



Macular Degeneration Foundation Limited

ABN 52 096 255 177

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
30 June 2006**

Macular Degeneration Foundation Limited

30 June 2006

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Macular Degeneration Foundation Limited

30 June 2006

Chairman and Chief Executive Officer's Report

In 2006 the Macular Degeneration Foundation helped more people than ever before and moved closer to realising its vision of reducing the incidence and impact of Macular Degeneration in Australia. Significant milestones were achieved in education, awareness, research, support services, representation, fundraising and best practice management.

The number of people attending public education programs across Australia, website visits, calls to the helpline and people receiving information on Macular Degeneration all increased dramatically throughout 2006. The production of the valuable resource Low Vision - A Guide enabled many to have an easy, accessible pathway to information on this important area of low vision and rehabilitation.

The Foundation was able to expand its National Education Program through the newly allocated Federal Funding to undertake comprehensive education tours across Australia. The continuation of the NSW Government Grant allowed the expansion of the NSW Education Program across the State. In regional locations the face to face contact with our educators was especially appreciated. In addition, promotional campaigns brought the Foundation's message to more people in Australia than ever before.

The Foundation has now well established MD Awareness Week in June. This year the Foundation again promoted, to millions of people throughout Australia, the key message of the importance of checking the macula. Hundreds of calls were received by the helpline and thousands of visits were made to the newly enhanced website as a result of the highly successful campaign.

Our first major internal research project was released in February 2006 entitled *Macular Degeneration in Australia Report 2006*. The key findings addressed issues of diagnosis, management and awareness of Macular Degeneration amongst people affected by the disease. The Foundation also contributed funding to the Ophthalmic Research Institute of Australia (ORIA) for research in the area of Macular Degeneration.

The Foundation focused on strengthening its governance program with the adoption of *Board Governance Policies* and the continuation of an annual Strategic Planning Day for the Board. Our active and involved Board Members provided direction, support and expertise throughout the year. Our dedicated staff met the challenges of many new programs with care, professionalism and commitment and the support of our volunteers assisted the Foundation in all aspects of our vital work.

In 2006 the Foundation also established Memoranda of Understanding (MOU) with several organisations across Australia with whom we have close working relationships. This enabled a formal recognition of the collaborative work that we all undertake for the benefit of those with Macular Degeneration.

Following on from her outstanding contribution in MD Awareness Week in 2005 the Foundation was honoured to welcome Ita Buttrose AO, OBE as the new Patron. This was announced at the 2005 Fundraising Dinner in October, with special guest the Hon. Tony Abbott, Minister for Health and Ageing. The event was a great success and is now a permanent fixture on the Foundation's calendar with the support of a hard working and creative fundraising committee.

The Foundation appreciates and thanks our donors, supporters, partners and sponsors including the NSW and Federal Governments, Novartis Ophthalmics, Blackmores, Allergan, Quantum Technology, HumanWare, Alcon and Macquarie Bank. Our sincere thanks to Optometrists Association Australia (OAA) and the Royal Australian and New Zealand College of Ophthalmology (RANZCO) for their support as the professional bodies closely aligned to the Macular Degeneration Foundation and its cause. A special thanks to Ernst and Young who so generously give their time and expertise as our auditors.

Our thanks go to all those who work for the benefit of the Macular Degeneration community. The appreciation is on behalf of the record number of people in 2006 who gained direct and indirect benefit from the Foundation's services.

Leslie Lofthouse
Chairman

Julie Heraghty
Chief Executive Officer

Macular Degeneration Foundation Limited

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Directors' Report

Your directors submit their report for the year ended 30 June 2006.

DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Leslie Lofthouse - FAICD
Dr Paul Beaumont - FRACS , FRANZCO
Peter Brown
Ashley Chapman - CPA, MACS
Barry Clarke - PNA
Dr Peter Herse - DipAppSc, PhD, FAAO
John McCarroll - B.Ec, SDIAM
Peter Reid - BA LLB
Paul Rogan - FCPA, AICD
Dr Jim Runciman - FRACS, FRANZCO,
Suellen Tapsall - BA, MA, AFAIM

Leslie Lofthouse - FAICD

Leslie Lofthouse is currently Chairman of Job Futures and Executive Director of Lofthouse and Partners – a management consulting company specialising in mergers and acquisitions. She has had a long and successful career in the Travel industry, during which time she served on many Industry Advisory Boards and was keynote speaker at many Tourism Conventions. Leslie was a Director of Australian Federation of Travel Agents (AFTA) and United Travel Agents Group (UTAG). She founded and publicly floated the Internet Travel Group, now part of Flight Centre.

Peter Brown

Peter Brown has spent thirty years in advertising and communication. He worked in London in consumer advertising and New Product Development before moving to Sydney in 1988, becoming Creative Director of a major healthcare agency. In 2005 Peter started his own company, spanning both consumer and healthcare advertising.

Dr Paul Beaumont - FRACS , FRANZCO

Dr Paul Beaumont is a founding director of the Macular Degeneration Foundation and served the first Chairman's term. He is a regular speaker at international conferences and trains doctors worldwide in his approach to Macular Degeneration. His clinic has been a pioneer in intensive counselling for patients with Macular Degeneration.

He is a past Chairman of the NSW Division of the Australian and New Zealand College of Ophthalmologists and of the Committee of Chairmen of the Australian College.

Ashley Chapman - CPA, MACS

Ashley Chapman retired in 2004 after a career in information technology spanning over forty years.

His experience includes fifteen years with IBM in a variety of roles covering systems engineering, programming and education. Industry experience included banking and finance, airline, distribution and government utilities.

After leaving IBM he became a partner in a CPA firm and then in 1978 he founded Management Control Systems Pty Ltd, a company specialising in the development and marketing of financial systems for the distribution and manufacturing industries both in Australia and overseas.

Macular Degeneration Foundation Limited

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Directors' Report

Barry Clarke - PNA

Barry Clarke is a qualified accountant current Director and past President of the Royal Society for the Blind in South Australia. He also serves on the Client Advisory Finance and Investment Committees for the Royal Society for the Blind.

In 1990 he retired from his position as General Manager of the Police Credit Union in South Australia due to the early onset of Macular Degeneration. However, after a period of rehabilitation he returned to the workforce and went on to establish and successfully develop Mortgage Find as a national mortgage broking business. Having now sold this business, he retired in 2005 to spend more time on his personal and investment interests.

Dr Peter Herse - DipAppSc, PhD, FAAO

Dr Peter Herse practiced optometry for a number of years in Australia (North Queensland) and Kenya (1980-83). He entered academic life as a lecturer in optometry schools around the world (University of Durban-Westville in South Africa, 1984-85; University of Houston (1986-89); University of Auckland (1990-93); University of New South Wales (1994-present).

He has a strong research interest with over fifty publications in peer reviewed journals. He has held Visiting Fellow appointments in universities in the USA, India, Saudi Arabia and Thailand. He has been a Councillor for the Optometrists Association of Australia (2000-04) and has been Chair of the Professional Education Committee (2001-04). He is a Fellow of the American Academy of Optometry and has a strong interest in international eye care.

His current interest is vision impairment and low vision. He is a lecturer in ocular disease and low vision at UNSW.

He has worked with numerous state and local organisations to reduce visual disability in people with eye disease. He has helped establish numerous low vision clinics in Sydney (Guide Dogs NSW, Vision Australia, University of NSW) and around the world (Hyderabad, Durban, Auckland, Bangkok). He is a member of the International Society for Low Vision Research and Rehabilitation (ISLRR).

John McCarroll - B.Ec, SDIAM

John is a Senior Advisor in the Private Wealth Management Division of Goldman Sachs JB Were. John has more than twenty six years experience in the Australian Finance industry both in Australia and Europe. John is a Director of the Sydney based Stockbrokers Awards Foundation. The Foundation holds two industry related functions each year and distributes the proceeds to 10 different charities. John holds a Bachelor of Economics from Monash University (Vic) and is a SDIAM member.

Peter Reid - BA LLB

Peter Reid has practiced as a lawyer since 1970 specialising in the energy and resources sector. He served as an Australian diplomat for seven years, spent nine years as the Senior Exploration Counsel for Esso Australia Ltd and 17 years (until 2004) as a Partner in private legal practice specialising in energy and resources law. He has been a frequent speaker at international conferences and was voted by his colleagues as one of the world's leading resources lawyer in 2002 and 2004. In 2004 he established his own legal practice, Energy and Resources Lawyers Pty Ltd.

He also serves as a member of the Centennial Park Consultative Committee and is an Area Co-Ordinator for Neighbourhood Watch.

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Directors' Report

Paul Rogan - FCPA, AICD

United Kingdom. He is currently the Chief Financial Officer of Challenger Financial Services Group and is a director of its subsidiaries. He has served as an executive director on subsidiary boards of the National Australia Bank and MLC group, including as CEO of the Wealth Management operations in the UK and MLC Building Society.

He is also a past Chairman of the Victorian Building Society Association and past Counsellor on the Association of Australian Permanent Building Societies.

Dr Jim Runciman - FRACS, FRANZCO, FAAO

Dr Jim Runciman is a fellow of the Royal Australian and New Zealand College of Ophthalmologists and the Royal Australasian College of Surgeons.

Appointed to the Macular Degeneration Foundation Board in 2003, Dr Runciman is a leading retinal ophthalmologist, principal of the Adelaide Eye Centre and senior visiting consultant to the Queen Elizabeth Hospital.

He is the current Vice President of both the Royal Society for the Blind of SA and State Chair for the Macular Degeneration Foundation in South Australia.

Suellen Tapsall - BA, MA

Suellen Tapsall is the Director of the AIM.UWA Business School Alliance, a strategic Alliance between the Australian Institute of Management WA and the UWA Business School, which provides senior executive leadership and organisational development programs and services.

A former journalist (print and broadcast) who moved into academe in the 1990s, Suellen worked at Queensland University of Technology and Murdoch University in a variety of academic leadership and management roles. Co-author of two journalism books and a number of major research reports, Suellen's expertise and research interests include technology and technology policy, theories of journalism, borderless education and social and economic impacts of the Internet. A former national president of the Journalism Education Association, Suellen was diagnosed with myopia-related macular degeneration in 2001. She continues to be active in journalism education and research nationally and internationally.

COMPANY SECRETARY

Julie Heraghty - BA DipEd

Julie Heraghty is the Chief Executive Officer of the Macular Degeneration Foundation. She spent over seven years as a Policy Advisor to NSW State Ministers across three major portfolios.

Her career began as a secondary school teacher and she later qualified as a registered psychologist working in schools with students, teachers and parents.

Julie has served as a Director and Manager in major Government Departments including Education and Training; and Infrastructure, Planning and Natural Resources.

INDEPENDENCE OF DIRECTORS

The Directors are independent of the Foundation and have confirmed that they have no conflict of interest in their roles as Directors of the Foundation.

Macular Degeneration Foundation Limited

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Directors' Report

DIRECTORS' MEETINGS

The number of Directors and number of meetings attended by each of the Directors during the year have been disclosed separately on page 9.

DIVIDENDS

The Foundation is a not-for-profit organisation and is prevented by its constitution from paying dividends.

CORPORATE INFORMATION

Macular Degeneration Foundation Limited is a company limited by guarantee that is incorporated and domiciled in Australia.

The registered office of the Foundation is: Level 3,447 Kent Street SYDNEY NSW 2000

The entity employed 8 people at 30 June 2006, (5 - 30 June 2005).

PRINCIPAL ACTIVITIES

The principal activities of the Foundation is to reduce the incidence and impact of Macular Degeneration in Australia. This includes the education and support of Macular Degeneration patients, their carers and general health and eye-care professionals. There have been no significant changes in the nature of those activities during the year.

RESULTS

The surplus for the year ended 30 June 2006 was \$371,931 (2005: \$281,359). No income tax is payable by the company as such income is exempt from income tax under the provisions of subdivision 50 of the Income Tax Assessment ACT (1997).

The Macular Degeneration Foundation is a company limited by guarantee and has no share capital. Payment of dividends is prohibited by the company's constitution.

OPERATING AND FINANCIAL REVIEW

The core activities of the Foundation remained focused on reducing the incidence and impact of Macular Degeneration in Australia through education, awareness, research, counselling and support services. Further details of operations during the year are included in the CEO's report.

Macular Degeneration Foundation Limited

30 June 2006

Directors' Report

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the company during the period.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There have been no significant events occurring after balance date which may affect either the company's operations or results of those operations or the company's state of affairs.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The year ahead will see the expansion and enhancement of existing projects and the introduction of new projects to meet the ever increasing needs of the Macular Degeneration Community. The Foundation will for the first time employ a Client Services Officer to meet the demand for information in the low vision and rehabilitation areas. This role will also provide the Foundation with the opportunity to drive projects in the area of advocacy, support and adaptive technology.

In order to further enhance governance policies and practices and make better use of existing resources, risk management and data base processes will be reviewed. The level of professional education and development will be increased to ensure educators and support service staff are well versed in the latest treatments for Macular Degeneration as well as rehabilitation and low vision services.

In MD Awareness Week 2007 there will be a new partnership established with the National RSL to broaden the reach of the relevant target audience. The Community Service Announcement (CSA), developed in Macular Degeneration Awareness Week 2006, will be aired in cinema houses across Australia, raising awareness of the disease across the Australian community. The education program across Australia will continue to provide opportunities for people to attend informative sessions to learn about Macular Degeneration, ways to reduce the risks and the support available to maintain quality of life and independence when living with the disease.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The company is not subject to any particular or significant environmental regulation.

INDEMNIFICATION AND INSURANCE OF DIRECTORS

During the financial year, the company paid \$5,615 (2005: \$3,835) in order to insure the company's directors and officers.

NON-AUDIT SERVICES

There were no non-audit services provided by the company's auditor, Ernst & Young, for the year end 30 June 2006.

Ernst & Young has provided the directors of Macular Degeneration Foundation Limited with an independence declaration included on page 10 of this report.

Signed in accordance with a resolution of the directors.

Leslie Lofthouse - FAICD
Director

Sydney, 5 September 2006

Macular Degeneration Foundation Limited

30 June 2006

Directors' Report

Directors Meeting Attendance Information

	Board Meetings		Audit and Finance Committee		Client Services Committee		Governance Committee		Medical Committee Meetings	
	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend
Leslie Lofthouse - FAICD	7	7	5	6			6	6		
Dr Paul Beaumont - FRACS , FRANZCO	6	7							6	6
Ashley Chapman - CPA, MACS	7	7	6	6	4	4				
Barry Clarke - PNA	6	7			4	4				
Dr Peter Herse - DipAppSc, PhD, FAAO	5	7			4	4				
John McCarroll - B.Ec, SDIAM	6	7								
Peter Reid - BA LLB	6	7			4	4	6	6		
Paul Rogan - FCPA, AICD	5	7	5	6			3	5		
Dr Jim Runciman - FRACS, FRANZCO,	4	7							5	6
Suellen Tapsall	4	5			2	4				
Peter Brown	4	5			1	3				

Auditor's Independence Declaration to the Directors of Macular Degeneration Foundation Limited

In relation to our audit of the financial report of Macular Degeneration Foundation Limited for the financial year ended 30 June 2006, to the best of my knowledge and belief, these have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Neil Wykes
Partner
5 September 2006

Macular Degeneration Foundation Limited

30 June 2006

Income Statement

	Notes	2006 \$	2005 \$
Revenue			
Donations/fundraising	3(a)	1,092,365	774,495
Other income	3(b)	394,600	276,577
Finance income	3(c)	41,076	6,279
		<u>1,528,041</u>	<u>1,057,351</u>
Employee costs	3(d)	(596,308)	(426,562)
Administration and fundraising expenses		(93,339)	(39,691)
Property and equipment costs		(5,522)	(13,903)
Education and prevention programs		(282,980)	(192,169)
Services and welfare		(4,998)	(10,721)
Other expenses	3(f)	<u>(157,177)</u>	<u>(79,908)</u>
Profit from continuing operations before finance costs, depreciation and amortisation		387,717	294,397
Depreciation and amortisation expense	3(e)	(15,786)	(13,038)
Profit before income tax		371,931	281,359
Income tax expense		-	-
Profit after tax from continuing operations		371,931	281,359
Profit for the period		371,931	281,359
Profit attributable to members of the parent		371,931	281,359

Macular Degeneration Foundation Limited

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Balance Sheet

	Notes	2006 \$	2005 \$
ASSETS			
Current Assets			
Cash and cash equivalents	4	986,169	654,250
Trade and other receivables	5	146,345	123,302
Other receivables	6	8,830	-
Total Current Assets		1,141,344	777,552
Non-current Assets			
Property, plant and equipment	7	47,620	28,466
Total Non-current Assets		47,620	28,466
TOTAL ASSETS		1,188,964	806,018
LIABILITIES			
Current Liabilities			
Trade and other payables	8	141,714	139,819
Provisions	9	22,311	13,191
Total Current Liabilities		164,025	153,010
TOTAL LIABILITIES		164,025	153,010
NET ASSETS		1,024,939	653,008
EQUITY			
Retained earnings		1,024,939	653,008
		1,024,939	653,008

Macular Degeneration Foundation Limited

30 June 2006

Cash Flow Statement

	Notes	2006 \$	2005 \$
Cash flows from operating activities			
Cash received in the course of operations		1,496,168	1,079,777
Payments to suppliers and employees		(1,129,310)	(778,862)
Net cash flows from operating activities	4	<u>366,858</u>	<u>300,915</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	2,000
Purchase of property, plant and equipment		(34,939)	(19,761)
Net cash flows used in investing activities		<u>(34,939)</u>	<u>(17,761)</u>
Net increase in cash and cash equivalents		331,919	283,154
Cash and cash equivalents at beginning of period		654,250	371,096
Cash and cash equivalents at end of period	4	<u><u>986,169</u></u>	<u><u>654,250</u></u>

Macular Degeneration Foundation Limited

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Statement of Changes in Equity

	<i>Retained Earnings \$</i>
At 1 July 2004	<u>371,649</u>
Net surplus attributable to members of the Macular Degeneration Foundation Limited	<u>281,359</u>
At 30 June 2005	<u>653,008</u>
Net surplus attributable to members of the Macular Degeneration Foundation Limited	<u>371,931</u>
At 30 June 2006	<u><u>1,024,939</u></u>

The directors have decided to allocate a portion of the net surplus for the year to undertake research activities in the future as follows:

Balance allocated at 1 July 2005	Nil
Allocation from current year surplus	<u>100,000</u>
Surplus set aside for research activities at 30 June 2006	<u><u>100,000</u></u>

Macular Degeneration Foundation Limited

30 June 2006

Notes to the Financial Statements

1 CORPORATE INFORMATION

Corporate Information

The financial report of Macular Degeneration Foundation Limited for the year ended 30 June 2006.

Macular Degeneration Foundation Limited is a company limited by guarantee that is incorporated and domiciled in Australia.

The registered office of Macular Degeneration Foundation Limited is located at:

Level 3,447 Kent Street SYDNEY NSW 2000

Members' Guarantee

The company is limited by guarantee. If the company is wound up, the company's constitution states that if upon winding-up or dissolution of the company:

a) there remains, after satisfaction of all its debts and liabilities, any property whatsoever, that property will not be paid to or distributed among the members but shall be given or transferred to some other institution or institutions, having objects similar to the objects of the Company, whose memorandum of association or constitution prohibits the distribution of its or their income and property among its or their members to an extent at least as great as imposed on the company under its constitution, and being an institution or institutions accepted as a deductible gift recipient under sub-division 30-B, section 30-100 of the Income Tax Assessment Act 1997 by the Commissioner of Taxation or otherwise approved for these purposes by the Commissioner of Taxation or institutions by the Members at or before the time of dissolution.

b) there is a deficit, each member and any members who ceased to be a member within 12 months of the winding up will contribute a maximum of \$1.

At 30 June 2006 the company had 11 members (2005: 9 members).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

There has been no significant impact of adopting AIFRS on the total equity and profit after tax as reported under previous Australian Generally Accepted Accounting Principles ("AGAAP").

Certain Australian Accounting Standards and UIG Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Company for the annual reporting period ended 30 June 2006. The Board has assessed the impact of these new or amended standards and did not consider these to be relevant to the Company for the current reporting period.

There were no significant judgements or estimations made in relation to the information contained within this annual report.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(c) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – 20% to 35%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the income statement in the cost of sales line item.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

(d) Recoverable amount of assets

At each reporting date, the company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(e) Other receivables

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(f) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(g) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(h) Leases

Finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Donations and fundraising revenue

Revenue from donations and fundraising is not brought to account until monies are actually received. Donations in kind are recorded at the fair value of the goods or services received at the time they are received.

Grants and Commission

Grant contributions for financial assistance are recognised as revenue when the Company obtains control over the asset comprising the contributions. When the Company does not have control of the contribution or does not have the right to receive the contribution or has not fulfilled grant conditions, the grant contribution is treated as deferred income.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(j) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(k) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(l) Impact of adoption of AIFRS

There has been no significant impact of adopting AIFRS on the total equity and profit after tax as reported under previous Australian Generally Accepted Accounting Principles ("AGAAP").

Macular Degeneration Foundation Limited

30 June 2006

Notes to the Financial Statements

	2006 \$	2005 \$
3 REVENUE AND EXPENSES		
(a) Donations/Fundraising Income		
Corporate Donations	346,507	349,907
Newsletter Donations	110,577	99,381
Other Donations	102,603	60,766
Corporate Sponsorships	532,678	264,441
Total Donations/Fundraising Income	<u>1,092,365</u>	<u>774,495</u>
Included in corporate sponsorships is an amount of \$150,000 received in advance from Allergan relating to a three year agreement to pay \$50,000 in sponsorship per annum.		
This has been recognised in the current year in accordance with new accounting standards ("AIFRS").		
(b) Other income		
Government grants released	394,600	262,400
Gain / (loss) on disposal of property, plant and equipment	-	(3,069)
Other income	-	17,246
Total other income	<u>394,600</u>	<u>276,577</u>
(c) Finance (costs)/income		
Bank interest received	41,076	6,279
Total finance income	<u>41,076</u>	<u>6,279</u>
(d) Employee benefits expense		
Wages and salaries	478,820	336,526
Workers' compensation costs	3,937	1,582
Superannuation costs	36,598	30,770
Other staff costs	76,953	57,684
Total employee benefits expense	<u>596,308</u>	<u>426,562</u>
(e) Depreciation and amortisation expense		
Depreciation of non-current assets		
Plant and Equipment	15,786	13,038
Total depreciation and amortisation expense	<u>15,786</u>	<u>13,038</u>
(f) Other expenses		
Communication expenses	43,414	28,749
Repairs and maintenance	12,689	9,100
Rental expense	52,162	34,990
Insurance expense	15,388	6,729
Research and development costs charged directly to expense in the income statement	33,524	340
Lease payments and other expenses included in income statement		
Total other expenses	<u>157,177</u>	<u>79,908</u>

Macular Degeneration Foundation Limited

30 June 2006

Notes to the Financial Statements

	2006 \$	2005 \$
4 CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	986,169	654,250
	<u>986,169</u>	<u>654,250</u>
The fair value of cash and cash equivalents is \$986,169 (30 June 2005: \$654,250)		
Reconciliation of cash		
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following:		
Cash at bank and in hand	986,169	654,250
	<u>986,169</u>	<u>654,250</u>
Reconciliation from the net profit after tax to the net cash flows from operations		
Net profit/(loss)	371,931	281,359
<i>Adjustments for:</i>		
Depreciation	15,786	13,038
Net (profit)/loss on disposal of property, plant and equipment	-	3,069
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in trade and other receivables	(31,873)	19,357
(Decrease)/increase in trade and other creditors	1,894	21,446
(Decrease)/increase in provisions	9,120	(37,354)
Net cash flow from operating activities	<u>366,858</u>	<u>300,915</u>
5 OTHER RECEIVABLES (CURRENT)		
Accounts receivables	11,560	4,241
	<u>11,560</u>	<u>4,241</u>
Sundry debtors	117,597	108,447
Short-term deposits	16,358	10,472
Other receivables	-	142
GST receivable	830	-
	<u>146,345</u>	<u>123,302</u>

Accounts receivables are non-interest bearing.

Macular Degeneration Foundation Limited

30 June 2006

Notes to the Financial Statements

	2006 \$	2005 \$
6 PREPAYMENTS		
Prepayments	8,830	-
	<u>8,830</u>	<u>-</u>
7 PROPERTY, PLANT AND EQUIPMENT		
<i>Plant and Equipment</i>		
At cost	85,328	50,389
Accumulated amortisation	(37,708)	(21,923)
Net carrying amount	<u>47,620</u>	<u>28,466</u>
<i>Total property, plant and equipment</i>		
Cost	85,328	50,389
	<u>85,328</u>	<u>50,389</u>
Accumulated depreciation and impairment	(37,708)	(21,923)
Net carrying amount	<u>47,620</u>	<u>28,466</u>
<i>Plant and Equipment</i>		
At 1 July 2005,		
net of accumulated depreciation	28,466	26,813
Additions	34,940	19,761
Disposals	-	(5,069)
Depreciation charge for the year	(15,786)	(13,039)
At 30 June 2006,		
net of accumulated depreciation	<u>47,620</u>	<u>28,466</u>
8 PAYABLES (CURRENT)		
Trade creditors	66,859	64,865
Other creditors	74,855	62,434
Goods and services tax	-	12,520
	<u>141,714</u>	<u>139,819</u>
Trade payables are non-interest bearing and are normally settled on 60-day terms. Other payables are non-interest bearing.		
For terms and conditions relating to related parties refer to note 11.		
The net of GST payable and GST receivable is remitted to the appropriate tax body on a quarterly basis.		
9 PROVISIONS		
Current		
Carrying amount at beginning of period	13,191	10,545
Provision for the period	9,120	2,646
Employee entitlements provision at end of period	<u>22,311</u>	<u>13,191</u>

Macular Degeneration Foundation Limited

30 June 2006

Notes to the Financial Statements

10 FINANCIAL INSTRUMENTS

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the entity's financial instruments that are carried in the financial statements at other than fair values.

	<i>Carrying amount</i>		<i>Fair value</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	\$	\$	\$	\$
<i>Financial assets</i>				
Cash	986,169	654,250	986,169	654,250
Trade receivables	138,817	112,830	138,817	112,830
Term deposit (Fixed Rate)	16,358	10,472	16,358	10,472
	<u>1,141,344</u>	<u>777,552</u>	<u>1,141,344</u>	<u>777,552</u>
<i>Financial liabilities</i>				
Payables	<u>264,333</u>	<u>139,819</u>	<u>264,333</u>	<u>139,819</u>

Interest rate risk

Cash earns interest at a rate of 5.1%.

The trade receivables and trade payables of the Foundation are non-interest bearing and are therefore not subject to interest rate risk.

Macular Degeneration Foundation Limited

30 June 2006

Notes to the Financial Statements

11 RELATED PARTY DISCLOSURES

Directors

The directors of the Macular Degeneration Foundation Limited during the financial year were:

Ms Leslie Lofthouse (Chairman)	
Dr Paul Beaumont	
Mr Ashley Chapman	
Mr Barry Clarke	
Dr Peter Herse	
Mr John McCarroll	
Mr Peter Reid	
Mr Jim Runciman	
Paul Rogan	Appointed 10 August 2005
Suellen Tapsall	Appointed 19 September 2005
Peter Brown	Appointed 19 October 2005

Except as set out below directors do not receive remuneration. Directors are reimbursed for expenses incurred in attending meetings.

Mr Peter Brown received \$7,200 for services rendered. The company has received these services on terms more favourable to it than Peter Brown's normal commercial terms.

Director Disclosure Statement

Dr Paul Beaumont is a member of the Medical Advisory Board of Novartis and Alcon. He has received honoraria for giving lectures on AMD from Novartis and Blackmores and is conducting research and running controlled trials on AMD which are sponsored by these companies. He does not have shares in any company which sponsors the Macular Degeneration Foundation Limited.

Total sponsorship received from Novartis and Alcon totalled \$197,500 for the year ended 30 June 2006.

12 EVENTS AFTER BALANCE SHEET DATE

There are no significant events between balance sheet date and date of this report.

13 AUDITORS' REMUNERATION

	<i>PARENT</i>	
	<i>2006</i>	<i>2005</i>
	\$	\$
Amounts received or due and receivable by Ernst &		
• an audit or review of the financial report of the entity and any other entity in the consolidated entity		
• other services in relation to the entity and any other		
- tax compliance	-	3,450
	-	3,450

Macular Degeneration Foundation Limited

30 June 2006

Notes to the Financial Statements

14 COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Company as lessee

The Company has entered into a commercial lease on 1 December 2005.

These leases have an average life of between 1 and 6 years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease.

There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	2006	2005
	\$	\$
Within one year	64,260	14,840
After one year but not more than five years	311,864	-
More than five years	-	-
	<u>376,124</u>	<u>14,840</u>

Macular Degeneration Foundation Limited

30 June 2006

Notes to the Financial Statements

15 INFORMATION AND DECLARATION TO BE FURNISHED UNDER THE CHARITABLE FUNDRAISING ACT 1991

Macular Degeneration Foundation Ltd

Income received and the cost of raising income for specific fundraising, has been audited and all revenue and expenses have been recognised in the financial statements of the Macular Degeneration Foundation Ltd.

	2006 \$	2005 \$
(1) Gross proceeds from fundraising appeals	967,365	774,495
Direct costs of fundraising appeals	(47,819)	(1,878)
Net Surplus obtained from fundraising appeals	<u>919,546</u>	<u>772,617</u>
(2) Application of net surplus obtained from fundraising appeals:		
Providing services and research	391,761	301,462
Cost of Operations and Retained Earnings	<u>527,784</u>	<u>471,155</u>
	<u>919,546</u>	<u>772,617</u>

(3) The net surplus from fundraising appeals, and the manner in which those funds have been applied are detailed in Note 3.

Comparisons of certain monetary figures and percentages

	2006 \$	%	2005 \$	%
Total cost of fundraising / Gross income from fundraising	<u>47,819</u> 967,365	4.9	<u>1,878</u> 774,495	0.2
Net surplus from fundraising / Gross income from fundraising	<u>919,546</u> 967,365	95.1	<u>772,617</u> 774,495	99.8
Total costs of services / Total expenditure	<u>1,021,483</u> 1,156,110	88.4	<u>647,480</u> 779,061	83.1
Total costs of services / Total income received	<u>1,021,483</u> 1,528,041	66.8	<u>647,480</u> 1,060,420	61.1

16 SEGMENT INFORMATION

The Macular Degeneration Foundation Ltd is a charitable institution and operates exclusively in Australia.

Macular Degeneration Foundation Limited

30 June 2006

Directors' Declaration

In accordance with a resolution of the directors of Macular Degeneration Foundation Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company 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 2006 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and 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.

On behalf of the Board

Leslie Lofthouse - FAICD
Director

Sydney
Date: 5 September 2006

Macular Degeneration Foundation Limited

30 June 2006

Chairman's Declaration

By the Chairman in respect of fundraising appeals pursuant to section 7 (5) of the Charitable Fundraising Act 1991 – Regulation

I, Leslie Lofthouse, Chairman of the Macular Degeneration Foundation Limited, declare, in my opinion:

- (a) the financial report gives a true and fair view of all income and expenditure of the company with respect to fundraising appeals, for the financial year ended 30 June
- (b) the statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeal, as at 30 June 2006;
- (c) the provisions of the Charitable Fundraising Act 1991 and the Regulations and the conditions attached to the authority have been complied with for the year 30 June 2005 to 30 June 2006; and
- (d) internal controls exercised by the consolidated entity are appropriate and effective in accounting for all income received and applied by the company from any of its fundraising appeals.

Ms Leslie Lofthouse
Chairman

Sydney
5 September 2006