ChildFund
Australia

Annual Financial Report

Year Ended 30 June 2009

Contents

ChildFund Australia
(A company limited by guarantee)
ABN 79 002 885 761

Director's report

The directors present their report together with the financial report of ChildFund Australia ("the Company") for the year ended 30 June 2009 and the auditors' report thereon.

Directors

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

Michael Rose (Chair)
Michael Rose is managing partner at leading international law firm Allens Arthur Robinson. He has experience as a commercial lawyer in Australia, the United States and in several Asian countries. Michael joined the Board in 2005, elected Chair in 2006 and is a member of the Organisational Governance & Board Nominations Committee.

Wendy Rose AM (Deputy Chair)
Wendy Rose is a member of the Australian Council for International Development (ACFID) Executive Committee and the recipient of the 2007 ACFID Contribution to the Sector Award for exceptional commitment to improving the quality of Australia's overseas aid sector. She is an active volunteer in development organisations and former CEO of Save the Children Australia and YWCA Australia. Wendy joined the Board in 2003, was elected Deputy Chair in 2006 and is a member of the Organisational Governance & Board Nominations Committee and the Program Review Committee.

Robert William Hogg
Robert William Hogg is a Senior Consultant at Frontier Investment Consulting. He has had articles published in The Australian Banker, and was co-winner of the Securities Institute of Australia Award for Best Lecturer in 2000. Robert joined the Board in 2004 and is a member of the Fundraising Committee and the Audit & Risk Committee.

Joanne Thomson
Jo Thomson is an international development consultant and expert, who has been responsible for managing programs in indigenous Australian communities, as well as a number of programs in developing countries in Africa and Asia. Most recently, Jo was International Program Manager with the Fred Hollows Foundation. Jo joined the Board in 2007 and is a member of the Program Review Committee.

Dr Angeline Low
Angeline holds the Chancellor's Post Doctoral Research Fellow position at The University of Technology, Sydney and conducts research into entrepreneurship, ethnicity and gender. Angeline is currently a board member of Family Planning NSW. Angeline joined the Board in 2006 and is a member of the Organisational Governance & Board Nominations Committee and the Fundraising Committee.

David Pigott
David Pigott is a general manager at Mission Australia, responsible for developing corporate partnerships. He is a former consultant with PricewaterhouseCoopers Legal and has been an adviser to the Minister for Foreign Affairs and Private Secretary to the Premier of NSW. David joined the Board in 2006 and is a member of the Audit and Risk Committee and the Program Review Committee.

Marcus Laithwaite
Marcus Laithwaite is a partner at PricewaterhouseCoopers Sydney, and is a specialist in the financial services industry. He has extensive experience in external and internal audits, risk management, due dilligence and regulatory advice. Marcus joined the Board in 2007 and is a member of the Audit and Risk Committee and the Fundraising Committee.

James Sheffield
James Sheffield is the general manager of Home Loans at the Commonwealth Bank of Australia. He is a regular columnist in B&T News, and has previously been involved in fundraising for the Prince of Wales oncology ward. James joined the Board is 2004 and is a member of the Organisational Governance & Board Nominations Committee and the Fundraising Committee.

Directors' report

Desmond Semple
Des Semple is chair of the New South Wales Review of Community Legal Centres reporting to the Federal and NSW Attorneys General. His experience includes undertaking major structural and organisational changes, across and within Government agencies. Des joined the Board in 2007 and is a member of the Program Review Committee.

Dr Stephen Moss
Stephen Moss is a professional mediator with a background in law, psychology and business and is currently Group Managing Director of WDScott, an international management consulting business with offices in London, New York and Sydney. Stephen is currently Chairman of an ANZ Capital investee company and is a founding and current director of Pathways Foundation, a harm prevention charity promoting contemporary rites of passage for boys and young men. Stephen joined the Board in 2008 and is a member of the Governance Committee and the Program Review Committee.

Company Secretary
Bandula Gonsalkorale was appointed on 20 December 2007.

Directors' meetings

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

	Board Meetings		Audit & Risk Committee		Program Review Committee		Fundraising Committee		Organisational Governance & Board Nominations	
	A	B	A	B	A	B	A	B	A	B
Mr Michael Rose (Chair)	6	5	-	-	-	-	-	-	2	2
Ms Wendy Rose	6	6	-	-	6	6	-	-	2	1
Mr James Sheffield	6	5	-	-	-	-	3	2	2	2
Mr Robert Hogg	6	5	6	5	-	-	3	3	-	-
Dr Angeline Low	6	5	-	-	-	-	3	3	2	2
Mr David Pigott	6	6	6	6	4	4	1	1	-	-
Mr Desmond Semple	6	5	-	-	6	4	-	-	-	-
Mr Marcus Laithwaite	6	4	6	6	-	-	2	1	-	-
Ms Joanne Thomson	6	6	-	-	6	6	-	-	-	-
Dr Stephen Moss	5	4	-	-	1	1	-	-	2	-

Column A – Indicates the number of meetings the Director was eligible to attend. Column B – Indicates the number of meetings attended

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

Principal activities

The principal activity of the Company during the financial year was international development aid delivered by working in partnership with children and their communities to create lasting and meaningful change by supporting long-term community development and promotion of children's rights.

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

Review and results of operations

The excess of disbursements over revenue amounted to $213,974 (2008: $693,736)

The deficit was due to a $531,939 charge for impairment losses on investments. The Company achieved an operating surplus before impairment losses of $317,965 (2008: deficit of $693,736). Despite the deficit, the equity of the Company increased to $2,732,140 (2008: 2,648,308) since part of the impairment loss had been taken up in equity last year.

Directors' report

Dividends

The Company's constitution does not permit dividends to be paid.

Environmental regulation

The Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of environmental requirements as they apply to the Company.

Significant changes in the 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.

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 maintained an Association Liability insurance policy which included cover in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers. The insurance policy relates 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 Association Liability insurance policy does not disclose separately the premium for the above insurance in respect of individual officers of the Company or in aggregate for all directors and officers. The premium paid for the Association Liability insurance policy was $10,850 (2008: D&O policy premium $5,374)

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ChildFund Australia

Directors' report

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 ended 30 June 2009.

Signed in accordance with a resolution of the directors:

Michael Rose
Director

M. Laithwaite

Marcus Laithwaite
Director

Dated at Sydney this 25th day of September 2009

KPMG

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 2009 there has been:

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

KPMG.

KPMG

Brett Mitchell
Partner

Sydney

25 September 2009

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ChildFund Australia

Income statement
Year ended 30 June 2009

	Note	2009 $	2008 $
Revenue			
Donations			
Child sponsorship donations		24,900,313	22,937,308
Other donations		4,612,918	3,617,299
		29,513,231	26,554,607
Legacies and bequests		154,440	160,182
Grants			
AusAID grants		3,603,486	3,403,673
Overseas grants		2,652,844	1,590,865
		6,256,330	4,994,538
Finance income	7	228,208	199,255
Other income	8	447,912	471,452
Total revenue		**36,600,121**	**32,380,034**
Disbursements			
Overseas projects			
Funds to overseas projects		27,524,491	24,238,342
Other project costs		735,541	747,629
		28,260,032	24,985,971
Community education		222,032	315,383
Fundraising costs			
Public		5,464,663	5,048,676
Government, multilateral and private		80,190	83,816
Administration	9	2,255,239	2,639,924
Total expenses		**36,282,156**	**33,073,770**
Surplus/(deficit) from operating activities		**317,965**	**(693,736)**
Impairment of investments	13	(531,939)	-
Deficit for the year		**(213,974)**	**(693,736)**

During the year, the Company had no transactions for Other Australian Grants and Domestic Projects.

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 10 to 26.

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ChildFund Australia

Balance sheet
As at 30 June 2009

	Note	2009 $	2008 $
Assets			
Cash and cash equivalents	11	4,932,134	3,478,274
Trade and other receivables	12	412,509	381,814
Total current assets		5,344,643	3,860,088
Investments	13	1,352,105	1,586,237
Property, plant and equipment	14	1,045,762	1,126,879
Total non-current assets		2,397,867	2,713,116
Total assets		7,742,510	6,573,204
Liabilities			
Trade and other payables	15	4,803,542	3,703,942
Loans and borrowings	16	4,274	4,356
Employee benefits	17	156,057	190,353
Total current liabilities		4,963,873	3,898,651
Loans and borrowings	16	7,315	11,508
Employee benefits	17	39,182	14,737
Total non-current liabilities		46,497	26,245
Total liabilities		5,010,370	3,924,896
Net assets		2,732,140	2,648,308
Equity			
Unrestricted reserves			
Retained surplus		1,560,337	2,016,433
Fair value reserve		5,163	(292,643)
		1,565,500	1,723,790
Restricted reserves		1,166,640	924,518
Total equity		2,732,140	2,648,308

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 10 to 26.

Statement of changes in equity

Year ended 30 June 2009

	Retained surplus $	Fair value reserve $	Restricted reserve $	Total equity $
Balance as at 1 July 2007	2,933,749	5,514	700,938	3,640,201
Deficit for the period	(693,736)	-	-	(693,736)
Change in fair value of investments	-	(298,157)	-	(298,157)
Transfers to restricted funds	(977,771)	-	977,771	-
Transfers from restricted funds	754,191	-	(754,191)	-
Balance as at 30 June 2008	2,016,433	(292,643)	924,518	2,648,308
Balance as at 1 July 2008	2,016,433	(292,643)	924,518	2,648,308
Deficit for the period	(213,974)	-	-	(213,974)
Change in fair value of investments	-	297,806		297,806
Transfers to restricted funds	(1,972,628)	-	1,972,628	-
Transfers from restricted funds	1,730,506	-	(1,730,506)	-
Balance as at 30 June 2009	1,560,337	5,163	1,166,640	2,732,140

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 26.

Statement of cash flows
For the year ended 30 June 2009

	Note	2009 $	2008 $
Cash flows from operating activities			
Cash receipts in the course of operations		36,701,567	32,783,303
Cash payments in the course of operations		(35,457,233)	(33,920,428)
Net cash from operating activities	23	1,244,334	(1,137,125)
Cash flows from investing activities			
Acquisition of available-for-sale financial assets		-	(873,880)
Acquisition of property, plant & equipment		(14,406)	(1,863)
Investment income		128,852	90,006
Interest received		99,355	109,249
Net cash used in investing activities		213,801	(676,488)
Cash flows from financing activities			
Payment of finance lease liabilities		(4,275)	(4,274)
Net cash used in financing activities		(4,275)	(4,274)
Net increase/(decrease) in cash and cash equivalents		1,453,860	(1,817,887)
Cash and cash equivalents at 1 July		3,478,274	5,296,161
Cash and cash equivalents at 30 June	11	4,932,134	3,478,274

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 10 to 26.

1. Reporting entity

ChildFund Australia (the "Company") is a public company limited by guarantee. It is an income tax exempt charitable organisation domiciled in Australia and the registered office is at Level 8, 162 Goulburn Street, Surry Hills NSW 2010. The mission of the Company is to work in partnership with children and their communities to create lasting and meaningful change by supporting long-term community development and promoting children's rights.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), the Corporations Act 2001 and the ACFID Code of Conduct Guidance. The financial report of the Company complies with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on 30 September 2009.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for available-for-sale financial assets which are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(e) National offices

The Company has three branch offices as at 30 June 2009 being Papua New Guinea, Vietnam and Cambodia. For the purposes of these financial statements the balance sheets of the national offices have been aggregated into the Company's balance sheet. The national offices are fully funded by the Company and as such the income statement is not aggregated as such results are already reflected in the Company's operations.

Notes to the financial statements
Year ended 30 June 2009

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Company is a signatory to the Australian Council for International Development (ACFID) Code of Conduct and the Company has presented its income statement in accordance with the Code of Conduct Guidance.

(a) Revenue recognition

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 also applied when recognising revenue:

Child sponsorship, gift remittances and donations
Revenue from sponsorship, gift remittances, 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. Amounts prepaid by sponsors are retained by the Company and recorded as a liability until the monies are due to be remitted to respective overseas providers of services. Unspent restricted donations are shown as restricted reserves.

Grants
Grants from Government and overseas non-government organisations are recognised as revenue as they are expended on programs to which they relate. Unexpended grants are recognised as liabilities to reflect the obligation to repay any unspent portion at the completion of the program.

Sale of property, plant and equipment
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.

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

(b) 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.

(c) Taxation

No income tax is payable as the Company is exempt under Australian taxation legislation.

(d) Comparatives

Where required by accounting standards or where items have been reclassified, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

3. Significant accounting policies (continued)

(e) 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.

(f) 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 retranslated to Australian dollars at the foreign exchange rate at that date. Foreign exchange differences arising on retranslation are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost 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 reporting date.

(g) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses, see note 3(h).

3. Significant accounting policies (continued)

(h) Impairment

The carrying amount of the Company's assets is 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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. The reversal is recognised in profit or loss except for available for sale financial assets that are equity securities where the reversal is recognised directly in equity.

(i) Property, plant and equipment

Owned assets
Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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 cost of replacing an item of property, plant and equipment is recognised in the carrying amount of the item 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 profit or loss as incurred.

Depreciation
Depreciation is recognised in profit or loss 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 were 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 are expensed immediately.

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

3. Significant accounting policies (continued)

(j) Investments – Available-for-sale financial assets

The Company's investment in equity securities and managed funds are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is recognised in the income statement.

(k) Trade and other payables

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

(l) 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.

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.

Superannuation

Contributions made by the Company to employee superannuation funds are charged as expenses when incurred. The Company has no legal obligation to cover any shortfall in the fund's obligation to provide benefits to the employee upon retirement.

(m) 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.

(n) Cash and cash equivalents

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

3. Significant accounting policies (continued)

(o) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Company in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report:

- Revised AASB 101 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the 30 June 2010 financial statements, is expected to have a significant impact on the presentation of the financial statements. The Company plans to provide total comprehensive income in a single statement of comprehensive income for its 2010 financial statements.

- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Process and 2008-6 Further Amendments to Australian Accounting Standards arising from The Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Company's 30 June 2010 financial statements, are not expected to have any impact on the financial statements.

4. Determination of fair value

Investments in equity and debt securities
The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

5. Financial risk management

(a) Overview

The Company has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, their objectives, policies, and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board of Directors on its activities.

5. Financial risk management (continued)

(a) Overview (continued)

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit Risk

Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from investment securities.

Investments
The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a credit rating of at least "A". Given this high credit rating, management does not expect any counterparty to fail to meet its obligations.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as and when they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors cash flow requirements and optimises its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of at least 60 days, excluding potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

(d) Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

Currency risk
The company is exposed to currency risk on program expenses that are denominated in a currency other than the Australian Dollar (AUD). However, the currency risk for 90% of such expenses is borne by the overseas party. The currency risk in project offices in Vietnam, Papua New Guinea and Cambodia are managed by holding funds in the functional currency of the country.

Interest rate risk
The Company is exposed to interest rate risk on the available-for-sale financial assets. These assets consist of managed funds and fixed interest securities and interest rate risk is managed by fund managers. The company does not borrow or lend directly, except for the financial leases.

Other market price risk
Equity price risk arises from available-for-sale equity securities. The investment portfolio of the Company is managed by an external fund manager and funds are invested in accordance with the investment mandate approved by the Board of Directors. The investment portfolio is reviewed by the Audit and Risk Committee.

Notes to the financial statements
Year ended 30 June 2009

	2009 $	2008 $
6. Personnel expenses		
Salaries and wages	2,049,527	2,143,849
Other associated personnel expenses	28,611	26,550
Contributions to defined contribution superannuation funds	182,564	199,323
(Decrease)/increase in liability for leave	(9,851)	36,390
	2,250,851	2,406,112
7. Finance income and expense		
Income from available-for-sale financial assets	128,852	90,006
Interest on bank deposits	99,356	109,249
Finance income	228,208	199,255
Net foreign exchange loss	68,061	4,815
Finance expense	68,061	4,815
Net finance income and expense	160,147	194,440
8. Other income		
Fundraising grant – ChildFund International	415,259	451,907
Other	32,653	19,545
	447,912	471,452
9. Administration expenses		
Administration staff salaries and other associated personnel expenses	1,012,682	1,177,052
Depreciation	95,523	104,109
Finance expense (note 7)	68,061	4,815
Other administration expenses	1,078,973	1,353,948
	2,255,239	2,639,924
10. Auditors remuneration		
Audit services:		
Auditors of the Company		
KPMG Australia:		
- audit and review of financial reports	33,667	31,675
Overseas KPMG firms:		
- audit and review of financial reports	27,864	24,408
	61,531	56,083
Other services:		
Auditors of the Company		
Overseas KPMG firms:		
- other services	15,349	12,062
	15,349	12,062

11. Cash and cash equivalents

	2009 $	2008 $
Cash at bank	835,587	2,951,900
Short term deposits	3,140,554	205,427
Cash at bank, project offices	955,993	320,947
Cash and cash equivalents in statement of cash flows	4,932,134	3,478,274

The Company's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 21.

The weighted average interest rate on cash at bank at 30 June 2009 is 2.3% (2008: 3.6%). Cash and cash equivalents re-price 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 2009 is 3.8% (2008: 7.2%).

12. Trade and other receivables

	2009 $	2008 $
Sundry debtors	289,552	272,023
Prepayments	122,957	109,791
	412,509	381,814

13. Investments

	2009 $	2008 $
Available-for-sale financial assets, at fair value	1,352,105	1,586,237

An unrealised loss of $531,939 (2008: nil) being the difference between the fair value at balance date and cost, was taken up in the income statement as an impairment loss during the year. The $298,157 loss taken up in the fair value reserve in prior years was reversed.

The Company's exposure to credit, currency and interest rate risks relating to investments is disclosed in note 21.

ChildFund Australia

Notes to the financial statements
Year ended 30 June 2009

14. Property, plant and equipment

	Buildings	Furniture, fittings and office equipment	Total
	$	$	$
Cost			
Balance at 1 July 2007	1,182,042	540,298	1,722,340
Acquisitions	-	1,864	1,864
Balance at 30 June 2008	1,182,042	542,162	1,724,204
Balance at 1 July 2008	1,182,042	542,162	1,724,204
Acquisitions	-	14,406	14,406
Disposals	-	(131,669)	(131,669)
Balance at 30 June 2009	1,182,042	424,899	1,606,941
Depreciation and impairment			
Balance at 1 July 2007	141,845	351,372	493,217
Depreciation charge for the year	29,551	74,557	104,108
Balance at 30 June 2008	171,396	425,929	597,325
Balance at 1 July 2008	171,396	425,929	597,325
Depreciation charge for the year	29,857	65,666	95,523
Disposals	-	(131,669)	(131,669)
Balance at 30 June 2009	201,253	359,926	561,179
Carrying amounts			
At 1 July 2007	1,040,197	188,926	1,229,123
At 30 June 2008	1,010,646	116,233	1,126,879
At 1 July 2008	1,010,646	116,233	1,126,879
At 30 June 2009	980,789	64,973	1,045,762

15. Trade and other payables

	2009	2008
	$	$
Trade payables	2,759,335	2,381,231
Unremitted funds	622,555	175,790
Sponsorship funds received in advance	1,277,147	989,891
Unspent government grants	125,094	137,619
Other unspent grant funds	19,411	19,411
	4,803,542	3,703,942

Interest accrues (at bank deposit rate) on unspent government grants. All such interest is added to the grant amount where allowable and is used to fund programs.

16. Loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2009 $	2008 $
Current liabilities		
Finance lease liabilities	4,274	4,356
Non-current liabilities		
Finance lease liabilities	7,315	11,508

The finance lease liability is denominated in Australian dollars. The year of maturity is 2012. The face value of the liability at 30 June 2009 is $14,768 (2008: $20,044). The present value of the liability is $11,589 (2008: $15,864).

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2009	Interest 2009	Present value of minimum lease payments 2009	Future minimum lease payments 2008	Interest 2008	Present value of minimum lease payments 2008
Less than one year	5,466	1,192	4,274	5,467	1,111	4,356
Between one and five years	9,302	1,987	7,315	14,577	3,069	11,508
	14,768	**3,179**	**11,589**	**20,044**	**4,180**	**15,864**

17. Employee benefits

	2009 $	2008 $
Current liabilities		
Liability for annual leave	116,607	159,173
Liability for long service leave	39,450	31,180
	156,057	190,353
Non-current liabilities		
Liability for long service leave	39,182	14,737

18. Share capital and reserves

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

Restricted reserves
Restricted reserves are tied to particular purposes specified by donors or as identified at the time of a public appeal; but with no obligation to return unspent funds to donors. They are not available for use in other ChildFund Australia work.

Unrestricted reserves
Unrestricted reserves are not restricted or designated for use in particular programs or some other defined or designated purpose. These funds are available to be allocated according to the discretion of the directors.

Fair value reserve
The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired.

19. Members' liability

The maximum liability of each member in the event of a winding up is $100 per member. At 30 June 2009 there were 10 members (2008: 10 members).

20. 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.

	2009 $	2008 $
Non- cancellable operating lease rentals are payable as follows:		
Less than one year	34,516	34,516
Between one and five years	53,544	89,076
	88,060	123,592

Notes to the financial statements
Year ended 30 June 2009

21. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

	2009 $	2008 $
Available-for-sale financial assets	1,352,105	1,586,237
Trade and other receivables	289,552	272,023
Cash and cash equivalents	4,932,134	3,478,274
	6,573,791	5,336,534

The company's maximum exposure to credit risk for trade receivables at the reporting date by geographical region was:

	2009 $	2008 $
Australia	224,847	192,015
Asia	64,705	80,008
	289,552	272,023

As the company is not engaged in any trading activities, the company does not have customers. Receivables are usually GST refundable from the ATO, AusAID and other overseas grants approved but not yet received. Of the carrying amount as at 30 June 2009, GST refundable accounted for $123,103 (2008: $100,345).

Impairment losses

The Company is not engaged in trading and receivables are recognised only when the other party has approved the payment and advised the Company. Based on historic default rates, the Company believes that no impairment allowance is necessary in respect of receivables.

Liquidity risk

The Company has no borrowings other than a finance lease liability. The following are the contractual maturities of financial liabilities:

30 June 2009	Carrying amount	< 6 months	6-12 months	1-2 years	2-5 years
Trade payables	3,381,890	3,381,890			
Unspent grants	144,505	144,505			
Finance lease liability	11,589	2,137	2,137	4,274	3,041
Total	3,537,984	3,528,532	2,137	4,274	3,041

30 June 2008	Carrying amount	< 6 months	6-12 months	1-2 years	2-5 years
Trade payables	2,557,021	2,557,021			
Unspent grants	157,030	157,030			
Finance lease liability	15,864	2,178	2,178	4,356	7,152
Total	2,729,915	2,716,229	2,178	4,356	7,152

The contractual cash flow of the financial liabilities is equal to the carrying amount.

21. Financial instruments (continued)

Currency risk

Exposure to currency risk

The Company's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	USD	VND	PGK
30 June 2009			
Trade receivables	2,750	-	127,498
Trade payables	(61,937)	(7,138,451)	(265,323)
Gross balance sheet exposure	(59,187)	(7,138,451)	(137,825)
30 June 2008			
Trade receivables	5,202	-	190,668
Trade payables	(18,384)	(5,271,785)	(200,898)
Gross balance sheet exposure	(13,182)	(5,271,785)	(10,230)

The reporting date spot rates applied were:

AUD exchange rates	2009	2008
USD 1	1.2392	1.0600
VND 10,000	0.6917	0.6058
PGK 1	0.4808	0.3907

Interest rate risk

Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2009	2008
	$	$
Fixed rate instruments		
Financial assets	900,546	999,599
Financial liabilities	11,589	15,864
Variable rate instruments		
Financial assets	4,756,403	3,272,847

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would change the company's equity and deficit by $42,376 (2008: $55,643). This analysis is based on the average interest rate earned on interest bearing funds and has been performed on the same basis as in 2008.

Notes to the financial statements
Year ended 30 June 2009

22. 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 the income statement are as follows:

	2009 $	2008 $
Short-term employee benefits	1,221,448	1,007,613

Key management employees are not entitled to post-employment, long-term benefits, termination or share-based payments.

Other related party transactions

During the year ChildFund Australia paid ChildFund International (formerly Christian Children's Fund Inc) an amount of $10,339 (2008: $513,220) for sponsorship administration fees. ChildFund International granted an amount of $415,259 (2008: $451,907) to ChildFund Australia to be used for sponsor acquisition.

During the year, sponsorship and gifts totalling $21,357,459 (2008: $17,566,625) were included in disbursements to ChildFund Alliance members who have the responsibility for allocating those funds to childcare programs throughout the world. During the year ChildFund Australia received $2,652,844 (2008: $1,590,865) from ChildFund Alliance members for programs in ChildFund Australia project offices.

National offices
The results of project offices are aggregated 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 $866,205 (2008: $421,612) and AusAID project amounts totalling $238,227 (2008: $161,219). At year-end, the deficiency in net assets of the Papua New Guinea project office was $834 (2008 deficiency in net assets of $6,860).

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, gifts and donations totalling $3,068,967 (2008: $2,261,571) and AusAID project amounts totalling $523,797 (2008: $470,000). At the end of year, the net assets of the Vietnam project office were $268,574 (2008: $145,577).

22. Related parties

iii) Cambodia

The Company operates a project office in Cambodia 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 Cambodia.

During the year, the Company remitted to the Cambodia project office sponsorship and donations totalling $1,094,852 (2008: $454,669) and AusAID funds totalling $150,592 (2008: Nil). At the end of year, the net assets of the Cambodia project office were $270,439 (2008: $71,860).

23. Notes to the statement of cash flows

	2009 $	2008 $
Deficit for the year	(213,974)	(693,736)
Adjustments for:		
Impairment of investments	531,939	-
Depreciation	95,523	104,108
Investment income	(128,852)	(90,006)
Interest income	(99,356)	(109,249)
Operating profit before changes in working capital and provisions	185,280	(788,883)
(Increase)/decrease in trade and other receivables	(30,695)	262,156
Increase/(decrease) in trade and other payables	1,099,600	(646,787)
(Decrease)/increase in employee benefits	(9,851)	36,389
Net cash generated from operating activities	1,244,334	(1,137,125)

24. Table of cash movements for designated purposes

	Cash available 1 July 2008	Cash raised during the year	Cash disbursed during year	Cash available 30 June 2009
Total for all other purposes	3,478,274	36,929,774	(35,475,914)	4,932,134
Total	3,478,274	36,929,774	(35,475,914)	4,932,134

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

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

Public fundraising appeals conducted during the financial year

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

Statements showing how funds received were applied to charitable purposes

	2009 $	2008 $
Gross revenue from public activities	29,667,671	26,714,789
Less: Public fundraising costs	(5,464,663)	(4,803,008)
Net public funds	24,203,008	21,911,781
Gross Government, overseas, multilateral & corporate grants	6,256,330	4,994,538
Less: Government, multilateral & corporate fundraising costs	(80,190)	(83,816)
Net Government, overseas, multilateral & corporate funds	6,176,140	4,910,722
Other revenue	676,120	670,707
Net funds raised	31,055,268	27,493,210
Overseas project disbursements	27,524,491	24,238,342
Unspent donations transferred to restricted reserves	242,122	223,580
Program support costs	735,541	747,629
Community education costs	222,032	315,383
Total funds disbursed towards the objectives of the Company	28,724,186	25,524,934
Administration expenses	2,255,239	2,885,592
Operating surplus/(Deficit) after movements in restricted reserves	75,843	(917,316)

Percentages

	2009	2008
Total cost of fundraising/gross income from fundraising	18%	18%
Net surplus from fundraising/gross income from fundraising	82%	82%
Funds disbursed towards objectives/total expenditure	79%	77%
Funds disbursed towards objectives/total revenue received	79%	79%

Directors' declaration

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

(a) the financial statements and notes, set out on pages 6 to 26 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 2009 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 (including Australian Accounting Interpretations) 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.

Michael Rose
Director

M.Laithwaite

Marcus Laithwaite
Director

Dated at Sydney this 25th day of September 2009.

Declaration by Chief Executive Officer in respect of fundraising appeals

I, Nigel Spence, Chief Executive Officer of ChildFund Australia, declare that 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 2009;

(b) the balance sheet gives a true and fair view of the state of affairs with respect to fundraising appeals as at 30 June 2009;

(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 2009; and

(d) the internal controls exercised by the ChildFund Australia are appropriate and effective in accounting for all income received.

Nigel Spence
Chief Executive Officer

Dated at Sydney this 25th day of September 2009.

Independent auditor's report to the members of ChildFund Australia

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

Report on the financial report

We have audited the accompanying financial report of ChildFund Australia, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 4 to 25 and the directors' declaration set out on pages 6 to 27.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's financial position and of its performance.

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

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

Independent auditor's report to the members of ChildFund Australia

Additional scope pursuant to the Charitable Fundraising (NSW) Act 1991 and Head Agreement 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 Head Agreement between the Commonwealth of Australia and the Company ("the Head Agreement"). 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 Head Agreement.

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) 1991 Act has been formed on the above basis.

Independent auditor's report to the members of ChildFund Australia

Auditor's opinion pursuant to the Corporations Act 2001

In our opinion:

(a) the financial report of ChildFund Australia is in accordance with the Corporations Act 2001, including:

i. giving a true and fair view of the Company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and

ii. complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the Financial Reporting Format set out by the Australian Council for International Development ("ACFID") for Non Government Development Organisations.

Auditor's 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 2009;

(b) the financial report has been properly drawn up, and the associated records have been properly kept for the period from 1 July 2008 to 30 June 2009, 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 2008 to 30 June 2009 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.

KPMG

Brett Mitchell
Partner

Sydney, 25 September 2009