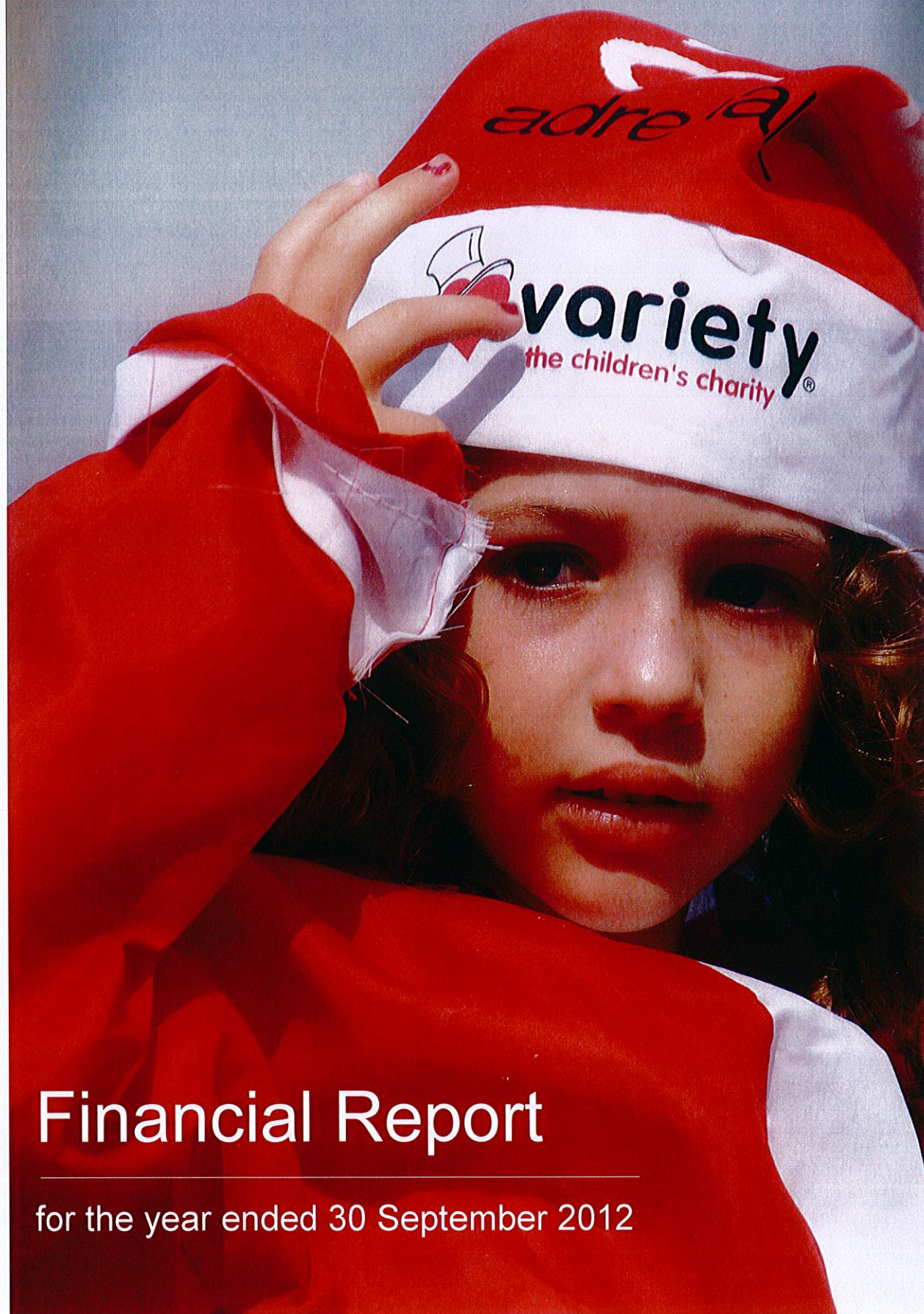




Variety - the Children's Charity (NSW)

ABN 38 003 354 934934



# Financial Report

for the year ended 30 September 2012



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## Directors' Report

Your directors submit their report of Variety - the Children's Charity (NSW) for the year ended 30 September 2012.

### DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

#### Qualifications, experience and special responsibilities

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##### Susan Bannigan: Director



Susan has over 25 years experience in the financial services industry in Europe and Australia. Susan joined Westpac in 1995 and has worked in senior finance, treasury and business roles across the Westpac Group. Susan became Executive Officer of the Westpac Foundation in February 2012 and was appointed to the Variety NSW Board as a Director in 2011.

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##### Michael Barbour: Director

Michael Barbour is currently the General Manager of Group Taxation for Westpac Banking Corporation, a position he has held for over 6 years. Prior to joining Westpac Michael worked for over a decade with the Australian Taxation Office and in Senior Manager positions in Big 4 Accounting Firms. Michael currently provides strategic financial advice to the Aboriginal Housing Committee and was appointed as a Director to the Variety NSW Board in 2011 and resigned from the position in May 2012 due to work commitments.

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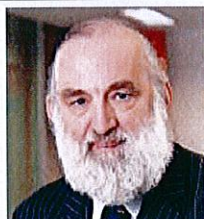
##### Jack Canons AM; Director (resigned 27 February 2012)



Jack has been actively involved in governance roles for Variety in Australia and Internationally for almost 20 years as well as a long-term patron of Variety events. Jack was the Managing Director of Swan Motors Service NSW before becoming the National Chairman of Variety Australia in 2009. Jack was re-appointed as a Director to the Variety NSW Board in 2011, but resigned from the Board in February 2012 to take up a position of Chief Operating officer for Variety International, based in Las Angeles, USA.

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##### Gordon Cooper AM FCA: Treasurer



Gordon Cooper is a chartered accountant in sole practice as a tax consultant and a visiting Professorial Fellow at the Australian School of Taxation, University of New South Wales. Gordon is also the Former President of the Taxation Institute of Australia. In June 2003, Gordon was awarded the AM in the Queen's Birthday Honours. Gordon has been involved with Variety for over 5 years and was appointed to the Variety NSW Board as a Director in 2011 and currently holds the position of Treasurer.

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##### Mr Peter Hebbes AM: Chairman & Secretary



Peter is the current Chairman of Variety NSW and a Director of Variety Australia. He has been an active member of Variety since 1987 and in 2003 was presented with a lifetime membership and in 2006 he was awarded The Order of Australia (AM) for his services to the community as a fundraiser. By profession Peter has his own independent music publishing company, Hebbes Music Group Pty. Ltd, and acts as a Consultant and Music Business Manager to the theatrical, film, television and music industry.



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**Mahesh Hettiaratchi: Director (co-opted 26 June 2012)**


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Mahesh is a Chartered Accountant specialising in corporate and international taxation. He currently works as the International Tax Manager at a multinational engineering consultancy group with operations across the globe. Mahesh is a keen contributor to the community and not-for-profit sector having volunteered his time and skills in the capacity of board member with a number of organisations and has been involved with Variety for 3 years. He was co-opted onto the Variety NSW Board in June 2012.

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**Mr Brian Hoare: Director**


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Brian has over forty years experience in the corporate sector and is currently a non executive director of Crown Equipment and is on the board of Adele House which operates three drug and alcohol rehabilitation centres in New South Wales. Brian has been involved with Variety since 1988 and was appointed as a Director to the Variety NSW Board in 2011. Brian is currently the Chairman for Motoring Events in NSW.

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**Russell Irving: Director**


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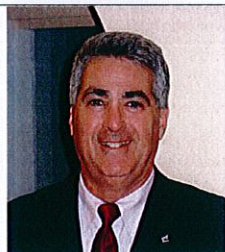


Russell has been engaged with Variety for more than sixteen years in varied capacities, initially becoming involved as a basher and sponsoring the bash for several years. Currently Russell is Managing Director of Summit Business Development, a consulting firm to companies helping develop business opportunities through coaching and market development projects. Russell was appointed as a Director on the Variety NSW Board in 2010 and is currently the Chair of Variety's Vision For Life Committee.

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**Dr. Greg Levenston: Director**


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Greg is the Medical Director at Bronte Medical Centre and a Councillor for the Woollahra City Council, Charing Urban Planning Strategy. Greg has also been a Mason for 20 years with roles within the organisation including Immediate Past Grand Master, Freemasonry NSW/ACT and Spokesman for Australian Freemasonry. Greg was appointed as a Director to the Variety NSW Board in 2011.

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**Ms Amanda Mead: Director**


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Amanda has been a Director on the Variety NSW Board since 2005 and is currently Chair of the General Appeals Committee. Amanda is currently a PhD student at Macquarie Graduate School of Management, researching corporate culture and the roles, effectiveness and emotional management of participants in change meetings. Amanda brings to Variety expertise from over 10 years commercial experience in senior marketing and strategic planning roles. She consults in strategic management, consumer marketing and branding.

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**Mr Paul Mullaly: Deputy Chairperson**


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Paul manages his family's construction business, Mullaly Constructions, and has recently completed a Masters Degree in Engineering Management. Paul has actively supported Variety for more than 20 years and was appointed to the Variety NSW Board in 2009. Paul is also currently the Deputy Chairman of the Board and the Chairman of the Sunshine Coach Committee.



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**Mr Bernt Schindler: Director**

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Bernt has been involved in Variety, the Children's Charity for over six years. During his career Bernt has held varied roles in sales, marketing, management and recruitment. He is currently the General Manager of a leading Human Resources Recruitment and Consulting Firm in Sydney. Bernt was appointed to the Variety NSW Board as a Director in 2010 and is the Chairman of the Young Variety committee.

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**Susan Warda: Director**

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Susan became a solicitor in 1993 and has extensive experience in the practice of family law. She is a Principal at Coleman Greig and is the Chairperson of Austlaw, an association of independent law firms located throughout NSW, Victoria, Queensland and the ACT. Susan was appointed to the Variety NSW Board as a Director in 2010 and is currently the Chair of the Teen Variety Committee.

**Interests in the contracts or proposed contracts**

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

**COMPANY SECRETARY**

Mr Peter Hebbes AM has been the Company Secretary of Variety - the Children's Charity (NSW) for one year.

**DIVIDENDS**

The Charity is a not-for-profit organisation and is prevented by the *Corporations Act 2001* from paying dividends.

**CORPORATE INFORMATION**

Variety - the Children's Charity (NSW) is a public company limited by guarantee that is incorporated and domiciled in Australia.

The Company is a Member of Variety International, which incorporates 43 entities operating in 13 different countries across the globe. All Variety entities operate under the same mission to support children who are sick, disadvantaged or who have special needs. There are eight separate Variety offices around Australia that operate similar activities to Variety - the Children's Charity (NSW) and whom work together to deliver national campaigns and achieve operational efficiencies. The seven Australian State and Territory Variety entities together own 100% of shares in the national entity of Variety Australia, who has been appointed the responsibility to review governance and the coordination of international reporting.

The registered office and principal place of business of the Company is 707 Darling Street, Rozelle, NSW 2039. The Company employed 15 staff at 30 September 2012 (30 September 2011: 14).

**STRATEGY AND OBJECTIVES**

Variety - the Children's Charity (NSW) has the long term objective of striving to meet unmet needs that empower children who are sick, disadvantaged or have special needs to live, laugh and learn. Each year this long-term objective is translated into a yearly objective of fundraising and granting appeals.

Variety strives to meet these objectives through the operation of core grants programs, with help of dedicated staff, volunteers and generous individual and corporate supporters. These programs include Freedom Program, Caring for Kids Program and Future Kids Program. More details on these programs can be accessed through the Variety - the Children's Charity (NSW) internet website.

Variety - the Children's Charity (NSW) purchases all equipment granted directly to ensure that funds are always appropriately directed.



## Directors' Report (continued)

### PRINCIPAL ACTIVITIES

The principal activities of Variety - the Children's Charity (NSW) during the year was to undertake varied fundraising activities with a view to generate funds to enable the supply of material aid to Australian children who are sick, disadvantaged or have special needs.

Variety's principal fundraising activity involves the running of multiple large fundraising events including the Variety Bash and Santa Fun Run. Variety's cost of fundraising was 36% in 2012, with our administration fees being 15%. The majority of costs represent event production expenses such as venues, staging, safety & welfare of participants and event catering. Due to the nature of the fundraising events organised by Variety, the delivery of events generally requires significant production costs, all of which are covered in Variety's ticketing costs to attend events, with all deductible donations received contributing directly to Variety's net fundraising revenue. A detailed breakdown of Variety NSW's cost of fundraising can be found in Note 4 to the Accounts on Page 17.

In 2011, Variety NSW undertook a new project, in conjunction with NSW Department of Health, called 'Vision for Life'. Vision for Life is a substantial hospital infrastructure project, that will be operated by the Newborn and Paediatric Emergency Transport Service, to enable the provision of state of the art high definition tele-medicine vision to all hospitals within NSW over an expected period of five years. Vision for Life falls within Variety's Care for Kids Program and the initial funding for a trial of the system was granted within the year ended 30 September 2012.

There were no further changes to the nature of Variety's operations during the year.

### OPERATING RESULTS FOR THE YEAR

#### *Operating revenue*

The operating revenue for the year ended 30 September 2012 was \$6,531,772 (30 September 2011: \$6,036,027).

#### *Operating result before appeals granted*

The operating profit before appeals granted for the year ended 30 September 2012 was \$3,195,727 (30 September 2011: \$2,586,115).

#### *Appeals granted*

Appeals granted to sick, disabled and disadvantaged children for the year ended 30 September 2012 was \$3,174,250 (30 September 2011: \$2,314,852).

#### *Net operating result*

The net profit/(loss) after tax of the Variety for the year ended 30 September 2012 was \$21,476 (2011: \$271,263).

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company, which occurred during the financial year, not otherwise disclosed in this Annual Financial Report.

### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 16 October 2012, Variety exchanged contracts for the sale of premises of 707 Darling Street, Rozelle. It is anticipated that Variety will purchase a new premises early in 2013 and may also acquire the assets of one or more small not-for-profit organisations that operate similar activities to Variety. It is not expected that either of these events will adversely impact Variety's results in future years.

Since the end of the financial year, the Directors have not become aware of any matter or circumstances not otherwise dealt with in the report or financial statements that has significantly, or may significantly, affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the opinion of the Directors, there are no likely changes in the operations of the Company, which will adversely affect the results of the Company in subsequent financial years.



## Directors' Report (continued)

### ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company is not subject to any particular or significant environmental regulation

### DIRECTORS' BENEFITS

No Director of the Company has, since the end of the previous financial year, received or become entitled to receive a benefit by reason of a contract made by the Company with the Director or with a firm of which they are a member, or with a Company in which they have substantial financial interest except for those items disclosed in the notes to this Annual Financial Report.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Variety - the Children's Charity (NSW) 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 permitted to be identified by Variety under Section 300 of 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.

### DIRECTOR'S MEETINGS

The number of meetings of Directors held during the year and the number of meetings attended by each director was as follows:

	Directors' Meetings Attended	Directors' Meetings Eligible to Attend
Ms Susan Bannigan	5	10
Mr Michael Barbour (resigned 20 June 2012)	1	7
Mr Jack Cannons AM (resigned 27 February 2012)	2	2
Mr Gordon Cooper AM	7	10
Mr Peter Hebbes AM	10	10
Mr Mahesh Hettiaratchi (co-opted 26 June 2012 )	2	3
Mr Brian Hoare	8	10
Mr Russell Irving	7	10
Dr Greg Levenston	10	10
Ms Amanda Mead	5	10
Mr Paul Mullaly	10	10
Mr Bernt Schindler	8	10
Ms Susan Warda	8	10



## Directors' Report (continued)

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Committee Meetings held during the year were attended by the following Directors as follows:

- i) *General/ Wheelchair/ Major Appeals Committee:*
  - 1. Amanda Mead – Chairperson
  - 2. Greg Levenston
- ii) *Sunshine Coach Appeals Committee:*
  - 1. Paul Mullaly – Chairperson
- iii) *Motoring Events Committee:*
  - 1. Brian Hoare – Chairperson
  - 2. Peter Hebbes
- iv) *Young Variety Committee:*
  - 1. Bernt Schindler – Chairperson
- v) *Teen Variety Committee*
  - 1. Susan Warda – Chairperson

### MEMBERS GUARANTEE

In the event of the Company being wound up, member's liability is limited to an amount of \$100. If the Company ceases to operate, assets are distributed to some other institution or institutions with similar objectives.

### AUDITOR INDEPENDENCE

The directors received an independence declaration from the auditor, Ernst & Young. A copy has been included on page 7 of the report.

Signed in accordance with a resolution of the directors.



Mr Peter Hebbes AM  
Chairperson



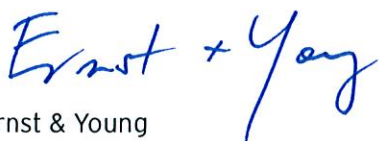
Mr Gordon Cooper AM FCA  
Director/Treasurer

Sydney, 07 November 2012



## Auditor's Independence Declaration to the Directors of Variety Australia Limited

In relation to our audit of the financial report of Variety Australia Limited for the financial year ended 30 September 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink, likely belonging to John Robinson, consisting of stylized initials and a surname.

John Robinson  
Partner  
7 November 2012



# Statement of Comprehensive Income

For the year ended 30 September 2012

	Note	2012 \$	2011 \$
Fundraising income	4	5,628,759	5,623,632
Contributions towards appeals granted	4	776,672	263,151
Other income	4	126,341	149,244
<b>Total revenues</b>		<b>6,531,772</b>	<b>6,036,027</b>
<b>Cost of Fundraising</b>			
Event Production Costs		2,159,117	2,072,348
Fundraising Management Costs		165,257	110,829
<b>Total Cost of Fundraising</b>		<b>2,324,373</b>	<b>2,183,177</b>
<b>Gross Profit</b>		<b>4,207,399</b>	<b>3,852,850</b>
Employee benefits expense	5(b)	(333,095)	(384,555)
Advertising & promotion		(162,240)	(359,959)
Finance Costs		(22,775)	(26,158)
Occupancy Costs		(58,920)	(57,034)
Other Operating Costs		(125,492)	(202,840)
Travel & Accommodation		(48,169)	(59,712)
Depreciation		(95,011)	(82,143)
International and National Dues		(122,292)	(47,092)
Insurance		(23,136)	(26,494)
Consultants		(20,542)	(20,747)
<b>Total expenses</b>		<b>(1,011,672)</b>	<b>(1,266,734)</b>
<b>Profit before appeals granted and income tax</b>		<b>3,195,728</b>	<b>2,586,115</b>
Appeals granted	4	(3,174,250)	(2,314,852)
<b>Profit before income tax</b>		<b>21,477</b>	<b>271,263</b>
Income tax expense		-	-
<b>Net profit for the year</b>		<b>21,477</b>	<b>271,263</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>21,477</b>	<b>271,263</b>

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



# Statement of Financial Position

As at 30 September 2012

	Note	2012 \$	2011 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	3,005,261	2,393,200
Trade and other receivables	7	309,226	443,303
Other current assets	8	151,537	133,857
<b>Total current assets</b>		<b>3,466,024</b>	<b>2,970,360</b>
<b>Non-current assets</b>			
Investments	9	85,200	85,200
Property, plant and equipment	10	735,956	788,669
<b>Total non-current assets</b>		<b>821,156</b>	<b>873,869</b>
<b>TOTAL ASSETS</b>		<b>4,287,180</b>	<b>3,844,227</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Grants payable	11	1,423,921	1,162,796
Trade and other payables	11	125,229	82,301
Provisions	12	119,644	85,101
Deferred income	14	203,977	127,983
<b>Total current liabilities</b>		<b>1,872,771</b>	<b>1,458,181</b>
<b>Non-current liabilities</b>			
Provisions	12	20,537	13,651
<b>Total non-current liabilities</b>		<b>20,537</b>	<b>13,651</b>
<b>TOTAL LIABILITIES</b>		<b>1,893,308</b>	<b>1,471,832</b>
<b>NET ASSETS</b>		<b>2,393,872</b>	<b>2,372,395</b>
<b>EQUITY</b>			
Accumulated surplus		2,393,872	2,372,395
<b>TOTAL EQUITY</b>		<b>2,393,872</b>	<b>2,372,395</b>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.



## Statement of Changes in Equity

For the year ended 30 September 2012

	Accumulated surplus \$	Total equity \$
<b>At 1 October 2010</b>	<b>2,101,132</b>	<b>2,101,132</b>
Profit for the year	271,263	271,263
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>271,263</b>	<b>271,263</b>
<b>At 30 September 2011</b>	<b>2,372,395</b>	<b>2,372,395</b>
Profit for the year	21,477	21,477
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>21,477</b>	<b>21,477</b>
<b>At 30 September 2012</b>	<b>2,393,872</b>	<b>2,393,872</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.



## Statement of Cash Flows

For the year ended 30 September 2012

	Note	2012 \$	2011 \$
<b>Cash flows from operating activities</b>			
Receipts from donors, sponsors, members and functions		6,623,679	5,955,081
Payments to suppliers and employees		(3,174,358)	(4,050,435)
Interest received		118,164	104,848
Interest paid		-	(267)
Appeals paid		(2,913,125)	(1,638,380)
<b>Net cash flows from/(used in) operating activities</b>		<b>654,360</b>	<b>370,847</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		-	8,042
Purchase of property, plant and equipment		(42,299)	(119,830)
<b>Net cash flows used in investing activities</b>		<b>(42,299)</b>	<b>(111,788)</b>
<b>Cash flows from financing activities</b>			
Repayment of finance lease principal		-	(12,943)
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>(12,943)</b>
Net increase in cash and cash equivalents		612,061	246,116
Cash and cash equivalents at beginning of year		2,393,200	2,147,084
<b>Cash and cash equivalents at end of year</b>	6	<b>3,005,261</b>	<b>2,393,200</b>

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes.*



## Notes to the Financial Statements

### 1 CORPORATE INFORMATION

The financial report of Variety, The Children's Charity (NSW) (the "Company") for the year ended 30 September 2012 was authorised for issue in accordance with a resolution of the directors on 7 November 2012.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on an accrual basis of accounting including the historical cost convention except as otherwise stated and the going concern assumption.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar (\$) unless otherwise stated.

#### (b) Statement of compliance

Variety has early adopted AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements for the financial year beginning on 1 October 2011.

Variety is a not-for-profit, private entity and has prepared tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDRs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The adoption of AASB 1053 and AASB 2010-2 allowed Variety to remove a number of disclosures. There was no other impact on the current or prior year financial statements.

#### (c) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended are not expected to have significant impact on the Company for the annual reporting period ended 30 September 2012 and subsequent periods.

#### (d) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

#### (e) Trade and other receivables

Other receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Company will not be able to collect the receivable.

#### (f) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.



**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(f) Property, plant and equipment (continued)**

Land and buildings are measured at costs less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

- Buildings – 50 years
- Property improvements – 4 years
- Plant and equipment – 5 years
- Motor vehicles – 4 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

*Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

**(g) Impairment of non-financial assets**

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In determining recoverable amount, the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate. Non-financial assets that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

**(h) Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

**(i) Grants payable**

Grants payable are approved by the board resulting in a constructive obligation to make a further payment to the applicant. The grant payable is recognised at the nominal value approved by the board.

**(j) Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.



**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(k) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The Company does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

**(l) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**(m) Employee leave benefits***(i) Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

*(ii) Long service leave*

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

**(n) Revenue recognition**

Revenue is recognised to the extent 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:

*(i) 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 are deferred and recognised as deferred income.

*(ii) 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.

*(iii) Interest income*

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *(iv) Donations of services*

Donated services, such as the use of a conference centre to host an event, are recognised as revenue at their replacement cost. An equivalent amount is recognised as an expense, relating to the type of service donated.

The pledges received are not recognised as income until received in cash or till a firm commitment has been received.

### **(o) Deferred income**

Deferred income is the income received in advance of the future event to which the income relates to. As the events are held, deferred income is recognised in the income statement as revenue.

### **(p) Income tax**

Variety, The Children's Charity (NSW) is exempt from income tax. It is a Deductible Gift Recipient (DGR) and an Income Tax Exempt Corporation (ITEC).

### **(q) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- ▶ When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- ▶ Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

## 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

**3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)****(i) Significant accounting judgements***Impairment of non-financial assets*

The Company assesses impairment of all assets at each reporting date by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. These include technology, economic and political environments and future expectations. If an impairment trigger exists the recoverable amount of the asset is determined. Given the current uncertain economic environment management considered that the indicators of impairment were significant enough and as such these assets have been tested for impairment in this financial period.

**(ii) Significant accounting estimates and assumptions***Estimation of useful lives of assets*

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Depreciation charges are included in note 10.

*Assessment of fair value for donated goods and services*

The assessment of fair value of goods and services donated to the company is based on an estimation of their replacement cost. The replacement costs is determined mainly by reference to invoiced amounts prepared by suppliers based on their market rates of services or supplying cost of goods. The condition of any goods not used during the year is assessed at each balance date to determine whether any adjustments are necessary to the carrying value.

No other significant judgements, estimates and assumptions were made during the financial year.



#### 4 FUNDRAISING INFORMATION AND ADMINISTRATION COSTS

Details of aggregate income and expenditure of fundraising are as follows:

	2012 Total Income \$	2012 Direct Expenses \$	2012 Net Income \$	2011 Net Income \$
<b>Fundraising information</b>				
Chef's Dinner: Variety of Chef's	176,546	70,439	106,107	91,916
Cherry Auction	-	-	-	140,553
Corporate Events	63,537	2,914	60,623	31,673
Dine For Kids	14,818	3,182	11,636	14,827
Melbourne Cup	82,489	30,781	51,708	26,024
Newcastle Bash	689,138	124,578	564,560	314,181
Newcastle Splash	36,945	15,108	21,837	15,940
Newcastle Race Day	37,780	18,218	19,562	4,313
NSW "B to B" Bash	2,435,643	549,187	1,886,456	1,853,844
Santa Fun Run	265,923	136,581	129,341	(23,423)
Maria Venuti Event	-	-	-	28,573
Variety TREK	90,990	27,470	63,520	45,694
Wharfies Long Lunch	62,987	14,811	48,176	107,419
4WD Experience	81,283	52,397	28,886	94,746
Op Shop Ball	36,117	37,940	(1,823)	40,642
Fundraising & Development	1,550,851	504,292	1,046,559	1,203,216
Other Events	3,712	162	3,550	54,982
Unallocated Fundraising	-	736,313	(736,313)	(604,666)
Overheads and Salaries				
<b>Total contribution from events</b>	<b>5,628,759</b>	<b>2,324,373</b>	<b>3,304,386</b>	<b>3,440,484</b>
Contributions towards appeals			776,672	263,151
Other income			126,341	149,244
Administration costs			(1,011,672)	(1,266,735)
<b>Net profit before grants</b>			<b>3,195,727</b>	<b>2,586,114</b>
Grants expense			(3,174,250)	(2,314,852)
<b>Net profit before income tax</b>			<b>21,477</b>	<b>271,263</b>

The costs of events staff salaries and other costs directly attributable to fundraising events are included in the cost of fundraising, and excluded from administration expenses.

Total administration costs include distribution of Variety Australia costs.

Goods and services in kind received of \$741,388 (2011:\$522,860) and goods and services in kind expended of \$741,388 (2011:\$522,860) are included in the relevant revenue or expense category.

**4 FUNDRAISING INFORMATION AND ADMINISTRATION COSTS (continued)**

	2012 \$	2012 %	2011 \$	2011 %
<b>Comparison of monetary figures and percentages</b>				
Total costs of fundraising & donations	2,324,373	41%	2,183,148	39%
Gross income from fundraising & donation	5,628,759		5,623,632	
Net surplus from fundraising & donations	3,304,386	59%	3,440,484	61%
Gross income from fundraising & donations	5,628,759		5,623,632	
Total costs of fundraising & donations	2,324,373	36%	2,183,148	38%
Total expenditure	6,510,295		5,764,764	
Total costs of fundraising & donations	2,324,373	36%	2,183,148	36%
Total income received	6,531,772		6,036,027	
Total cost of administration	1,011,672	15%	1,266,735	21%
Total income received	6,531,772		6,036,027	

**5 EXPENSES**

	2012 \$	2011 \$
<b>(a) Depreciation expense</b>		
Buildings	11,793	11,432
Plant and equipment	45,211	36,585
Motor vehicles	38,007	33,642
Leased assets	-	484
<b>Total depreciation expense</b>	<b>95,011</b>	<b>82,143</b>
<b>(b) Employee benefits expense</b>		
Wages and salaries	284,690	345,485
Other employee benefit expense	48,405	39,070
<b>Total employee benefits expense</b>	<b>333,095</b>	<b>384,555</b>



## 6 CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 September:

	2012 \$	2011 \$
Cash in hand	237	612
Cash at bank	116,737	21,423
Short-term deposits	2,888,288	2,371,165
	<u>3,005,261</u>	<u>2,393,200</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and six months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

\$1,423,921 of cash reserves held at 30 September 2012 relates to existing liabilities for grants made during the year that have yet to be paid.

Variety, as at 30 September, had a future commitment of \$400,000 to the Sydney Children's Hospital for medical equipment that is currently not reflected as a liability in the Statement of Financial Position. This commitment will be recognised over four years through annual grants. There is also an expected future commitment to the Vision for Life Program over the coming 3-5 years that is not able to be fully quantified as at 30 September 2012.

The carrying amounts of cash and cash equivalents, represents fair value.

## 7 OTHER RECEIVABLES (CURRENT)

Accrued income	309,226	443,303
Carrying amount other receivables	<u>309,226</u>	<u>443,303</u>

## 8 OTHER CURRENT ASSETS

	2012 \$	2011 \$
Prepayments	151,537	133,857
	<u>151,537</u>	<u>133,857</u>

All other assets noted above are non-interest bearing and generally on indefinite terms. However, they are expected to be paid in the next 12 months and therefore are recorded as current assets.

## 9 INVESTMENTS

	2012 \$	2011 \$
Investments in Variety Australia Limited - at cost	85,200	85,200
	<u>85,200</u>	<u>85,200</u>

## 10 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amounts at the beginning and end of the year:

	Land	Buildings & Improvements	Plant & Equipment	Motor Vehicles	Total
<b>At 1 October 2011 at Cost:</b>	<b>269,500</b>	<b>480,229</b>	<b>425,809</b>	<b>155,258</b>	<b>1,330,797</b>
Accumulated Depreciation:	-	(142,828)	(348,027)	(51,274)	(542,129)
<b>Net carrying Amount at 1 October 2011:</b>	<b>269,500</b>	<b>337,401</b>	<b>77,782</b>	<b>103,984</b>	<b>788,668</b>
Additions:	-	-	33,208	9,091	42,299
Disposals:	-	-	-	-	-
Depreciation Charge for the Year:	-	(11,793)	(45,211)	(38,007)	(95,011)
<b>End of Year – net carrying amount:</b>	<b>269,500</b>	<b>325,608</b>	<b>65,780</b>	<b>75,068</b>	<b>735,956</b>

## 11 PAYABLES (CURRENT)

	2012 \$	2011 \$
<i>Trade and other payables</i>		
Trade payables	44,659	127,138
Other payables and accruals	80,570	(44,837)
Carrying amount of trade and other payables	125,229	82,301
<b>Grants payable</b>	<b>1,423,921</b>	<b>1,162,796</b>

(i) Trade payables are non-interest bearing and are normally settled on 30 day terms.

(ii) Other payables and accruals are non-interest bearing and have an average term of 30 days.

(iii) Appeals payable are non-interest bearing and are recognised at the nominal amounts approved by the board of directors. They are generally paid within 6 months of their approval.

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.



## 12 PROVISIONS

	2012 \$	2011 \$
<b>Current</b>		
Employee benefits	119,644	85,101
	<u>119,644</u>	<u>85,101</u>
<b>Non-current</b>		
Employee benefits	20,537	13,651
	<u>20,537</u>	<u>13,651</u>

### *Employee benefits*

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include long service leave.

## 13 INTEREST-BEARING LOANS AND BORROWINGS

### (a) Financing facilities available

At reporting date, the following bank financing facilities had been negotiated and were available:

	2012 \$	2011 \$
<i>Total facilities available</i>		
- Business credit card facility	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
<i>Facilities used at balance date</i>		
- Business credit card facility	-	-
	<u>-</u>	<u>-</u>
<i>Facilities unused at balance date</i>		
- Business credit card facility	50,000	50,000
	<u>50,000</u>	<u>50,000</u>

## 14 DEFERRED INCOME

	2012 \$	2011 \$
Deferred income	203,977	127,983
	<u>203,977</u>	<u>127,983</u>

## 15 ACCUMULATED SURPLUS

	2012 \$	2011 \$
Movements in accumulated surplus were as follows:		
Balance 1 October	2,372,395	2,101,132
Net profit/(loss) for the year	13,764	271,263
Balance 30 September	<u>2,386,159</u>	<u>2,372,395</u>



## 16 STATEMENT OF CASH FLOWS RECONCILIATION

### (a) Non-cash financing and investing activities

#### *Credit card facility*

At balance date, The Westpac Banking Corporation provided the organisation with a business credit card facility with a limit of \$50,000 (2011: \$50,000). The balance owing at 30 September 2012 is reflected in the liabilities.

#### *Donated goods*

During the year, the organisation received donated goods and services to the value of \$741,388 (2011: \$522,860). As these were acquired for no consideration, the goods and services were valued at current replacement cost.

## 17 CONTINGENCIES

There are no contingent liabilities that exist at, or after, the balance date and as at the date of this financial report.

## 18 RELATED PARTY DISCLOSURES

### (a) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 19.

### (b) Transactions with related parties

The entity is a member or "Tent" of Variety International, The Children's Charity. Other entities also members of this body are "Tents" from each State and Territory in Australia, considered related parties to the Company.

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

		<i>Revenue from related parties</i>	<i>Payments to related parties</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
<i>Related party</i>		\$	\$	\$	\$
<b>Related body:</b>					
Variety International	<b>2012</b>	-	-	-	-
	<b>2011</b>	-	956	-	-
Variety Australia	<b>2012</b>	75,314	166,556	21,691	28,371
	<b>2011</b>	36,145	194,882	1,074	-
Variety Northern Territory	<b>2012</b>	-	9,070	625	-
	<b>2011</b>	-	2,375	-	-
Variety Queensland	<b>2012</b>	-	68,286	267	-
	<b>2011</b>	-	24,145	-	-
Variety South Australia	<b>2012</b>	-	18,004	1,342	-
	<b>2011</b>	9,531	36,332	-	-
Variety Victoria	<b>2012</b>	53,499	72,391	2,624	-
	<b>2011</b>	8,316	35,501	-	-
Variety Western Australia	<b>2012</b>	-	5,677	135	-
	<b>2011</b>	15,409	22,230	-	-

#### *Terms and conditions of transactions with related parties*

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms. Outstanding balances at year end are unsecured, interest free and settlement occurs in cash.



## 19 KEY MANAGEMENT PERSONNEL

### (a) Details of Key Management Personnel as at 30 September 2012

#### (i) Directors

Mr Peter Hebbes AM	Chairman/Company Secretary
Mr Paul Mullaly	Deputy Chairman
Mr Gordon Cooper AM	Treasurer
Mr Jack Cannons AM (resigned 27 February 2012)	Director
Mr Michael Barbour (resigned 20 June 2012)	Director
Mr Russell Irving	Director
Mr Brian Hoare	Director
Mr Mahesh Hettiaratchi (co-opted 26 June 2012)	Director
Ms Susan Bannigan	Director
Ms Amanda Mead	Director
Dr Greg Levenston	Director
Mr Bernt Schindler	Director
Ms Susan Warda	Director

David Small	CEO
Jillian Lynch	COO
Stuart Telfer	Motoring Events Manager
Victor Sheil	Newcastle Events Manager
Brooke Taylor	Events Manager
Peter Harvey	Business Development Manager

	2012 \$	2011 \$
<b>(b) Compensation of Key Management Personnel</b>		
Short-term employee benefits – Salary and fees	614,531	399,978
Short-term employee benefits – Non-monetary benefits	47,000	39,832
Post-employment benefits - Superannuation	56,853	43,966
<b>Total benefits</b>	<b>718,384</b>	<b>483,776</b>

## 20 EVENTS AFTER THE BALANCE DATE

There were no significant events after the balance date which may affect the Company's operations or results of those operations or the Company's state of affairs.



## Directors' Declaration

In accordance with a resolution of the directors of Variety, The Children's Charity (NSW) , we state that:

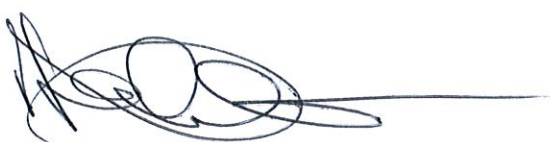
In the opinion of the directors:

- (a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's financial positions as at 30 September 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

### **Declaration under the Charitable Fundraising Act 1991 (the "Act") and Charitable Fundraising Regulation 2008 (the "Regulation")**

- (i) The financial report and associated records of the Company have been properly kept during the year ended 30 September 2012 in accordance with the Act and the Regulation; and
- (ii) money received as a result of fundraising appeals conducted during the year ended 30 September 2012 has been properly accounted for and applied in accordance with the Act and the Regulation; and
- (iii) there are grounds to believe that the Company will be able to pay its debts as and when they fall due; and
- (iv) The Company has complied with the obligations imposed by the Act and the Regulation.

Signed in accordance with a resolution of the Board of Directors



Mr Peter Hebbes AM  
Chairperson



Mr Gordon Cooper AM FCA  
Treasurer

Sydney, 07 November 2012

## **Independent auditor's report to the members of Variety, The Children's Charity (NSW)**

### **Report on the financial report**

We have audited the accompanying financial report of Variety, The Children's Charity (NSW), which comprises the statement of financial position as at 30 September 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### ***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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We 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 have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.



## Opinion

In our opinion, the financial report of Variety, The Children's Charity (NSW) 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 2012 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

## Report on the requirements of the NSW Charitable Fundraising Act 1991 and the NSW Charitable Fundraising Regulations 2008

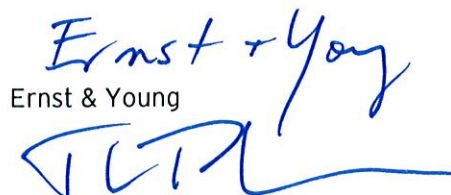
We have audited the financial report as required by Section 24(2) of the *NSW Charitable Fundraising Act 1991*. Our procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the *NSW Charitable Fundraising Act 1991* and the *NSW Charitable Fundraising Regulations 2008*.

Because of the inherent limitations of any assurance engagement, it is possible that fraud, error or non compliance may occur and not be detected. An audit is not designed to detect all instances of non compliance with the requirements described in the above-mentioned Act and Regulations as an audit is not performed continuously throughout the period and the audit procedures performed in respect of compliance with these requirements are undertaken on a test basis. The audit opinion expressed in this report has been formed on the above basis.

## Opinion

In our opinion:

- a) the financial report of Variety, The Children's Charity (NSW) has been properly drawn up and associated records have been properly kept during the financial year ended 30 September 2012, in all material respects, in accordance with:
  - i sections 20(1), 22(1-2), 24(1-3) of the *NSW Charitable Fundraising Act 1991*; and
  - ii sections 9(6) and 10 of the *NSW Charitable Fundraising Regulations 2008*;
- b) the money received as a result of fundraising appeals conducted by the company during the financial year ended 30 September 2012 has been properly accounted for and applied, in all material respects, in accordance with the above mentioned Act and Regulations.

The block contains the handwritten signature 'Ernst & Young' in blue ink, followed by a stylized signature of John Robinson, also in blue ink.

John Robinson  
Partner  
Sydney  
7 November 2012