



RESEARCH
AUSTRALIA

Multiple Sclerosis Research Australia Limited

ACN 008 581 431

Annual Financial Report for the Financial Year
Ended 30 June 2007

Multiple Sclerosis Research Australia Limited

Annual Financial Report For the Financial Year Ended 30 June 2007

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Multiple Sclerosis Research Australia Limited

Directors' Report

The Directors of Multiple Sclerosis Research Australia Limited submit herewith the annual financial report of the company for the financial year ended 30th June 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the company during and since the end of the year are:

<i>Name</i>	<i>Age</i>	<i>Experience</i>
Mr Graham Tribe Non-executive Director	64	Appointed 28 February 2000 President, Multiple Sclerosis Australia Director, Multiple Sclerosis Limited
Dr William Carroll Non-executive Director	58	Appointed 20 November 1999 Chairman of the Medical and Research Advisory Board of Multiple Sclerosis Australia Limited Director, Multiple Sclerosis Australia
Mr Terence Winters Non-executive Director	63	Appointed 31 December 2000 Resigned 16 th July 2007 Director, Multiple Sclerosis Limited Chairman and Director, Australian Home Care Services Director, Multiple Sclerosis Australia Limited
Mr Simon McKeon Non-executive Director	51	Appointed 19 July 2004 Investment Banker/Executive Chairman, Melbourne Office, Macquarie Bank
Ms Christina Gillies Non-executive Director	63	Appointed 19 July 2004 Consultant and Director, Multiple Sclerosis Australia Director, Australian Home Care Services Chairman and Director, Multiple Sclerosis Limited
Ms Gabrielle Dalmau Non-executive Director	46	Appointed 19 July 2004 Management Executive Consultant with extensive multidiscipline/Industries experience
Mr Peter Bunn Non-executive Director	58	Appointed 17th August 2006 Company director
Professor Graeme Stewart Non-executive Director	61	Appointed 19 July 2004 Director, Western Sydney Area Health Service Director, Institute for Immunology & Allergy Research Director, Clancy Donald Foundation Director, Children's medical Research Institute (representing the Dean of Faculty of Medicine, University of Sydney)
Mr Paul Murnane Non-executive Director	60	Appointed 19 th March 2007 Director, Multiple Sclerosis Australia Director, Multiple Sclerosis Limited

Multiple Sclerosis Research Australia Limited

Directors' Report

Directors' Meetings

Director	A	B
Mr Graham Tribe	7	7
Dr William Carroll	4	7
Mr Terence Winters	3	7
Mr Simon McKeon	6	7
Ms Christina Gillies	3	7
Mr Paul Murnane	3	3
Ms Gabrielle Dalmau	5	7
Mr Graeme Stewart	6	7
Mr Peter Bunn	4	7

A Number of meetings attended

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

The Audit Committee of Multiple Sclerosis Australia, the parent company, also acts as the audit committee for the company. The members of the audit committee are Mr Graham Tribe (director of the company) and Mr Donald Cross. During the financial year the audit committee held two meetings and both members attended.

Company Secretary

Name	Age	Experience
Mr Garry Coster	52	Appointed 31 st October 2005 Chief Financial Officer and Company Secretary of MS Australia, Multiple Sclerosis Limited and Australian Home Care Services

Principal Activities

The principal activities of the company during the course of the financial period were to receive funds for the purpose of expanding and supporting pure, applied and treatment based research programs into Multiple Sclerosis.

There have been no changes in these activities during the year.

Changes in State of Affairs

In the opinion of directors, there were no significant changes in the affairs of the company that occurred during the financial year under review.

Independence Declaration by Auditor

The auditor's independence declaration is included on page 5.

Review of Operations

The net surplus for the financial year amounted to \$807,193 (2006: \$455,421)

Dividends

The company's constitution specifically prohibits the payment of a dividend or a bonus to members of the company.

Multiple Sclerosis Research Australia Limited

Directors' Report

After Balance Date Events

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

Likely Developments

The company will continue to pursue its principal activity during the course of the next financial year and is committed to expanding this role. A review aimed at substantially expanding our funding of research has commenced. The company and its members are dedicated to increasing our commitment to finding a cure for Multiple Sclerosis. A revised action plan is being developed and implementation will commence during the next 12 months.

Key Management Personnel Compensation

No Director has received, or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, or a related party with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest.

The Executive Director is a paid employee and disclosed under Note 4.

Insurance Premiums

Since the end of the previous financial year the company has paid insurance premiums in respect of 'directors' and officers' liability and legal expenses' insurance contracts for current directors and officers. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Multiple Sclerosis Research Australia Limited

Directors' Report

Indemnification of Officers and Auditors

The company has agreed to indemnify all the directors against all liabilities to another person (other than the company or a related body corporate) that may arise from their position as directors of the company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the company will meet the full amount of any such liabilities, including costs and expenses.

Since the end of the previous financial year the company has paid insurance premiums in respect of 'directors and officers liability and legal expenses' insurance contracts for current directors and officers. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium paid.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

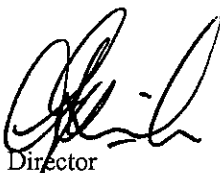
On behalf of the directors



Director

At Sydney

8th November 2007



Director

At SYDNEY

8th November 2007

The Board of Directors
Multiple Sclerosis Research Australia Limited
293 Mowbray Road
Chatswood NSW, 2067

8 November 2007

Dear Board Members

Multiple Sclerosis Research Australia Limited

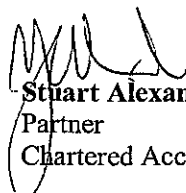
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Multiple Sclerosis Research Australia Limited.

As lead audit partner for the audit of the financial statements of Multiple Sclerosis Research Australia Limited for the financial year ended 30 June 2007 I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU


Stuart Alexander
Partner
Chartered Accountants

Independent Auditor's Report to the members of Multiple Sclerosis Research Australia Limited

We have audited the accompanying financial report of Multiple Sclerosis Research Australia Limited which comprises the balance sheet as at 30 June 2007 and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes, the directors' declaration and declaration by principle officer as set out on pages 9 to 33. In addition, we have audited Multiple Sclerosis Research Australia Limited's compliance with specific requirements of the *Charitable Fundraising Act 1991* for the year ended 30 June 2007

Directors' Responsibility for the Financial Report and Compliance with the Charitable Fundraising Act 1991

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for compliance with the *Charitable Fundraising Act 1991*. This responsibility includes establishing and maintaining internal control relevant to compliance with requirements of the *Charitable Fundraising Act 1991* and the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards

Auditor's Responsibility

Our responsibility is to express an opinion on the company's compliance with specific requirements of the *Charitable Fundraising Act 1991* and 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 company has complied with specific requirements of the *Charitable Fundraising Act 1991* and the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the company's compliance with specific requirements of the *Charitable Fundraising Act 1991* and amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of non-compliance with specific

Member of
Deloitte Touche Tohmatsu

requirements of the *Charitable Fundraising Act 1991* and material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's compliance with the *Charitable Fundraising Act 1991* and preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Inherent Limitations

Because of the inherent limitations of any compliance procedure, it is possible that fraud, error, or non-compliance with the *Charitable Fundraising Act 1991* may occur and not be detected. An audit is not designed to detect all weaknesses in Multiple Sclerosis Research Australia Limited's compliance with the *Charitable Fundraising Act 1991* as an audit is not performed continuously throughout the period and the tests are performed on a sample basis.

Any projection of the evaluation of compliance with the *Charitable Fundraising Act 1991* to future periods is subject to the risk that the procedures, may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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

Auditor's Independence Declaration

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 Multiple Sclerosis Research Australia 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 2007 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- (b) the financial report complies with International Financial Reporting Standards as disclosed in Note 1
- (c) the financial report agrees to the underlying financial records of Multiple Sclerosis Research Australia Limited that have been maintained, in all material respects, in accordance with the *Charitable Fundraising Act 1991* and its regulations for the year ended 30 June 2007 and

(d) monies received by Multiple Sclerosis Research Australia Limited as a result of fundraising appeals conducted during the year ended 30 June 2007 have been accounted for and applied, in all material respects, in accordance with the *Charitable Fundraising Act 1991* and its regulations.


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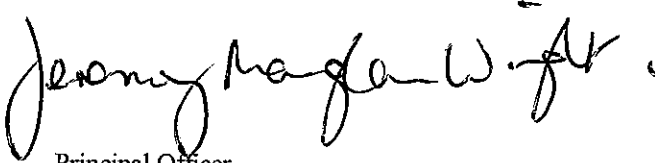

Stuart Alexander
Partner
Chartered Accountants
Sydney
8 November 2007

Multiple Sclerosis Research Australia Limited

Declaration by Principal Officer in Respect of Fundraising Appeals

I, Jeremy Maughan Wright Executive Director of Multiple Sclerosis Research Australia Limited declare that in my opinion:

- (a) the income statement gives a true and fair view of all income and expenditure of Multiple Sclerosis Research Australia Limited with respect to fundraising appeals;
- (b) the balance sheet and accompanying notes gives a true and fair view of the state of affairs with respect to fundraising appeals;
- (c) the financial statements and associated records of Multiple Sclerosis Research Australia Limited have been properly kept during the year in accordance with the Charitable Fundraising Act 1991 (NSW) and the regulations; and
- (d) the internal controls exercised by Multiple Sclerosis Research Australia Limited are appropriate and effective in accounting for all income received and applied by Multiple Sclerosis Research Australia Limited from any of its fundraising appeals.



Principal Officer

At Sydney



November 2007

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Multiple Sclerosis Research Australia Limited

Directors' Declaration

The directors declare that:

- (a) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001 and the Charitable Fundraising Act 1991 (NSW), including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company.


Signed in accordance with the resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the directors



Director


At Sydney

 November 2007



Director

At Sydney

 November 2007

Multiple Sclerosis Research Australia Limited

Income Statement for the Financial Year Ended 30 June 2007

Note	Platform Grants	S/ships & F/ships	Invest Driven	Non Specific Donations	Other Research	Operational Costs	Total
2.	2 b) (a)	2 b) (b)	2 b) (c)	2 b) (d)	2 b) (e)	2 (c)	
Gross Expenditure							
Operational Costs	-	-	-	-	-	-	(683,889)
Research Grants	(539,343)	(278,910)	(399,100)	-	-	-	(1,285,093)
Gross Expenditure	(539,343)	(278,910)	(399,100)	-	(67,740)	(683,889)	(1,968,982)
Gross Income							
MS Society grants	-	-	500,000	48,000	-	-	548,000
Donations - specific	568,750	151,989	7,500	-	55,000	90,000	873,239
Donations - non specific	-	-	-	102,733	-	67,707	170,440
Foundation Five Million	137,000	16,500	-	365,110	-	41,951	560,561
Government Grants	-	-	-	-	-	250,000	250,000
Pharmaceutical Sponsorship	50,000	-	-	-	19,700	240,000	309,700
Interest received	-	-	-	-	-	64,235	64,235
Gross Income	755,750	168,489	507,500	515,843	74,700	753,893	2,776,175
Internal Transfers	78,606	613,726	(591,300)	24,222	(50,734)	(74,520)	-
Net Income/(Expense)	295,013	503,305	(482,900)	540,065	(43,774)	(4,516)	807,193

Notes to the financial statements are included on pages 15 to 33.

Multiple Sclerosis Research Australia Limited

Income Statement for the Financial Year Ended 30 June 2006

Note	Platform Grants	S/ships & F/ships	Invest Driven	Non Specific Donations	Other Research	Operational Costs	Total
2	2 b) (a)	2 b) (b)	2 b) (c)	2 b) (d)	2 b) (e)	2 (c)	
Gross Expenditure							
Operational Costs	-	-	-	-	-	-	-
Research Grants	(375,999)	(227,533)	(252,100)	-	(115,464)	(579,663)	(579,663)
	(375,999)	(227,533)	(252,100)	-	(115,464)	(579,663)	(1,550,759)
Gross Expenditure							
Gross Income							
MS Society grants	-	-	500,000	40,000	-	-	540,000
Donations - specific	420,500	-	15,000	-	35,000	13,000	483,500
Donations - non specific	-	-	15,000	70,051	-	21,917	106,968
Foundation Five Million	-	-	-	128,316	-	-	128,316
Government Grants	-	-	-	-	-	250,000	250,000
Pharmaceutical Sponsorship	100,000	-	-	-	124,238	240,000	464,238
Interest received	-	-	-	-	-	33,158	33,158
	520,500	-	530,000	238,367	159,238	558,075	2,006,180
Gross Income							
Internal Transfers							
	-	-	-	-	-	-	-
	144,501	(227,533)	277,900	238,367	43,774	(21,588)	455,421
Net Income/(Expense)							

Notes to the financial statements are included on pages 15 to 33.

Multiple Sclerosis Research Australia Limited

Balance Sheet as at 30 June 2007

	Note	2007 \$	2006 \$
<i>Current Assets</i>			
Cash and cash equivalents	11(a)	1,646,151	829,664
Trade and other receivables	6	338,935	174,506
<i>Total Current Assets</i>		1,985,086	1,004,170
<i>Non Current Assets</i>			
Property plant & equipment	7	916	3,289
<i>Total Non Current Assets</i>		916	3,289
<i>Total Assets</i>		1,986,002	1,007,459
<i>Current Liabilities</i>			
Trade and other payables	8	432,056	263,976
Provisions	12	16,933	13,663
<i>Total Current Liabilities</i>		448,989	277,639
<i>Total Liabilities</i>		448,989	277,639
<i>Net Assets</i>		1,537,013	729,820
<i>Members' Funds</i>			
Retained Surplus		1,537,013	729,820
<i>Total Members' Funds</i>		1,537,013	729,820

Notes to the financial statements are included on pages 15 to 33.

Multiple Sclerosis Research Australia Limited
Statement of Recognised Income and Expense for the financial year
ended 30 June 2007

	2007	2006
	\$	\$
<i>Net Income recognised directly in equity</i>		
Profit for the year	-	-
<i>Total recognised income and expense for the year</i>	807,193	455,421
	<u>807,193</u>	<u>455,421</u>

Multiple Sclerosis Research Australia Limited

Cash Flow Statement for the Financial Year Ended 30 June 2007

	Note	2007 \$	2006 \$
<i>Cash Flows From Operating Activities Receipts</i>			
Cash receipts in course of operations		2,692,116	2,068,771
Cash payments in course of operations		(1,956,247)	(1,691,716)
Interest received		80,618	33,158
Net cash provided by operating activities	11(b)	816,487	410,213
<i>Cash Flows From Investing Activities</i>			
Payments for purchases of property, plant and equipment		-	(1,667)
Net cash used in investing activities		-	(1,667)
<i>Net Increase in cash and cash equivalents</i>		816,487	408,546
<i>Cash and cash equivalents at beginning of the financial year</i>		829,664	421,118
<i>Cash and cash equivalents at end of the financial year</i>	11(a)	1,646,151	829,664

Notes to the financial statements are included on pages 15 to 33.

Multiple Sclerosis Research Australia Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2007

1. Summary of Accounting Policies

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001 and Accounting Standards and complies with both other requirements of law and the Charitable Fundraising Act 1991 (NSW).

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company comply with International Reporting Standards ('IFRS').

The financial statements were authorised by the directors on 17th September 2007 for issue.

Accounting Standards Issued but not yet operative

At the reporting date, a number of Accounting Standards adopted by the AASB had been issued but not yet operative and have not been early adopted by Multiple Sclerosis Research Australia Limited. The following is a list of these standards:

AASB 7 - Financial Instruments: Disclosure (issued August 2005)
AASB 2005-10 - Amendments to Australian Accounting Standards (issued September 2005)
AASB 8 - Operating Segments (issued February 2007)
AASB 2007-3 - Amendments to Australian Accounting Standards (issued February 2007)
AASB 101 (Oct 2006) - Presentation of Financial Statements (issued October 2006)
AASB 123 - Borrowing Costs (issued June 2007)
AASB 1049 - Financial Reporting of General Government Sectors by Governments (issued September 2006)
AASB 2007-4 - Amendments to Australian Accounting Standards (issued April 2007)
AASB 2007-5 - Amendments to Australian Accounting Standards (issued May 2007)
Interpretation 4 - Determining whether an Arrangement contains a Lease (issued February 2007)
Interpretation 10 - Interim Financial Reporting and Impairment (issued September 2006)
Interpretation 11 - AASB 2 - Group and Treasury Share Transactions (issued February 2007)
AASB 2007-1 - Amendments to Australian Accounting Standards (issued February 2007)
Interpretation 12 - Service Concession Arrangements (issued February 2007)
AASB 2007-2 - Amendments to Australian Accounting Standards (issued February 2007)
Interpretation 129 - Service Concession Arrangements: Disclosures (issued February 2007)

The initial application of these standards will have no impact on the financial results of Multiple Sclerosis Research Australia Limited. The Standards are operative for annual reporting periods beginning on or after 1 January 2007.

Basis of Preparation

The financial report has been prepared on the basis of historical cost and except for the revaluation of certain non current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Multiple Sclerosis Research Australia Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2007

1. Summary of Accounting Policies (Cont'd)

Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2007 and the comparative information presented in these financial statements for the year ended 30 June 2006.

Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other event is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Taxation

The company is an exempt body for income tax purposes and accordingly no provision for income tax or income tax expense has been made.

(b) Recoverable Amount of Non-Current Assets

Property, plant and equipment is brought to account at cost less, where applicable, any accumulated depreciation and impairment. The carrying amount of property, plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining the recoverable amount. If the carrying amount of the non-current assets exceeds the recoverable amount, the asset is written down to the lower amount.

(c) Depreciation

Depreciation is provided on computer equipment and is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life commencing from the time the asset is held ready for use. The depreciation rates used from each class are as follows:

<u>Non-Current Asset</u>	<u>2007</u>	<u>2006</u>
	<u>%</u>	<u>%</u>
Computer equipment	33	33

(d) Receivables

Trade receivables and other receivables are recorded at amortised cost less impairment.

Multiple Sclerosis Research Australia Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2007

1. Summary of Accounting Policies (Cont'd)

(e) *Payables*

Trade payables and others are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

(f) *Provisions*

Provisions are recognised when the company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(g) *Revenue Recognition*

Research Contributions

Grants from Members are recognised as they accrue with the agreement of the relevant State Society.

Donations/sponsorship – unspecified

Donations/sponsorships received that are not tied to a particular activity or not provided for a specified purpose are recognised in the period in which the cash is received as revenue. The timing of the recognition of donations and bequests depends when control of these monies is obtained which is usually on receipt of the monies.

Donations/sponsorship – specified

Donations/sponsorships received that are tied to a particular activity or provided for a specified purpose are recognised as the expense is incurred.

Interest Income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Grant Income

Grant income is recognised as it accrues.

(h) *Goods and Services Tax*

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

Multiple Sclerosis Research Australia Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2007

1. Summary of Accounting Policies (Cont'd)

- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Tax Office is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Cash Flow Statement 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.

(j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Multiple Sclerosis Research Australia Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2007

2. Research Program Analysis

	Note	Platform Grants	S/ships & F/ships	Invest Driven	Non Specific Donations	Other Research	Operational Costs	Total Equity
	2	2 b) (a)	2 b) (b)	2 b) (c)	2 b) (d)	2 b) (e)	2 (c)	
Gross Expenditure 2005/7								
Operational Costs		-	-	-	-	-	(1,533,131)	(1,533,131)
Research Grants		(1,087,078)	(669,592)	(946,200)	-	(183,204)	-	(2,886,074)
Gross Expenditure		(1,087,078)	(669,592)	(946,200)	-	(183,204)	(1,533,131)	(4,419,205)
Gross Income 2005/7								
MS Research Foundation		-	-	-	270,680	-	-	270,680
MS Society grants		-	-	1,500,000	88,000	-	-	1,588,000
Donations - specific		989,250	151,989	22,500	-	90,000	103,000	1,356,739
Donations - non specific		-	-	15,000	172,784	-	116,404	304,188
Foundation Five Million		137,000	16,500	-	493,426	-	41,951	688,877
Government Grants		-	-	-	-	-	750,000	750,000
Pharmaceutical Sponsorship		257,500	-	-	-	143,938	480,000	881,438
Interest received		-	-	-	-	-	116,296	116,296
Gross Income		1,383,750	168,489	1,537,500	1,024,890	233,938	1,607,651	5,956,218
Internal Transfers	2 d)	78,606	613,726	(591,300)	24,222	(50,734)	(74,520)	-
Retained Surplus		375,278	112,623	-	1,049,112	-	-	1,537,013

Multiple Sclerosis Research Australia Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2007

2. Research Program Analysis (Cont'd)

The Research Program Analysis at 30 June 2007 of \$1,537,013 has been prepared to reflect the ongoing balances of the individual platform projects of \$375,278, Scholarships and Fellowships \$112,623 and the balance of non specific income of \$1,049,112.

The non specific income is the balance in equity funds that have not been specifically allocated to a research project or required to fund operational costs to 30th June 2007.

Research Project	Balance 1 st July 2006	Spend 2006/7	Income 2006/7	Internal Transfers 2005/7	Balance 30 th June 2007
Platform Projects	80,265	(539,343)	755,750	78,606	375,278
Scholarships	(390,682)	(278,910)	168,489	613,726	112,623
Investigator Driven	482,900	(399,100)	507,500	(591,300)	-
Non Specific Income	509,047	-	515,843	24,222	1,049,112
Seminars & Conf.	43,774	(67,740)	74,700	(50,734)	-
Operational Cost	4,516	(683,889)	753,893	(74,520)	-
Total Equity	729,820	(1,968,982)	2,776,175	-	1,537,013

Other research expenditure incurred in the financial years 2005 to 2007 on Investigator Driven Projects, Seminars Conferences and Operational costs have been fully funded by donations, grants and sponsorships and are shown in (d) below

Internal transfers have been made between the research projects (to apportion both non specific income and where a donors intention is across more than on research category) to determine the balance at 30th June 2007

a) Balance at 30th June 2004

The Multiple Sclerosis Research Foundation closing balance of equity of \$270,680 at 30th June 2004 formed the opening equity balance for Multiple Sclerosis Research Australia Limited.

b) Research Expenditure

Research expenditure is summarised in the following categories

2 b) (a) Platform Research

Ongoing research projects in the 2006 /7 year include the MS Life Study, Aus-immune program and the Aus -gene program. In the current year the Brain and Tissue Bank project commenced.

Research Project	Balance 1 st July 2006	Spend 2006/7	Income 2006/7	Internal Transfers 2005/7	Balance 30 th June 2007
MS Life Study	(55,235)	(133,371)	110,000	78,606*	-
Aus - Immune	80,500	(132,500)	48,750	-	(3,250)
Aus - gene	55,000	(124,972)	378,500	-	308,528
Gene - Expression	-	(68,500)	68,500	-	-
Brain & Tissue Bank	-	(80,000)	150,000	-	70,000
Total Platform	80,265	(539,343)	755,750	78,606	375,278

Multiple Sclerosis Research Australia Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2007

2. Research Program Analysis (Cont'd)

The internal transfer of \$78,606 is to reflect that the MS Life Study has been fully funded by specific donations in the year of \$110,000 with the balance funded from Pharmaceutical Sponsorship. Foundation 5 Million raised \$137,000 for Aus –gene and Gene Expression projects which were paid in the 2006/7 financial year.

2 (b) Scholarships and Fellowships

Research Project	Balance 1 st July 2006	Spend 2006/7	Income 2006/7	Internal Transfers 2007	Balance 30 th June 2007
RMC Grants	(374,182)	(215,044)	-	589,226	-
Dr Merson	-	(17,500)	35,000	-	17,500
Dr Kolbe	-	(10,933)	56,989	-	46,056
Dr Robyn Lucas	-	-	12,500	-	12,500
Dr Drummond	-	(10,933)	12,500	-	1,567
Dr Xiao	-	-	35,000	-	35,000
Dr Butzkuven	(16,500)	(24,500)	16,500	24,500	-
Total Scholarships	(390,682)	(278,910)	168,489	613,726	112,623

The internal transfer \$613,726 relates to the period 1st July 2004 to 30th June 2007 and represents the balance of the State MS Societies grants over financial years 2005 to 2007 of \$1,500,000 granted, allocated between Investigator Driven Projects and Fellowships and Scholarships that were approved by the Research Management Council.

The balance at 30th June 2007 \$112,624 represents funding received for fellowships and scholarships in advance of payment of the scholarship.

2 b) (c) Investigator Driven Projects and their funding

Research Project	Balance 1 st July 2006	Spend 2006/7	Income 2006/7	Internal Transfers 2005/7	Balance 30 th June 2007
RMC	482,900	(399,100)	-	(591,300)	(507,500)
Specific Donation	-	-	7,500	-	7,500
MS Society Grants	-	-	500,000	-	500,000
Total Investigator Driven	482,900	(399,100)	507,500	(591,300)	-

Research Management Council approved grants of \$399,100 in the 2006/7 financial year.

The internal transfer adjustment (\$591,300) relates to the period 1st July 2004 to 30th June 2007 and represents the net of the State MS Societies grants over financial years 2005 to 2007 of \$1,500,000 split between Investigator Driven Projects and Fellowships and Scholarships which have been approved by the Research Management Council.

Multiple Sclerosis Research Australia Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2007

2. Research Program Analysis (Cont'd)

2 b) (d) Non Specific income

	Balance 1 st July 2006	Spend 2006/7	Income 2006/7	Internal Transfers 2005/7	Balance 30 th June 2007
Multiple Sclerosis Australia	40,000	-	48,000	-	88,000
Donations General	70,051	-	102,733	-	172,784
Foundation \$5 M	128,316	-	365,110	-	493,426
Uncommitted Allocation		-	-	24,222	24,222
National MS Research Foundation	270,680	-	-	-	270,680
Total	509,047	-	515,843	24,222	1,049,112

The non specific income received in the 2007 year comprised of general donations of \$102,733 (2006: \$70,051) of which no individual amount exceeded \$5,000 and the donor did not specify a particular research program for the donation. Multiple Sclerosis Australia donated an untied grant of \$48,000 (2006: \$40,000), Foundation 5 Million achieved a net income of \$365,110 (2006: \$128,316)

An internal transfer of the uncommitted balance of \$24,222 available at 30th June 2007 from other research categories is included to represent the total net non specific income available for future research spending

2 b) (e) Other Research Expenditures

	Balance 1 st July 2006	Spend 2006/7	Income 2006/7	Internal Transfers 2005/7	Balance 30 th June 2007
Other Research	43,774	(67,740)	74,700	(50,734)	-
Total	43,774	(67,740)	74,700	(50,734)	-

Expenditure in the 2007 financial \$67,740 related to the Neurobiology Workshop \$13,626, the clinical forum \$8,202, the MS Frontiers Conference \$32,928, the Brain and Tissue Bank \$11,147 and other costs of \$1,837,

The internal transfer of \$50,734 is a transfer from Non Specific Income to cover the un-sponsored costs incurred in the 2005 to 2007 financial years of \$50,734.

Multiple Sclerosis Research Australia Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2007

2. Research Program Analysis (Cont'd)

c) Operating Costs and their funding

	Balance 1 st July 2006	Spend 2006/7	Income 2006/7	Internal Transfers 2005/7	Balance 30 th June 2007
Research Admin.	(409,049)	(144,177)	40,000	-	(513,226)
Research Campaign	(353,150)	(357,586)	-	(74,520)	(785,256)
Foundation \$5M	(87,043)	(182,126)	41,951	-	(227,218)
Government Grant	500,000	-	250,000	-	750,000
Pharmaceutical					
Sponsorship	240,000	-	240,000	-	480,000
Minor Donations	48,697	-	67,707	-	116,404
Corporate Sponsorship	13,000	-	50,000	-	63,000
Interest Received	52,061	-	64,235	-	116,296
Total	4,516	(683,889)	753,893	(74,520)	-

Operating costs for the 2007 financial year \$683,889 (2006: \$579,663) included Research Administration \$144,177 (2006:\$139,470), Research Campaign \$357,586 (2006:\$353,150) and Foundation 5 Million \$182,126 (2006:\$87,043).

Funding of the Operating Costs included a grant from the Department of Health & Ageing \$250,000 (2006: \$250,000). Pharmaceutical Sponsorships \$280,000 (2006:\$240,000), Minor Donations under \$5,000 \$67,707 (2006: \$21,917), Corporate Sponsorship \$50,000 (2006: \$13,000) and Interest received on cash investments \$64,235 (2006: \$33,158)

d) Internal Transfer of Funds

	2007
Internal Transfer of Funds	
Fellowships and Scholarships	613,726
Investigator Driven Projects	(591,300)
Seminars & Conferences	(50,734)
Platform Projects	78,606
Operating Costs	(74,520)
Balance	24,222
Transferred to Non Specific Income	24,222

The internal transfers are for the period 1st July 2004 and 30th June 2007 are for each item of research or operational cost to cover the outstanding balances at 30th June 2007 of Investigator Driven Projects, Seminars and Conferences and Operational costs that does not have an outstanding balance at 30th June 2007.

Multiple Sclerosis Research Australia Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2007

2. Research Program Analysis (Cont'd)

e) Future Agreements for Research

The Research Management Council meets annually to determine the amount of individual grants for Investigator Driven Research and Fellowships and Scholarships for periods up to 4 years in advance. At 30th June 2007 these agreements totalled \$1,491,358 for the financial years to June 2011. The agreements will be funded partly from existing Non Specific Income, and future MS Society Grants and third party donations.

In addition the unspent balances for Platform Projects Aus-gene \$308,528 and Brain and Tissue bank \$70,000 have been committed as future research expenditure.

<u>RMC & Platform Projects</u>	<u>30th June 2007</u>
Platform Projects	378,528
Fellowships and Scholarships	673,858
Investigator Driven Projects	817,500
Total Agreements at 30 th June 2007	<u>1,869,886</u>

Multiple Sclerosis Research Australia Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2007

	2007 \$	2006 \$
3. Profit From Ordinary Activities		
Profit from ordinary activities before income tax includes the following items of revenue:		
<i>Operating Revenue</i>		
State Society Grants	500,000	500,000
Interest from:		
Other persons	80,618	33,158
Donations & Grants	1,252,094	1,272,463
Fundraising	361,263	-
Other:		
Sponsorship	582,200	149,238
Miscellaneous Income	-	51,321
Total revenue from ordinary activities	<u>2,776,175</u>	<u>2,006,180</u>

4. Key Management Personnel Compensation

(a) The names of key management personnel of Multiple Sclerosis Research Australia during the financial year are:

- * Mr Graham Tribe - (Non executive)
- * Ms Christina Gillies - (Non executive)
- * Mr Terry Winters - (Vice Chairman non executive)
- * Ms Gabrielle Dalmau - (Non executive)
- * Mr Simon McKeon - (Chairman non executive)
- * Dr William Carroll - (Non executive)
- * Mr Paul Murnane - (Non executive)
- * Mr Peter Bunn - (Non executive)
- * Professor Graeme Stewart - (Non executive)
- * Mr Jeremy Wright - Executive Director

Directors served on an honorary basis and received no fees.

(b) The compensation of key management personnel is set out below

Short Term Benefits	129,641	95,496
Post Employment Benefits	22,584	24,504
	<u>152,225</u>	<u>120,000</u>

Multiple Sclerosis Research Australia Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2007

	2007 \$	2006 \$
5. Remuneration of Auditor		
Deloitte Touche Tohmatsu:		
Amounts received or due and receivable by auditors for:		
Auditing the financial report	6,500	3,500
6. Current Receivables		
Trade Receivables	180,574	125,090
Amounts Receivable from State Societies	91,667	32,083
Prepayments & Other	66,694	17,333
Total Amounts Receivable	338,935	174,506
7. Property, Plant And Equipment		
Computer Equipment: At Cost	7,000	7,000
Less Accumulated Depreciation	(6,084)	(3,711)
	916	3,289
Reconciliation of the carrying amounts is set out below:		
Carrying amount at beginning of year	3,289	4,025
Additions	-	1,667
Depreciation Expense	(2,373)	(2,403)
	916	3,289
8. Current Payables		
Trade Payables and accruals	194,283	137,432
Income in Advance	237,773	126,544
	432,056	263,976

Multiple Sclerosis Research Australia Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2007

9. Members' Guarantee

The company is limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of \$50 towards meeting any outstanding obligations of the company. At 30 June 2007 the number of members was 6 (2006: 7).

10. Events Subsequent To Balance Date

No matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the company, the results of its operations, or the state of affairs of the company in financial years subsequent to the financial year ended 30 June 2007.

11. Notes to the Cash Flow Statement

2007	2006
\$	\$

(a) Reconciliation of Cash and cash equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents includes cash on hand and in bank and investments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the Balance Sheet as follows:

Cash at Bank	1,645,951	829,464
Cash on Hand	200	200
Total Cash	1,646,151	829,664

(b) Reconciliation of Net Profit to Net Cash Provided by Operating Activities

Net Profit	807,193	455,421
Changes in net assets and liabilities:		
Depreciation of non current assets	2,373	2,403
Increase in receivables	(164,429)	(11,928)
Increase/(decrease) in payables	168,080	(41,259)
Increase in provisions	3,270	5,576
Net cash provided by operating activities	816,487	410,213

Multiple Sclerosis Research Australia Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2007

	2007	2006
	\$	\$
12. Provision for Annual Leave		
Balance at 1 July	13,663	8,087
Additional provision recognised	11,948	11,495
Reduction by payment to employees	(8,678)	(5,919)
Balance at 30 June	<u>16,933</u>	<u>13,663</u>

The Provision for annual leave represents employee entitlements at 30th June 2007 which are payable in future financial years.

13. No. of Employees	2007	2006
	No.	No.
The number of full time equivalents employed as at 30 June 2007 and 2006, respectively, are:	<u>3</u>	<u>3</u>

14. Related Party Transactions

Transactions within the wholly-owned group

Multiple Sclerosis Research Australia ("MSRA") is part of a wholly-owned group (consolidated entity) which consists of the Multiple Sclerosis Australia ("MSA") and its wholly-owned controlled entity, MSRA.

During the 2007 financial year MSA provided administration services at a cost \$48,000 (2006 \$40,000) to MSRA. In addition MSA made a grant of \$48,000 (2006 \$40,000) for research to MSRA.

15. Financial Instruments

(a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

(b) Interest Rate Risk

Other than listed below financial assets and liabilities are non interest bearing.

Multiple Sclerosis Research Australia Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2007

	2007 \$	2006 \$
15. Financial Instruments (Cont'd)		
<i>(b) Interest Rate Risk (Cont'd)</i>		
Cash asset – at call (\$)	1,646,151	829,664
Variable average interest rate (%)	6.0%	5.1%

(c) Credit Risk

The carrying value of financial assets represents the maximum credit risk. The entity measures credit risk on a fair value basis.

(d) Net Fair Value

The carrying value of financial assets and liabilities represents their fair value.

(e) Use of Derivative Instruments

The company did not use derivative financial instruments during the financial year.

15 Additional Information furnished under the Charitable Fund Raising Act 1991(NSW)	2007 \$	2006 \$
<i>(a) Fund Raising Activities Conducted</i>		
Gross Proceeds:		
Donations from Public	1,315,357	1,033,784
Corporate Gifts	582,200	149,238
Grants	798,000	790,000
Gross Proceeds from Fundraising Appeals	<u>2,695,557</u>	<u>1,973,022</u>

Multiple Sclerosis Research Australia Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2007

	2007 \$	2006 \$
16 Additional Information furnished under the Charitable Fund Raising Act 1991(NSW) (Cont'd)		
<i>(a) Fund Raising Activities Conducted (Cont'd)</i>		
Fund Raising Costs		
Campaign Costs	413,331	289,671
Total Costs of Fundraising Appeals	<u>413,331</u>	<u>289,671</u>
Net Surplus	<u>2,282,225</u>	<u>1,683,351</u>
Cost of Services Provided	1,411,473	1,121,616
Total Expenditure		
Non Fund Raising Costs	1,555,650	1,261,087
Fund Raising Costs	413,331	289,671
Total Expenditure	<u>1,968,981</u>	<u>1,550,758</u>
Total Fund Raising Income Less Fund Raising Cost	<u><u>2,282,225</u></u>	<u><u>1,683,351</u></u>

Note: MSRA is registered for fundraising in all states of Australia except Western Australia.

(b) Comparisons of Monetary figures and percentages

	2007		2006	
	Amounts	%	Amounts	%
Total cost of Fund Raising to Gross Fund Raising Income	413,331/2,695,557	15	289,671/1,973,022	15
Net Surplus from Fund Raising to Gross Income from Fund Raising	2,282,226/2,695,557	85	1,683,351/1,973,022	85
Total Cost of Services to Total Expenditure (Less Fund Raising Costs)	1,411,473/(1,968,981-413,331)	91	1,121,616/(1,550,758-289,671)	92
Total Cost of Services to Total Income Received (less Fund Raising costs)	1,411,473/(2,686,557-413,331)	62	1,121,616/(1,973,022-289,671)	67

Multiple Sclerosis Research Australia Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2007

17. Segment Reporting

The company predominately supports pure, applied and treatment based research program for people in Australia with Multiple Sclerosis. In so doing, the company educates the Australian Public about the needs of people with Multiple Sclerosis and advances the interests of these people at all levels of government and within other agencies and organisations.

18. Additional Company Information

Multiple Sclerosis Research Australia Limited is a public company, incorporated and operating in Australia.

Registered Office and Principal Place of Business

293 Mowbray Road
Chatswood NSW 2067

Tel: (02) 9468 8300