

ChildFund Australia
(formerly Christian Childrens Fund Australia Limited)

(A company limited by guarantee)

A B N: 79 002 885 761

Annual Report

30 June 2006

ChildFund Australia
A.B.N 79 002 885 761

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Director's report

The directors present their report together with the financial report of ChildFund Australia ("the Company") for the year ended 30 June 2006 and the auditors' report thereon.

Directors

The Directors at any time during or since the end of the financial year are:

Name	Occupation	Director since
Ms F J Singleton (Chair)	Public Affairs Consultant	1996
Ms A M A Oppen	Writer	1999
Mr David Shearwood	Independent Director & Consultant	2002
Ms Wendy Rose	Consultant	2003
Ms Norma Ingram	Manager	2003
Mr Robert Hogg	Investment Strategist	2004
Mr James Sheffield	Bank Executive	2004
Mr Michael Rose	Solicitor	Appointed effective 3 November 2005
Mr David Pigott	General Manager	Appointed effective 20 April 2006
Dr Angeline Low	Academic	Appointed effective 20 April 2006
Mr M J Rankin	Marketing Consultant	Director from 29 September 1994 to 8 December 2005

Directors' meetings

The number of directors' meetings and number of meetings attended by each of the directors during the financial year are:

	Board Meetings		Finance, Audit & Risk Committee		Program Review Committee		Fundraising Committee		Organisational Governance & Board Nomination Committee		Strategic Planning & CCF International	
	Held*	Attended	Held*	Attended	Held*	Attended	Held*	Attended	Held*	Attended	Held*	Attended
Ms F J Singleton	6	5	-	-	1	1	2	1	-	-	1	1
Ms A Oppen	6	6	-	-	1	1	-	-	2	1	1	1
Mr D Shearwood	6	3	2	0	-	-	-	-	-	-	1	0
Ms W Rose	6	5	-	-	1	1	-	-	2	1	-	-
Ms N Ingram	6	5	2	2	-	-	-	-	-	-	1	0
Mr R Hogg	6	6	2	2	-	-	2	2	-	-	-	-
Mr J Sheffield	6	6	-	-	-	-	2	2	2	1	-	-
Mr M Rose	4	3	-	-	-	-	-	-	-	-	-	-
Mr D Pigott	2	2	2	2	-	-	-	-	-	-	1	0
Dr A Low	2	1	-	-	-	-	1	0	1	0	-	-
Mr M Rankin	3	3	-	-	-	-	-	-	-	-	-	-

* reflects the number of meetings held during the time the director held office

- reflects those directors who are not members of the committee and hence not required to attend

From time to time, directors have also attended other meetings of importance.

Company Secretary

Graeme Long was appointed to the position of Company Secretary on 15 February 2006.

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Director's report (continued)

Principal activities

The principal activity of the company during the financial year was to solicit voluntary contributions for the purpose of caring for children suffering poverty and hardship in developing countries irrespective of religion, sex or nationality.

ChildFund Australia is a member of the International CCF Network. It has been established as a charity in Australia since 1985 with a view to supporting and collaborating with the worldwide programs of Christian Children's Fund Inc. (CCF Inc).

Christian Children's Fund Inc. of the United States of America was founded in 1938 and has developed since that time to become, with its world-wide affiliates, one of the world's largest child and community-focused organisations through community based development programs.

There were no significant changes in the nature of the activities of the company during the year.

Company particulars

ChildFund Australia is incorporated in Australia. The address of the registered office is:

ChildFund Australia
Level 8, 162 Goulburn Street
SURRY HILLS NSW 2010

Review and results of operations

The excess of revenue over disbursements amounted to \$673,056 (2005: \$298,282)

The excess of revenue over disbursements will be used to fund the future operations of the company to achieve its objectives.

Dividends

The Company is prohibited from paying dividends by its Memorandum and Articles of Association.

Environmental regulation

The Company's operations are not subject to carry significant environmental regulations under either Commonwealth or State legislation. However, the board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Company.

State of affairs

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

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Director's report (continued)

Likely developments

It is not foreseen that the Company will undertake any change in its general direction during the coming financial year. Further information about likely developments in the operations of the Company and the expected results of those results in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Indemnification and insurance of officers

Indemnification

The Company has agreed to indemnify the current directors of the Company and the former 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.

Insurance premiums

During the financial year the Company has paid insurance premiums of \$5,912 (2005: \$7,636) in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain personal advantage.

The insurance policies outlined above do not contain details of the premiums paid in respect of individual officers of the company.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 5 and forms part of the directors' report for financial year 2006.

Signed in accordance with a resolution of the directors:

F J Singleton
Chair

Dated at Sydney this day of 2006

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Lead auditor's independence declaration under section 307C of the Corporations Act 2001

To: the directors of ChildFund Australia

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2006 there have been:

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

KPMG

Brett Mitchell
Partner

Sydney

September 2006

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Income statement
For the year ended 30 June 2006

	Note	2006 \$	2005 \$
Donations, gifts and sponsorship			
Donations		3,363,056	2,420,971
Gifts to children		1,187,687	1,129,329
Sponsorship		16,590,602	15,573,050
		<hr/>	<hr/>
		21,141,345	19,123,350
Legacies and bequests		39,767	129,036
Grants – AUS AID		3,219,929	3,405,500
Rental income		-	1,070
Other revenues	2	432,777	643,800
		<hr/>	<hr/>
Total revenue		24,833,818	23,302,756
		<hr/>	<hr/>
Overseas projects			
Funds to overseas projects		(19,104,547)	(17,581,818)
Project costs		(742,264)	(536,163)
Fundraising costs			
Public		(2,155,682)	(2,676,556)
Government and Multilaterals		(87,945)	(96,307)
Administration costs			
Depreciation expenses		(96,502)	(99,804)
Employee expenses		(910,514)	(893,741)
Other administration costs		(1,281,028)	(1,286,322)
		<hr/>	<hr/>
Total expenses		(24,378,482)	(23,170,711)
		<hr/>	<hr/>
Results from operating activities		455,336	132,045
Financial income		217,720	166,237
		<hr/>	<hr/>
Surplus for the year		673,056	298,282
		<hr/>	<hr/>

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 10 to 24.

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Statement of changes in equity
For the year ended 30 June 2006

	Retained Surplus	Total Equity
	\$	\$
Opening balance 1 July 2004	3,164,470	3,164,470
Net surplus for the period	298,282	298,282
	<hr/>	<hr/>
Closing balance 30 June 2005	3,462,752	3,462,752
	<hr/>	<hr/>
Opening balance 1 July 2005	3,462,752	3,462,752
Net surplus for the period	673,056	673,056
	<hr/>	<hr/>
Closing balance 30 June 2006	4,135,808	4,135,808

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 10 to 24.

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Balance sheet
As at 30 June 2006

	Note	2006 \$	2005 \$
Assets			
Cash and cash equivalents	5	7,474,824	6,645,588
Trade and other receivables	6	<u>423,492</u>	<u>533,489</u>
Total current assets		<u>7,898,316</u>	<u>7,179,077</u>
Property, plant and equipment	7	<u>1,226,108</u>	<u>1,326,601</u>
Total non-current assets		<u>1,226,108</u>	<u>1,326,601</u>
Total assets		<u>9,124,424</u>	<u>8,505,678</u>
Current liabilities			
Trade and other payables	8	4,871,007	4,853,174
Employee benefits	9	<u>106,121</u>	<u>166,040</u>
Total current liabilities		<u>4,977,128</u>	<u>5,019,214</u>
Non-current liabilities			
Employee benefits	9	<u>11,488</u>	<u>23,712</u>
Total non-current liabilities		<u>11,488</u>	<u>23,712</u>
Total liabilities		<u>4,988,616</u>	<u>5,042,926</u>
Net assets		<u>4,135,808</u>	<u>3,462,752</u>
Equity			
Retained surplus		<u>4,135,808</u>	<u>3,462,752</u>
Total equity		<u>4,135,808</u>	<u>3,462,752</u>

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 10 to 24

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Statement of cash flows
For the year ended 30 June 2006

	Note	2006 \$	2005 \$
Cash flows from operating activities			
Cash receipts in the course of operations		25,197,937	23,688,913
Cash payments in the course of operations		<u>(24,563,343)</u>	<u>(23,965,885)</u>
Cash generated from operations		634,594	(276,972)
Interest received		<u>217,720</u>	<u>166,237</u>
Net cash from operating activities	16	<u>852,314</u>	<u>(110,735)</u>
Cash flows from investing activities			
Acquisition of property, plant & equipment		<u>(23,078)</u>	<u>(198,624)</u>
Net cash from investing activities		<u>(23,078)</u>	<u>(198,624)</u>
Net increase in cash and cash equivalents		829,236	(309,359)
Cash and cash equivalents at 1 July		<u>6,645,588</u>	<u>6,954,947</u>
Cash and cash equivalents at 30 June	5	<u><u>7,474,824</u></u>	<u><u>6,645,588</u></u>

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 10 to 24.

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Notes to the financial statements
For the year ended 30 June 2006

1. Significant accounting policies

The financial report was authorised for issue by the directors on September 2006.

a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (“AASBs”), Urgent Issues Group Interpretations (“UIGs”) adopted by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001. International Financial Reporting Standards (“IFRSs”) form the basis of Australian Accounting Standards (“AASBs”) adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS (“AIFRS”) to distinguish from previous Australian GAAP.

This is the Company’s first financial report prepared in accordance with AIFRS and AASB 1 *First Time Adoption of Australian equivalents to International Financial Reporting Standards* has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 18.

b) Basis of preparation

The financial report is presented in Australian dollars. The financial report is prepared on the historical cost basis.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Company.

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.

The accounting policies set out below have been applied consistently to all periods presented in the Company’s financial report.

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Notes to the financial statements
For the year ended 30 June 2006

1. Significant accounting policies (continued)

b) Basis of preparation (continued)

Issued standards not early adopted

The following standards and amendments were available for early adoption but have not been applied by the Company in these financial statements:

AASB No.	Title	Operative Date
7	Financial Instruments: Disclosures	1 January 2007
101	Presentation of Financial Statements	1 January 2006
119	Employee Benefits	1 January 2006
2004-3	Amendments to Australian Accounting Standards	1 January 2006
2005-1	Amendments to Australian Accounting Standards	1 January 2006
2005-3	Amendments to Australian Accounting Standards	1 January 2006
2005-4	Amendments to Australian Accounting Standards	1 January 2006
2005-5	Amendments to Australian Accounting Standards	1 January 2006
2005-6	Amendments to Australian Accounting Standards	1 January 2006
2005-9	Amendments to Australian Accounting Standards	1 January 2006
2005-10	Amendments to Australian Accounting Standards	1 January 2007
2006-1	Amendments to Australian Accounting Standards	31 December 2006
UIG 4	Determining whether an Arrangement contains a lease	1 January 2006

The initial application of AASB 7 and AASB 2005-10 is not expected to have an impact on the financial results of the Company as the standard and amendment are concerned only with disclosures.

The initial application of AASB 101, AASB 119, AASB 2005-1, AASB 2005-3, AASB 2004-3, AASB 2005-4, AASB 2005-5, AASB 2005-6, AASB 2005-9, AASB 2006-1 and UIG 4 could have an impact on the financial results of the Company. However, the quantification of the impact is not known or reasonably estimable in the current financial year as the exercise to quantify the financial impact has not been undertaken by the Company to date.

The following standards and amendments have been issued and are available for early adoption at reporting date. However, they have not been early adopted as they are not applicable to the Company and have no impact on its results:

- AASB 2006-2 Amendments to Australian Accounting Standards (March 2006)
- UIG 5 Right to Interest arising from Decommissioning, Restorations and Environmental Rehabilitation Funds
- UIG 6 Liabilities arising from participating in a specific market – Waste Electrical and Electronic Equipment
- UIG 8 Scope of AASB2

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Notes to the financial statements
For the year ended 30 June 2006

1. Significant accounting policies (continued)

(c) Revenue recognition

Sponsorship, gift remittances, donations and grants

Income from sponsorship, gift remittance, donations and grants are recognised in the income statement as income when the Company gains control of the contribution or the right to receive the contribution. Unspent restricted donations and grants with conditions are shown as liabilities.

Sponsorship income received in advance

Amounts prepaid by sponsors are retained by the Company and recorded as a liability until the moneys are due to be remitted to respective overseas providers of services.

Sponsorship income due but not received

No asset has been recorded in the accounts for sponsorship income in arrears since there is no guarantee that the amounts will be received.

Rental income

Rental income from operating leases is recognised in the income statement on a straight line basis over the term of the lease.

Sale of non-current assets

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Other revenue

Other revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement when the services are provided.

(d) Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

(e) Financial income

Interest income is recognised in the income statement, using the effective interest method.

(f) Taxation

The Company is an exempt charitable body for income tax purposes within the provisions of section 50-5 of the Income Tax Assessment Act 1997.

The company has also been granted income tax exempt status from the Australian Taxation Office from 1 July 2000.

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Notes to the financial statements
For the year ended 30 June 2006

1. Significant accounting policies (continued)

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except, where the amount of GST incurred is not recoverable, from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

(h) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of foreign operations, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

(i) Trade and other receivables

Current accounting policy

Trade and other receivables are stated at their amortised cost less impairment losses (see below).

Comparative period policy

Trade and other receivables are carried at invoiced amounts. The collectibility of debts is assessed at reporting date and specific provision is made for any doubtful accounts. Bad debts are written off as incurred.

Notes to the financial statements
For the year ended 30 June 2006

1. Significant accounting policies (continued)

(j) Impairment

Current accounting policy

The carrying amount of the Company's assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless an asset has previously been re-valued, in which case the impairment loss is recognised as a reversal to the extent of the previous revaluation with any excess recognised through profit and loss.

The recoverable amount is the greater of fair value less costs to sell and value in use.

Calculation of recoverable amount

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed are impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed balancing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date.*

The recoverable amount of the Company's other assets is the greater of their net selling price 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. 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.

Reversals of impairment

An impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.*

* Refer to comparative period policy.

Comparative period policy – financial instruments impairment

The carrying amounts of non-current financial assets valued on the cost basis were reviewed to determine whether they are excess of their recoverable amount at reporting date. If the carrying amount of a non-current financial asset exceeded its recoverable amount the financial asset was written down to the lower amount. The write-down was expensed in the reporting period in which it occurred.

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Notes to the financial statements
For the year ended 30 June 2006

1. Significant accounting policies (continued)

(k) Property, plant and equipment

Owned assets

Items of plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

- | | |
|--|--------------|
| • Furniture, fittings and office equipment | 4 to 5 years |
| • Buildings | 40 years |

Project offices

Items of plant and equipment acquired specifically for use by the project offices is expensed immediately.

The residual value, the useful life and depreciation method applied to an asset are reassessed at least annually.

(l) Trade and other payables

Current accounting policy

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled within 60 days.

Comparative accounting policy

Trade and other payables are recognised for amounts to be paid in the future for goods or services received, whether or not billable to the Company.

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days and are stated at cost.

(m) Employee benefits

Wages, salaries, annual leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and non-monetary benefits that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs such as workers compensation insurance and payroll tax. Non-accumulation non monetary benefits are expensed based on the net marginal cost to the Company as the benefits are taken by the employees.

Notes to the financial statements
For the year ended 30 June 2006

1. Significant accounting policies (continued)

(m) Employee benefits (continued)

Long term service benefits

The Company's net obligation in respect of long term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Company's obligations.

Defined contributions superannuation funds

Obligations for superannuation contributions to defined contribution funds are recognised as an expense in the income statement as incurred.

(n) Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and is probable that an outflow of economic benefits will be required to settle the obligation.

(o) Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and call deposits.

(p) Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

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Notes to the financial statements
For the year ended 30 June 2006

	2006 \$	2005 \$
2. Revenue		
Other revenues		
Miscellaneous	2,523	1,671
Exchange gain / (loss)	19,357	(19,949)
Intercompany advertising grant US	410,897	662,078
	<u>432,777</u>	<u>643,800</u>
3. Other expenses		
Depreciation of:		
Furniture, fittings and office equipment	91,722	70,253
Buildings	29,551	29,551
	<u>121,273</u>	<u>99,804</u>
Net loss on disposal of property, plant and equipment:	<u>2,297</u>	<u>-</u>
Contributions to defined contribution funds	<u>152,892</u>	<u>137,773</u>
Operating lease expenses	<u>5,247</u>	<u>31,492</u>
4. Auditors remuneration		
Audit services:		
Auditors of the company		
<i>KPMG Australia:</i>		
- audit and review of financial reports	34,000	22,000
<i>Overseas KPMG firms:</i>		
- audit and review of financial reports	27,150	19,040
	<u>61,150</u>	<u>41,040</u>
Other services:		
Auditors of the company		
<i>Overseas KPMG firms:</i>		
- other services	12,130	13,210
	<u>12,130</u>	<u>13,210</u>

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Notes to the financial statements
For the year ended 30 June 2006

	2006	2005
	\$	\$
5. Cash and cash equivalents		
Cash at bank	3,962,282	3,421,696
Short term deposits	2,486,229	2,288,310
Cast at bank, project offices	1,017,558	927,770
Cash on hand	<u>8,755</u>	<u>7,812</u>
Cash and cash equivalents in the statement of cash flows	<u><u>7,474,824</u></u>	<u><u>6,645,588</u></u>

The weighted average interest rate on cash and cash equivalents at 30 June 2006 is 2.39% (2005: 3.48%). Cash and cash equivalents reprice in 12 months or less.

Short term deposits

The deposits are fixed term deposits maturing within one year of the period end. The fixed interest rate applicable at 30 June 2006 is 5.76% (2005: 5.52%).

6. Trade and other receivables

Current

Sundry debtors	245,894	401,588
Sundry debtors, project offices	174,325	125,988
Prepayments	<u>3,273</u>	<u>5,913</u>
	<u><u>423,492</u></u>	<u><u>533,489</u></u>

7. Property, plant and equipment

Buildings

Cost at 1 July	1,182,042	1,182,042
Accumulated depreciation of 1 July	(82,743)	(53,192)
Depreciation charge for the year	<u>(29,551)</u>	<u>(29,551)</u>
Carrying amount at 30 June	<u><u>1,069,748</u></u>	<u><u>1,099,299</u></u>

Furniture, fittings and office equipment

Cost at 1 July	452,702	254,098
Accumulated depreciation at 1 July	(225,400)	(155,146)
Additions	23,078	198,603
Disposals	(2,298)	-
Depreciation charge for the year	<u>(91,722)</u>	<u>(70,253)</u>
Carrying amount at 30 June	<u><u>156,360</u></u>	<u><u>227,302</u></u>

Total property, plant and equipment net book value	<u><u>1,226,108</u></u>	<u><u>1,326,601</u></u>
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Notes to the financial statements
For the year ended 30 June 2006

	2006	2005
	\$	\$
8. Trade and other payables		
Sundry creditors	1,704,339	1,680,605
Sundry creditors, project offices	469,629	402,586
Sponsorship received in advance	935,114	885,389
Restricted donation funds for program activity	840,522	1,068,305
Funds received to be expended on Australian support for program activity	72,839	6,047
Unremitted liabilities	126,760	159,070
Unremitted liabilities, project offices	721,804	651,172
		6
		5
		1,
		1
		7
		2
	<u>4,871,007</u>	<u>4,853,174</u>
9. Employee benefits		
<i>Current</i>		
Liability for annual leave	92,903	139,745
Liability for long service leave	13,218	26,295
	<u>106,121</u>	<u>166,040</u>
<i>Non-current</i>		
Liability for long service leave	<u>11,488</u>	<u>23,712</u>

10. Share capital

No share capital has been issued as the Company is limited by guarantee.

11. Members' liability

The maximum liability of each member in the event of a winding up is \$100 per member. At 30 June 2006 there are 3 members (2005: 3 members).

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Notes to the financial statements
For the year ended 30 June 2006

12. Operating leases

The Company leases equipment under operating leases expiring from one to four years. Leases of property generally provide the company with a right of renewal at which times all terms are renegotiated.

	2006	2005
	\$	\$
Leases as lessee		
Non- cancellable operating lease rentals are payable as follows:		
Less than one year	20,988	33,713
Between one and five years	78,705	76,741
	<u>99,693</u>	<u>110,454</u>

13. Capital and other commitments

Construction commitments – Vietnam project office	<u>-</u>	<u>48,134</u>
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14. Financial instruments

Exposure to credit, interest and currency risks arises in the normal course of the Company's business.

Credit risk

At balance date there were no significant concentrations of credit risk.

Interest rate risk

In respect of income earning financial assets and interest-bearing liabilities refer to the following notes which states the effective interest rates at the balance sheet date and the periods in which they reprice; cash and cash equivalents (Note 5).

Foreign currency risk

The Company is exposed to foreign currency risks on transactions that are denominated in a currency other than AUD. The currencies giving rise to this risk are primarily Papua New Guinean Kina and Vietnamese Dong.

Fair values

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables and employee benefits approximate fair value.

The major methods and assumptions used in estimating the fair values of financial instruments are as follows:

Trade and other receivables/payables

For receivables / payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables / payables are discounted to determine the fair value.

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For the year ended 30 June 2006

15. Related parties

Transactions with key management personnel

In addition to a salary, the Company also provides non-cash benefits to key management personnel, and contributes to a post-employment defined contribution superannuation fund on their behalf. No loans were made, guaranteed, or secured by the entity to key management personnel.

Key management personnel compensation

The key management personnel compensation included in 'employee expenses' in the income statement are as follows:

	2006	2005
	\$	\$
Short-term employee benefits	<u>794,779</u>	<u>507,328</u>

Other related party transactions

During the year ChildFund Australia paid Christian Children's Fund Inc an amount of \$431,048 (2005: \$418,462) for sponsorship administration fees. Christian Children's Fund Inc granted an amount of \$410,897 (2005: \$662,078) to ChildFund Australia to be used for sponsor acquisition.

During the year, sponsorship and gifts totalling \$13,394,550 (2005: \$12,663,281) were included in disbursements to Christian Children's Fund Inc (USA) who have the responsibility for allocating those funds to childcare programs.

Project offices

The results of project offices are amalgamated in this financial report.

i) Papua New Guinea

The Company operates a project office in Papua New Guinea to assist in the Company's principal activities. The project office is under the control of the Company and prepares separate financial statements which are independently audited by KPMG Papua New Guinea.

During the year, the Company remitted to the Papua New Guinea project office sponsorship, gifts and donations totalling \$456,083 (2005: \$426,500) and AusAID project amounts totalling \$203,767 (2005: \$282,876). At year-end, the deficiency in net assets of the Papua New Guinea project office are \$7,690 (2005 deficiency in net assets of \$55,385).

ii) Vietnam

The Company operates a project office in Vietnam to assist in the Company's principal activities. The project office is under the control of the Company and prepares separate financial statements which are independently audited by KPMG Vietnam.

During the year, the Company remitted to the Vietnam project office sponsorship and gifts totalling \$1,928,883 (2005: 1,087,384) and AusAID project amounts totalling \$180,000 (2005: \$195,113). At the end of year, the net assets of the Vietnam project office are \$270,798 (2005: \$154,437).

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Notes to the financial statements
For the year ended 30 June 2006

16. Notes to the statement of cash flows

	2006	2005
	\$	\$
Surplus of revenue over disbursements	673,056	298,282
Adjustments for:		
Depreciation	121,273	99,804
Interest income	(217,720)	(166,237)
Loss on sale of property, plant and equipment	2,298	-
	<u>673,056</u>	<u>298,282</u>
Operating profit before changes in working capital and provisions	578,907	231,849
(Increase)/decrease in trade and other receivables	109,997	(164,815)
Increase/(decrease) in trade and other payables	17,833	(404,893)
Increase/(decrease) in employee benefits	(72,143)	60,887
Cash generated from operations	634,594	(276,972)
Interest received	217,720	166,237
	<u>217,720</u>	<u>166,237</u>
Net cash from operating activities	852,314	(110,735)
	<u>852,314</u>	<u>(110,735)</u>

17. Geographical segments

The Company is a charitable organisation, operating predominantly in Australia, with project offices in Vietnam and Papua New Guinea.

18. Explanation of transition to AIFRS

As stated in significant accounting policies note 1 (a), these are the Company's first financial statements prepared in accordance with AIFRS.

The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005 and in the preparation of an opening AIFRS balance sheet at 1 July 2004 (the Company's date of transition).

In preparing its opening AIFRS balance sheet, the Company adjusted amounts reported previously in the financial statements in accordance with its old basis of accounting (previous AGAAP). An explanation of how the transition from previous GAAP to AIFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

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Notes to the financial statements
For the year ended 30 June 2006

18. Explanation of transition to AIFRS (continued)

	1 July 2004	30 June 2005
	\$	\$
Reconciliation of equity		
Total equity under previous GAAP	2,784,672	2,953,821
Effect of transition to AIFRS		
Donation revenue	a <u>379,798</u>	<u>508,931</u>
Total equity under AIFRS	<u>3,164,470</u>	<u>3,462,752</u>
	30 June	
	2005	
	\$	
Reconciliation of surplus for 2005		
Total surplus under previous GAAP	169,149	
Effect of transition to AIFRS		
Donation revenue	a <u>129,133</u>	
Total surplus under AIFRS	<u>298,282</u>	

(a) Donation revenue recognition

Revenues have been received by way of donations which have a broad restriction on the use of those funds. Under previous GAAP, donation revenue was recognised when received or receivable and all obligations had been met in relation to the donation revenue.

In accordance with AIFRSs, donation revenue identified as ‘unrestricted’ should be recognised when it is probable that future economic benefits will flow to the Company and these benefits can be measured reliably.

The effect in the Company is to decrease “trade and other payables” by \$379,798 at 1 July 2004 and by \$129,133 at 30 June 2005 and to increase retained earnings by \$379,798 at the transition date of 1 July 2004 and increase donation revenue by \$129,133 for the year ended 30 June 2005.

There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous AGAAP.

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19. Additional information and declarations to be furnished under the Charitable Fundraising Act 1991

Fundraising appeals conducted during the financial year

- ongoing sponsorship of children, gifts for children and donations.

Statement showing how funds received were applied to charitable purposes

	2006	2005
	\$	\$
During the year ChildFund Australia received gross income from the above activities totalling:	<u>21,141,345</u>	<u>19,123,350</u>
This was applied to charitable purposes in the following manner:		
<i>Sponsorship, gifts and donations remitted to:</i>		
Christian Children's Fund Inc. (USA)	13,394,550	12,663,281
Bornefonden (Denmark)	6,491	6,880
ChildFund Australia's Papua New Guinea program	456,083	426,500
ChildFund Australia's Vietnam program	1,928,883	1,087,384
ChildFund Australia's other country program	538,489	444,984
During the year 80% of sponsorship contributions were sent overseas and benefited needy children and their families through the effective planning, delivery and management of programme services. 100% of gifts were remitted for the children.		
Development assistance activities (forwarded overseas, and Australian support for program activities)	390,330	149,822
Administration and fundraising expenditure	<u>4,380,485</u>	<u>4,827,790</u>
	<u>21,095,311</u>	<u>19,606,141</u>
Surplus/(deficit)	<u>22,559</u>	<u>(482,791)</u>
The surplus/(deficit) is comprised as follows:		
Operating surplus/(deficit)	673,056	298,282
Less interest received	(217,720)	(166,237)
Less rent received	-	(1,070)
Less other income	<u>(432,777)</u>	<u>(613,766)</u>
	<u>22,559</u>	<u>(482,791)</u>
Comparisons by monetary figures and percentages		
Total cost of fundraising/gross income from fundraising	9.3%	14.0%
Net surplus from fundraising/gross income from fundraising	90.7%	86.0%
Total costs of services/total expenditure	82.2%	79.8%
Total costs of services/total income received	82.1%	84.2%

No single appeal or other form of fundraising for a designated purpose generated 10% or more of total income for the period under review.

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Directors' declaration

In the opinion of the directors of ChildFund Australia ("the Company"):

- (a) the financial statements and notes, set out on pages 5 to 24 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2006 and of its performance, as represented by the results of its operations and cash flows, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

F J Singleton
Chair

Dated at Sydney this day of September 2006.

Independent Audit Report to the Members of ChildFund Australia

Pursuant to the Corporations Act 2001 and Charitable Fundraising (NSW) Act 1991 and Regulations

Scope

We have audited the financial report of ChildFund Australia for the financial year ended 30 June 2006, consisting of the income statement, statement of changes in equity, balance sheet, statement of cash flows, accompanying notes and the directors' declaration set out on pages 5 to 25. The Company's directors are responsible for the financial report. The directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standards AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards". We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report pursuant to the Corporations Act 2001 has been formed on the above basis.

Additional scope pursuant to the Charitable Fundraising (NSW) Act 1991 and Umbrella Contract between the Commonwealth of Australia and ChildFund Australia

In addition, our audit report has also been prepared for the members of the Company in accordance with Section 24(2) of the Charitable Fundraising (NSW) Act 1991 and the requirements set out in clause 9-1 of the Umbrella Contract between the Commonwealth of Australia and the Company ("the Umbrella Contract"). Accordingly we have performed additional work beyond that which is performed in our capacity as auditors pursuant to the Corporations Act 2001. These additional procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the Charitable Fundraising (NSW) Act 1991 and Regulations, and the examination requirement of the contract of three activities funded under the Umbrella Contract.

It should be noted that the accounting records and data relied upon for reporting on fundraising appeal activities are not continuously audited and do not necessarily reflect after the event accounting adjustments and the normal year end financial adjustments for such matters as accruals, prepayments, provisioning and valuations necessary for year end financial report preparation.

The performance of our statutory audit included a review of internal controls for the purpose of determining the appropriate audit procedures to enable an opinion to be expressed on the financial report. This review is not a comprehensive review of all those systems or of the system taken as a whole and is not designed to uncover all weaknesses in those systems.

The audit opinion expressed in this report pursuant to the Charitable Fundraising (NSW) Act has been formed on the above basis.

Independent Audit Report to the Members of ChildFund Australia

Audit opinion pursuant to the Corporations Act 2001

In our opinion the financial report of ChildFund Australia is in accordance with:

- (a) 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 Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia; and
- (c) the Financial Reporting Format set out in the Australian Council for International Development ("ACFID") for Non Government Development Organisations.

Audit opinion pursuant to the Charitable Fundraising (NSW) Act 1991

In our opinion:

- (a) the financial report gives a true and fair view of the financial result of fundraising appeal activities for the financial year ended 30 June 2006;
- (b) the financial report has been properly drawn up, and the associated records have been properly kept for the period from 1 July 2005 to 30 June 2006, in accordance with the Charitable Fundraising (NSW) Act 1991 and Regulations;
- (c) money received as a result of fundraising appeal activities conducted during the period from 1 July 2005 to 30 June 2006 has been properly accounted for and applied in accordance with the Charitable Fundraising Act 1991 (NSW) and Regulations; and
- (d) there are reasonable grounds to believe that ChildFund Australia will be able to pay its debts as and when they fall due.

KPMG

Brett Mitchell
Partner
Sydney,

2006

DECLARATION BY CHAIRPERSON IN RESPECT OF FUNDRAISING APPEALS

Declared Opinion

I, F J Singleton, Chair of the ChildFund Australia, declare in my opinion:

- (a) the accounts give a true and fair view of all income and expenditure of ChildFund Australia with respect to fundraising appeals for the financial year ended 30 June 2006;
- (b) the statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeals as at 30 June 2006;
- (c) the provisions of the Charitable Fundraising Act (NSW) 1991 and Regulations and the conditions attached to the authority have been complied with for the year ending 30 June 2006; and
- (d) the internal controls exercised by the ChildFund Australia are appropriate and effective in accounting for all income received.

Dated at Sydney this day of 2006.

F J Singleton

Chair