

**CHILDREN AUSTRALIA INC.
ABN 90 680 959 928**

**FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE, 2011**

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE, 2011**

	Note	2011 \$	2010 \$
OPERATING REVENUE			
Government grants and subsidies		10,772,775	7,581,132
Donations and fundraising activities		267,571	370,654
Investment income		1,547,062	953,135
Fees for service		2,230,145	1,842,720
Other income		371,348	597,487
TOTAL OPERATING REVENUE	2(a)	15,188,901	11,345,128
OPERATING EXPENSES			
Operational costs		12,554,508	9,132,888
Bad Debts		12,802	-
Fundraising costs		89,512	55,825
Administration costs		1,592,458	1,686,697
Finance costs		3,752	4,038
Information technology costs		341,952	316,568
Property costs		20,660	106,454
Impairment of general investments		-	59,432
Loss on sale of general properties		-	30,000
TOTAL OPERATING EXPENSES	2(b)	14,615,644	11,391,901
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR		573,257	(46,773)
ENDOWMENT FUNDS REVENUE			
Profit /(loss) on sale of endowment properties	2(a)	-	(380,000)
Fair value gain on endowment investment properties	2(a)	75,000	150,000
Impairment of endowment investments	2(b)	-	(557,657)
Investment income (loss)	2(a)	1,348	1,284
ENDOWMENT SURPLUS/ (DEFICIT)		76,348	(786,373)
OPERATING AND ENDOWMENT SURPLUS/(DEFICIT) FOR THE YEAR		649,605	(833,146)
OTHER COMPREHENSIVE INCOME			
Fair value movements on available-for-sale financial assets		271,279	694,618
Gain on revaluation of service properties		28,500	128,500
OTHER COMPREHENSIVE SURPLUS/(DEFICIT)		299,779	823,118
TOTAL COMPREHENSIVE SURPLUS/(DEFICIT) FOR THE YEAR		949,384	(10,027)

The surplus for the year includes non - operating endowment funds income/(loss) of \$76,348 (2010: loss of \$786,373) .
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.

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE, 2011**

	Note	2011 \$	2010 \$
CURRENT ASSETS			
Cash and cash equivalents	3	3,047,582	2,519,623
Receivables	4	1,010,914	459,721
Financial assets	5	5,393,671	6,195,225
Inventories		22,264	45,498
Other assets	6	98,958	69,550
TOTAL CURRENT ASSETS		9,573,389	9,289,617
NON-CURRENT ASSETS			
Financial assets	5	11,952,386	10,973,871
Property, plant and equipment	7	2,297,083	2,300,114
Endowment property	7	1,675,000	1,600,000
TOTAL NON-CURRENT ASSETS		15,924,469	14,873,985
TOTAL ASSETS		25,497,858	24,163,602
CURRENT LIABILITIES			
Provisions	8	3,076,593	2,534,996
Payables	9	533,382	633,797
TOTAL CURRENT LIABILITIES		3,609,975	3,168,793
NON-CURRENT LIABILITIES			
Provisions	8	160,387	216,696
TOTAL NON-CURRENT LIABILITIES		160,387	216,696
TOTAL LIABILITIES		3,770,362	3,385,489
NET ASSETS		21,727,496	20,778,113
EQUITY			
Endowment funds	10	17,918,818	17,842,470
Asset revaluation reserve	11	840,813	812,313
Financial asset valuation reserve	12	1,112,633	841,353
Accumulated surplus		1,855,233	1,281,976
TOTAL EQUITY		21,727,496	20,778,112

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE, 2011**

	Endowment Funds \$	Asset Revaluation Reserve \$	Financial Asset Valuation Reserve \$	Accumulated Surplus \$	Total \$
Balance at 30 June 2009	18,628,843	683,813	146,735	1,328,748	20,788,139
Operating 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	-	-	635,187	-	635,187
Loss on sale of investment properties	(380,000)	-	-	380,000	-
Gain on revaluation of service properties	-	128,500	-	-	128,500
Transfer impairment of general investments	(557,657)	-	59,432	557,657	59,432
Balance at 30 June 2010	17,842,470	812,313	841,354	1,281,975	20,778,112
Operating Surplus	-	-	-	649,605	649,605
Increment in endowment investment properties	75,000	-	-	(75,000)	-
Investment income	1,348	-	-	(1,348)	-
Change in market value of managed funds	-	-	271,279	-	271,279
Gain on revaluation of service properties	-	28,500	-	-	28,500
Balance at 30 June 2011	17,918,818	840,813	1,112,633	1,855,233	21,727,496

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE, 2011**

	Note	2011 \$	2010 \$
Cash Flows from Operating Activities			
Grants received		8,614,933	8,856,738
Investment and rental income		126,325	187,962
Fundraising income		292,748	370,626
Interest and dividends received		1,148,416	599,626
Fees for service		2,172,232	1,842,720
Other receipts		371,348	597,487
Payments to suppliers and employees		(12,188,163)	(11,100,974)
Net Cash Provided by/(Used in) Operating Activities		537,839	1,354,185
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(100,394)	(132,141)
Proceeds from disposal of property		0	2,490,000
Proceeds from disposal of plant and equipment		20,000	63,636
Investment in term deposits		801,554	(586,655)
Investment in managed funds		(731,040)	(1,991,612)
Net Cash Provided by/ (Used in) Investing Activities		(9,880)	(156,772)
Net increase (decrease) in cash and cash equivalents held		527,959	1,197,413
Cash and cash equivalents at the beginning of the year		2,519,623	1,322,210
Cash and Cash Equivalents at the End of the Year	14	3,047,582	2,519,623

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements cover Children Australia Inc as an individual entity. Children Australia Inc is an association incorporated in Victoria under the Associations Incorporation Act 1981. Children Australia Inc has elected to early adopt the pronouncements AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements to the annual reporting period beginning 1 July 2010.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board and the Associations Incorporation Act 1981.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material financial statements have been prepared on an accruals basis and are

(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 and impairment losses.

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 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 or receivable.

Grant revenue is recognised in the statement of comprehensive income when the entity obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

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.

This year, unspent client funds and brokerage have been recognised as revenue as has a provision for the offsetting expenditure.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2011**

(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**

Initial Recognition and 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.

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.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment - Financial Assets

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 statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual right to receipt of cash flows expires or the asset is transferred to another party whereby the entity 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. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(i) **Impairment - Other 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 statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2011**

(j) **Provisions**

Provisions are recognised when the association has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(k) **Cash and cash equivalents**

Cash is cash on hand or available on demand.

(l) **Comparative Figures**

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

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 27th October 2011

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2011**

NOTE 2: OPERATING SURPLUS	\$	\$
(a) Revenue		
Operating activities		
- government grants and subsidies	10,772,775	7,581,132
- donations and fundraising activities	267,571	370,654
- rent from trust properties	126,325	187,962
- fees for service	2,230,145	1,842,720
- interest	532,652	378,089
- dividends and distributions	888,085	387,083
- other income	371,348	597,487
	15,188,901	11,345,128
Non-operating activities		
- profit/(loss) on sale of endowment properties	-	(380,000)
- investment income / (loss)	1,348	1,284
- increment in value of endowment properties	75,000	150,000
	76,348	(228,716)
(b) Expenses		
Operating activities		
- salaries and wages	7,161,151	6,551,366
- general operating expenses	6,532,018	3,697,022
- bad debts	12,802	-
- rental expense and operating Leases	751,683	765,797
- finance costs	3,752	4,038
- depreciation expense	133,578	181,098
- trust property expenses	20,660	133,148
- impairment of general investments	-	59,432
	14,615,644	11,391,901
Non-operating activities		
- impairment of endowment investments	-	(557,657)
NOTE 3: CASH AND CASH EQUIVALENTS		
Cash on hand (Non interest bearing)	5,706	5,706
Cash at bank (Interest bearing)	3,041,876	2,513,917
	3,047,582	2,519,623
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, 2011**

	2011	2010
	\$	\$
NOTE 4: RECEIVABLES		
Current		
Trade debtors	402,682	238,111
Sundry debtors	180,029	41,398
Distributions receivable	409,012	161,021
Security deposits	19,191	19,191
	<u>1,010,914</u>	<u>459,721</u>
	<u><u>1,010,914</u></u>	<u><u>459,721</u></u>
No interest is payable on receivables.		
NOTE 5: FINANCIAL ASSETS		
Current		
- Term deposits - Emerald Hill	2,435,646	2,935,647
- Term deposits - Ellis Estate	1,967,508	2,267,508
- Term deposits - General endowment	170,992	170,992
- Term deposits - Operating	696,624	698,178
- Term deposits - Edith & Maurice Feitel Fund	100,000	100,000
- Term deposits - Murison Trust	22,901	22,900
	<u>5,393,671</u>	<u>6,195,225</u>
	<u><u>5,393,671</u></u>	<u><u>6,195,225</u></u>
Non-Current		
Available-for-sale financial assets		
- Managed portfolios - Endowment Fund	5,644	5,882
- Managed portfolios - General	182,497	190,190
- Managed portfolios - Emerald Hill	8,673,965	7,930,749
- Managed portfolios - Ellis Estate	3,070,280	2,827,050
- Shares - at cost	20,000	20,000
	<u>11,952,386</u>	<u>10,973,871</u>
	<u><u>11,952,386</u></u>	<u><u>10,973,871</u></u>
	<u><u>17,346,057</u></u>	<u><u>17,169,096</u></u>
	<u><u>17,346,057</u></u>	<u><u>17,169,096</u></u>
Investments earn interest/distributions at a weighted average rate of 7.4% (2010, 3.7%). The unrealised capital movement from managed portfolios is not included in this rate.		
NOTE 6: OTHER ASSETS		
Prepayments	<u>98,958</u>	<u>69,550</u>
	<u><u>98,958</u></u>	<u><u>69,550</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2011**

NOTE 7: PROPERTY, PLANT AND EQUIPMENT	2011	2010
	\$	\$
Administration property, plant and equipment		
Land at independent valuation (2011)	1,000,000	
Land at independent valuation (2010)		1,000,000
Buildings at independent valuation (2011)	950,000	
Buildings at independent valuation (2010)		950,000
Total administration properties	1,950,000	1,950,000
Motor vehicles at cost	219,425	247,842
less accumulated depreciation	84,081	70,167
	135,344	177,675
Furniture and equipment at cost	697,923	547,530
less accumulated depreciation	558,177	453,029
	139,746	94,501
Leasehold improvements	92,750	92,750
less accumulated amortisation	85,257	79,312
	7,493	13,438
Leasehold improvements - make good	64,500	64,500
Total administration property, plant and equipment	2,297,083	2,300,114
Endowment property		
Ellis Estate land and buildings at independent valuation (Note (a))	550,000	525,000
Emerald Hill land and buildings at independent valuation (Note (a))	1,125,000	1,075,000
Total endowment properties	1,675,000	1,600,000
Total property, plant and equipment	3,972,083	3,900,114

(a) Land and buildings were independently valued by Teska Carson as at 30 June 2011 based on open market values.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2011**

	Note	2011 \$	2010 \$
NOTE 8: PROVISIONS			
Current			
Employee benefits		548,420	458,719
Other Provisions		2,528,173	2,076,277
		<u>3,076,593</u>	<u>2,534,996</u>
Non-Current			
Employee benefits		95,887	152,196
Provision for lease make good		64,500	64,500
		<u>160,387</u>	<u>216,696</u>
Total Provisions		<u>3,236,980</u>	<u>2,751,692</u>
Balance at the start of the year		2,751,692	625,477
Additional Provisions		901,705	2,603,410
Amounts used		(416,417)	(477,195)
		<u>3,236,980</u>	<u>2,751,692</u>
NOTE 9: PAYABLES			
Trade payables		132,699	166,396
Sundry payables and accrued expenses		400,683	467,401
		<u>533,382</u>	<u>633,797</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2011**

	2011 \$	2010 \$
NOTE 10: ENDOWMENT FUNDS		
General endowment	179,398	179,398
Emerald Hill endowment	10,324,606	10,274,606
Ellis Estate endowment	7,147,745	7,122,745
Yallum endowment	22,496	21,425
J.C. Butler scholarship	5,821	5,544
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
	17,918,818	17,842,470
Movement in Endowment Funds		
General endowment		
Balance at start of the year	179,398	251,236
Investment impairment	-	(1,838)
Capital loss on sale of property	-	(70,000)
Balance at the end of the year	179,398	179,398
Emerald Hill endowment		
Balance at start of the year	10,274,606	10,623,153
Increment/(decrement) in investment properties	50,000	125,000
Investment impairment	-	(343,547)
Capital loss on sale of property	-	(130,000)
	0	
Balance at the end of the year	10,324,606	10,274,606
Ellis Estate endowment		
Balance at start of the year	7,122,745	7,490,017
Increment/(decrement) in investment properties	25,000	25,000
Investment impairment	-	(212,272)
Capital loss on sale of property	-	(180,000)
Balance at the end of the year	7,147,745	7,122,745
Yallum endowment		
Balance at the start of the year	21,425	20,405
Interest income	1,071	1,020
Balance at the end of the year	22,496	21,425

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2011**

	2011	2010
	\$	\$
NOTE 10: ENDOWMENT FUNDS (continued)		
Movement in Endowment Funds (continued)		
J.C. Butler scholarship		
Balance at the start of the year	5,544	5,280
Interest income	277	264
	<hr/>	<hr/>
Balance at the end of the year	5,821	5,544
	<hr/> <hr/>	<hr/> <hr/>
Edith and Maurice Feitel trust		
Balance at the start of the year	100,000	100,000
Interest income	-	-
	<hr/>	<hr/>
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.		
NOTE 13: OPERATING LEASE COMMITMENTS		
Operating leases relating to the motor vehicle fleet and office rentals.		
Payable		
- not later than one year	719,004	545,587
- later than one year but not later than five years	208,100	377,843
	<hr/>	<hr/>
	927,104	923,430
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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 1-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 1-year term for an additional term of 1 year. 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 2-year term. Contingent rental provisions within the lease agreement require that the minimum lease payments shall increase annually by CPI. The reinstatement costs in the future are estimated to be \$10,000.

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2011**
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.

NOTE 14: 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	3,047,582	2,519,623
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(b) Bank Overdraft Facilities			
Bank overdraft facility			
- Used		-	-
- Unused		220,000	220,000
		220,000	220,000
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NOTE 15: 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.

	2011	2010
Financial Assets	\$	\$
Cash and cash equivalents	3,047,582	2,519,623
Term Deposits	5,393,671	6,195,225
Managed Portfolios	11,932,386	10,953,871
Shares	20,000	20,000
Receivables	1,010,914	459,721
	21,404,553	20,148,440
Financial Liabilities		
Trade Payables	533,382	633,797

(b) Net Fair Values

For listed available-for-sale financial assets and financial assets at fair value through profit or loss the fair values have been based on closing quoted bid prices at the end of the reporting period.

In determining the fair values of the unlisted available-for-sale financial assets, the directors have used inputs that are observable either directly (as prices) or indirectly (derived from prices).

Fair values of held-to-maturity investments are based on quoted market prices at the ending of the reporting period.

Fair values of held-to-maturity term deposits generally reprice to a market interest rate every 6 months, and fair value therefore approximates fair value.

NOTE 16: 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 \$56,812 (2010: \$36,757) was paid during the year for these services.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2011**

NOTE 17: KEY MANAGEMENT PERSONNEL COMPENSATION

	2011	2010
	\$	\$
Total Compensation	<u>717,642</u>	<u>611,104</u>

NOTE 18 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the opinion of the Board members, the association did not have any contingencies as at 30 June 2011 (30 June 2010: None).

NOTE 19 EVENTS AFTER BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the association in future financial years.

NOTE 20 ASSOCIATION DETAILS

The registered office of the association is:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2011**
PROPERTY, PLANT AND EQUIPMENT

(b) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

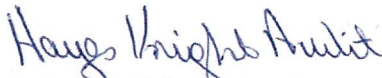
2011								
Class of Asset	Opening balance	Depreciation write-back	Write off	Additions	Disposals	Depreciation / Amortisation Expense	Revaluation	Closing balance
	\$	\$	\$	\$	\$	\$	\$	\$
Land	1,000,000	-	-	-	-	-	-	1,000,000
Buildings	950,000	28,500	-	-	-	(28,500)	-	950,000
Endowment properties	1,600,000	-	-	-	-	-	75,000	1,675,000
Service Property, furniture & equipment	94,501	-	-	100,394	-	(55,149)	-	139,746
Leasehold improvements	13,438	-	-	-	-	(5,945)	-	7,493
Leasehold improvements - make good	64,500	-	-	-	-	-	-	64,500
Motor vehicles	177,675	-	-	-	(28,417)	(13,914)	-	135,344
TOTAL	3,900,114	28,500	-	100,394	(28,417)	(103,508)	75,000	3,972,083

Children Australia Inc.

Independent Audit Report to the Members of Children Australia Inc.

Opinion

In our opinion the financial report gives a true and fair view of the financial position of Children Australia Inc. as at 30 June 2011, and of its performance for the year ended in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Associations Incorporations Act 1981*.


Hayes Knight Audit Pty Ltd
Melbourne


Geoff S. Parker
Director

Dated this 27 day of October 2011