

Variety Victoria – The Children's Charity
80 145 257 414

Financial Report
For the Year Ended 30 September 2011

Variety Victoria – The Children’s Charity
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DIRECTORS REPORT

The directors of the Variety Victoria – The Children's Charity (the Company or Variety) have pleasure in submitting the following report in respect of the year ended 30 September 2011 in accordance with a resolution of the directors.

DIRECTORS

The directors in office at the date of this report are set out below.

The directors had no interests in contracts or proposed contracts with Variety during the course of the financial year other than as noted in the statutory information of this report.

Information on Directors

DOUG CHRISTIE: Chief Barker (Chairman) and International Ambassador

Doug is a specialist in Marketing, Communications and Brand strategy and execution. He has had considerable international business experience at both CEO and Board levels particularly in the Banking, Media and Telecommunications sectors. He is Managing Director of the marketing, communications and media company Focus Communications Group. Doug is a past Chairman of Variety Victoria (2003-2006), and is a Life Member. He is also an International Ambassador for Variety and an Australia Day Council Life Ambassador. Doug is a past Deputy Chairman of Life Education Victoria. He has been on the Variety Victoria Board since 2000.

GILLIAN HUND: Deputy Chair

Originally trained as a teacher working in both Australia and overseas with primary aged Special Needs Children. Gillian then turned her interests to publishing and established Copeland Publishing Pty Ltd with a business partner in 1989. 'Sydney's Child' was the first parenting title launched and the company has since grown to a national newspaper business publishing six parenting titles which have a total circulation of over 450,000 papers per month, Australia wide. Gillian brings to the board not only a wealth of Marketing and Public Relations knowledge but also an insight of the lives of special needs children and their families, through her teaching experience. She has been on the Board of Management since 2007.

ROD COLLINS APM: Secretary

Rod is now an Emergency Services specialist consultant. As former senior officer (Superintendent) with Victoria Police he headed up Emergency Management Coordination throughout the State. He is also a former head of the Homicide squad. Rod was awarded the Australian Police Medal for his work with police and charities. At Variety he has had considerable influence by being Bash Chairman for the last decade - and as such was awarded a Life Membership. He has been on the Variety Board since 1999.

VITO INTERLANDI: Treasurer

Vito Interlandi is a Director of Business Advisory Services. He has more than 15 years professional practice experience, following a successful career in industry. Vito has a specialised interest in business development and the strategic impact of taxation on day-to-day decisions. He has been on the Variety Board of Management since 2006.

DAVID RAYNER: Board Member

Life Member David Rayner is a Director of RSP Automotive & Industrial Pty Ltd & Rare Spares Pty Ltd and has been a long standing Variety supporter. His service to the children's charity includes 9 years as a Board Member and 14 years on the Bash Committee, including 5 years as Bash Chairman. David has participated in 24 Bash events, including 3 international events. David was awarded a Variety International Presidential Citation in 2002 in recognition of his dedication to Variety.

GRAEME GIDDINGS: Board Member

Graeme is Managing Director of Owners Corporation (Aust) Pty Ltd and has been involved with the Variety Vic Bash for 15 years. He has been on the Variety Board of Management since 2005 and is a champion of our Motoring Events, as Outback Adventure Chairman and incoming Bash Chairman. Graeme was honoured by his service to special needs children with a Variety International Presidential Citation.

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DIRECTORS REPORT

Information on Directors (Cont.)

DAVID CORNWELL: Board Member

David is a senior corporate lawyer with over 20 years practising experience in Australia, Asia and New Zealand. David has previously been a partner of a large Australian law firm and, a partner of a leading US firm based in Singapore, and was of Counsel with a prominent New York law firm. David has spent a number of years practising in Asia based from Singapore. He has extensive Australian and international experience in general corporate law, projects, financing, corporate advisory and private equity transactions.

ANNE HENSHALL: Board Member

Anne Henshall is the Marketing Manager of The Capital – Bendigo's Performing Arts Centre and has been working in both marketing and major events for the past years broken only by two years as Chief of Staff of the daily newspaper, the Bendigo Advertiser. Anne has played a key role in the delivery of events for Bendigo such as the Jayco Herald Sun Tour, the Bendigo Easter Festival and was the creator of Bendigo's Kids Character Carnival. She has held a position on the Board of the Bendigo Trust as well as having a long association with Scope in central Victoria as a member of staff, fundraiser and as a member of the Centre Association.

SUE STANLEY: Board Member

Sue is an active supporter of the children's activities and programs at Variety. She is the Director of Fitcorp and is involved in a number of charities including the Blue Ribbon Foundation, and Vicsport. She has been on the Variety Board of Management since 2005.

EVANGELINE ARULRAJAH: Board Member

Evangeline has a background in Social Work and has worked in Australia and Overseas in a broad range of settings such as Hospitals and alternative school and therapy centre in Sweden for teenagers. She is also a qualified lawyer having worked in top tier firms in the private sector in areas such as commercial litigation, construction, insurance, corporate and government. She also has in house experience and is currently working as a senior corporate lawyer for the Victorian Government.

JOE BARBER: Board Member

Joe Barber is founder and CEO of Modapt as well as founder and Director of Third Screen Media; two organisations involved in the mobile web and mobile marketing industries respectively and both with operations and activities in over 9 countries. Joe is also a strategic advisor to a number of start up technology firms and provides guidance on the journey from "inception to liquidity". Joe has been involved in technology for over 30 years including founding and raising capital for a number of start ups and managing regional operations for some of the world's major technology players. Joe has had vast international experience with long periods in the North American market, distribution of products throughout Asia and Europe and a business in Malaysia. He travels regularly to world conferences and is a regular speaker on technology as well as a respected monthly contributor for Marketing Magazine sharing his insights and ideas.

RICHARD SYMON: Board Member

Richard is co-founder and Chair of the Financial Services Foundation Ltd, a supporter and partner of Variety in raising funds for children's charities. Established in 2003, the Foundation hosts the annual "A Monetary Affair" ball, Melbourne's charitable event for the stockbroking community.

Richard has 25 years experience in stockbroking and is currently Executive Director of ASX listed MDS Financial Group. Richard was the CEO of NSX Ltd, the operator of the National Stock Exchange. Richard has served in executive roles with SDIA (now Stockbrokers Association of Australia) and Prudential-Bache Securities. He co-founded and was CEO of Sharetrade Australian Stockbroking which was sold to PBL's listed subsidiary eCorp.

Richard is a Fellow of Finsia, Affiliate of SAA and was a Member of the ASX.

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DIRECTORS REPORT

GENERAL INFORMATION

Company Secretary

Rod Collins has been the secretary of the company for the past 3 months. The previous secretary was Mark Grover.

Company Information

Variety is a Company incorporated in Australia under the *Corporations Act 2001*.

The registered office of the Company is H71 63-85 Turner Street, Port Melbourne, Victoria.

The Company employed 9 staff at 30 September 2011 (30 September 2010: 6).

Principal Activities

The principal activities of Variety during the year were to supply material aid to less fortunate children in the community. No changes in the nature of the following activities occurred during the year: granting of individual and group appeals, provision of Variety Sunshine Coaches, Children's Christmas Party and Children's outings.

BUSINESS REVIEW

Operating Result

The loss of the Company for the year ended 30 September 2011 was \$42,524 (2010: \$146,916 loss).

Dividends

The Company is a not-for-profit organisation and as a company limited by guarantee is prevented from paying dividends.

OTHER ITEMS

Significant Changes in State of Affairs

The economic entity changed its legal form during the year, from an incorporated association, to a company limited by guarantee. This change did not change the underlying goals or operations of the economic entity.

No other significant changes in the Company's state of affairs occurred during the financial year.

After Balance Date Events

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

Future developments

There are no significant future developments envisaged for the forthcoming year.

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DIRECTORS REPORT

Environmental Issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Meetings of Directors

There were 8 Board meetings held during the year. The attendance by each Board member during the year was as follows:

	Board Meetings	
	Number Eligible to Attend	Number Attended
Rod Collins APM	8	6
Dagmar O'Brien	1	1
Doug Christie	8	8
Anne Henshall	8	4
Mike Brady	8	2
Graeme Giddings	8	6
David Cornwell	8	7
Sharon McDonald	3	3
Sue Stanley	8	4
Joe Barber	1	1
Vito Interlandi	8	5
Gillian Hund	8	6
Richard Symon	1	-
Evangelina Arulrajah	1	-

Indemnification and Insurance of Officers

Variety has, during the financial year, paid an insurance premium in respect of an insurance policy for the benefit of the directors and executive officers of Variety. The insurance is in the normal course of business and grants indemnity for liabilities incurred by the directors and executive officers in performance of their duties, to the extent permissible under the *Corporations Act 2001*. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.

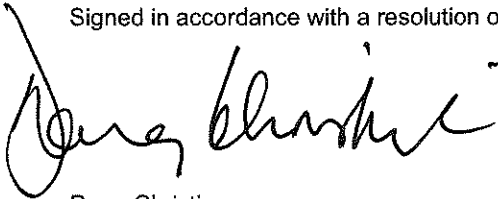
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DIRECTORS REPORT

Independence Declaration

A copy of the auditor's independence declaration as required under s307C of the *Corporations Act 2001* is set out on page 28.

Signed in accordance with a resolution of the directors:



Doug Christie
Chairman



Vito Interlandi
Treasurer

22nd November 2011

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DIRECTORS DECLARATION

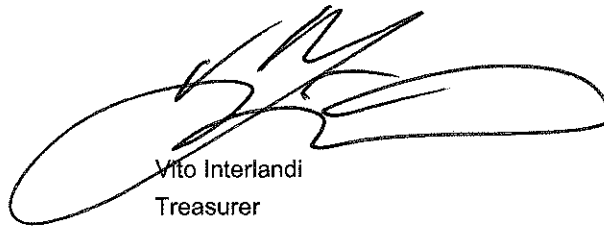
In the opinion of the Board the financial report as set out on pages 7 to 27:

1. Presents a true and fair view of the financial position of Variety Victoria – The Children's Charity as at 30 September 2011 and its performance for the year ended on that date in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board.
2. At the date of this declaration, there are reasonable grounds to believe that the Variety Victoria – The Children's Charity will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Committee and is signed for and on behalf of the Board by:



Doug Christie
Chairman



Vito Interlandi
Treasurer

22nd November 2011

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Note	2011 \$	2010 \$
INCOME			
Revenue from Events	2	3,075,334	3,875,334
Event Costs	2	(1,662,058)	(1,990,073)
Net Income from Events		<u>1,413,276</u>	<u>1,885,261</u>
Revenue from Fundraising	2	1,297,468	931,943
Fundraising Costs	2	(281,663)	(288,031)
Net Income from Fundraising		<u>1,015,805</u>	<u>643,912</u>
Other Income	2	13,479	2,267
		<u>2,982,560</u>	<u>2,531,440</u>
EXPENSES			
Administration Costs		327,653	190,970
Appeals Granted		1,899,786	2,202,051
Appeals Rescinded		(126,915)	(74,081)
Depreciation & Amortisation		48,330	39,120
Employee Costs		197,844	115,786
Finance Costs		31,006	36,953
Other Expenses		107,380	167,557
Profit/ (Loss) for the year		<u>(42,524)</u>	<u>(146,916)</u>
Other Comprehensive Income		-	-
Total Comprehensive Income		<u>(42,524)</u>	<u>(146,916)</u>

The accompanying notes form part of these financial statements.

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STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2011

	Note	2011 \$	2010 \$
CURRENT ASSETS			
Cash and cash equivalents	4	361,633	613,437
Trade and other receivables	5	150,597	285,838
Inventory	6	30,538	17,050
Other assets	7	46,245	51,842
TOTAL CURRENT ASSETS		<u>589,014</u>	<u>968,167</u>
NON-CURRENT ASSETS			
Property, plant and equipment	8	969,310	1,013,286
Intangible assets	9	109,281	20,950
TOTAL NON-CURRENT ASSETS		<u>1,078,591</u>	<u>1,034,236</u>
TOTAL ASSETS		<u>1,667,605</u>	<u>2,002,403</u>
CURRENT LIABILITIES			
Trade and other payables	10	560,582	887,684
Short-term provisions	11	68,319	76,886
Other Liabilities	12	119,033	86,752
TOTAL CURRENT LIABILITIES		<u>747,933</u>	<u>1,051,322</u>
NON-CURRENT LIABILITIES			
Trade and other payables	10	356,275	300,000
Long-term provisions	11	11,587	6,767
TOTAL NON-CURRENT LIABILITIES		<u>367,862</u>	<u>306,767</u>
TOTAL LIABILITIES		<u>1,115,795</u>	<u>1,358,089</u>
NET ASSETS		<u>551,810</u>	<u>644,314</u>
EQUITY			
Reserves	13	470,000	520,000
Accumulated surplus / (deficit)		81,810	124,314
TOTAL MEMBERS' FUNDS		<u>551,810</u>	<u>644,314</u>

The accompanying notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2011

		Accumulated Surplus	Jeffery White Reserve	Total
	Note	\$	\$	\$
Balance at 1 October 2009		271,230	570,000	841,230
Surplus / (deficit) for the year		(146,916)	-	(146,916)
Transfer to and from reserves	13	-	(50,000)	(50,000)
Balance at 30 September 2010		124,334	520,000	644,334
Surplus / (deficit) for the year		(42,524)	-	(42,524)
Transfer to and from reserves	13	-	(50,000)	(50,000)
Balance at 30 September 2011		81,810	470,000	551,810

The accompanying notes form part of these financial statements.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Note	2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from donors, sponsors, members and functions		4,513,820	4,556,331
Payments to grantees, suppliers and employees		(4,680,066)	(4,412,465)
Interest received		9,687	2,267
Interest paid		(2,578)	(6,934)
Net cash provided by (used in) operating activities	18	(159,137)	139,199
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		(88,331)	(20,950)
Purchase of property, plant and equipment		(38,151)	(61,129)
Net cash provided by (used in) investing activities		(126,482)	(82,079)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		33,815	-
Net cash provided by (used in) financing activities		33,815	-
Net (decrease) / increase in cash held		(251,804)	57,120
Cash at beginning of financial year		613,437	556,317
Cash at end of financial year	4	361,633	613,437

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and the *Corporations Act 2001*.

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 to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting Policies

a. Property, Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, is depreciated on a straight-line basis over the asset's useful life commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate
Buildings	2.5%
Plant and Equipment	7.5 - 35%
Motor Vehicles	25%
Computer Equipment	20 - 50%
Improvements	2.5%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance date.

b. Inventories

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

c. Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (i) the amount at which the financial asset or financial liability is measured at initial recognition;
- (ii) less principal repayments;
- (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- (iv) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Company does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking, where they are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *Loans and receivables*

Loans and 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.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

(iii) *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 Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period, which will be classified as current assets.

If during the period the Company sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire category of held-to-maturity investments would be tainted and would be reclassified as available-for-sale.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after the end of the reporting period, which will be classified as current assets.

(v) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

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

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment 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.

d. Impairment of Assets

At the end of each reporting period, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value-in-use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

e. Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. 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. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

f. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

g. Revenue and Other Income

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 must also be met before revenue is recognised:

Events Revenue

In some cases, revenue is received in respect of an event that falls into the following financial year. In such cases, the revenue and any associated costs is deferred and recognised as deferred income.

Interest Income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculation the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to the net carrying amount of the financial asset.

Sales of non-current assets

The proceeds of non-current assets sales are included at the date control of the asset passes to the buyer. The gain or loss on disposal of assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal and are recognised net within "other income".

Donated Goods

Goods are donated to be sold at auctions, or to be used in events or functions. In both cases, they are recognised as revenue at their replacement cost, and expensed when the goods are sold, or otherwise used.

All revenue is stated net of the amount of goods and services tax (GST).

h. Appeals Payable

Appeals payable are carried at cost and are recognised when the Company has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits as a result of past transactions or events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

i. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

j. Rounding of Amounts

The Company has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest \$1.

k. Income taxes

No provision for income tax has been raised as the Company is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997*.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

k. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

l. Comparative Figures

The prior year comparative figures represent the operations of the association – Variety Club of Victoria Inc. The current year figures represent the operations of the company – Variety Victoria – The Children's Charity. There has been no change to the economic entity, its operations or objectives, other than the change to its legal form as noted above.

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

Where the Company has retrospectively applied an accounting policy, made a retrospective restatement or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

m. Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Company during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

n. Provisions

Provisions are recognised when the Company 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.

o. Jeffery White Reserve

During 2006, a bequest of \$925,000 was received from the estate of Jeffery White. \$720,000 of the bequest was taken to a reserve and in accordance with the terms of the bequest, the Company will declare annual grants to the value of \$50,000 in Jeffery White's name until the funds have been fully utilised. The grants will be paid directly from the reserve.

p. Deferred Income

Deferred Income, classified as current, consists of amounts received during the year in relation to fundraising events which are to be held in the following financial year.

q. Key Judgments

Apportionment of employment costs

The costs of employing staff are allocated across three core areas of the Company's operations – administration, events and fundraising. Where a staff member is employed in a specific area (such as coordinating a particular event) the costs of their employment are allocated to that area. For staff not employed in a specific area, the costs of their employment allocated equally across the three areas of the Company's operations.

Variety Victoria – The Children's Charity
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

r. Going Concern basis of accounting

At balance date, the Company had a deficiency of current assets over current liabilities of approximately \$160,000. Despite this, the Board of Directors believe that the Company remains a going concern, and that the going concern basis of accounting remains appropriate. In arriving at this conclusion, the Board has given regard to:

- The overall positive net asset position of the company;
- The ability of the Company to reduce or defer grant expenditure in the event sufficient revenues are not earned; and
- The fact that the Company owns its current premises, which it would be able to realise in a sale if circumstances required.

s. Adoption of New and Revised Accounting Standards

During the current year, the Company has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these Standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these Standards and Interpretations has had on the financial statements of the Company.

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 the financial statements. Below is an overview of the key changes and the impact on the Company's financial statements.

Disclosure impact

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

Reporting changes in equity — The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

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.

The Company's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

Variety Victoria – The Children's Charity
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

NOTE 2: FUNDRAISING INFORMATION AND COSTS	2011 Revenue	2011 Direct Costs	2011 Net Proceeds	2010 Net Proceeds
	\$	\$	\$	\$
Children's Christmas Fundraising	257,273	-	257,273	350,000
Grand Final Lunch	218,161	(54,179)	163,982	125,146
Heart of Variety Ball	-	-	-	(9,174)
Radiothon	195,724	(22,103)	173,621	197,991
4 x 4 Challenge	82,745	(35,619)	47,126	105,354
Brats Bash	62,981	(32,356)	30,625	10,121
Splash	227,171	(180,056)	47,115	99,510
Variety Bash	1,857,784	(561,697)	1,296,087	1,344,519
Route 66	328,587	(180,773)	147,814	-
Outback Adventure	-	-	-	156,773
Unallocated Events Costs	-	(750,367)	(750,367)	(494,979)
Total contribution from events	3,230,426	(1,817,150)	1,413,276	1,885,261
Contribution towards grants	1,297,468	-	1,297,468	931,943
Other income	13,479	-	13,479	2,267
Indirect fundraising costs	-	(281,663)	(281,663)	(288,031)
Administration costs	-	(712,213)	(712,213)	(550,386)
Profit before grants	4,541,373	(2,811,026)	1,730,347	1,981,054
Grants approved	-	(1,899,786)	(1,899,786)	(2,202,051)
Rescinded grants	-	126,915	126,915	74,081
Grants expense	-	(1,772,871)	(1,772,871)	(2,127,970)
Profit / (loss) for the year	4,541,373	(4,583,897)	(42,524)	(146,916)

NOTE 3: AUDITORS' REMUNERATION

	2011 \$	2010 \$
Remuneration of the auditor of the Company for:		
- auditing or reviewing the financial report	10,000	10,000
- other services	1,000	1,000
	11,000	11,000

NOTE 4: CASH AND CASH EQUIVALENTS

Cash on hand	3,000	2,480
Cash at bank	358,633	610,957
	361,633	613,437

Variety Victoria – The Children's Charity
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

NOTE 5: TRADE AND OTHER RECEIVABLES

	2011	2010
	\$	\$
CURRENT		
Trade Receivables	112,968	18,640
Provision for impairment of receivables	-	-
Other receivables	7,856	32,471
Accrued revenue	45,485	234,727
Amounts receivable from:		
- other related parties	-	-
	<u>166,309</u>	<u>285,838</u>

NOTE 6: INVENTORIES

CURRENT

Inventory – at cost	<u>30,538</u>	<u>17,050</u>
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NOTE 7: OTHER ASSETS

CURRENT

Prepayments	<u>46,245</u>	<u>51,842</u>
-------------	---------------	---------------

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

Property

Land and Buildings at cost	936,796	936,796
Accumulated depreciation	(128,071)	(109,775)
Total Land and Buildings	<u>808,725</u>	<u>827,021</u>
Property Improvements at cost	112,007	106,071
Accumulated depreciation	(17,076)	(14,362)
Total Property Improvements	<u>94,931</u>	<u>91,709</u>
Total Property	<u>903,656</u>	<u>918,730</u>

Variety Victoria – The Children's Charity
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

NOTE 8: PROPERTY, PLANT & EQUIPMENT (CONT.)

	2011	2010
	\$	\$
Plant and Equipment		
Motor Vehicles at cost	41,441	93,545
Accumulated depreciation	(13,884)	(29,182)
Total Motor Vehicles	27,557	64,363
Office equipment at cost	56,723	79,747
Accumulated depreciation	(35,557)	(61,475)
Total Office Equipment	21,166	18,274
Computer Equipment at cost	36,997	73,421
Accumulated depreciation	(20,065)	(61,500)
Total Computer Equipment	16,931	11,921
Total Plant and Equipment	65,654	94,552
Total Property, Plant and Equipment	969,310	1,013,286

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:

	Land and Buildings	Property Improvements	Motor Vehicles	Office Equipment	Computer Equipment	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 October 2009	845,317	89,656	34,016	18,125	4,056	991,170
Additions	-	4,590	41,441	3,902	11,196	61,129
Disposals	-	-	-	-	-	-
Depreciation expense	(18,296)	(2,537)	(11,094)	(3,755)	(3,331)	(39,013)
Balance at 30 September 2010	827,021	91,709	64,363	18,272	11,921	1,013,286
Additions	-	5,936		10,132	19,220	35,288
Disposals	-		(26,848)	(2,016)	(2,070)	(30,934)
Depreciation expense	(18,296)	(2,714)	(9,958)	(5,222)	(12,140)	(48,330)
Balance at 30 Sept 2011	808,725	94,931	27,557	21,166	16,931	969,310

NOTE 9: INTANGIBLE ASSETS

	2011	2010
	\$	\$
Website development costs (work in progress)	109,281	20,950
Less: accumulated amortisation	-	-
	109,281	20,950

Variety Victoria – The Children's Charity
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

NOTE 10: TRADE AND OTHER PAYABLES

	2011	2010
	\$	\$
CURRENT		
Unsecured liabilities:		
Trade payables	241,370	185,643
Sundry payables and accrued expenses	15,219	11,608
Appeals payable	303,993	690,433
NON-CURRENT		
Grants payable	356,275	300,000
	<u>916,857</u>	<u>1,187,684</u>

NOTE 11: PROVISIONS

CURRENT		
Employee benefits	68,319	76,886
NON-CURRENT		
Employee benefits	11,587	6,767
	<u>79,905</u>	<u>83,653</u>

NOTE 12: OTHER LIABILITIES

CURRENT		
Deferred income	<u>119,033</u>	<u>86,752</u>

NOTE 13: RESERVES

The Jeffrey White Reserve:		
Opening balance:	520,000	570,000
Transfer from reserve	(50,000)	(50,000)
Closing balance	<u>470,000</u>	<u>520,000</u>

The Jeffrey White Reserve was created in 2006 as a result of a bequest to the Company. Under the terms of the Deed of Gift establishing the reserve, an amount of \$50,000 per annum is to be used from the reserve for charitable purposes as set out in the Company's constitution.

Variety Victoria – The Children's Charity
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

NOTE 14: CONTINGENT ASSETS

The Company holds a number of assets which are not brought to account in the financial report:

- A painting by Jamie Cooper entitled "Variety Entertainers of the Century". This painting was purchased in 2005 for a sum of \$237,419, and was subsequently written down to nil value in 2006. On the basis that it is not able to determine an appropriate fair value for this painting, the committee believes it prudent to disclose the Company's ownership of this asset as a contingent asset.
- Miscellaneous sporting memorabilia, books, toys, posters and other similar items. These items are donated to the Company from time to time, for future use in the Company's fundraising or charitable activities. On the basis that it is not practicable to determine an appropriate fair value for these items, and that in aggregate the total value of these items would be unlikely to be material to the financial report, the committee believes it prudent to disclose the Company's ownership of these assets as contingent assets.

NOTE 15: CAPITAL AND LEASING COMMITMENTS

2011 **2010**
\$ **\$**

a) Operating lease commitments

Non-cancellable operating lease commitments contracted for but not capitalised in the financial statements:

Payable – minimum lease payments:

- not later than 12 months	23,318	21,198
- between 12 months and 5 years	15,545	37,096
- greater than 5 years	-	-
	38,863	58,294

The operating lease commitments relate to the lease of two motor vehicles over a term of 36 months.

b) Finance lease commitments

Non-cancellable finance lease commitments contracted for and capitalised in the financial statements:

Payable – minimum lease payments:

- not later than 12 months	13,511	-
- between 12 months and 5 years	29,274	-
- greater than 5 years	-	-
Minimum lease payments	42,785	-
Less future finance charges	(8,970)	-
	33,815	-

The finance lease commitments relate to the lease of a motor vehicle over a term of 48 months.

NOTE 16: KEY MANAGEMENT PERSONNEL

The total remuneration paid to key management personnel of the Company during the year is as follows:

Short-term employee benefits	210,603	100,249
Post-employment benefits	18,905	8,336
	229,508	108,585

Variety Victoria – The Children's Charity
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

NOTE 17: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2011 \$	2010 \$
Variety International		
Revenue from related parties	-	-
Payments to related parties	-	-
Amounts owed by related parties	-	-
Amounts owed to related parties	-	-
	<hr/>	<hr/>
Variety Australia		
Revenue from related parties	14,924	21,090
Payments to related parties	190,951	57,570
Amounts owed by related parties	-	-
Amounts owed to related parties	24,548	6,814
	<hr/>	<hr/>
Variety Northern Territory		
Revenue from related parties	-	3,188
Payments to related parties	6,400	-
Amounts owed by related parties	-	-
Amounts owed to related parties	-	-
	<hr/>	<hr/>
Variety Queensland		
Revenue from related parties	8,967	-
Payments to related parties	26,238	2,464
Amounts owed by related parties	-	-
Amounts owed to related parties	2,918	-
	<hr/>	<hr/>
Variety South Australia		
Revenue from related parties	-	-
Payments to related parties	6,044	-
Amounts owed by related parties	-	-
Amounts owed to related parties	-	-
	<hr/>	<hr/>

Variety Victoria – The Children's Charity
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

NOTE 17: RELATED PARTY TRANSACTIONS (CONT.)

	2011 \$	2010 \$
Variety Tasmania		
Revenue from related parties	302	-
Payments to related parties	-	-
Amounts owed by related parties	-	-
Amounts owed to related parties	-	-
Variety Western Australia		
Revenue from related parties	-	-
Payments to related parties	57,600	5,702
Amounts owed by related parties	-	-
Amounts owed to related parties	-	2,000
Variety New South Wales		
Revenue from related parties	32,274	171
Payments to related parties	13,560	18,520
Amounts owed by related parties	-	-
Amounts owed to related parties	-	-
Variety New Zealand		
Revenue from related parties	-	-
Payments to related parties	12,000	-
Amounts owed by related parties	-	-
Amounts owed to related parties	-	-
Directors related entities		
<i>Hayes Knight Melbourne Pty Ltd</i>		
a) Hayes Knight Melbourne Pty Ltd provides accounting services to the Company.		
b) Board member Vito Interlandi is a director of Hayes Knight Melbourne Pty Ltd		
c) Accounting fees charged by Hayes Knight Melbourne Pty Ltd during the year	1,800	32,348
d) Accounting fees charged by Hayes Knight Melbourne Pty Ltd during the year, unpaid at year end and forming part of trade and other payables (Note 10)	-	99
e) Fundraising income received from Hayes Knight Melbourne Pty Ltd during the year	2,013	3,459
f) Fundraising income received from Hayes Knight Melbourne Pty Ltd during the year, unpaid at year end and forming part of trade and other receivables (Note 5)	1,000	1,000

Variety Victoria – The Children's Charity
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

NOTE 17: RELATED PARTY TRANSACTIONS (CONT.)

	2011	2010
	\$	\$
<i>Bradyworks Pty Ltd</i>		
a) Bradyworks Pty Ltd provides entertainment services to the Company.		
b) Board member Mike Brady was a director of Bradyworks Pty Ltd for part of the financial year (ceased 16 December 2009)		
c) Production costs charged by Bradyworks Pty Ltd during the year	13,530	18,209
d) Production costs charged by Bradyworks Pty Ltd during the year, unpaid at year end and forming part of trade and other payables (Note 10)	-	-
<i>Wheelton Investments Pty Ltd (trading as Budget Box Hill)</i>		
a) Wheelton Investments Pty Ltd provided vehicles to the Company.		
b) Former board member Paul Wheelton is a director of Wheelton Investments Pty Ltd.		
c) Payments for vehicles made to Wheelton Investments Pty Ltd during the year	4,738	44,415
d) Amounts payable for motor vehicles to Wheelton Investments Pty Ltd during the year, unpaid at year end and forming part of trade and other payables (Note 10)	4,012	124
e) Fundraising income received from Wheelton Investments Pty Ltd during the year	23,059	15,868
f) Fundraising income received from Wheelton Investments Pty Ltd during the year, unpaid at year end and forming part of trade and other receivables (Note 5)	-	1,930

NOTE 18: CASH FLOW INFORMATION

	2011	2010
	\$	\$
Reconciliation of cash flow from operations with profit after income tax		
Net income/loss for the period	(42,524)	(146,916)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
— depreciation	48,330	39,120
— Transfer from reserves	(50,000)	(50,000)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
— (increase)/decrease in trade and term debtors	135,241	(223,299)
— (increase)/decrease in other assets	5,597	22,353
— (Increase)/decrease in inventories	(13,488)	5,384
— Increase/(decrease) in other liabilities	32,281	(53,738)
— increase/(decrease) in trade and other payables	(270,827)	539,690
— Increase/(decrease) in provisions	(3,747)	6,605
	<u>(159,137)</u>	<u>139,199</u>

Variety Victoria – The Children’s Charity
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

NOTE 19: FINANCIAL INSTRUMENTS

The Company’s financial instruments consist mainly of deposits with banks, which are used to fund the continuing operation of the Company.

In addition, the Company has other financial instruments in the form of appeals payable, trade and other payables and trade and other receivables, which arise directly from its operations.

The main risks arising from the Company’s financial instruments are credit risk, interest rate risk, and liquidity risk. The Board reviews and agrees policies for managing each of these risks as summarised below.

It is the Company’s policy that no trading in derivatives shall be undertaken. This was the case throughout the period under audit.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2011 \$	2010 \$
Financial assets			
Cash and cash equivalents	4	361,633	613,437
Loans and receivables	5	150,597	285,838
Total financial assets		512,230	899,275
Financial liabilities			
Financial liabilities at amortised cost:			
— trade and other payables	10	916,857	1,187,684
Total financial liabilities		916,857	1,187,684

Financial Risk Management

The following is a summary of the key risks arising from the Company’s financial instruments, and the policies and procedures adopted by the Board to mitigate these risks.

a. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

To limit this risk, management maintains a balance between continuity of revenue funding through donations and donated goods and services, and expenditure. This is achieved through regular monitoring of operational bank balances in relation to future funding needs, and transferring funds into or out of investment accounts as necessary. This is performed by the finance team.

Variety Victoria – The Children's Charity
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

NOTE 19: FINANCIAL INSTRUMENTS (CONT.)

b. Credit Risk Exposures

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accrued revenues and receivables from customers. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company minimises its exposure to credit risk in the following ways:

- Debtor payment terms are 14 days;
- Management review older amounts due and pursue customers for payment; and
- In the case of accrued revenue, these amounts relate to specific grants, and the Company's share of the grant expense is also accrued. In the event the revenue is not received, the Company has the ability to rescind the grant payable, minimising the impact on the Company's cash reserves.

c. Interest Rate Risk

Interest rate risk is the risk that the future cash flows or fair values of a financial instrument will fluctuate as a result of future changes in interest rates.

The Company's exposure to interest rate risk arises as a result of its interest-bearing deposits with financial institutions.

The Company manages this risk by spreading its deposits over a number of accounts, being a mixture of fixed term deposits and 'at call' accounts, after taking into consideration the need to maintain access to sufficient cash to fund the Company's day to day operations.

Sensitivity analysis

The following table demonstrates the Company's sensitivity to changes in market interest rates, and the impact of such changes to both profit and net assets which would have occurred had interest rates fluctuated during the year. This analysis assumes all other variables remain constant.

2% Increase in interest rates

- Impact on profit	1,850	3,474
- Impact on net assets	1,850	3,474

2% Decrease in interest rates

- Impact on profit	(1,850)	(3,474)
- Impact on net assets	(1,850)	(3,474)

Variety Victoria – The Children's Charity
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

NOTE 19: FINANCIAL INSTRUMENTS (CONT.)

d. Financial Instrument Composition and Analysis

	Weighted Average Effective Interest Rate		Maturing Within 1 Year		Non-Interest Bearing		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	%	%	\$	\$	\$	\$	\$	\$
Financial Assets								
Cash and cash equivalents	1.99	1.30	305,379	581,872	56,254	31,565	361,633	613,437
Trade and other receivables	-	-	-	-	150,597	285,838	150,597	285,838
Total Financial Assets	-	-	305,379	581,872	206,851	317,403	512,230	899,275
Financial Liabilities								
Trade and other payables	-	-	-	-	256,589	197,251	256,589	197,251
Appeals payable	-	-	-	-	660,268	990,433	660,268	990,433
Total Financial Liabilities	-	-	-	-	916,857	1,187,684	916,857	1,187,684

e. Financial assets pledged as collateral

No financial assets have been pledged as security for any financial liabilities of the Company.

f. Fair values of financial assets and financial liabilities

The nature of the Company's financial instruments is such that there is no difference between the carrying amount of any financial asset or liability, and the net fair value of the financial asset or liability.

NOTE 20: SEGMENT INFORMATION

The Company operates in one business and geographical segment, being the provision of material aid and assistance to disadvantaged children in Victoria, Australia.

NOTE 21: COMPANY DETAILS

The registered office of the Company is:
 Variety Victoria – The Children's Charity
 H71 63-85 Turner Street
 Port Melbourne
 Victoria

Variety Victoria – The Children's Charity
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AUDITOR'S INDEPENDENCE DECLARATION
UNDER S307C OF THE *CORPORATIONS ACT 2001*

I declare that, to the best of my knowledge and belief, during the year ended 30 September 2011 there have been:

- i. no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Nexia ASR
ABN 16 847 721 257

GEORGE S DAKIS
Partner
Audit & Assurance Services

Melbourne, Vic
XX November 2011

Variety Victoria – The Children's Charity
80 145 257 414

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
VARIETY VICTORIA – THE CHILDREN'S CHARITY**

Report on the Financial Report

We have audited the accompanying financial report of Variety Victoria – The Children's Charity (the Company) which comprises the statement of financial position as at 30 September 2011 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors's declaration.

Directors Responsibility for the Financial Report

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Company on 22 November 2011, would be in the same terms if provided to the directors as at the date of this audit report.

Basis for Qualified Auditor's Opinion

- a) In 2010 the Company recognised \$234,727 of donation revenue in the statement of comprehensive income, to be spent on projects which were approved for funding prior to 30 September 2010. The Company had not received these funds as at 30 September 2010, nor did it have an enforceable right to receive these funds. This practice, in our opinion, is not in accordance with AASB 1004 – Contributions. Had the requirements of AASB 1004 been applied, donation revenue, trade and other receivables, and net assets would all be stated at \$234,727 less than the amounts currently shown in the 2010 comparatives in the financial statements.
- b) Donations are a significant source of revenue for the Variety Club of Victoria Inc. The Variety Club of Victoria Inc has determined that it is impractical to establish controls over the collection of donations prior to entry into its financial records. Accordingly, as the evidence available to us regarding revenue from this source was limited, our audit procedures with respect to donations were restricted to the amounts recorded in the financial reports. We are therefore unable to express an opinion as to whether the donation income for the Variety Club of Victoria Inc is complete.

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S307C OF THE CORPORATIONS ACT 2001**

I declare that, to the best of my knowledge and belief, during the year ended 30 September 2011,
there have been:

- i. no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



NEXIA ASR
ABN 16 847 721 257



GEORGE S DAKIS
Partner
Audit & Assurance Services

Melbourne, Vic

23 November 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VARIETY VICTORIA – THE CHILDREN'S CHARITY

Report on the Financial Report

We have audited the accompanying financial report of Variety Victoria – The Children's Charity (the Company) which comprises the statement of financial position as at 30 September 2011 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors Responsibility for the Financial Report

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Company on 23 November 2011, would be in the same terms if provided to the directors as at the date of this audit report.

Basis for Qualified Auditor's Opinion

- a) In 2010 the Company recognised \$234,727 of donation revenue in the statement of comprehensive income, to be spent on projects which were approved for funding prior to 30 September 2010. The Company had not received these funds as at 30 September 2010, nor did it have an enforceable right to receive these funds. This practice, in our opinion, is not in accordance with AASB 1004 – Contributions. Had the requirements of AASB 1004 been applied, donation revenue, trade and other receivables, and net assets would all be stated at \$234,727 less than the amounts currently shown in the 2010 comparatives in the financial statements.
- b) Donations are a significant source of revenue for the Variety Club of Victoria Inc. The Variety Club of Victoria Inc has determined that it is impractical to establish controls over the collection of donations prior to entry into its financial records. Accordingly, as the evidence available to us regarding revenue from this source was limited, our audit procedures with respect to donations were restricted to the amounts recorded in the financial reports. We are therefore unable to express an opinion as to whether the donation income for the Variety Club of Victoria Inc is complete.

Qualified Auditor's Opinion

In our opinion, except for the possible effect of the matters described in the Basis for Qualified Auditor's Opinion paragraph, the financial report of Variety Victoria – The Children's Charity is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Company's financial position as at 30 September 2011 and of its performance and its cash flows for the year ended on that date; and
- ii. complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*.

Emphasis of Matter – Going Concern

Without qualification to the audit opinion expressed above, we draw attention to the matters disclosed at Note 1(r) to the financial report. The Company's current liabilities exceed its current assets, however on the basis of a number of mitigating factors as described in Note 1(r) the Directors believe the Company remains a going concern, and the financial report has been prepared on that basis.



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GEORGE S DAKIS
Partner
Audit & Assurance Services

Melbourne, Vic

23 November 2011