

Compassion Australia
(A Company Limited by Guarantee and
not having Share Capital)
ACN 001 692 566

Annual Financial Report
30 June 2003

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Directors' Report

The directors present their report together with the financial report of Compassion Australia for the year ended 30 June 2003 and the auditor's report thereon.

Directors

The directors of the Company in office at any time during or since the end of the financial year are:

<i>Name</i>	<i>Qualifications and experience</i>	<i>Special responsibilities</i>
Mr J T McBride	TAFE teacher/Company director Director since November 1994	Chairman
Mr E R Hume	Retired/ 40 years management experience Director since June 1989	Vice Chairman
Mr M Zschech	Director of Media Director since June 1999	Secretary
Mr D Stringer	Retired/Pharmacist/Company director Director since October 1986	
Mr M Jeffs	Self-employed retailer/Company director Director since June 1995	
Rev J Evans	Pastor Director since June 2002	
Rev J Bond	Pastor Director since June 2002	

Directors' Meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are:

<i>Director</i>	<i>No. of Meetings held*</i>	<i>No. of Meetings Attended</i>
Mr J T McBride	4	3
Mr D Stringer	4	4
Mr E R Hume	4	4
Mr M Jeffs	4	4
Mr M Zschech	4	4
Rev J Evans	4	1
Rev J Bond	4	4

* Reflects the number of meetings held whilst director was in office.

Principal activities

The principal activity of the company during the course of the financial year was caring for needy children in poverty areas of the world.

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

Review and result of operations

The operating surplus amounted to \$98,449 (2002: \$128,522).

The number of sponsored children grew to 31,440 which represents an increase of 15.16% (2002: 15.49%). Ordinary income grew by 20.08% and both these growth rates were greater than goals and budget. The commitment of our sponsors and donors is evidenced by a very low arrears rate of 3.28% (2002: 3.34%) and low cancel rate of 8.25% (2002: 8.14%) for the year.

The Board appreciates the continuing advice of consultants and the dedication of staff which has enabled the organisation to have consistent and substantial growth.

Growth in the current year is primarily the result of:

- Increase in the number of sponsors, 2003: 26,625 (2002: 23,140)

Dividends

Clause 3 of the Memorandum of Association prohibits the payment of dividends.

State of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review.

Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the company, to affect significantly the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Likely developments

In the opinion of the Directors, the company is likely to pursue its policy of increasing the number of sponsored children. It is expected that the company will continue to grow at its rate of ordinary growth.

Indemnification and Insurance of Officers

Indemnification

The company has agreed to indemnify the following current Directors of the company, Mr D Stringer, Mr E R Hume, Mr J T McBride, Mr M Jeffs, Mr M Zschech, Rev J Evans and Rev J Bond against all liabilities to another person (other than the company) that may arise from their position as Directors of the company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the company will meet the full amount of any such liabilities, including costs and expenses.

Insurance Premiums

Since the end of the previous financial year the Company has paid insurance premiums under an Association Liability Policy. The Directors have not included the details of the nature of the liabilities covered or the amount of the premium paid in respect of the Association Liability Policy, as such disclosure is prohibited under the terms of the contract.

Signed at Newcastle in accordance with a resolution of the Directors:

Terry McBride
Director

October 2003

Dated

Ernest R Hume
Director

October 2003

Dated

Statement Of Financial Performance

For The Year Ended 30 June 2003

	Note	2003 \$	2002 \$
Revenue	2	<u>16,083,610</u>	<u>13,180,699</u>
Programme expenses	19	(12,159,325)	(9,966,817)
Administration expenses		(1,963,579)	(1,574,110)
Communication expenses		(1,469,552)	(1,400,330)
Written down value of assets sold		(392,268)	(109,520)
Borrowing costs	3	<u>(437)</u>	<u>(1,400)</u>
Operating surplus	3, 14	<u><u>98,449</u></u>	<u><u>128,522</u></u>

The statement of financial performance is to be read in conjunction with the notes to the financial statements set out on pages 7 to 27.

Statement Of Financial Position

As At 30 June 2003

	Note	2003 \$	2002 \$
Current assets			
Cash assets	6	4,123,885	2,680,560
Other financial assets	7	117,115	109,534
Other	8	<u>81,592</u>	<u>84,111</u>
Total current assets		<u>4,322,592</u>	<u>2,874,205</u>
Non-current assets			
Property, plant and equipment	9	<u>2,048,648</u>	<u>2,081,075</u>
Total non-current assets		<u>2,048,648</u>	<u>2,081,075</u>
Total assets		<u>6,371,240</u>	<u>4,955,280</u>
Current liabilities			
Payables	10	4,868,329	3,628,217
Interest-bearing liabilities	11	-	2,001
Provisions	12	<u>250,656</u>	<u>226,719</u>
Total current liabilities		<u>5,118,985</u>	<u>3,856,937</u>
Non-current liabilities			
Payables	10	40,488	30,825
Provisions	12	<u>81,176</u>	<u>35,376</u>
Total non-current liabilities		<u>121,664</u>	<u>66,201</u>
Total liabilities		<u>5,240,649</u>	<u>3,923,138</u>
Net assets		<u>1,130,591</u>	<u>1,032,142</u>
Equity			
Reserves	13	240,539	195,108
Retained profits	14	<u>890,052</u>	<u>837,034</u>
Total equity	15	<u>1,130,591</u>	<u>1,032,142</u>

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 7 to 27.

Statement Of Cash Flows

For The Year Ended 30 June 2003

	Note	2003 \$	2002 \$
Cash flows from operating activities			
Cash receipts in the course of operations		15,687,112	13,170,611
Cash payments in the course of operations		<u>(14,332,261)</u>	<u>(12,419,168)</u>
Net cash provided by operating activities	18	<u>1,354,851</u>	<u>751,443</u>
Cash flows from investing activities			
Interest received		119,388	82,587
Proceeds on disposal of property, plant and equipment	2	401,213	110,205
Payments for property, plant and equipment	9	<u>(533,832)</u>	<u>(259,607)</u>
Net cash used by investing activities		<u>(13,231)</u>	<u>(66,815)</u>
Cash flows from financing activities			
Repayment of borrowings	16	(2,001)	(5,983)
Borrowing costs paid	3	<u>(437)</u>	<u>(1,400)</u>
Net cash used in financing activities		<u>(2,438)</u>	<u>(7,383)</u>
Net increase in cash held		<u>1,339,182</u>	<u>677,245</u>
Cash at the beginning of the financial year	18	<u>2,427,226</u>	<u>1,749,981</u>
Cash at the end of the financial year	18	<u><u>3,766,408</u></u>	<u><u>2,427,226</u></u>

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 7 to 27.

Notes To The Financial Statements

For The Year Ended 30 June 2003

1 Statement of significant accounting policies

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

The accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous year.

(b) Reclassification of financial information

Some line items and sub-totals reported in the previous financial year have been reclassified and repositioned in the financial statements as a result of more appropriately presenting financial information.

The child development (general funds) income and liability accounts have been reclassified as restricted funds.

(c) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the Australian Taxation Office (ATO).

Restricted funds

Restricted funds income is recognised in the period to which it relates. Donation income is recognised on a receipts basis.

Notes To The Financial Statements

For The Year Ended 30 June 2003

1 Statement of significant accounting policies (continued)

(c) Revenue recognition (continued)

Endowment operations and undesignated funds

Income from endowment operations and undesignated funds is recognised in the period in which it is received.

Gifting policies

Increases in the surrender value of gifting policies are recognised in the period to which they relate.

Interest revenue

Interest revenue is recognised as it accrues.

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(d) Borrowing costs

Borrowing costs include interest relating to hire purchase agreements.

Borrowing costs are expensed as incurred.

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

Notes To The Financial Statements

For The Year Ended 30 June 2003

1 Statement of significant accounting policies (continued)

(e) Goods and services tax (continued)

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(f) Foreign currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Hedges

From time to time the company may enter a smart forward exchange contract or a standard forward exchange contract to make payments overseas for charitable purposes.

For smart forward contracts, funds are transferred overseas either at the contracted exchange rate or the rate of exchange ruling at the date of the transaction, depending on whether certain conditions are satisfied under the smart forward exchange contract.

For standard forward exchange contracts, funds are transferred overseas at the contracted exchange rate nominated in the contract.

(g) Taxation

The company, being a Public Benevolent Institution, is currently exempt from income tax under Section 50-5, Item 1.1 of the Income Tax Assessment Act 1997.

Notes To The Financial Statements

For The Year Ended 30 June 2003

1 Statement of significant accounting policies (continued)

(h) Acquisitions of assets

All assets acquired including property, plant and equipment are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Expenditure is only recognised as an asset when the company controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

(i) Cash assets

Cash assets are carried at face value of the amounts deposited or drawn. The carrying amounts of cash assets approximates net fair value.

(j) Investments

Life assurance policies included in the financial statements are based on the surrender value of the policies, as advised by the insurer.

(k) Recoverable amount of non-current assets valued on cost basis

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

Notes To The Financial Statements

For The Year Ended 30 June 2003

1 Statement of significant accounting policies (continued)

(l) Depreciation and amortisation

Useful lives

All non-current assets, excluding land, have limited useful lives and are depreciated/amortised using the straight line method over their estimated useful lives.

Assets are depreciated or amortised from the date of acquisition.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

The depreciation/amortisation rates used for each class of asset are as follows:

	2003	2002
Buildings	2.75%	2.75%
Motor vehicles	5.0% - 15%	5.0% - 20.0%
Promotional vehicles	20.0%	20.0%
Office furniture and equipment	20.0%	20.0%
Computer equipment	30.0%	30.0%
Communication equipment	30.0% - 33.33%	30.0% - 33.33%

Revaluations

The valuation of land and buildings are reviewed every three years on an existing use basis and, where considered appropriate, revalued amounts are incorporated in the financial statements.

(m) Incorporation

The company's registered address is 36 Warabrook Boulevard, Warabrook, NSW 2304.

The company is limited by guarantee and each member of the company undertakes to contribute to the property of the company in the event of the same being wound up while he is a member or within one year after he ceases to be a member for payment of the debts and liabilities of the company contracted before he ceases to be a member and for the costs, charges and expenses of winding up for the adjustment of the rights of the contributories among themselves such amount as may be required not exceeding one hundred dollars (\$100.00).

Number of members: 7 (2002: 7)

Notes To The Financial Statements

For The Year Ended 30 June 2003

1 Statement of significant accounting policies (continued)

(n) Employee entitlements

The carrying amount of provisions for employee entitlements approximates net fair value.

Wages, salaries and annual leave

The provisions for employee entitlements to wages, salaries and annual leave represent present obligations resulting from employees' services provided up to the balance date, calculated at undiscounted amounts based on current wage and salary rates including related on-costs.

Long service leave

The provision for employee entitlements to long service leave is calculated on the estimated future cash outflows to be made resulting from employees' services provided up to balance date.

In determining the liability for employee entitlements, consideration has been given to the company's experience with staff departures. The provision has been calculated at nominal amounts based on current wage and salary rates.

In addition, the provision includes an estimate for a superannuation contributions bonus payable on the retirement of long serving employees. Employees retiring with greater than 15 years service will be entitled to the equivalent of 3 months salary in the form of superannuation contributions. If employees reach 20 years of service they will be entitled to the equivalent of 6 months salary in the form of superannuation contributions. In determining the liability for the superannuation contributions bonus, consideration has been given to the probability of employees reaching the specified years of service.

Superannuation plan

The company contributes to a defined contribution employee superannuation plan. Contributions are charged against income as they are made.

(o) Income in advance

Donations and other income received but not expended on the projects to which it relates is brought to account as a liability.

Notes To The Financial Statements

For The Year Ended 30 June 2003

	2003	2002
	\$	\$
2 Revenue from ordinary activities		
<i>From operating activities</i>		
Donations and sponsorships		
Endowment operations	45,431	75,900
Undesignated funds	1,944	121,235
Restricted funds	15,502,560	12,783,450
Gifting policies	7,581	7,322
	<u>15,557,516</u>	<u>12,987,907</u>
Other revenues		
Interest:		
Other parties	124,881	82,587
<i>From outside operating activities</i>		
Gross proceeds from sale of non-current assets	401,213	110,205
Total revenue from ordinary activities	<u>16,083,610</u>	<u>13,180,699</u>

Notes To The Financial Statements

For The Year Ended 30 June 2003

	Note	2003 \$	2002 \$
3 Profit from ordinary activities			
Profit from ordinary activities has been arrived at after charging/(crediting) the following items:			
Borrowing costs:			
Other parties		437	1,400
Depreciation of:			
Buildings	9	39,264	39,239
Plant and equipment	9	<u>134,727</u>	<u>171,454</u>
		<u>173,991</u>	<u>210,693</u>
Net expense for movements in provision for:			
Employee entitlements		69,737	(39,458)
Net (gain)/loss on disposal of plant and equipment		(8,945)	(685)
4 Auditors' remuneration			
Audit services:			
Auditors of the company		10,960	12,850
Other services		<u>380</u>	<u>2,427</u>
		<u>11,340</u>	<u>15,277</u>
5 Segment Reporting			

The company is a charitable organisation and carries on fundraising predominantly in Australia for distribution in Asia, Africa, Central and South America and the Pacific.

Notes To The Financial Statements

For The Year Ended 30 June 2003

	2003	2002
	\$	\$
6 Cash assets		
Cash on hand	6,000	6,700
Current account	865,588	1,076,843
Investment accounts	2,252,297	1,202,206
Short term deposit	1,000,000	394,811
Total cash assets	<u>4,123,885</u>	<u>2,680,560</u>
<p>The bank short term deposit matures within 257 days and pays interest at a weighted average interest rate of 5% at 30 June 2003(2002: 5.05%)</p>		
7 Other financial assets		
Current		
Gifting policies, at surrender value	<u>117,115</u>	<u>109,534</u>
8 Other current assets		
Prepayments	13,956	21,156
Other	<u>67,636</u>	<u>62,955</u>
	<u>81,592</u>	<u>84,111</u>

Notes To The Financial Statements

For The Year Ended 30 June 2003

	2003	2002
	\$	\$
9 Property, plant and equipment		
Freehold land		
<i>At cost</i>	<u>480,000</u>	<u>480,000</u>
Buildings		
<i>At cost</i>	1,428,528	1,426,856
<i>Accumulated depreciation</i>	<u>(243,528)</u>	<u>(204,264)</u>
	<u>1,185,000</u>	<u>1,222,592</u>
Total land and buildings	<u>1,665,000</u>	<u>1,702,592</u>
Motor vehicles		
<i>At cost</i>	270,452	251,594
<i>Accumulated depreciation</i>	<u>(6,140)</u>	<u>(25,118)</u>
	<u>264,312</u>	<u>226,476</u>
Promotional vehicles		
<i>At cost</i>	-	59,092
<i>Accumulated depreciation</i>	<u>-</u>	<u>(32,208)</u>
	<u>-</u>	<u>26,884</u>
Communications equipment		
<i>At cost</i>	29,929	58,416
<i>Accumulated depreciation</i>	<u>(2,924)</u>	<u>(41,752)</u>
	<u>27,005</u>	<u>16,664</u>
Office furniture and equipment		
<i>At cost</i>	240,490	226,285
<i>Accumulated depreciation</i>	<u>(218,469)</u>	<u>(206,363)</u>
	<u>22,021</u>	<u>19,922</u>
Computer equipment		
<i>At cost</i>	251,698	299,884
<i>Accumulated depreciation</i>	<u>(181,388)</u>	<u>(211,347)</u>
	<u>70,310</u>	<u>88,537</u>

Notes To The Financial Statements

For The Year Ended 30 June 2003

	2003 \$	2002 \$
9 Property, plant and equipment (continued)		
Landscaping		
<i>At cost</i>	68,964	68,964
<i>Accumulated depreciation</i>	<u>(68,964)</u>	<u>(68,964)</u>
	-	-
Total property, plant and equipment, at net book value	<u>2,048,648</u>	<u>2,081,075</u>
Reconciliations		
<i>Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:</i>		
<i>Freehold land</i>		
Carrying amount at beginning of year	<u>480,000</u>	<u>480,000</u>
Carrying amount at end of year	<u>480,000</u>	<u>480,000</u>
<i>Freehold buildings</i>		
Carrying amount at beginning of year	1,222,592	1,261,831
Additions	1,672	-
Depreciation	<u>(39,264)</u>	<u>(39,239)</u>
Carrying amount at end of year	<u>1,185,000</u>	<u>1,222,592</u>
<i>Motor vehicles</i>		
Carrying amount at beginning of year	226,476	155,449
Additions	427,839	210,860
Disposals	(369,441)	(109,520)
Depreciation	<u>(20,562)</u>	<u>(30,313)</u>
Carrying amount at end of year	<u>264,312</u>	<u>226,476</u>
<i>Promotional vehicles</i>		
Carrying amount at beginning of year	26,884	37,717
Additions	-	818
Disposals	(22,829)	-
Depreciation	<u>(4,055)</u>	<u>(11,651)</u>
Carrying amount at end of year	<u>-</u>	<u>26,884</u>

Notes To The Financial Statements

For The Year Ended 30 June 2003

	2003 \$	2002 \$
9 Property, plant and equipment (continued)		
Reconciliations (continued)		
<i>Communications equipment</i>		
Carrying amount at beginning of year	16,664	38,159
Additions	29,929	-
Depreciation	(19,588)	(21,495)
Carrying amount at end of year	<u>27,005</u>	<u>16,664</u>
<i>Office furniture and equipment</i>		
Carrying amount at beginning of year	19,922	42,997
Additions	14,206	1,650
Depreciation	(12,107)	(24,725)
Carrying amount at end of year	<u>22,021</u>	<u>19,922</u>
<i>Computer equipment</i>		
Carrying amount at beginning of year	88,537	125,528
Additions	60,188	46,279
Depreciation	(78,415)	(83,270)
Carrying amount at end of year	<u>70,310</u>	<u>88,537</u>
Valuation		

An independent valuation of the land and buildings was carried out as at 30 June, 2003 by John Buskin, Registered Valuer No. 1512 from Skelton Valuers Pty Limited, on the basis of the current market value of the property, assessed on a vacant possession basis. The valuation of land and buildings was \$2,060,000. The valuation has not been booked.

Notes To The Financial Statements

For The Year Ended 30 June 2003

	2003 \$	2002 \$
10 Payables		
Current		
Sundry accruals	117,767	39,924
Holding fund	2,301	9,717
Child development liability	1,253,368	1,172,676
Meals plus liability	17,192	18,749
Sponsorship plus liability	89,716	75,110
Partners of Compassion liability	10,336	10,628
Leadership 2000 liability	28,990	7,250
Living sponsorship trust fund	116,880	58,226
Restricted Funds	<u>3,231,779</u>	<u>2,235,937</u>
	<u>4,868,329</u>	<u>3,628,217</u>
Non-current		
Child development liability	32,158	27,671
Meals plus liability	974	793
Sponsorship plus liability	2,660	1,395
Partners of Compassion liability	1,496	966
Leadership 2000 liability	3,200	-
	<u>40,488</u>	<u>30,825</u>
11 Interest bearing liabilities		
Current		
Hire purchase	<u>-</u>	<u>2,001</u>

Notes To The Financial Statements

For The Year Ended 30 June 2003

	2003	2002
	\$	\$
12 Provisions		
Current		
Annual leave	190,230	161,633
Long service leave	60,426	65,085
	<u>250,656</u>	<u>226,719</u>
Non-current		
Long service leave	<u>81,176</u>	<u>35,376</u>
Aggregate liability for employee entitlements	<u>331,832</u>	<u>262,095</u>
Number of employees at year end	<u>38</u>	<u>34</u>
13 Reserves		
Endowment operations reserve	<u>240,539</u>	<u>195,108</u>
Movements during the year		
Endowment operations reserve		
Balance at beginning of year	195,108	119,208
Transfer from retained profits	<u>45,431</u>	<u>75,900</u>
Balance at end of year	<u>240,539</u>	<u>195,108</u>

Notes To The Financial Statements

For The Year Ended 30 June 2003

	2003	2002
	\$	\$
14 Retained profits		
Retained profits at beginning of year	837,034	784,412
Net surplus	98,449	128,522
Transfer to reserves	(45,431)	(75,900)
Retained profits at the end of the year	<u>890,052</u>	<u>837,034</u>
15 Total equity reconciliation		
Total equity at beginning of year	1,032,142	903,620
Total changes in equity in statement of financial performance	<u>98,449</u>	<u>128,522</u>
Total equity at end of year	<u>1,130,591</u>	<u>1,032,142</u>
16 Commitments		
Hire purchase payment commitments		
Hire purchase lease commitments are payable:		
Within one year	<u>-</u>	<u>2,440</u>
	-	2,440
Less: Future lease charges	-	439
	<u>-</u>	<u>2,001</u>
Liability provided for in the financial statements:		
Current	11 -	<u>2,001</u>
Total lease liability	<u>-</u>	<u>2,001</u>

Notes To The Financial Statements

For The Year Ended 30 June 2003

17 Financing arrangements

The company has a registered mortgage facility secured over certain land and buildings. The company has not borrowed funds and therefore the facility was not utilised during the years ended 30 June 2003 or 2002.

18 Notes to the statement of cash flows

(i) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Note	2003 \$	2002 \$
Cash assets	6	4,123,885	2,680,560
Less: Living Sponsorship Trust Fund and endowment operations		<u>357,477</u>	<u>253,334</u>
		<u>3,766,408</u>	<u>2,427,226</u>
(ii) Reconciliation of profit from ordinary activities to net cash provided by operating activities			
Profit from ordinary activities		98,449	128,522
Add/(less) items classified as investing/financing activities:			
(Profit)/loss on sale of non-current assets	3	(8,945)	(685)
Interest paid	3	437	1,400
Interest received		(119,388)	(82,587)
Add/(less) non-cash items:			
Depreciation	3	173,991	210,693
Amounts set aside to provisions	12	69,737	(39,458)
Increase in surrender value of gifting policies	7	<u>(7,581)</u>	<u>(7,322)</u>
Net cash provided by operating activities before change in assets and liabilities		<u>206,700</u>	<u>210,563</u>

Notes To The Financial Statements

For The Year Ended 30 June 2003

	2003 \$	2002 \$
18 Notes to the statement of cash flows (continued)		
(ii) Reconciliation of profit from ordinary activities to net cash provided by operating activities (continued)		
Change in assets and liabilities during the financial year:		
(Increase)/decrease in living sponsorship & endowment funds	(104,143)	(83,902)
(Increase)/decrease in other assets	2,519	(21,686)
(Decrease)/increase in accounts payable	<u>1,249,775</u>	<u>646,468</u>
Net cash provided by operating activities	<u>1,354,851</u>	<u>751,443</u>

19 Additional disclosures required by the charitable fundraising Act 1991 and the charitable fundraising regulations 1993

Fundraising appeals

Fundraising appeals conducted during the year consisted of:

Promotion of sponsorship of needy children including:

- public meetings;
- conventions;
- paid advertising;
- Compassion magazine;
- concerts;
- advocates;
- internet.

Notes To The Financial Statements

For The Year Ended 30 June 2003

19 Additional disclosures required by the charitable fundraising Act 1991 and the charitable fundraising regulations 1993 (continued)

Information on any material occurrence

The company incurred an operating surplus for the year ended 30 June 2003 of \$98,449 (2002: \$128,522). In arriving at the surplus, the following non-cash items were taken into account:

	2003	2002
	\$	\$
Income		
Interest receivable	14,795	4,907
Increase in value of gifting policies	7,581	7,322
Profit/(loss) on disposal of fixed assets	8,945	685
	<u>31,321</u>	<u>12,914</u>
Expenses		
Depreciation		
Buildings	39,264	39,239
Motor vehicles	20,562	30,313
Office furniture and equipment	12,107	24,725
Computer equipment	78,415	83,270
Promotional vehicles	4,055	11,651
Communication equipment	19,588	21,495
Provision for annual leave	28,598	(6,059)
Provision for long service leave	41,139	(33,399)
	<u>(243,728)</u>	<u>(171,235)</u>
	<u>(212,407)</u>	<u>(158,321)</u>

Notes To The Financial Statements

For The Year Ended 30 June 2003

19 Additional disclosures required by the charitable fundraising Act 1991 and the charitable fundraising regulations 1993 (continued)

Details of aggregate gross income and total expenses of fundraising appeals

	2003	2002
	\$	\$
Gross proceeds from fundraising appeals		
Restricted funds	15,502,560	12,783,450
Undesignated funds	<u>1,944</u>	<u>121,235</u>
	15,504,504	12,904,685
Less: Total cost of fundraising appeals		
Communication costs	<u>(1,469,552)</u>	<u>(1,400,330)</u>
Net surplus obtained from fundraising appeals	<u>14,034,952</u>	<u>11,504,355</u>
<i>Statement showing how funds received were applied to charitable purposes</i>		
Net surplus from fundraising appeals	14,034,952	11,504,355
This was applied to charitable purposes in the following manner:		
Programme expenditure		
Amounts expended in year:		
Restricted funds	11,163,483	9,412,837
Movement in fund liabilities	<u>995,842</u>	<u>553,980</u>
	12,159,325	9,966,817
Operating funds expenditure	<u>1,963,579</u>	<u>1,574,110</u>
Total expenditure	<u>14,122,904</u>	<u>11,540,927</u>
<i>Deficit</i>	<u>(87,952)</u>	<u>(36,572)</u>

Notes To The Financial Statements

For The Year Ended 30 June 2003

19 Additional disclosures required by the charitable fundraising Act 1991 and the charitable fundraising regulations 1993 (continued)

Comparison of monetary figures and percentages

2003

Total cost of fundraising/Gross income from fundraising	1,469,552/15,504,504	9%
Net surplus from fundraising/ Gross income from fundraising	14,034,952/15,504,504	91%
Total costs of services/Total expenditure	14,122,904/15,985,161	88%
Total costs of services/Total income received	14,122,904/15,682,397	90%

2002

Total cost of fundraising/Gross income from fundraising	1,400,330/12,904,685	11%
Net surplus from fundraising/ Gross income from fundraising	11,504,355/12,904,685	89%
Total costs of services/Total expenditure	11,540,927/13,042,177	88%
Total costs of services/Total income received	11,540,927/13,060,494	88%

20 Related party transactions

Directors

The names of each person who held the position of Director of the company during the financial year are:

Mr John T McBride	Mr Ernest R Hume
Mr Dudley Stringer	Mr Michael Jeffs
Rev John Bond	Mr Mark Zschech
Rev Jane Evans	

The Directors act in an honorary capacity and do not receive any remuneration from the Company.

There were no transactions with directors during the year.

Notes To The Financial Statements

For The Year Ended 30 June 2003

21 Additional financial instrument disclosures

Interest rate risk

The company's exposure to interest rate risk and the effective average interest rate for classes of financial assets and financial liabilities are as follows:

Financial Assets

Cash assets

Short term deposits are subject to fixed interest rates maturing in one year. The weighted average interest rate was 4.5% (2002: 5.05%)

Investment accounts are subject to floating interest rates. The weighted average interest rate was 4.2% (2002: 4.1%).

Other financial assets

Gifting policies are non-interest bearing.

Financial Liabilities

Hire Purchase Liability

Hire purchases are subject to fixed interest rates maturing within one year. The weighted average interest rate was 10.9% (2002: 10.9%).

All other financial liabilities are non-interest bearing.

Credit risk

The credit risk on financial assets is the carrying amount. The company is not materially exposed to credit risk.

Net fair values

Gifting policies are held at surrender value. The company's financial assets and liabilities included in the statement of financial position are carried at amounts that approximate net fair value.

Directors' Declaration

In the opinion of the directors of Compassion Australia:

- (a) the financial statements and notes, set out on pages 4 to 27, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the company as at 30 June 2003 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date; and
 - (ii) complying with Accounting Standards 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.

Dated at Newcastle this day of October 2003.

Signed in accordance with a resolution of the directors:

Terry McBride

Director

Ernest R Hume

Director

Independent Audit Report

To The Members Of Compassion Australia

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration set out on pages 4 to 28 for Compassion Australia (the "Company"), for the year ended 30 June 2003.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Additional Scope Pursuant to the Charitable Fundraising Act 1991

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In addition, our audit has also been prepared for the members of the Company in accordance with Section 24(2) of the Charitable Fundraising Law 1991. The Charitable Fundraising Act commenced 1 September 1993. Accordingly we have performed additional work beyond that which is performed in our capacity as auditors pursuant to the Corporations Act 2001. These additional procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination on a test basis, of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the Charitable Fundraising Act 1991 and Regulations.

It should be noted that the accounting records and data relied upon for the fundraising appeal activities are not continuously audited and do not necessarily reflect after the event accounting adjustments and the normal year end financial adjustments for such matters as accruals, prepayments, provisioning and valuations necessary for the year end financial report preparation.

The performance of our statutory audit included a review of internal controls for the purpose of determining the appropriate audit procedures to enable an opinion to be expressed on the financial statements. This review is not a comprehensive review of all those systems or of the system taken as a whole and is not designed to uncover all weaknesses in those systems.

Our audit opinion pursuant to the Charitable Fundraising Act has been formed on the above basis.

Audit Opinion Pursuant to the Corporations Act 2001

In our opinion, the financial report of Compassion Australia is in accordance with:

- a) the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2003 and of its performance for the financial year ended on that date; and
 - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

Audit Opinion Pursuant to the Charitable Fundraising Act 1991

In our opinion:

- (a) the financial report gives a true and fair view of the financial result of fundraising appeal activities for the year ended 30 June 2003;
- (b) the financial report has been properly drawn up, and the associated records have been properly kept for the year 1 July 2002 to 30 June 2003, in accordance with the Charitable Fundraising Act 1991 and Regulations;
- (c) there are reasonable grounds to believe that Compassion Australia will be able to pay its debts as and when they fall due.
- (d) money received as a result of fundraising appeal activities conducted during the year from 1 July 2002 to 30 June 2003 has been properly accounted for and applied in accordance with the Charitable Fundraising Act 1991 and Regulations; and

KPMG

J A Champion
Partner

Newcastle,

October 2003

Declaration By Chief Executive Officer In Respect Of Fundraising Appeals

Declared Opinion

I, Paul O'Rourke, Chief Executive Officer of Compassion Australia declare, in my opinion:

- (a) the financial report, set out on pages 4 to 28, gives a true and fair view of all income and expenditure of Compassion Australia with respect to fundraising appeals;
- (b) the statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeals;
- (c) the provisions of the Charitable Fundraising Act 1991 and the Regulations under that Act and the conditions attached to the authority have been complied with for the year 1 July 2002 to 30 June 2003.
- (d) the internal controls exercised by Compassion Australia are appropriate and effective in accounting for all income received.

October 2003

Paul O'Rourke
Chief Executive Officer

Dated

Disclaimer

The additional financial information presented on pages 34 to 36 is in accordance with the books and records of Compassion Australia which have been subjected to the auditing procedures applied in our statutory audit of the company for the year ended 30 June 2003. It will be appreciated that our statutory audit did not cover all details of the additional financial information. Accordingly, we do not express an opinion on such financial information and no warranty of accuracy or reliability is given.

In accordance with our firm policy, we advise that neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any person (other than the company) in respect of the additional financial information, including any errors or omissions therein, arising through negligence or otherwise however caused.

KPMG

Newcastle

October 2003

Statement of Operations

For The Year Ended 30 June 2003

	2003	2002
	\$	\$
Income		
Income transferred from restricted funds	3,343,235	2,816,636
Interest income	124,881	82,587
Undesignated funds	1,944	121,235
Total income	<u>3,470,060</u>	<u>3,020,458</u>
Expenses		
Advertising expenses	40,444	39,700
Auditors' remuneration	11,340	15,277
Bank charges	170,510	138,187
Benefits – staff	189,448	163,863
Fringe benefits tax	201	775
General expenses	56,443	10,342
Insurance	26,213	35,805
Interest paid	437	1,400
Legal costs	(1,430)	(943)
Maintenance – building	9,134	14,407
Maintenance - office equipment	11,968	6,415
Miscellaneous personnel expenses	88,428	56,693
Office supplies	148,064	125,160
Photographs	706	8,153
Postage	205,782	148,988
Promotions – Advocacy (including Club 121)	38,525	16,755
Promotions – Compassion day	46,591	25,428
Promotions – concerts	40,177	57,009
Promotions – conventions	242,776	137,400
Promotions – internet	12,765	8,704
Promotions – magazine	90,775	48,624
Promotions – other	55,055	60,820
Promotions – presentation	21,484	13,915
Promotions – sport	-	4,000
Promotions – television	106	62,387
Promotions – (Leadership 2000)	-	2,262
Salaries	1,344,116	1,259,807
Service contracts	34,273	35,286
Telephone	73,891	65,625
Travel – transportation	124,258	157,315
Travel – meals and accommodation	50,049	59,059
Utilities	22,587	25,991
Total expenses	<u>3,155,116</u>	<u>2,804,609</u>
Cash surplus	<u>314,944</u>	<u>215,849</u>

The statement of operations is to be read in conjunction with the disclaimer set out on page 33.

Statement Of Operations

For The Year Ended 30 June 2003

	2003	2002
	\$	\$
Cash surplus brought forward	314,944	215,849
Non Cash Items		
Increase in value of gifting policies	7,581	7,322
Profit on disposal of non current assets	19,321	7,253
	<u>341,846</u>	<u>230,424</u>
Depreciation		
Buildings	39,264	39,239
Motor vehicles	20,562	30,313
Office furniture and equipment	12,107	24,725
Computer equipment	78,415	83,269
Communication equipment	19,588	21,495
Promotional Vehicles	4,055	11,651
Loss on disposal of non current assets	10,376	6,568
25 th Anniversary celebrations	34,724	-
Provision for annual leave	28,598	(6,059)
Provision for long service leave	41,139	(33,399)
	<u>288,828</u>	<u>177,802</u>
Operating surplus before Endowment Operations	53,018	52,622
Endowment operations	45,431	75,900
Operating surplus	<u>98,449</u>	<u>128,522</u>

The statement of operations is to be read in conjunction with the disclaimer set out on page 33.

Programme Income and Expenditure Statement

For The Year Ended 30 June 2003

	Opening balance \$	Income \$	Expenditure Overseas projects \$	Income transferred to operating fund \$	Closing Balance \$
Restricted Funds					
2003					
Child development	1,460,377	12,161,769	9,026,276	2,858,016	1,737,854
Christmas	607	499,412	451,459	45,441	3,119
Gifts	92,983	446,569	413,302	-	126,250
Leadership 2000	36,201	88,973	79,486	13,346	32,342
Life assurance contributions	1,193	3,487	2,816	-	1,864
Meals plus	94,767	123,767	71,631	29,085	117,818
Partners of Compassion	131,683	933,006	364,384	155,924	544,381
Relief	21,774	21,105	41,818	730	331
Special appeals	74,399	245,249	188,487	-	131,161
Special grants	186	-	-	-	186
Sponsorship plus	321,085	908,303	458,167	236,246	534,975
Un-sponsored children	<u>682</u>	<u>70,920</u>	<u>65,657</u>	<u>4,447</u>	<u>1,498</u>
	<u>2,235,937</u>	<u>15,502,560</u>	<u>11,163,483</u>	<u>3,343,235</u>	<u>3,231,779</u>
2002					
Child development	1,240,387	10,396,598	7,703,418	2,473,180	1,460,377
Christmas	801	439,027	395,318	43,903	607
Gifts	48,510	352,686	308,213	-	92,983
Leadership 2000	14,927	75,620	46,222	8,124	36,201
Life assurance contributions	656	3,487	2,950	-	1,193
Meals plus	70,417	124,983	69,387	31,246	94,767
Partners of Compassion	13,551	287,611	115,078	54,401	131,683
Relief	5,138	22,182	-	5,546	21,774
Special appeals	48,226	248,639	222,466	-	74,399
Special grants	3,185	-	2,999	-	186
Sponsorship plus	214,855	792,298	495,916	190,152	321,085
Un-sponsored children	<u>21,302</u>	<u>40,330</u>	<u>50,867</u>	<u>10,083</u>	<u>682</u>
	<u>1,681,955</u>	<u>12,783,461</u>	<u>9,412,834</u>	<u>2,816,635</u>	<u>2,235,937</u>

The Programme Income and Expenditure Statement is to be read in conjunction with the disclaimer set out on page 33.