innovation. He was a director of the Australian Stem Cell Centre.</p> <p>Earlier, he was Chairman of Healthlinx Ltd, Chairman and Founder of AusBiotech Ltd, Chairman of the Queensland Biotechnology Advisory Committee, a member of the QUT Faculty of Science Advisory Committee and the Queensland Government Industry Advisory Group, Chairman of the Steering Group for the Australia and New Zealand Biotechnology Fund and served on the Board of Dosimetry and Imaging Pty Ltd.</p>
Mr Stuart Gooley BComm (Melb) FCA, FCPA (Non-Executive Director)	67	<p>Independent non-executive director and Chairman of the Finance, Audit and Risk Management Sub-committees appointed 17 August 2011. Mr Gooley had a 42 year period in the accounting profession with Arthur Andersen and Ernst & Young, and retired from public practice in 2008. During his career he was the Australian head of Andersen's Accounting and Audit practice and the Asia Pacific Risk Management Practice Director.</p> <p>Mr Gooley was the Victorian State President of CPA Australia in 1994, and served on the Australian Auditing and Assurance Standards Board and the International Auditing Practices Committee.</p> <p>Outside of the accounting profession he has served on the board of two educational institutions, and is currently a director of Lahaina Holdings Pty Ltd, Tai Tam Investments Pty Ltd, Wilson Transformer Company and of Trinity College. He is also a member of the audit committee of the Victorian Department of Education and a member of the resources committee of the Royal Australian College of Surgeons. He was a director of the Australian Stem Cell Centre.</p>
Mr David Collins MEng, MBA, CA, GAICD (Non-Executive Director)	47	<p>Independent non-executive director and member of the Finance, Audit and Risk Management Sub-committees appointed 16 December 2011. Mr Collins was Chief Executive Officer of the Australian Stem Cell Centre from September 2009 until November 2011. Prior to joining the ASCC, Mr Collins held a number of senior finance roles across a range of industries in Europe.</p>
Company Secretary		
<i>Name</i>	<i>Age</i>	<i>Period of office, special responsibilities and experience</i>
Mr Graeme Mehegan BBus(Acc), FCPA, FCIS (Company Secretary)	57	<p>Mr Mehegan was appointed Company Secretary 8 November 2011. Mr Mehegan was Chief Financial Officer for the Australian Stem Cell Centre from August 2009 until November 2011. He was Chief Financial Officer and Company Secretary for Pioneer Electronics Australia from January 2001 until March 2008 and prior to that held senior financial roles (including the position of Company Secretary) with Random House Australia and Pitman Publishing, both in the book publishing industry.</p>
Mr Mark Cummings BA, LL.B (Company Secretary)	54	<p>Mr Cummings was appointed Company Secretary 17 August 2011 and resigned on 8 November 2011. Prior to that he was General Counsel and Company Secretary for the Australian Stem Cell Centre. Prior to the ASCC, Mr Cummings had established and was practicing as Principal with law firm Cummings Lawyers. He was previously employed as Senior Associate in the corporate and commercial practice areas with several mid size private national law firms based in Melbourne over nearly 20 years, most recently at the firm Piper Alderman.</p>

NATIONAL STEM CELL FOUNDATION OF AUSTRALIA. ABN 84 152 713 098

Principal activities

The National Stem Cell Foundation of Australia (NSCFA) was established in August 2011 by the Australian Stem Cell Centre Limited (ASCC) to continue its stem cell mission and is its nominated follow-on organisation. During the period of operation the principal activity of the Company was to promote the study and use of stem cells in the prevention or control of disease or illness in human beings and to enhance public education in this field.

Short-term objectives

Being in only its first year of operations, the NSCFA is in establishment mode so the short-term plans for the current year included:

- Establishing governance structures and administrative systems
- Developing staffing plans for the organisation
- Investing available funds
- Beginning to build a market presence and brand through the development of a website and marketing material
- Undertaking initial communications with major stakeholders including researchers

Long-term Objectives

The Company's long-term objectives are to:

- Provide resources to develop objective information and to educate and inform the Australian public on stem cell technology and regenerative medicine including its risks, achievements, benefits and overall technical progress.
- Pursue the cures for, as yet, untreatable diseases and illnesses, using stem cell technology and regenerative medicine techniques by supporting research activities in these areas.

Strategy for achieving short and long-term objectives

To achieve these objectives, the Company will draw heavily on the experience of its Board of Directors and Company Secretary who (as a group) have considerable and varied experience in medical research, business management and finance. All of these officers were previously involved as directors and/or senior managers with the Australian Stem Cell Centre Ltd.

The Board will seek to appoint experts in various fields where specialised expertise and scientific advice is required including:

- Investment Strategy
- Website development and marketing
- Fundraising

Given the nature of its activities and the Health Promotion Charity status of the Company, the Board is hopeful of obtaining some of these services on a pro-bono basis but understands that in some circumstances it will be necessary to enlist external paid consultants.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the year are:

	Directors' Meetings		Finance, Audit and Risk Management Sub-committee Meetings	
	Attended (ii)	Held (i)	Attended (ii)	Held (i)
Dr G Blackman	5	5	2	2
Emeritus Prof G Macdonald	5	5	-	-
Emeritus Prof R Smallwood	3	5	-	-
Dr P Riddles	4	5	-	-
Dr C Juttner	4	5	-	-
Mr S Gooley	5	5	2	2
Mr D Collins	3	3	2	2

(i) Represents the number of meetings held during the time that the director held office or was a member of the committee during the year.

(ii) Director either attended or their duly appointed alternate director attended on their behalf.

NATIONAL STEM CELL FOUNDATION OF AUSTRALIA. ABN 84 152 713 098

The Finance, Audit and Risk Management Sub-committee is chaired by Mr S Gooley; and its role is to review the implementation of the risk management processes, financial reporting, internal control and management of financial risks, the audit process, and the Company's process for monitoring compliance with laws and regulations.

Contribution in Winding Up

The Company is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the Company is wound up the constitution states that each member is required to contribute a maximum of \$100 each towards meeting any outstanding obligations of the entity. At 30 June 2012, the total amount that members of the Company are liable to contribute if the Company is wound up is \$700.

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

Dated at Melbourne this 27th day of August 2012.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to be 'Dr Graeme Blackman', with a long horizontal line extending to the right.

Dr Graeme Blackman
(Chairman)



The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000
GPO Box 4736
Melbourne Victoria 3001
T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

**Auditor's Independence Declaration
To the Directors of National Stem Cell Foundation of Australia**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of National Stem Cell Foundation of Australia for the period ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD

Eric W Passaris

Eric Passaris
Partner - Audit & Assurance

Melbourne, 27 August 2012

**STATEMENT OF COMPREHENSIVE INCOME
AND STATEMENT OF CHANGES IN EQUITY**

for the period ended 30 June 2012

NATIONAL STEM CELL FOUNDATION OF AUSTRALIA ABN 84 152 713 098

Statement of comprehensive income for the period ended 30 June 2012	Note	11 Months to 30 June 2012
		\$
Revenues	2	93,462
Other income – Gift from Australian Stem Cell Centre Ltd	3	3,812,660
Administrative Costs	4	(29,050)
Profit before income tax		3,877,072
Income tax expense		-
Profit for the period		3,877,072
Other Comprehensive Income		
Changes in the fair value of available-for-sale financial assets		(107,911)
Other Comprehensive Income for the period		(107,911)
Total comprehensive income for the period		3,769,161

This Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out on pages 11 to 13.

Statement of changes in equity for the period ended 30 June 2012	AFS Financial Instrument Reserve	Retained Earnings	Total Equity
			\$
Total equity at the beginning of the financial period	-	-	-
Profit for the period	-	3,877,072	3,877,072
Changes in fair value of available for sale financial assets	(107,911)	-	(107,911)
Total comprehensive income for the period	(107,911)	3,877,072	3,769,161
Total equity at the end of the financial period	(107,911)	3,877,072	3,769,161

This Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 11 to 13.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2012

NATIONAL STEM CELL FOUNDATION OF AUSTRALIA ABN 84 152 713 098

Statement of Financial Position

as at 30 June 2012

	Note	2012
		\$
Current assets		
Cash and cash equivalents	5	589,576
Trade and other receivables	6	312,505
Investments	7	2,867,089
Total current assets		3,769,170
Total assets		3,769,170
Current liabilities		
Trade and other payables	8	9
Total current liabilities		9
Total liabilities		9
Net assets		3,769,161
Equity		
Retained Profits		3,769,161
Total equity	9	3,769,161

This Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements set out on pages 11 to 13.

Statement of cash flows		
for the period ended 30 June 2012	Note	11 Months to 30 June 2012
		\$
Cash flows from operating activities		
Profit after related income tax		3,877,072
Adjustments for:		
Interest revenue		-
Interest accrued		-
Change in assets and liabilities:		-
Trade and other receivables		(312,505)
Other assets current		-
Other assets non current		-
Trade and other payables		9
Net Cash Inflow from Operating Activities		3,564,576
Cash flows from investing activities		
Interest		-
Payments for Investments	7	(2,975,000)
Net cash outflow from investing activities		(2,975,000)
Cash flows from financing activities		
Net cash outflow from financing activities		-
Net Increase in cash held		589,576
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	5	589,576

This Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 11 to 13.

1 Summary of significant accounting policies

The principle accounting policies set out below have been consistently applied, unless otherwise stated.

a) Basis of preparation

This general purpose Financial Report has been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

These financial statements have been prepared under the historical cost convention, modified by the revaluation of available-for-sale financial assets.

Comparatives

As the Company only commenced operations in August 2011 there are no comparative figures.

b) Foreign currency**Functional and presentation currency**

Items included in the financial statements of the Company are measured and presented in Australian dollars.

Transactions and balances

Foreign currency transactions are initially translated into Australian currency using the exchange rates prevailing at the date of each transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will follow and the revenue can be reliably measured. All revenue is stated net of the amount of goods and services tax (GST).

Donations revenue:

The primary source of revenue for the Company is donations.

Donations are only brought to account when the funds are received into the bank account, that is, when control over the funds is established.

Investment revenue:

Receipts associated with dividends are recognised as revenue when the right to receive payment has been established.

Interest revenue:

Interest revenue is recognised when the right to receive the revenue has been recognised.

Other revenue:

Other revenue is recognised when the right to receive the revenue has been recognised.

d) Income tax

The Company has received a private ruling from the Australian Taxation Office (ATO) to receive exemption from income tax pursuant to the provisions of section 50-5 of the *Income Tax Assessment Act 1997*. The Company currently considers that it will continue to be exempt under the self assessment system applying under section 50-5 of the *Income Tax Assessment Act 1997*.

e) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

f) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the amount of GST incurred is not recoverable from the ATO. In this case it is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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 flow.

g) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

h) Investments

Investments are categorised as available-for-sale assets. After initial recognition, available-for-sale assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

i) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances. In the preparation of the financial statements for the period ended 30 June 2012, there have been no areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

	Note	11 Months to 30 June 2012
2 Revenue		\$
Revenue		
Donations		11,000
Income from Investments		17,946
Interest income		64,516
Total revenue		93,462

3 Other income		
Gift from Australian Stem Cell Centre Ltd		3,812,660
Total other income		3,812,660

This Gift from Australian Stem Cell Centre Ltd (ASCC) represents the residual (non-government) funds of the ASCC that could be distributed to the National Stem Cell Foundation of Australia on liquidation of the centre following the cessation of Government funding

4 Expenses		
Expenditure classified by function		
Administrative Expenses		
- Directors expenses		1,843
- Professional fees		22,283
- Insurance		2,098
- Other administration expenses		2,826
Other expenses from continuing operations		-
Total expenditure		29,050

5 Cash and cash equivalents		
Cash at bank and on hand		589,576

The above figures are reconciled to cash at the end of the financial period as shown in the Statement of Cash Flows.

6 Receivables		
Receivables		312,505
Other receivables		-
Total Receivables		312,505

7 Investments		
Available-for-sale financial assets at original value		2,975,000
Changes in fair value of available for sale financial assets		(107,911)
Total Investments		2,867,089

	Note	2012
8 Trade and other payables		\$
Trade payables		9
Other payables and accruals		
Total trade and other payables		9
9 Equity		
Available-for-Sale financial instrument reserve (i)		(107,911)
Retained profits		3,877,072
Total equity		3,769,161

(i) Available-for-sale financial assets reserve

Changes in the fair value of investments classified as available-for-sale financial assets are recognised in other comprehensive income, as described in note 1(h) and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

10 Related party disclosures

Directors and other key management personnel

Apart from the amounts and issues disclosed in this note, there were no other transactions or balances with related parties during or at the end of the financial period.

Key management personnel compensation

Short-term employee benefits	3,500
	3,500

Controlling entities

From incorporation of the Company in August 2011 the sole members are the Directors of the Company.

11 Members' guarantee

The Company was incorporated on 17 August 2011 as a Company limited by guarantee and not having a share capital. If the Company is wound up, the Constitution states that current Members (of which there are seven), and any persons whom were Members within the last 12 months immediately prior, are required to contribute an amount determined by the Company, but not exceeding \$100, to meet the outstanding obligations of the Company, if required.

12 Events occurring after the reporting date

There have been no events subsequent to balance date of a material nature.

13 Contingent liabilities

The company had a contingent liability as at 30 June 2012 in relation to the gift received from Australian Stem Cell Centre Ltd (ASCC). A portion of the cash gift received from ASCC equal to \$100,000 is required to be quarantined and held aside by the National Stem Cell Foundation of Australia, and be available to ASCC to satisfy any of its ongoing obligations. If a payment is requested by ASCC, the payment is required to be made within 60 days. The ASCC is yet to make any such request.

Directors' Declaration

In the directors' opinion:

- (a) the Financial Statements, comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows and Statement of Changes in Equity, and accompanying notes, as set out on pages 11 to 13 are in accordance with the *Corporations Act 2001*, and:
 - (i) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - (ii) give a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the financial period ended on that date; 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.

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



Dr Graeme Blackman
Chairman

Melbourne
27 August 2012

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000
GPO Box 4736
Melbourne Victoria 3001
T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report
To the Members of National Stem Cell Foundation of Australia

We have audited the accompanying financial report of National Stem Cell Foundation of Australia (the "Company"), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company.

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 of the financial report in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be 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 which require us to 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.

Grant Thornton Audit Pty Ltd ABN 91 130 913 594 ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards Legislation



In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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.

Auditor's opinion

In our opinion:

- a the financial report of National Stem Cell Foundation of Australia 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 2012 and of its performance for the period ended on that date; and
- b complying with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Regulations 2001

Grant Thornton

GRANT THORNTON AUDIT PTY LTD

Eric W Passaris

Eric Passaris
Partner - Audit & Assurance

Melbourne, 27 August 2012