

# **Annual Financial Statements**

## **Year Ended 30 June 2011**

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**Directors' report**

The directors present their report together with the financial statements of ChildFund Australia ("the Company") for the year ended 30 June 2011 and the auditor's report thereon.

**Directors**

The Directors at any time during or since the end of the reporting period were:

**James Sheffield (Chair)**

James is General Manager of Home Loans at the Commonwealth Bank of Australia where he has also managed deposits and marketing. Prior to that he worked extensively in marketing and has an Honours Degree in Law. James joined the Board in 2004, was elected chair in 2010 and is a member of the Organisational Governance & Board Nominations Committee.

**Joanne Thomson (Deputy Chair)**

Jo Thomson is an international development specialist having worked in the NGO development sector for 20 years. She has been responsible for managing NGO programs in the Pacific, Asia and Africa having held senior executive positions with Australian NGOs and as a consultant on numerous NGO and AusAID initiatives. Jo joined the Board in 2007 and is the Chair of the Program Review Committee.

**Michael Rose**

Michael Rose is Chief Executive Partner at leading international law firm Allens Arthur Robinson and Chairman of the Historic Houses Trust of New South Wales. He has experience as a commercial lawyer in Australia, the United States and in several Asian countries. Michael joined the Board in 2005, and is a member of the Organisational Governance & Board Nominations Committee. He is also a member of the board of ChildFund Alliance.

**Wendy Rose AM**

Wendy Rose is a member of the Australian Council for International Development (ACFID) Executive Committee and a Director of WaterAid Australia. She was 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, 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 experience in both advising and managing portfolios for superannuation and investment funds. Robert joined the Board in 2004 and is the Chair of the Fundraising Committee and a member of the Audit & Risk Committee.

**Dr Angeline Low**

Angeline Low is a Research Fellow at The University of Technology, Sydney and conducts research into entrepreneurship, ethnicity and gender. In addition, she is a board member of the Australian Foundation for Peoples of Asia and the Pacific. Angeline is a former Partner of Deloitte Touche Tohmatsu, Malaysia and is involved in family business in Australia. Angeline joined the Board in 2006 and is a member of the Program Review Committee and the Fundraising Committee.

**David Pigott**

David Pigott is the Leader Government & Cross Sector Partnerships at Mission Australia. 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 Fundraising 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 diligence and regulatory advice. Marcus joined the Board in 2007 and is the Chair of the Audit and Risk Committee and a member of the Fundraising Committee.

## Directors' report

### Desmond Semple

Des Semple has a background as CEO of Government Human Service Departments and more recently as a consultant 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. He is currently Vice Chairman of WDSScott, an international management consulting firm, Chairman of Eaton Square, an international Investment and Advisory firm and Chairman of The Odin Institute. Stephen joined the Board in 2008 and is chair of the Governance Committee and a member the Program Review Committee.

### Gaye Hart AM

Gaye is chair of the NSW Regional Development Advisory Council and of Regional Development Australia - Hunter. She has over 20 years experience as an executive and non-executive director in not-for-profit, government and business boards. Gaye's involvement in international development includes a period as Chair of ACFID Code of Conduct Committee, President of ACFID, a member of the Simons Committee to Review the Australian Overseas Aid Program and as a member of the Foreign Minister's Aid Advisory Council. She was awarded the Centenary of Federation medal in 2003. Gaye joined the Board in 2010 and is a member of the Audit & Risk Committee.

### Dr Judy Mitchell AM

Judy is Deputy Chair of the ACFID Code of Conduct Committee and Chair of the La Trobe University Advisory Group for the Institute for Human Security. She has also served as a board member for Oxfam Australia, including two terms as Chair. She was awarded the Contribution to the Sector Award by ACFID for her contributions to the international development sector in 2010. Judy joined the Board in 2010 and is a member of the Organisational Governance 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 James Sheffield	4	4			3	1			2	2
Ms Joanne Thomson	4	3			4	3				
Mr Michael Rose	4	3							2	2
Ms Wendy Rose	4	4			4	4			2	2
Mr Robert Hogg	4	3	5	4			4	4		
Dr Angeline Low	4	3					4	3		
Mr David Pigott	4	4	5	5			4	4		
Mr Desmond Semple	4	3			4	3				
Mr Marcus Laithwaite	4	4	5	5			4	3		
Dr Stephen Moss	4	3			4	3			2	0
Ms Gaye Hart	3	2	1	1						
Dr Judy Mitchell	3	3								

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.

**Directors' report****Objectives**

The long-term objective of the company is to create lasting and meaningful change by supporting long-term community development and promoting children's rights. An essential aspect of the work is to strive to understand children's experience of poverty and to involve them actively in program activities. The short-term objectives are to expand support for children in developing communities; improve program effectiveness through enhanced monitoring and evaluation processes; influence policy and inform public awareness; increase sponsorship and program expenditure; greater accountability and transparency.

**Principal activities**

The principal activity of the Company during the financial year was international aid and development delivered by working in partnership with children and their communities. Expenditure on overseas development activities, including community education was \$31,887,987 (2010: \$30,982,298).

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

**Performance measurement**

The Company has in place several performance measurement systems for its various functions. Program effectiveness is assessed against stated program objectives through regular monitoring and evaluation processes conducted by staff, partners and independent evaluators. Fundraising performance is measured against targets agreed annually. Overall company performance measures include various ratios such as those disclosed in note 27.

**Review and results of operations**

Total comprehensive income was \$1,561,225 (2010: \$1,601,496), which included a gain on investments of \$44,133 (2010: \$129,862) which has been taken up in equity. The equity of the Company increased to \$5,894,861 (2010: \$4,333,636). The strong result for the year is based on preparation for planned expansion of projects in the next financial year.

**Dividends**

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

**Liability of members**

The liability of members is limited to contributing up to \$100 for payment of the company's debts and liabilities, and of the costs, charges and expenses of winding up and for adjustments of the rights of the contributions among themselves.

**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.

## **Directors' report**

### **Events subsequent to reporting period**

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 \$3,750 (2010: \$3,750).

### **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 2011.

Signed in accordance with a resolution of the directors:

  
James Sheffield  
Director

  
Marcus Laithwaite  
Director

Dated at Sydney this 14<sup>th</sup> day of September 2011



## **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 2011 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

*19th* September 2011

## Statement of comprehensive income

Year ended 30 June 2011

	Note	2011 \$	2010 \$
<b>Revenue</b>			
Monetary donations & gifts			
Child sponsorship donations		26,476,506	26,377,474
Other donations		5,557,891	5,212,025
		<u>32,034,397</u>	<u>31,589,499</u>
Legacies and bequests		32,879	622,288
Grants			
AusAID		3,884,723	4,571,784
Other Australian	7	255,000	-
Overseas	8	3,309,033	2,391,455
		<u>7,448,756</u>	<u>6,963,239</u>
Investment income	9	484,463	317,018
Other income	10	423,126	382,024
<b>Total revenue</b>		<u><b>40,423,621</b></u>	<u><b>39,874,068</b></u>
<b>Expenditure</b>			
International programs			
Funds to international programs		29,961,051	29,407,787
Program support costs		1,311,520	1,177,984
		<u>31,272,571</u>	<u>30,585,771</u>
Community education		615,416	396,527
Fundraising costs			
Public		4,516,221	5,388,469
Government, multilateral and private		116,918	79,837
Accountability and administration	11	2,385,403	1,951,830
<b>Total expenditure</b>		<u><b>38,906,529</b></u>	<u><b>38,402,434</b></u>
<b>Excess of revenue over expenditure</b>		<u><b>1,517,092</b></u>	<u><b>1,471,634</b></u>
Other comprehensive income			
Net change in fair value of available-for-sale financial assets	15	44,133	129,862
<b>Total comprehensive income for the year</b>		<u><b>1,561,225</b></u>	<u><b>1,601,496</b></u>

During the year, the Company did not engage in any Political or Religious proselytisation programs or Domestic projects, did not include the value of non-monetary donations and gifts and had no impairment of investments.

*The statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 10 to 28.*

## Statement of financial position

As at 30 June 2011

	Note	2011 \$	2010 \$
<b>Assets</b>			
Cash and cash equivalents	13	4,320,063	5,855,703
Trade and other receivables	14	549,014	509,281
Financial assets	15	5,200,000	1,850,000
<b>Total current assets</b>		<u>10,069,077</u>	<u>8,214,984</u>
Financial assets	15	1,962,888	1,633,844
Property, plant and equipment	16	1,021,899	988,944
<b>Total non-current assets</b>		<u>2,984,787</u>	<u>2,622,788</u>
<b>Total assets</b>		<u>13,053,864</u>	<u>10,837,772</u>
<b>Liabilities</b>			
Trade and other payables	17	6,816,082	6,255,084
Borrowings	18	3,041	4,274
Provisions	19	274,370	184,433
<b>Total current liabilities</b>		<u>7,093,493</u>	<u>6,443,791</u>
Borrowings	18	-	3,041
Provisions	19	65,510	57,304
<b>Total non-current liabilities</b>		<u>65,510</u>	<u>60,345</u>
<b>Total liabilities</b>		<u>7,159,003</u>	<u>6,504,136</u>
<b>Net assets</b>		<u>5,894,861</u>	<u>4,333,636</u>
<b>Equity</b>			
Unrestricted reserves			
Retained surplus		3,791,476	2,366,074
Bequest reserve		500,000	500,000
Fair-value reserve		179,158	135,025
		<u>4,470,634</u>	<u>3,001,099</u>
Restricted reserves		1,424,227	1,332,537
<b>Total equity</b>		<u>5,894,861</u>	<u>4,333,636</u>

The following statement of financial position categories have zero (\$0) balances: Inventories, Assets held for sale, Non-current trade and receivables, Investment property, Intangibles, Other non-current assets, Other current financial liabilities, Other current liabilities, Other non-current financial liabilities, Other non-current liabilities. There are no net tax liabilities.

*The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 10 to 28.*



## Statement of changes in equity

Year ended 30 June 2011

	Retained surplus \$	Bequest reserve	Fair value reserve \$	Restricted reserve \$	Total equity \$
Balance as at 1 July 2009	1,560,337	-	5,163	1,166,640	2,732,140
<b>Total comprehensive income for the period</b>					
Excess of revenue over expenditure	1,471,634	-	-	-	1,471,634
<b>Other comprehensive income</b>					
Net change in fair value of available-for-sale financial assets	-	-	129,862	-	129,862
Transfer to bequest reserve	(500,000)	500,000	-	-	-
Transfers to restricted funds	(2,191,646)	-	-	2,191,646	-
Transfers from restricted funds	2,025,749	-	-	(2,025,749)	-
<b>Balance as at 30 June 2010</b>	<b>2,366,074</b>	<b>500,000</b>	<b>135,025</b>	<b>1,332,537</b>	<b>4,333,636</b>
Balance as at 1 July 2010	2,366,074	500,000	135,025	1,332,537	4,333,636
<b>Total comprehensive income for the period</b>					
Excess of revenue over expenditure	1,517,092	-	-	-	1,517,092
<b>Other comprehensive income</b>					
Net change in fair value of available-for-sale financial assets	-	-	44,133	-	44,133
Transfers to restricted funds	(3,005,428)	-	-	3,005,428	-
Transfers from restricted funds	2,913,738	-	-	(2,913,738)	-
<b>Balance as at 30 June 2011</b>	<b>3,791,476</b>	<b>500,000</b>	<b>179,158</b>	<b>1,424,227</b>	<b>5,894,861</b>

*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 28.*

**Statement of cash flows**  
**For the year ended 30 June 2011**

	<b>Note</b>	<b>2011</b> <b>\$</b>	<b>2010</b> <b>\$</b>
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		40,085,439	39,426,569
Cash payments in the course of operations		<u>(38,343,344)</u>	<u>(36,741,610)</u>
<b>Net cash from operating activities</b>	25	<u>1,742,095</u>	<u>2,684,959</u>
<b>Cash flows from investing activities</b>			
Acquisition of available-for-sale financial assets		(284,910)	(151,877)
Investments in bank term deposits		(3,350,000)	(1,850,000)
Acquisition of property, plant & equipment		(99,014)	(14,257)
Investment income		87,429	115,535
Interest received		<u>373,034</u>	<u>143,483</u>
<b>Net cash used in investing activities</b>		<u>(3,273,461)</u>	<u>(1,757,116)</u>
<b>Cash flows from financing activities</b>			
Payment of finance lease liabilities		<u>(4,274)</u>	<u>(4,274)</u>
<b>Net cash used in financing activities</b>		<u>(4,274)</u>	<u>(4,274)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(1,535,640)	923,569
<b>Cash and cash equivalents at 1 July</b>		<u>5,855,703</u>	<u>4,932,134</u>
<b>Cash and cash equivalents at 30 June</b>	13	<u>4,320,063</u>	<u>5,855,703</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 28.*

**Notes to the financial statements**  
**Year ended 30 June 2011**

**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 14<sup>th</sup> September 2011.

**(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) Country offices**

The Company has four branch offices as at 30 June 2011 being Papua New Guinea, Vietnam, Cambodia and Laos. For the purposes of these financial statements, the statements of financial position of the country offices have been aggregated into the Company's statement of financial position. The country offices are fully funded by the Company and as such the statement of comprehensive income is not aggregated as such results are already reflected in the Company's operations.

**Notes to the financial statements**  
**Year ended 30 June 2011**

**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 statement of comprehensive income 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 are also applied when recognising revenue:

***Child sponsorship, gift remittances and donations***

Revenue from sponsorship, gift remittances, donations and grants are recognised in the statement of comprehensive income 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, multilateral and 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 statement of comprehensive income, using the effective interest method.

**(b) Expenses**

***Operating lease payments***

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income 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 to changes in presentation for the current financial year.

**Notes to the financial statements**  
**Year ended 30 June 2011**

**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 statement of financial position.

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 end of the reporting period 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 end of each reporting period.

**(g) Trade and other receivables**

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

**Notes to the financial statements**  
**Year ended 30 June 2011**

**3. Significant accounting policies (continued)**

**(h) Impairment**

The carrying amounts of the Company's assets are reviewed at each end of reporting period 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 statement of comprehensive income 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 which 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     |

**Notes to the financial statements**  
**Year ended 30 June 2011**

**3. Significant accounting policies (continued)**

**(i) Property, plant and equipment (continued)**

*Project offices*

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

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

**(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 statement of comprehensive income.

**(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 end of each reporting period represent present obligations resulting from employees' services provided to the end of each reporting period, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at the end of each reporting period 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 end of reporting period 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 statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**Notes to the financial statements**  
**Year ended 30 June 2011**

**3. Significant accounting policies (continued)**

**(n) Cash and cash equivalents**

Cash and cash equivalents comprise of cash balances and call deposits maturing within 90 days from year end.

**(o) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for AASB 9 Financial Instruments, which becomes mandatory for the Company's 2014 financial statements and could change the classification and measurement of financial assets. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The company has not yet determined the potential effect of the standard.

**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 end of each reporting period.



**Notes to the financial statements**  
**Year ended 30 June 2011**

**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.

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 aim 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 the 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.

**Notes to the financial statements**  
**Year ended 30 June 2011**

**5. Financial risk management (continued)**

**(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, Cambodia and Laos 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 2011**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>6. Personnel expenses</b>		
Salaries and wages	2,799,525	2,181,716
Other associated personnel expenses	76,039	32,166
Contributions to defined contribution superannuation funds	250,434	196,223
Increase in liability for leave	98,143	46,498
	<u>3,224,141</u>	<u>2,456,603</u>
<b>7. Other Australian Grants</b>		
During the year a grant was received from the Department of Immigration & Citizenship, of which \$255,000 (2010: \$0) was recorded as income.		
<b>8. Overseas Grants</b>		
The Company receives grants from or sourced by other ChildFund Alliance members and during the year \$3,309,033 of these grants were recorded as income (2010: \$2,391,455).		
<b>9. Finance income and expense</b>		
Income from available-for-sale financial assets	87,429	115,535
Interest on bank deposits	397,034	201,483
Finance income	<u>484,463</u>	<u>317,018</u>
Net foreign exchange loss	-	(11,469)
Finance expense	-	(11,469)
Net finance income and expense	<u>484,463</u>	<u>305,549</u>
<b>10. Other income</b>		
Fundraising grant – ChildFund International	392,832	355,256
Other	30,294	26,768
	<u>423,126</u>	<u>382,024</u>
<b>11. Administration expenses</b>		
Administration staff salaries and other associated personnel expenses	1,649,478	1,317,405
Depreciation	66,059	71,075
Finance expense (note 9)	-	11,469
Other administration expenses	669,866	551,881
	<u>2,385,403</u>	<u>1,951,830</u>

**Notes to the financial statements**  
**Year ended 30 June 2011**

	2011 \$	2010 \$
<b>12. Auditors remuneration</b>		
<b>Audit services:</b>		
Auditors of the Company		
<i>KPMG Australia:</i>		
- audit and review of financial statements	35,002	33,660
<i>Overseas KPMG firms:</i>		
- audit and review of financial statements	27,969	29,103
	<u>62,971</u>	<u>62,763</u>
<b>Other services:</b>		
Auditors of the Company		
<i>Overseas KPMG firms:</i>		
- other services	287	3,234
	<u>287</u>	<u>3,234</u>
<b>13. Cash and cash equivalents</b>		
Cash at bank	765,526	339,979
Cash deposits	2,804,753	3,935,318
Cash at bank, branch offices	749,784	1,580,406
Cash and cash equivalents in statement of cash flows	<u>4,320,063</u>	<u>5,855,703</u>

The Company's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 23.

*Cash at bank deposits*

The weighted average interest rate on cash at bank at 30 June 2011 is 0.1% (2010: 0.2%). Of these funds, \$569,826 is in a US dollar account for which no interest is receivable. Funds held in the US dollar accounts are approximately equal to commitments in US dollars.

*Cash deposits*

The deposits are fixed term deposits maturing within three months of the period end and funds in maxi saver accounts. The weighted average interest rate on short term deposits as at 30 June 2011 is 5.8% (2010: 5.9%).

**Notes to the financial statements**  
**Year ended 30 June 2011**

	2011 \$	2010 \$
<b>14. Trade and other receivables</b>		
Sundry debtors	539,279	418,988
Prepayments	9,735	90,293
	<u>549,014</u>	<u>509,281</u>
<b>15. Investments</b>		
<b>Current</b>		
Term deposits	<u>5,200,000</u>	<u>1,850,000</u>
<b>Non-current</b>		
Available-for-sale financial assets, at fair value	<u>1,962,888</u>	<u>1,633,844</u>

An unrealised gain of \$44,133 (2010: \$129,862) being the difference between the fair value at balance date and carrying value was taken up in equity.

The company's available-for-sale financial assets are held and managed by JB Were.

The Company's exposure to credit, currency and interest rate risks relating to investments is disclosed in note 23.

**Notes to the financial statements**  
**Year ended 30 June 2011**

**16. Property, plant and equipment**

	<b>Buildings</b>	<b>Furniture, fittings and office equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>			
Balance at 1 July 2009	1,182,042	424,899	1,606,941
Acquisitions	-	14,257	14,257
Disposals	-	(31,928)	(31,928)
Balance at 30 June 2010	1,182,042	407,228	1,589,270
Balance at 1 July 2010	1,182,042	407,228	1,589,270
Acquisitions	-	99,014	99,014
Disposals	-	(69,241)	(69,241)
Balance at 30 June 2011	1,182,042	437,001	1,619,043
<b>Depreciation and impairment losses</b>			
Balance at 1 July 2009	201,253	359,926	561,179
Depreciation charge for the year	31,638	39,437	71,075
Disposals	-	(31,928)	(31,928)
Balance at 30 June 2010	232,891	367,435	600,326
Balance at 1 July 2010	232,891	367,435	600,326
Depreciation charge for the year	31,638	34,421	66,059
Disposals	-	(69,241)	(69,241)
Balance at 30 June 2011	264,529	332,615	597,144
<b>Carrying amounts</b>			
At 1 July 2009	980,789	64,973	1,045,762
At 30 June 2010	949,151	39,793	988,944
At 1 July 2010	949,151	39,793	988,944
At 30 June 2011	917,513	104,386	1,021,899

**Notes to the financial statements**  
**Year ended 30 June 2011**

	2011 \$	2010 \$
<b>17. Creditors</b>		
<b>Trade and other payables</b>		
Accounts payable	4,105,740	3,638,677
Unremitted funds	1,215,311	1,470,050
Sponsorship funds received in advance	949,958	975,202
Unspent government grants	545,073	171,155
	<u>6,816,082</u>	<u>6,255,084</u>

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.

**18. 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.

**Current liabilities**

Finance lease liabilities	<u>3,041</u>	<u>4,274</u>
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**Non-current liabilities**

Finance lease liabilities	<u>-</u>	<u>3,041</u>
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The finance lease liability is denominated in Australian dollars. The year of maturity is 2012. The face value of the liability at 30 June 2011 is \$3,836 (2010: \$9,302). The present value of the liability is \$3,041 (2010: \$7,315).

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2011	Interest 2011	Present value of minimum lease payments 2011	Future minimum lease payments 2010	Interest 2010	Present value of minimum lease payments 2010
Less than one year	3,836	795	3,041	5,466	1,192	4,274
Between one and five years	-	-	-	3,836	795	3,041
	<u>3,836</u>	<u>795</u>	<u>3,041</u>	<u>9,302</u>	<u>1,987</u>	<u>7,315</u>

There are no finance lease liabilities exceeding 5 years.

**Notes to the financial statements**  
**Year ended 30 June 2011**

	2011 \$	2010 \$
<b>19. Employee benefits</b>		
<i><b>Current liabilities</b></i>		
Liability for annual leave	195,809	129,698
Liability for long service leave	78,561	54,735
	<u>274,370</u>	<u>184,433</u>
<i><b>Non-current liabilities</b></i>		
Liability for long service leave	<u>65,510</u>	<u>57,304</u>

**20. Share capital and reserves**

**Share capital**

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

**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.

**Bequest reserves**

Bequest reserves are not restricted or designated for use in particular programs or some other defined or designated purpose. These are bequest funds that the Directors have set aside with an intention to set up an endowment fund in future. These funds are however available to be allocated to other purposes 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.

**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.

**21. Members' liability**

The maximum liability of each member in the event of a winding up is \$100 per member. At 30 June 2011 there were 12 members (2010: 10 members).

**22. 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.

	2011 \$	2010 \$
Non- cancellable operating lease rentals are payable as follows:		
Less than one year	41,203	37,931
Between one and five years	63,182	74,108
	<u>104,385</u>	<u>112,039</u>

There are no operating lease commitments beyond 5 years.



**Notes to the financial statements**  
**Year ended 30 June 2011**

	2011 \$	2010 \$
<b>23. Financial instruments</b>		
<b>Credit risk</b>		
<b>Exposure to credit risk</b>		
The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the end of each reporting period was:		
Available-for-sale financial assets	7,162,888	3,483,844
Trade and other receivables	539,279	418,988
Cash and cash equivalents	4,320,063	5,855,703
	<u>12,022,230</u>	<u>9,758,535</u>

The Company's maximum exposure to credit risk for trade receivables at the end of each reporting period by geographical region was:

Australia	402,242	379,325
Asia	137,037	39,663
	<u>539,279</u>	<u>418,988</u>

As the Company is not engaged in any trading activities, the company does not have customers. Receivables are usually GST receivable from the ATO, AusAID and other overseas grants approved but not yet received. Of the carrying amount as at 30 June 2011, GST receivable accounted for \$115,848 (2010: \$154,170).

**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:

<b>30 June 2011</b>	<b>Carrying amount</b>	<b>&lt; 6 months</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>
Trade payables	5,321,051	5,321,051	-	-	-
Unspent grants	545,073	545,073	-	-	-
Finance lease liability	3,041	1,521	1,521	-	-
<b>Total</b>	<u>5,869,165</u>	<u>5,867,645</u>	<u>1,521</u>	<u>-</u>	<u>-</u>

<b>30 June 2010</b>	<b>Carrying amount</b>	<b>&lt; 6 months</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>
Trade payables	5,108,727	5,108,727	-	-	-
Unspent grants	171,155	171,155	-	-	-
Finance lease liability	7,315	2,137	2,137	3,041	-
<b>Total</b>	<u>5,287,197</u>	<u>5,282,019</u>	<u>2,137</u>	<u>3,041</u>	<u>-</u>

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

**Notes to the financial statements**  
**Year ended 30 June 2011**

**23. 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
<b>30 June 2011</b>			
Trade receivables	4,846	1,113,483	190,281
Trade payables	(180,558)	(11,551,423)	(208,575)
Gross statement of financial position exposure	(175,712)	(10,437,940)	(18,294)
<b>30 June 2010</b>			
Trade receivables	13,482	-	53,978
Trade payables	(159,434)	(9,318,224)	(303,434)
Gross statement of financial position exposure	(145,952)	(9,318,224)	(249,456)

The end of each reporting period spot rates applied were:

AUD exchange rates	2011	2010
USD 1	0.9438	1.2012
VND 10,000	0.4588	0.6305
PGK 1	0.4276	0.4348

**Interest rate risk**

**Profile**

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

	Carrying amount	
	2011	2010
	\$	\$
<b>Fixed rate instruments</b>		
Financial assets	7,300,000	3,809,518
Financial liabilities	(3,041)	(7,315)
<b>Variable rate instruments</b>		
Financial assets	3,343,694	3,680,029

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates would change the Company's equity and surplus by \$35,723 (2010: \$42,205). This analysis is based on cash balances held in Australia as at 30 June 2011.

**Notes to the financial statements**  
**Year ended 30 June 2011**

**24. 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 statement of comprehensive income are as follows:

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	1,390,126	1,308,529

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 an amount of \$17,820 (2010: \$15,094) for sponsorship administration fees. ChildFund International granted an amount of \$392,832 (2010: \$355,256) to ChildFund Australia to be used for sponsor acquisition.

During the year, sponsorship, gifts, donations and grants totalling \$21,793,424 (2010: \$22,467,503) 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 \$2,917,807 (2010: \$2,342,022) from ChildFund Alliance members for programs in ChildFund Australia managed country programs.

***Country offices***

The results of project offices are aggregated in these financial statements.

**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 \$1,213,607 (2010: \$869,493) and AusAID project amounts totalling \$180,317 (2010: \$81,879). At year-end, the net assets of the Papua New Guinea project office were \$26,576 (2010: \$2,157).

**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 \$3,059,891 (2010: \$3,210,795) and AusAID project amounts totalling \$937,963 (2010: \$1,067,328). At the end of year, the net assets of the Vietnam project office were \$586,322 (2010: \$404,833).

**Notes to the financial statements**  
**Year ended 30 June 2011**

**24. Related parties (continued)**

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 \$1,423,356 (2010: \$1,152,045) and AusAID funds totalling \$397,262 (2010: \$148,396). At the end of year, the net assets of the Cambodia project office were \$501,790 (2010: \$324,922).

iv) Laos

The Company operates a project office in Laos to assist in the Company's principal activities. The project office is under the control of the Company.

During the year, the Company remitted to the Laos project office donations totalling \$291,738 (2010: \$80,918) and AusAID funds totalling \$291,411 (2010: \$189,366). At the end of year, the net assets of the Laos project office were \$1,952 (2010: \$2,482).

**25. Notes to the statement of cash flows**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Surplus for the year	1,517,092	1,471,634
Depreciation	66,059	71,075
Investment income	(87,429)	(115,535)
Interest income	(373,035)	(143,483)
<b>Operating profit before changes in working capital and provisions</b>	<b>1,122,687</b>	<b>1,283,691</b>
Increase in trade and other receivables	(39,733)	(96,772)
Increase in trade and other payables	560,998	1,451,542
Increase in employee benefits provisions	98,143	46,498
<b>Net cash generated from operating activities</b>	<b>1,742,095</b>	<b>2,684,959</b>

**26. Table of cash movements for designated purposes**

	Cash available 1 July 2010	Cash raised during the year	Cash disbursed during year	Cash available 30 June 2011
Total for all other purposes	5,855,703	40,545,902	42,081,542	4,320,063
<b>Total</b>	<b>5,855,703</b>	<b>40,545,902</b>	<b>42,081,542</b>	<b>4,320,063</b>

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

**Notes to the financial statements**  
**Year ended 30 June 2011**

**27. Additional information and declarations to be furnished under the Charitable Fundraising (NSW) 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**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Gross revenue from public activities	32,067,276	32,211,787
Less: Public fundraising costs	(4,516,221)	(5,388,469)
Net public funds	27,551,055	26,823,318
Gross Government, overseas, multilateral & corporate grants	7,448,756	6,963,239
Less: Government, multilateral & corporate fundraising costs	(116,918)	(79,837)
Net Government, overseas, multilateral & corporate funds	7,331,838	6,883,402
Other revenue	907,589	699,042
Net funds raised	35,790,482	34,405,762
Overseas project disbursements	29,961,051	29,407,787
Net unspent donations transferred (to)/from restricted reserves	91,690	165,897
Program support costs	1,311,520	1,177,984
Community education costs	615,416	396,527
Total funds disbursed towards the objectives of the Company	31,979,677	31,148,195
Accountability and administration expenses	2,385,403	1,951,830
Operating surplus after movements in restricted reserves	1,425,402	1,305,737

**Percentages**


Total cost of public fundraising/gross public fundraising income	14.1%	16.7%
Surplus from public fundraising/gross public fundraising income	85.9%	83.3%
Funds disbursed towards objectives/total expenditure	82.2%	81.1%
Funds disbursed towards objectives/total revenue received	79.1%	78.1%


## **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 28 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 2011 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.

  
James Sheffield  
Director

  
Marcus Laithwaite  
Director

Dated at Sydney this 14<sup>th</sup> day of September 2011.

**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 2011;
- (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 2011;
- (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 2011; 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 14<sup>th</sup> day of September 2011.



## **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 statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes 1 to 27 and the directors' declaration set out on page 29.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

#### *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 of the financial report that gives a true and fair view 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 true and fair 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*

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

In our opinion:

- i. giving a true and fair view of the Company's financial position as at 30 June 2011 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 requirement set out in the ACFID Code of Conduct 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 2011;
- (b) the financial report has been properly drawn up, and the associated records have been properly kept for the period from 1 July 2010 to 30 June 2011, 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 2010 to 30 June 2011 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, 19<sup>th</sup> September 2011