

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE, 2010**

	Note	2010 \$	2009 \$
OPERATING REVENUE			
Government grants and subsidies		7,581,132	7,555,758
Donations and fundraising activities		370,654	538,631
Investment income		953,135	1,043,571
Fees for service		1,842,720	1,543,128
Other income		597,487	590,614
TOTAL OPERATING REVENUE	2(a)	11,345,128	11,271,702
OPERATING EXPENSES			
Operational costs		9,132,888	9,472,330
Fundraising costs		55,825	180,465
Administration costs		1,686,697	1,467,527
Finance costs		4,038	3,730
Information technology costs		316,568	295,424
Property costs		106,454	123,844
Impairment of general investments		59,432	94,735
Loss on sale of general properties		30,000	-
Decrement in value of general investment properties		-	7,500
TOTAL OPERATING EXPENSES	2(b)	11,391,901	11,645,555
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR		(46,773)	(373,853)
ENDOWMENT FUNDS REVENUE			
Profit/(loss) on sale of endowment properties		(380,000)	37,880
Fair value gain on endowment investment properties		150,000	7,500
Impairment of endowment investments		(557,657)	-
Investment income (loss)		1,284	(4,129)
ENDOWMENT SURPLUS/ (DEFICIT)	2(a)	(786,373)	41,251
OPERATING AND ENDOWMENT SURPLUS/(DEFICIT) FOR THE YEAR		(833,146)	(332,602)
OTHER COMPREHENSIVE INCOME			
Fair value movements on available-for-sale financial assets		694,618	(447,419)
Gain on revaluation of service properties		128,500	54,262
OTHER COMPREHENSIVE SURPLUS/(DEFICIT)		823,118	(393,157)
TOTAL COMPREHENSIVE SURPLUS/(DEFICIT) FOR THE YEAR		(10,027)	(725,759)

The deficit for the year includes non - operating endowment funds income/(loss) of (\$786,373) (2009: \$41,251). The income from the endowment funds is available to be applied in accordance with the directions of each endowment towards the services provided by Children Australia.

This statement also shows Other Comprehensive Income which includes unrealised gains and losses on market based investments and service properties.

Based on investment valuations as at 30 September 2010, impairment of investments would reduce to: general investments \$55,147 and endowment investments \$482,665.

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE, 2010**

	Note	2010 \$	2009 \$
CURRENT ASSETS			
Cash and cash equivalents	3	2,519,623	1,322,210
Receivables	4	459,721	703,584
Financial assets	5	6,195,225	5,936,368
Other assets	6	115,048	49,502
TOTAL CURRENT ASSETS		9,289,617	8,011,664
NON-CURRENT ASSETS			
Financial assets	5	10,973,871	8,549,014
Property, plant and equipment	7	2,300,114	2,284,207
Investment property	7	-	105,000
Endowment property	7	1,600,000	4,245,000
TOTAL NON-CURRENT ASSETS		14,873,985	15,183,221
TOTAL ASSETS		24,163,602	23,194,885
CURRENT LIABILITIES			
Provisions	8	458,719	474,436
Payables	9	2,710,075	1,716,769
TOTAL CURRENT LIABILITIES		3,168,794	2,191,205
NON-CURRENT LIABILITIES			
Provisions	8	216,696	215,541
TOTAL NON-CURRENT LIABILITIES		216,696	215,541
TOTAL LIABILITIES		3,385,490	2,406,746
NET ASSETS		20,778,112	20,788,139
EQUITY			
Endowment funds	10	17,842,470	18,628,843
Asset revaluation reserve	11	812,313	683,813
Financial asset valuation reserve	12	841,353	146,735
Accumulated surplus		1,281,976	1,328,748
TOTAL EQUITY		20,778,112	20,788,139

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE, 2010**

	Endowment Funds \$	Asset Revaluation Reserve \$	Financial Asset Valuation Reserve \$	Accumulated Surplus \$	Total \$
Balance at 30 June 2008	18,590,009	629,551	594,154	1,700,184	21,513,898
Deficit	-	-	-	(332,602)	(332,602)
Increment in endowment investment properties	7,500	-	-	(7,500)	-
Investment income	(4,129)	-	-	4,129	-
Change in market value of managed funds	-	-	(542,154)	-	(542,154)
Profit on sale of investment properties	37,880	-	-	(37,880)	-
Gain on revaluation of service properties	-	54,262	-	-	54,262
Transfer of investment income	(2,417)	-	-	2,417	-
Transfer impairment of general investments	-	-	94,735	-	94,735
Balance at 30 June 2009	18,628,843	683,813	146,735	1,328,748	20,788,139
Surplus / (Deficit)	-	-	-	(833,146)	(833,146)
Increment in endowment investment properties	150,000	-	-	(150,000)	-
Investment income	1,284	-	-	(1,284)	-
Change in market value of managed funds	-	-	635,186	-	635,187
Loss on sale of investment properties	(380,000)	-	-	380,000	-
Gain on revaluation of service properties	-	128,500	-	-	128,500
Transfer of investment income	-	-	-	-	-
Transfer impairment of investments	(557,657)	-	59,432	557,657	59,432
Balance at 30 June 2010	17,842,470	812,313	841,353	1,281,976	20,778,112

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE, 2010**

	Note	2010 \$	2009 \$
Cash Flows from Operating Activities			
Grants received		8,856,738	7,775,095
Investment and rental income		187,962	341,357
Fundraising income		370,626	533,184
Interest and dividends received		599,626	847,052
Fees for service		1,842,720	1,543,128
Other receipts		597,487	590,614
Payments to suppliers and employees		(11,100,974)	(11,689,096)
Borrowing costs		-	(1,965)
Net Cash Provided by/(Used in) Operating Activities	14	1,354,185	(60,631)
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(132,141)	(190,619)
Proceeds from disposal of property		2,490,000	6,542,471
Proceeds from disposal of plant and equipment		63,636	45,967
Lease payments		-	(58,621)
Investment in managed funds		(1,991,612)	(3,750,000)
Investment in term deposits		(586,655)	(2,253,516)
Net Cash Provided by/ (Used in) Investing Activities		(156,772)	335,682
Net increase (decrease) in cash and cash equivalents held		1,197,413	275,052
Cash and cash equivalents at the beginning of the year		1,322,210	1,047,158
Cash and Cash Equivalents at the End of the Year	15	2,519,623	1,322,210

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and the requirements of the Associations Incorporation Act 1981 (Victoria).

These financial statements cover Children Australia Inc (Children Australia) as an individual entity. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. The financial statements are prepared on an accruals basis and is based on historical costs and does not take into account changing money values, or, except where stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by Children Australia in the preparation of these financial statements. The accounting policies have been consistently applied.

(a) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Investment properties have been acquired for long term investment purposes. Endowment properties have been acquired from bequests. The properties are carried at fair value, determined annually by an independent valuer. Changes to fair values of the investment and endowment properties are recorded in the statement of comprehensive income. All tenant leases are on an arm's length basis.

The depreciable amount of all other fixed assets are depreciated over the useful lives of the assets to the association commencing from the time the asset is held ready for use, using the straight line basis. Leasehold improvements are depreciated over the unexpired period of the lease.

The depreciation rates used for each class of depreciable assets are:

<u>Class</u>	<u>Rate</u>
Buildings	3%
Motor vehicles	20%
Furniture and equipment	20% - 33 %
Leasehold improvements	25% - 60%

(b) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(c) Employee benefits

Provision is made for Children Australia's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, annual leave and long service leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(d) Revenue

Revenue is measured at the fair value of the consideration received at receivable.

Income from government grants is brought to account when the conditions attached to the grants are satisfied.

Revenue from the rendering of a service is recognised upon invoice following the delivery of the service to the customer.

Rental income is recognised when due and receivable.

Donations and fundraising revenue is recognised when received.

Interest revenue is recognised on a using the effective interest rate method taking into account the interest rates applicable.

Dividends and franking credit rebates are recognised when the right to receive the dividend has been established.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2010**

(e) **Inventories**

Inventories are valued at the lower of cost and net realisable value.

(f) **Income tax**

Children Australia is exempt from income tax.

(g) **Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except where the GST is not recoverable.

(h) **Financial instruments**

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the association becomes a party to the contractual provisions of the instrument.

Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the association no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire.

Classification and Subsequent Measurement

(i) *Receivables*

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the association's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(iv) *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the association assesses whether there is objective evidence that a financial asset has been impaired. In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the asset is considered to determine whether an impairment loss has arisen. Impairment losses are recognised in the income statement.

The entity has considered that an impairment trigger exists if an investment has been declining below its cost for a minimum of 12 months or if the market value of the investment is more than 30% below its cost. The purpose of the acquisition of the investment as part of the overall investment portfolio is also taken into consideration when assessing whether an impairment loss should be recognised.

(i) **Impairment of Assets**

At each reporting date Children Australia reviews the carrying value of its assets to determine whether there is any indication that those assets have been impaired. Any excess of an asset's carrying value over its recoverable amount is recognised in the income statement.

(j) **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2010**

(k) **AASB 101: Presentation of Financial Statements**

In September 2007, the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within financial statements. Below is an overview of the key changes and impact on the association's financial statements.

Terminology changes - the revised version of AASB 101 contains a number of terminology changes, including amendment of the names of the primary financial statements.

Statement of Comprehensive Income - the revised AASB 101 requires all income and expenses to be presented in either one statement - the Statement of Comprehensive Income, or two statements - a separate income statement and a Statement of Comprehensive Income. The previous version of AASB 101 required only the presentation of a single income statement.

Other comprehensive income - the revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises income and expense which are not recognised in profit or loss as required by other Australian Accounting Standards.

(l) **Early adoption of Accounting Standards**

The Australian Accounting Standards Board has issued new, revised and amended standards and interpretations that have mandatory application for future reporting dates. The association has decided against early adoption of these standards and does not expect these requirements to have any material effect on the association's financial statements.

Critical Accounting Estimates and Judgments

The Board evaluates the estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current data.

The financial report was authorised for issue on 17th November 2010.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2010**

NOTE 2: OPERATING SURPLUS	\$	\$
(a) Revenue		
Operating activities		
- government grants and subsidies	7,581,132	7,555,758
- donations and fundraising activities	370,654	538,631
- rent from trust properties	187,962	303,046
- fees for service	1,842,720	1,543,128
- interest	378,089	475,201
- dividends	387,083	265,324
- other income	597,487	590,614
	11,345,128	11,271,702
Non-operating activities		
- profit/(loss) on sale of endowment properties	(380,000)	37,880
- increment in value of endowment properties	150,000	7,500
	(230,000)	45,380
(b) Expenses		
Operating activities		
- general operating expenses	10,207,573	10,513,979
- rental expense and operating Leases	765,797	656,002
- finance costs	4,038	3,730
- depreciation expense	181,098	176,755
- amortisation expense	-	48,576
- trust property expenses	133,148	123,844
- remuneration of auditor - audit services	40,815	27,934
- impairment of general investments	59,432	94,735
	11,391,901	11,645,555
Non-operating activities		
- impairment of endowment investments	557,657	-
- investment income / (loss)	1,284	(4,129)
	1,284	(4,129)
NOTE 3: CASH AND CASH EQUIVALENTS		
Cash on hand (Non interest bearing)	5,706	2,850
Cash at bank (Interest bearing)	2,513,917	1,319,360
	2,519,623	1,322,210

Cash is on hand or available on demand.
Interest rates are variable and reflect current market rates.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2010**

NOTE 4: RECEIVABLES	\$	\$
Current		
Sundry receivables	459,721	703,584
	459,721	703,584
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No interest is payable on receivables.		
NOTE 5: FINANCIAL ASSETS		
Current		
- Term deposits - Emerald Hill	2,935,647	2,586,522
- Term deposits - Ellis Estate	2,267,508	3,226,946
- Term deposits - General endowment	170,992	-
- Term deposits - Operating	698,178	-
- Term deposits - Edith & Maurice Feitel Fund	100,000	100,000
- Term deposits - Murison Trust	22,900	22,900
	6,195,225	5,936,368
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Non-Current		
Available-for-sale financial assets		
- Managed portfolios - Endowment Fund	5,882	6,236
- Managed portfolios - General	190,190	201,633
- Managed portfolios - Emerald Hill	7,930,749	6,147,063
- Managed portfolios - Ellis Estate	2,827,050	2,174,082
- Shares - at cost	20,000	20,000
	10,973,871	8,549,014
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	17,169,096	9,024,021
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Investments earn interest/distributions at a weighted average rate of 3.7% (2009, 5.1%). The unrealised capital movement from managed portfolios is not included in this rate.		
NOTE 6: OTHER ASSETS		
Prepayments	69,550	-
Inventory	45,498	49,502
	115,048	49,502
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2010**

NOTE 7: PROPERTY, PLANT AND EQUIPMENT	2010	2009
	\$	\$
Administration property, plant and equipment		
Land at independent valuation (2010)	1,000,000	
Land at independent valuation (2009)		900,000
Buildings at independent valuation (2010)	950,000	
Buildings at independent valuation (2009)		950,000
Total administration properties	1,950,000	1,850,000
Motor vehicles at cost	247,842	282,552
less accumulated depreciation	70,167	50,049
	177,675	232,503
Furniture and equipment at cost	547,530	499,280
less accumulated depreciation	453,029	390,815
	94,501	108,465
Leasehold improvements	92,750	92,750
less accumulated amortisation	79,312	64,011
	13,438	28,739
Leasehold improvements - make good	64,500	64,500
Total administration property, plant and equipment	2,300,114	2,284,207
Investment property		
Land and buildings at independent valuation (Note (a))	-	105,000
Total investment properties	-	105,000
Endowment property		
Ellis Estate land and buildings at independent valuation (Note (a))	525,000	1,130,000
Emerald Hill land and buildings at independent valuation (Note (a))	1,075,000	2,870,000
Endowment Fund land and buildings at independent valuation (Note (a))	-	245,000
Total endowment properties	1,600,000	4,245,000
Total property, plant and equipment	3,900,114	6,634,207

(a) Land and buildings were independently valued by Teska Carson as at 30 June 2010 based on open market values.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2010

	Note	2010 \$	2009 \$
NOTE 8: PROVISIONS			
Current			
Employee benefits		<u>458,719</u>	<u>474,436</u>
Non-Current			
Employee benefits		152,196	151,041
Provision for lease make good		<u>64,500</u>	<u>64,500</u>
		<u>216,696</u>	<u>215,541</u>
Aggregate employee benefits		<u>610,915</u>	<u>625,477</u>
Balance at the start of the year		625,477	582,599
Additional Provisions		462,633	451,757
Amounts used		<u>(477,195)</u>	<u>(408,879)</u>
Balance at the end of the year		<u>610,915</u>	<u>625,477</u>
NOTE 9: PAYABLES			
Trade payables		633,796	632,337
Grants received in advance - operational		482,359	337,641
Grants received in advance - non-operational		<u>1,593,920</u>	<u>746,791</u>
		<u>2,710,075</u>	<u>1,716,769</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2010**

	2010 \$	2009 \$
NOTE 10: ENDOWMENT FUNDS		
General endowment	179,398	251,236
Emerald Hill endowment	10,274,606	10,623,153
Ellis Estate endowment	7,122,745	7,490,017
Yallum endowment	21,425	20,405
J.C. Butler scholarship	5,544	5,280
McNaughton trust	114,852	114,852
Gregory trust	1,000	1,000
Murison trust	22,900	22,900
Edith and Maurice Feitel trust	100,000	100,000
	17,842,470	18,628,843
Movement in Endowment Funds		
General endowment		
Balance at start of the year	251,236	274,088
Increment/(decrement) in investment properties		(17,500)
Investment income		(5,352)
Investment impairment	(1,838)	-
Capital loss on sale of property	(70,000)	0
Balance at the end of the year	179,398	251,236
Emerald Hill endowment		
Balance at start of the year	10,623,153	10,540,273
Increment/(decrement) in investment properties	125,000	45,000
Investment income	-	-
Investment impairment	(343,547)	-
Capital loss on sale of property	(130,000)	37,880
Balance at the end of the year	10,274,606	10,623,153
Ellis Estate endowment		
Balance at start of the year	7,490,017	7,510,017
Increment/(decrement) in investment properties	25,000	(20,000)
Investment income	-	-
Investment impairment	(212,272)	-
Capital loss on sale of property	(180,000)	-
Balance at the end of the year	7,122,745	7,490,017
Yallum endowment		
Balance at the start of the year	20,405	19,433
Interest income	1,020	972
Balance at the end of the year	21,425	20,405

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2010**

	2010	2009
	\$	\$
NOTE 10: ENDOWMENT FUNDS (continued)		
Movement in Endowment Funds (continued)		
J.C. Butler scholarship		
Balance at the start of the year	5,280	5,029
Interest income	264	251
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Balance at the end of the year	5,544	5,280
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Edith and Maurice Feitel trust		
Balance at the start of the year	100,000	102,417
Interest income	-	(2,417)
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Balance at the end of the year	100,000	100,000
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NOTE 11: ASSET REVALUATION RESERVE

The asset revaluation reserve records revaluations of land and buildings.

NOTE 12: FINANCIAL ASSET VALUATION RESERVE

The financial asset valuation reserve records the change in market value of managed funds.

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2006**
NOTE 13: OPERATING LEASE COMMITMENTS

	2010	2009
	\$	\$
Operating leases relating to the motor vehicle fleet and office rentals.		
Payable		
- not later than one year	545,587	576,878
- later than one year but not later than five years	377,843	420,664
	<u>923,430</u>	<u>997,542</u>

Level 3, 150 Albert Rd South Melbourne

The property is a lease with a 3 year term. Contingent rental provisions within the lease agreement require that the minimum lease payments shall increase annually by CPI. An option exists to renew the lease at the end of the 3-year term for an additional term of 3 years. The reinstatement costs in the future are estimated to be \$25,000.

356-358 Highett Rd, Highett

The property is a lease with a 2-year term. Contingent rental provisions within the lease agreement require that the minimum lease payments shall increase annually by CPI. An option exists to renew the lease at the end of the 2-year term for an additional term of 2 years. The reinstatement costs in the future are estimated to be \$2,000.

454-472 Nepean Hwy, Frankston

The property is a lease with a 3-year term. Contingent rental provisions within the lease agreement require that the minimum lease payments shall increase annually by CPI. An option exists to renew the lease at the end of the 3-year term for an additional term of 3 years. The reinstatement costs in the future are estimated to be \$10,000.

8A Cordrington St, Cranbourne

The property is a lease with a 2-year term. Contingent rental provisions within the lease agreement require that the minimum lease payments shall increase annually by CPI. An option exists to renew the lease at the end of the 2-year term for an additional term of 2 years. The reinstatement costs in the future are estimated to be \$7,500.

47 Princes Hwy, Dandenong

The property is a lease with a 3-year term. Contingent rental provisions within the lease agreement require that the minimum lease payments shall increase annually by CPI. An option exists to renew the lease at the end of the 3-year term for an additional term of 3 years. The reinstatement costs in the future are estimated to be \$10,000.

405 Nepean Highway, Frankston

The property is a sub-lease with a 3-year term. Contingent rental provisions within the lease agreement require that the minimum lease payments shall increase annually by CPI. An option exists to renew the lease at the end of the 3-year term for an additional term of 3 years. The reinstatement costs in the future are estimated to be \$15,000.

24 Toomuc Valley Road, Pakenham

The property is a memorandum of understanding on a year to year basis.

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2006**
**NOTE 14: RECONCILIATION OF SURPLUS / (DEFICIT) TO
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES**

Operating Surplus/(deficit)	(46,773)	(373,853)
Impairment of general investments	59,432	94,735
Investment Income	1,284	(4,129)
Loss on sale of plant and equipment	23,299	20,796
Decrement in value of general investment properties	30,000	7,500
Depreciation	129,882	176,575
Amortisation	-	48,576
Lease interest expense	-	10,520
Movement in receivables	243,863	(198,809)
Movement in other assets	(65,546)	(49,502)
Movement in payables	993,306	164,082
Movement in provisions	(14,562)	42,878
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Net cash provided by/(used in) operating activities	1,354,185	(60,631)
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NOTE 15: CASH FLOW INFORMATION**(a) Cash Reconciliation**

For the purposes of the cash flow statement, cash includes cash on hand and at bank.

Cash at the end of the year is shown in the balance sheet as:

Cash and Cash Equivalents	3	2,519,623	1,322,210
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(b) Bank Overdraft Facilities

Bank overdraft facility			
- Used		-	-
- Unused		220,000	220,000
		<hr/>	<hr/>
		220,000	220,000
		<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2010**
NOTE 16: **FINANCIAL RISK MANAGEMENT**(a) **Financial Risk Management Policies**

The association's financial instruments consist mainly of deposits with banks, long term investments that comprise of Australian fixed interest, shares and cash management accounts, accounts receivable and payable.

(i) **Treasury Risk Management**

A risk, audit and compliance committee consisting of Board members meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The committee's overall risk management strategy seeks to assist the association in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The risk, audit and compliance committee operates under policies approved by the Board. Risk management policies are approved and reviewed by the committee on a regular basis. These include the use of future cash flow requirements.

(ii) **Financial Risk Exposures and Management**

The main risks the association is exposed to through its financial instruments are interest rate risk, liquidity risk, price risk and credit risk.

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2010 approximately 70% of deposits are at a fixed rate.

Foreign currency risk

The association is not exposed to fluctuations in foreign currencies.

Liquidity risk

The association manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount as disclosed in the balance sheet and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2010.

Credit risk is managed and reviewed regularly by the risk, audit and compliance committee. It arises from exposures to customers and deposits with financial institutions.

At year end the association does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the association.

The trade receivables balances at 30 June 2010 and 30 June 2009 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

Price risk

Price risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in the market price of investments. This risk is managed through diversification of investments.

(b) **Financial Instrument Composition and Maturity Analysis**

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

	Weighted Average rate	Floating Interest rate \$	1 Year or Less Fixed Interest \$	Non Interest bearing \$	Total \$
2010 Financial Assets					
Cash and cash equivalents	3.82%	2,513,917		5,706	2,519,623
Term Deposits	4.57%		6,195,225		6,195,225
Managed Portfolios	3.02%	10,953,871			10,953,871
Shares	N/A			20,000	20,000
Receivables	N/A			459,721	459,721
		<u>13,467,788</u>	<u>6,195,225</u>	<u>485,427</u>	<u>20,148,440</u>
2010 Financial Liabilities					
Trade Payables	N/A			633,796	633,796
Grants received in Advance	N/A			2,076,279	2,076,279
		<u>-</u>	<u>-</u>	<u>2,710,075</u>	<u>2,710,075</u>
Net Financial Assets/(Liabilities)		<u>13,467,788</u>	<u>6,195,225</u>	<u>(2,224,648)</u>	<u>17,438,365</u>
		Past Due By			
		30 Days or Less	31 to 90 Days	91 to 180 Days	
		\$	\$	\$	\$

Receivables Aging 2010

368,920	35,583	55,218	<u>459,721</u>
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2010**
NOTE 16: **FINANCIAL RISK MANAGEMENT (cont'd)**

	Weighted Average rate	Floating Interest rate \$	1 Year or Less \$	Non Interest bearing \$	Total \$
2009 Financial Assets					
Cash and cash equivalents	3.80%	1,319,360		2,850	1,322,210
Term Deposits	5.05%		5,936,368		5,936,368
Managed Portfolios	5.20%	8,529,014			8,529,014
Shares	N/A			20,000	20,000
Receivables	N/A			703,584	703,584
		<u>9,848,374</u>	<u>5,936,368</u>	<u>726,434</u>	<u>16,511,176</u>
2009 Financial Liabilities					
Trade Payables	N/A			632,337	632,337
Grants received in Advance	N/A			1,084,432	1,084,432
		<u>-</u>	<u>-</u>	<u>1,716,769</u>	<u>1,716,769</u>
Net Financial Assets/Liabilities		<u>9,848,374</u>	<u>5,936,368</u>	<u>-990,335</u>	<u>14,794,407</u>

(c) **Net Fair Values**

The net fair values of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

Financial assets where the carrying amount exceeds net fair values have not been written down as the association intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Sensitivity analysis

The table below details the organisation's sensitivity to shifts in interest rate. The exposures are based on management's best estimates of the possible adverse effects of changes in interest rate as at 30 June 2010.

	Minimum		Maximum	
	2010	2009	2010	2009
	\$	\$	\$	\$
Interest rate risk	49,172	39,469	393,374	315,752
	Average			
	2010	2009		
	\$	\$		
	221,273	177,611		

Interest rate sensitivity analysis is based on balances of financial assets not exceeding one year, which are at fixed or floating rates. Minimum and maximum exposures are calculated at shifts of 25 and 200 basis points respectively. A net decrease in interest rates translates into a fall in surplus as investment income is reduced.

NOTE 17: **RELATED PARTY TRANSACTIONS**

All Board members acted in an honorary capacity.

During the year the following related party transactions occurred with Children Australia Inc. on normal commercial terms:

Mr Michael Bugelly is a director of BDO Kendalls Wealth Management (Vic) Pty. Ltd. who provide investment services to Children Australia Inc. A fee of \$36,757 (2009: \$22,616) was paid during the year for these services.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2010**

NOTE 18: KEY MANAGEMENT PERSONNEL COMPENSATION

	2010	2009
	\$	\$
Salary	386,378	404,424
Superannuation	152,736	188,142
Non Cash Benefits	71,990	67,500
Total Compensation	<u>611,104</u>	<u>660,066</u>

NOTE 19: ASSOCIATION DETAILS

The principal place of business of the association is:

Children Australia Inc.
LVL 3, 150 Albert Road
SOUTH MELBOURNE VIC 3025