

KU CHILDREN'S SERVICES  
**118th ANNUAL REPORT**

2013

Proudly a not for profit organisation



**Children's Services**  
Since 1895



Vacation Care **2**

Family Programs **7**

KU Managed Long Day Care **18**

Community Based Long Day Care **25**

Board of Directors

Chief Executive Officer  
Christine Legg

### Early Childhood Education

**General Manager:**  
**Monique Beange**

Early childhood education  
Education support  
Family programs  
Research

### People Services

**General Manager:**  
**Jane Robinson**

Human resources  
Employee wellness and safety  
Payroll

### Professional Services and Learning

**General Manager:**  
**Kim Bertino**

Professional learning  
Policy development  
Sustainability

**2** Out of  
School Hours

**1** Occasional  
Care

**9** Adult Migrant English Program  
(AMEP)

**93** Preschools (including Mobiles, Cluster  
Managed and Learning Together)

## 2013 KU SERVICES AND SUPPORT

### Community Programs

**General Manager:**

**Poppy Brown**

Adult Migrant English Program  
(AMEP)

Inclusion Support Agencies (ISA)  
National Inclusion Support Subsidy  
Provider (NISSP)

Northern Sydney SCAN

### Public Affairs and Development

**General Manager:**

**Karen Dawson**

Marketing and communications

Business development

Government relations

### Corporate Services

**CFO & General Manager:**

**Phillip Elbourne**

Finance

Information technology

Property

Procurement

### Child Wellbeing

**Reports to CEO**

Child protection

Privacy





There is a large body of evidence that directly links participation in high quality early childhood education to improved outcomes for children. Central to this is the understanding that early childhood education, and particularly play-based curriculums developed and delivered by university qualified early childhood teachers, must be recognised as a distinct, specialist and critical area of education.

# About us

First and foremost, KU provides early childhood education for children. And when we say first, we mean it. KU has been enriching children's lives since 1895. After all this time, we proudly remain a not for profit organisation.

## OUR VISION

Every child can experience high quality early childhood education, where they can play, discover and learn.

## OUR VALUES

- Childhood
- Integrity
- Leadership
- Innovation
- Sustainability
- Diversity & Inclusion



# Chairman and CEO report

**Our NQS results are a testament to the cornerstone of what we call the 'KU Difference': the professionalism and dedication of KU educators and the Central Office support teams.**

2013 was an immensely rewarding year for KU.

We entered the second year of the National Quality Standard (NQS) Assessment and Rating process and a number of our long day care and preschools were assessed. After almost a quarter of our centres have been assessed, it is with considerable pride we can report that KU has been confirmed as one of the leaders in the provision of quality services in early childhood education and care. KU's results continue to exceed national and state averages by a very large margin.

This endorses what we have always known, that KU has a compelling quality advantage over other providers, for some of which the NQS has required a huge 'step up'. The results are, of course, a testament to the cornerstone of what we call the 'KU Difference': the professionalism and dedication of KU educators and the Central Office support teams.

In light of these tremendous efforts the Board and Executive Leadership Team wish to thank our staff for their commitment and absolute passion towards making a difference to the lives of young children and their families – you remain the very heart of KU.

During the year the KU family welcomed the opening of three new services: KU Falconbridge, KU ANSTO and nab Little Stars at Southern Cross.

In September, KU's Board and the Executive Leadership Team embarked on developing a new Strategic Plan for 2013 to 2015; *'Building on the KU Difference'*. This resulted in our new shared vision: 'Every child can experience high quality early childhood education, where they can play, discover and learn'.





Extending on the hugely successful launch of KU's *Understanding Quality* booklet for families in 2012, we went on to distribute more than 80,000 free hard copies across the country, and developed and launched the first *Quality Childcare* app to assist families in identifying and choosing quality childcare. This was closely followed by a second app designed specifically for KU Annual Conference participants.

Reflecting our unwavering commitment to continuous improvement in our pursuit of quality, we expanded our Professional Learning Program to include the formation of Professional Learning Communities to enable in-depth and targeted learning and thought leadership to occur. An increasing number of external educators participated in KU's Professional Learning Program which included our very successful KU Annual Conference. The Conference featured Dr Lillian Katz, a well known international keynote speaker and attracted more than 850 registrants.

Of course the year had its challenges. Sadly we experienced the unexpected withdrawal of two of our corporate clients as they made the decision to cease to provide employer sponsored child care for their employees. As a result we managed the closure of both Billabond and Willows long day care services. This was a process managed with great sensitivity as we assisted families find new child care places for their children and re-deployed as many staff as possible within KU. After forty years of operation, we also managed the closure of KU Burnside Preschool following a decision by our landlord not to renew the lease, choosing instead to operate a new preschool service on that site. Due to lack of demand and changing demographics, KU made the decision to close KU Glenhaven Mobile Preschool.

In 2013 we also continued to meet the challenge of several landlords seeking a significant increase in rent or full commercial rental returns on their assets. In this context, we successfully re-tendered for two of our services in one area and with the support of families, we led a very successful campaign

in another area to stop the tendering out of the leases that had expired on seven preschools where we have been operating for between forty and sixty years.

Towards the end of the year, the NSW Government announced the new community preschool funding model to come into effect in January 2014 and we continue to watch and assess the impact this has on the NSW preschool sector.

Nevertheless we regard stewardship of being able to offer quality early childhood and education well into the future as one of our highest priorities. In this regard, we continued to focus on ensuring a sustainable future for KU and our financial result for 2013 was a total reported surplus of \$2,868,786.



Stuart Washington  
Chairman, Board of Directors



Christine Legg  
Chief Executive Officer



A NEW STRATEGIC PLAN

# Building on the KU Difference



From 2008 to 2012 KU's strategic plan, *Making the KU Difference* provided the road map used to navigate the organisation through a period of enormous change; both internally and in the broader sector. So when the time came to develop a new strategic plan in 2013, KU's Board and Executive sought to build on the strong foundations of past experience, and target new opportunities that will see KU retain our reputation for quality as we grow and thrive into the future.

Perhaps the most important part of this process was the articulation of KU's values, which was the result of extensive consultation with KU staff and families.

Launched in 2013, the new strategic plan, *Building on the KU Difference* focuses on supporting KU's quality, staff and sustainability over three years. Guided by this plan, by 2015 KU will be proudly:

- Delivering the best positive outcomes for children and families
- An inspired community of professionals
- Witnessing that the 'KU Difference' is understood and valued
- Developing and operating innovative services models
- Fostering equitable access and participation
- Shaping sector and government thinking and policy
- A well managed and sustainable organisation

Of course, we know that a strategic plan is more than just the outcomes it delivers at the end. Often it's the journey and all the milestones along the way that deliver the most meaningful learning, development and growth in each of us, and in KU as a whole. We look forward to sharing our progress with you over the coming years.

Read the complete strategic plan, *Building on the KU Difference* at [ku.com.au](http://ku.com.au) or:





## OUR VALUES

### WHY WE DO WHAT WE DO

#### Childhood

We recognise childhood as a special time in itself; a time for all children to be immersed in secure and trusting environments that allow them to explore, play, discover and learn. We nurture the development of identity, confidence and capability which form the foundations of a lifelong love of learning. We ensure the voices of children contribute to the work that we do and the decisions we make.

#### Integrity

We act with honesty, openness and consistency. Our relationships are built on authenticity, ethical behaviour, respect and trust. We welcome feedback and make decisions that are responsible and fair.

#### Leadership

We are driven by the passionate pursuit of quality early childhood education and encourage others to share that journey. We lead by example drawing on our experience and knowledge to shape early childhood education thinking, policy and practice.

#### Innovation

We have the courage to pursue bold visions of the future. We are committed to continual professional learning and organisational development. We collaborate and explore new ideas and different ways of thinking.

#### Sustainability

We acknowledge and consider both our heritage and our future. We embrace our responsibilities within the world around us – to our children and communities, our people, our environments and the long term sustainability of our organisation.

#### Diversity & Inclusion

We recognise that everyone has their own culture, beliefs, values and strengths contributing to our rich and diverse community. We embrace and advocate for the rights of all children to access and actively participate in our programs and have a sense of truly belonging.

## MAKING THE KU DIFFERENCE

Individual excellence and joint endeavour fuel our success. In 2013 we recognised:

Saskia St Clair (KU Frances Newton)  
*for making the KU Difference for children*

Kim Nguyen (KU AMEP Cabramatta)  
*for making the KU Difference for families*

Trudi Kirkwood (KU Bilya Gulyangarri)  
*for making the KU Difference for communities*

Janene Rox (KU Sutherland)  
*for making the KU Difference for staff*

KU Westmead Preschool Team  
*for making the KU Difference for quality*

KU Village Green Children's Centre Team  
*for making the KU Difference through sustainability*

KU's Marketing and Communications Team  
*for making the KU Difference through innovation*

Gianna Black and Carol Findlay  
*for making the KU Difference by representing KU*

The KU Starting Points Macarthur Team  
*through the KU Marcia Burgess Award*

Read their stories at [ku.com.au](http://ku.com.au) or:



# A new platform for quality

Whilst early childhood educators have now had years to come to terms with the intricacies of the National Quality Standards, many parents tell us that they would like more information about the standards and rating system. KU believes that parents should feel confident they can recognise quality when they visit early childhood education services, and most importantly, to choose childcare on that basis.

We also know that parents are busy and are increasingly turning to technology based sources of information and advice.

Parents spoke, and KU listened. In 2013 we developed and launched the *Childcare Quality Checklist App* for families. The App, which is the first of its kind, is designed to help families gain a better understanding of each of the seven quality areas in the National Quality Standards (NQS). It also provides practical ideas on a range of questions to ask when visiting an early childhood service for your child.

The most popular feature of the App is the 'Rate a Centre' function, enabling parents to easily rate and compare services based on some of the key factors that make up the NQS. We believe this information will enable families to make a more informed

assessment of the quality of early childhood services, when choosing a service for your child. And the proof is in the pudding. As more people download and use the App, we were pleased to read this recent review,

***"Excellent for those who need easy guidance in looking for high quality care."***

Download the App via iTunes or Google Play stores. A similar checklist is also available within KU's *Understanding Quality* booklet, visit [ku.com.au/quality](http://ku.com.au/quality).

## PARENT SATISFACTION

**KU'S 2013 NET PROMOTER SCORE: +73.3**

Promoters

**81.5%**



Passives  
**10.3%**

Detractors  
**8.2%**



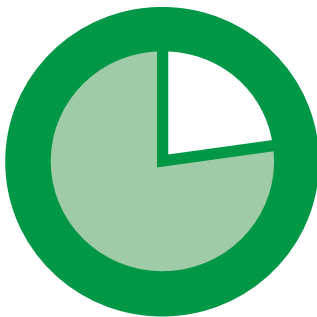
IN THE SPOTLIGHT

# One centre's NQS story

**Following the implementation of the National Quality Standards in 2012, the assessment and rating of eligible services continued in earnest with 31**

**KU services assessed by the end of 2013, 93% of which were found to meet or exceed the standards.**

KU SERVICES  
ASSESSED THUS FAR



KU centres assessed 23%  
KU centres yet to be assessed 77%

The assessment process can be a daunting one, however as more and more centres are assessed, staff are able to share stories and dispel some of the myths, as Jacqui Lagaluga, Director at KU Ourimbah explains.

"My first reaction when we were told we would be assessed was 'Oh my goodness!' as we hadn't expected to be assessed under the new scheme quite so soon after having completing the old Accreditation process. The staff felt a little nervous at first however I tried to remain calm and they remained calm and focused as well.

There was very little time to prepare for the assessment visit however we found that little preparation is actually required if a service is running well. This was in contrast to the old Accreditation process where staff often felt compelled to keep folders of supporting evidence.

Our approach to involving families was to encourage them to have input into the centres Quality Improvement Plan and keeping them updated about the assessment process. On the day of our assessment visit, the assessors were friendly and supportive. They were unobtrusive and put everyone at ease.

Being one of the first centres to be assessed under the new process we were somewhat apprehensive of what the outcome might be, however when we received our results we were more than pleased and wanted to share them with the children, parents and KU Central Office who were just as pleased as us.

Meeting  
**34%**

Exceeding  
**25%**



## KU'S QUALITY CONFIRMED

### KU NQS RESULTS

### SECTOR NQS RESULTS

Source: NQS Snapshot Q4 2013, ACECQA

My advice to others yet to be assessed would be to stay relaxed, throw away the folders as they're not needed, be positive and view the process as a learning opportunity in order to improve practice rather than a pass/fail experience."

KU Ourimbah was rated as 'Exceeding' in all seven quality areas. We congratulate Jacqui and her team, along with all the other KU services who have been assessed.

Working Towards  
**40%**

Working Towards  
**7%**

Meeting  
**35%**

Exceeding  
**58%**

A NEW WAY

# The changing face of professional learning

## STAFF TENURE



< 10 years: 64 %  
10 to 19 years: 27 %  
20 to 29 years: 8 %  
30+ years: 1 %

KU's commitment to staff development and professional learning has long been the envy of many early childhood education providers. It fuels the quality of our programs, and the long tenure of our staff. Like all areas of quality education, innovation is constant within professional learning. 2013 saw the KU Professional Learning Program shift away from traditional short-session workshop based training, towards more sustained and collaborative delivery styles to support the development of strong professional identities.

KU staff are now encouraged and supported to engage in Professional Learning Communities; cohorts of educators with similar interests or goals, who meet, share ideas, reflect on successes and challenges within practice, question and research. The Learning Communities view teachers as researchers, and are supported by the expertise of 'critical friends'. This approach of reflection, exploration and development is reflective of strategies we encourage amongst children, and the results are proving to be just as inspiring.

One such Professional Learning Community has focused on the use of technology within the children's educational environment. Some centres within that community have incorporated and encouraged the use of iPads and tablets, explored the policies and practices surrounding children's engagement with technology, and found innovative new ways to document children's learning, including documentation carried out by the children themselves. The experiences and findings of the Technology Learning Community will soon be published and shared more broadly.





## NURTURING THE FUTURE

We support future leaders in education through excellence awards at:

Macquarie University

University of Newcastle

University of New England

University of Notre Dame

University of Western Sydney

TAFE NSW

Find out more at [ku.com.au](http://ku.com.au)

In other cases, KU's new vision for transformational professional learning has sought to support the complex and intricate work of early childhood educators within their own service. By welcoming subject matter experts 'in residence' at their centre, staff are provided with a valuable opportunity to observe, examine, question and improve quality practice within their day to day interaction with children. The reflection and learning process is further supported through opportunities to participate in professional conversation and rich, sustained workshop based learning opportunities outside service operating hours.

The evolution of professional learning is as constant as learning itself, as is KU's commitment to ensure our staff are supported in their delivery of high quality educational programs for children. The new direction and focus of KU's Professional Learning Program is a testament to the curiosity and motivation of our staff, and an investment in ensuring KU services remain at the forefront of high quality early childhood education in Australia.

## KU: A PLACE TO STAY STAFF RETENTION RATES



OUR REACH IN 2013

# KU at a glance

## KU FAMILY

**15,128**

children participated in KU services and programs.

**13,502**

families chose KU for their children's early childhood education.

**6,279**

members played an important role in KU's structures of governance as a not for profit organisation.

**2,027**

staff helped us make the *KU Difference* for Australian children.

**78**

children received specialist speech pathology assessments through KU services.

**168**

Aboriginal and Torres Strait Islander children accessed early childhood education through KU services.

**566**

families increased their child's engagement with the community through KU Family Programs.

**185**

children received additional early language and literacy support through the KU ELLI project.

**1,784**

children from refugee and new migrant families began their Australian early childhood education and care with the help of KU's Adult Migrant English Program (AMEP).



## INCLUSION & DIVERSITY

# 2,759

early childhood education services were supported through 5,400 visits from KU Inclusion Support Agency (ISA) staff.

# 5,896

children with additional needs were included in early education programs in six months alone, thanks to the support of KU ISAs.

# 12,241

funding applications were assessed by the KU National Inclusion Support Subsidy Provider team.

# 107

preschools were supported by KU's Northern Sydney SCAN program, to Support Children with Additional Needs.

## PROFESSIONAL LEARNING

# 8,070

attendees furthered their professional development through KU's Professional Learning Program.

# 267

professional learning sessions were delivered for staff across the country.

# 872

delegates attended KU's largest Annual Conference ever.



## Directors' Report

The Directors present their report on KU Children's Services (KU) for the financial year ended 31. December 2013. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

### Operating Result and Cash flow

KU's finances are overseen by KU's Board of Directors and KU's Audit and Risk Management Committee who review the financial reports regularly and provide strategic direction to KU management.

KU is a financially viable organisation with a strong balance sheet and adequate reserves. KU's long history of responsible financial management confirms KU is financially sound and progressive. KU has no subsidiary or related organisations.

At 31 December 2013, KU had a net surplus of \$2,868,786 (2012: \$2,956,032), Assets of \$46,672,816 (2012: \$45,789,140) and net assets of \$17,484,155 (2012: \$15,704,499).

### Short and Long Term Objectives of the Company

KU has begun the process of implementing our Strategic Plan 2013 to 2015 "Building on the KU Difference" which is detailed in the Annual Report for the year ended 31 December 2013.

### Our Vision

Every child can experience high quality early childhood education, where they can play, discover and learn.

### Our Objectives

1. Deliver the best possible outcomes for children and families
2. Inspire a community of professionals
3. The "KU Difference" is understood and valued
4. Develop and operate innovative service models
5. Equitable access and participation
6. Shape sector and government thinking and policies
7. Well managed and sustainable organisation

### Principal Activities of the Company

The principal activities of KU Children's Services during the current year have been the provision of early childhood education and care services.

### Performance Measurement

The Annual Report of the Company details the achievements and performance over the past year measured against the strategic goals. KU Children's Services continued to achieve and perform strongly when measured against these strategic goals. KU's key performance indicators are utilisation, staff turnover and financial performance of individual services.

### Company Limited by Guarantee

The Company is incorporated as a company limited by guarantee. In accordance with the Constitution every member of the Company undertakes to contribute to the assets of the Company in the event of it being wound up, while he/she is a member or within one year after he/she ceases to be a member, the sum of \$2. The Company has 6,259 members (2012: 6,264 members).

## Directors

The names of the Directors of the Company who have held office during or since the end of the financial year are:



**Stuart Washington**

Chair of the Board, Member of Audit & Risk Management Committee, Member of Governance Committee, Member of Remuneration Committee



**Richard Richards BCom/LLB(Hons), LLM, MAPPFIN, FTIA, CA, Admitted Solicitor NSW**

Deputy Chair of the Board, Member of Audit & Risk Management Committee, Member of KU Marcia Burgess Foundation Committee\*, Member of Remuneration Committee



**Stacey Brown B.Bus, CA**

Board Member, Chair of Audit & Risk Management Committee



**Laura Hartley BA (Hons), LLB**

Board Member, Member of Governance Committee



**Rob Lourey BBus (HR), Assoc. Dip (Pers Mgt), MAICD, member Aust Institute of Co Directors**

Board Member, Member of Property Committee, Chair of Remuneration Committee



**David McCracken BAppSc-BE**

Board Member, Chair of KU Marcia Burgess Foundation Committee\*, Chair of Property Committee\*



**Dr Jennifer Skattebol PhD, B.Ed, Dip Ed (EC)**

Board Member, Member of Education Committee



**Janet Verden B.Com, MAICD**

Board Member, Chair of Governance Committee, Member of Education Committee



**Dr Christine Woodrow PhD, M.Ed, B.Ed, DipTch (ECE)**

Board Member, Chair of Education Committee

\* Please note the KU Marcia Burgess Foundation Committee and the Property Committee meet on a needs basis only. As such, no meetings for these Committees were held in 2013.

## Directors

The names of the Directors of the Company who have held office during or since the end of the financial year are:

Directors Name & Qualifications	Special Responsibilities
Stuart Washington	Chair of the Board, Member of Audit & Risk Management Committee, Member of Governance Committee, Member of Remuneration Committee
Richard Richards BCom/LLB(Hons), LLM, MAPPFIN, FTIA, CA, Admitted Solicitor NSW	Deputy Chair of the Board, Member of Audit & Risk Management Committee, Member of KU Marcia Burgess Foundation Committee*, Member of Remuneration Committee
David McCracken BAppSc-BE	Board Member, Chair of KU Marcia Burgess Foundation Committee*, Chair of Property Committee*
Janet Verden B.Com, MAICD	Board Member, Chair of Governance Committee, Member of Education Committee
Dr Christine Woodrow PhD, M.Ed, B.Ed, DipTch (ECE)	Board Member, Chair of Education Committee
Stacey Brown B.Bus, CA	Board Member, Chair of Audit & Risk Management Committee
Dr Jennifer Skattebol Dip Ed (EC), B.Ed. PhD	Board Member, Member of Education Committee
Laura Hartley BA (Hons), LLB	Board Member, Member of Governance Committee
Rob Lourey BBus (HR), Assoc. Dip (Pers Mgt), MAICD, member Aust Institute of Co Directors	Board Member, Member of Property Committee, Chair of Remuneration Committee

\* Please note the KU Marcia Burgess Foundation Committee and the Property Committee meet on a needs basis only. As such, no meetings for these Committees were held in 2013.



## Directors' Attendance at Board Meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member).

	Board of Directors		Audit & Risk Management Committee		Governance Committee		KU Education Committee		KU Remuneration Committee	
Directors	A	B	A	B	A	B	A	B	A	B
Stuart Washington	10	10	7	6	5	4			2	2
Richard Richards	10	9	7	7					2	2
David McCracken	10	8								
Janet Verden	10	10			5	5	4	4		
Christine Woodrow	10	8					4	4		
Stacey Brown	10	10	7	7						
Rob Lourey	10	7							2	2
Laura Hartley	10	9			5	4				
Jennifer Skattebol	10	5					4	4		

**A** Number of meetings held during the year while the Director was a member of the Board or Committee

**B** Number of meetings attended by the Director during the year while the Director was a member of the Board or Committee.

The auditors' independence declaration is included on page 5 of the financial report. Signed in accordance with a resolution of the Directors made pursuant to s 298(2) of the Corporations Act 2001.

On behalf of the Directors



Stuart Washington  
Chair, Board of Directors  
Sydney, 6 March 2014



Stacey Brown  
Chair, Audit & Risk Management Committee  
Sydney, 6 March 2014

## KU Children's Services



Grant Thornton

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### Auditor's Independence Declaration To the Directors of KU Children's Services

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of KU Children's Services for the year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- a. no contraventions of any applicable code of professional conduct in relation to the audit.

**GRANT THORNTON AUDIT PTY LTD**  
Chartered Accountants

**James Winter**  
Partner - Audit & Assurance

Sydney, 6 March 2014

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## KU Children's Services



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W [www.granthornton.com.au](http://www.granthornton.com.au)

### **Independent Auditor's Report To the Members of KU Children's Services**

We have audited the accompanying financial report of KU Children's Services (the "Company"), which comprises the statement of financial position as at 31 December 2013, the statement of profit or loss and other 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 of the company.

#### **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 - Reduced Disclosure Requirements and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and 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 us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company's internal control. 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.

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## **KU Children's Services**

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**Inherent Limitations**

Because of the inherent limitations of any compliance procedure, it is possible that fraud, error, or non-compliance with the Charitable Fundraising Act 1991 may occur and not be detected. An audit is not designed to detect all instances of non-compliance with the Charitable Fundraising Act 1991 as an audit is not performed continuously throughout the period and the procedures performed in respect of compliance with the Charitable Fundraising Act 1991 are undertaken on a test basis. The audit conclusion expressed in this report has been formed on the above basis.

**Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

**Auditor's opinion**

In our opinion:

- b the financial report of KU Children's Services is in accordance with the Corporations Act 2001, including:
  - i) giving a true and fair view of the Company's financial position as at 31 December 2013 and of its performance for the year ended on that date; and
  - ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
- c the financial report agrees to the underlying records of KU Children's Services, that have been maintained, in all material aspects, in accordance with the Charitable Fundraising Act 1991 and its regulations for the year ended 31 December 2013; and
- d monies received by KU Children's Services, as a result of fundraising appeals conducted during the year ended 31 December 2013, have been accounted for and applied, in all material aspects, in accordance with the Charitable Fundraising Act 1991 and its regulations.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

James Winter  
Partner

Sydney, 6 March 2014



## Directors' Declaration

The Directors declare that:

1. The financial statements, comprising the statement of profit and loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
  - a. comply with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001; and
  - b. give a true and fair view of the company's financial position as at 31 December 2013 and of its performance for the year ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Stuart Washington  
Chair, Board of Directors  
Sydney, 6 March 2014



Stacey Brown  
Chair, Audit & Risk Management Committee  
Sydney, 6 March 2014

## Declaration by Board of Directors in Respect of Fundraising Appeals

In the opinion of the Board of Directors:

- (i) the financial statements give a true and fair view of all income and expenditure of KU Children's Services with respect to fundraising appeals;
- (ii) the statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeals;
- (iii) 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; and
- (iv) the internal controls exercised by KU Children's Services are appropriate and effective in accounting for all income received.

Signed in accordance with a resolution of the Board of Directors.



Stuart Washington  
Chair, Board of Directors  
Sydney, 6 March 2014



Stacey Brown  
Chair, Audit & Risk Management Committee  
Sydney, 6 March 2014

**Statement of Profit and Loss and Other Comprehensive Income**  
for the Financial Year Ended 31 December 2013

	Note	2013 \$	2012 \$
Revenue from fees	4 (a)	50,150,594	48,675,137
Revenue from non-capital government grants	4 (b)	29,848,181	25,266,762
Other revenue	4 (c)	28,038,028	27,062,562
Total revenue		108,036,803	101,004,461
Employee benefits expense		86,400,498	80,204,591
Childcare centre expense		4,142,578	4,717,066
Depreciation and amortisation expense	8, 9	4,345,250	4,541,751
Occupancy expense		4,048,334	3,477,788
Community program administration expense		4,387,400	3,067,534
Brokered program administration expense		1,841,236	2,026,190
Repairs and maintenance expense		1,459,918	1,391,434
Other expenses		1,267,669	1,427,563
Total expenses		107,892,883	100,853,917
Surplus from ordinary operations	4 (e)	143,920	150,544
Other income			
Government capital grant funding	4 (d)	1,229,236	2,805,488
Gain on sale of investment		1,495,630	-
Surplus for the year	4	2,868,786	2,956,032
<b>Other Comprehensive income</b>			
Reclassification to profit and loss of cumulative gains on sale of available-for-sale investments	17	(1,495,630)	-
Gain on available-for-sale investments taken to equity	17	406,500	611,371
Total comprehensive income for the year		1,779,656	3,567,403

The statement of profit and loss and other comprehensive income is to be read in conjunction with the attached notes.

## Statement of Financial Position

as at 31 December 2013

	Note	2013 \$	2012 \$
<b>Current assets</b>			
Cash and cash equivalents	22(b)	27,193,392	19,501,774
Trade and other receivables	5	4,233,524	4,042,469
Other financial assets	6	-	7,601,233
Other assets	7	537,583	340,896
Total current assets		31,964,499	31,486,372
<b>Non-current assets</b>			
Property, plant and equipment	8	14,263,977	13,756,156
Intangible assets	9	444,340	546,612
Total non-current assets		14,708,317	14,302,768
Total assets		<b>46,672,816</b>	<b>45,789,140</b>
<b>Current liabilities</b>			
Trade and other payables	10	8,637,495	6,766,693
Finance leases	11	338,587	-
Unearned Income	12	6,996,433	10,635,112
Provisions	13	11,142,005	11,033,680
Total current liabilities		27,114,520	28,435,485
Non-current liabilities			
Provisions	13	2,074,141	1,649,156
Total non-current liabilities		2,074,141	1,649,156
Total liabilities		29,188,661	30,084,641
<b>Net assets</b>		<b>17,484,155</b>	<b>15,704,499</b>
<b>Funds</b>			
General Funds	14	15,379,384	13,419,411
Fundraising Reserve	15	1,254,771	1,195,958
Program Reserve	16	850,000	-
Available-for-Sale Reserve	17	-	1,089,130
<b>Total funds</b>		<b>17,484,155</b>	<b>15,704,499</b>

The statement of financial position is to be read in conjunction with the attached notes.

## Statement of Changes in Equity for the Financial Year Ended 31 December 2013

	General Funds \$	Fundraising Reserve \$	Available for- Sale Reserve \$	Program Reserve \$	Total \$
Balance at 1 January 2012	10,466,753	1,192,584	477,759	-	12,137,096
Surplus for the year	2,956,032	-	-	-	2,956,032
Transfer to / (from) retained earnings	(3,374)	3,374	-	-	-
Valuation gain recognised	-	-	611,371	-	611,371
Balance at 31 December 2012	13,419,411	1,195,958	1,089,130	-	15,704,499
Balance at 1 January 2013	13,419,411	1,195,958	1,089,130	-	15,704,499
Surplus for the year	2,868,786	-	-	-	2,868,786
Net transfers to / (from) to retained earnings	(908,813)	58,813		850,000	-
Valuation gain recognised	-	-	406,500	-	406,500
Realised gain through profit & loss	-	-	(1,495,630)	-	(1,495,630)
Balance at 31 December 2013	<b>15,379,384</b>	<b>1,254,771</b>	<b>-</b>	<b>850,000</b>	<b>17,484,155</b>

The statement of changes in equity is to be read in conjunction with the attached notes.



## Statement of Cash flows

### for the Financial Year Ended 31 December 2013

	Note	2013 \$	2012 \$
<b>Cash flows from operating activities</b>			
Receipts from customers, government bodies and centres		111,312,192	107,150,515
Receipts from government brokered programs		1,639,834	3,230,489
Total receipts		112,952,026	110,381,004
Payments to suppliers and employees		(109,613,785)	(99,333,017)
Allocations to recipients of brokered programs		(3,376,392)	(2,624,240)
Total Payments		(112,990,177)	(101,957,257)
Net cash received / (utilised) by operating activities	22(a)	(38,151)	8,423,747
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		(2,202,577)	(3,754,823)
Receipts from government capital grants		857,930	2,668,951
Proceeds from investments		8,007,734	-
Interest received		553,323	323,434
Finance cost paid		(31,727)	-
Dividends received		90,904	287,683
Proceeds from sale of property, plant and equipment		454,182	680,126
Net cash received / (utilised) in investing activities		7,729,769	205,371
Net increase/(decrease) in cash and cash equivalent		7,691,618	8,629,118
Cash and cash equivalents at the beginning of the financial year		19,501,774	10,872,656
Cash and cash equivalents at the end of the financial year	22(b)	27,193,392	19,501,774

The statement of cash flows is to be read in conjunction with the attached notes.

## Notes to the Financial Statements for the Financial Year Ended 31 December 2013

### 1. Corporate Information

The financial statements of KU Children's Services (the Company) for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Directors on 6 March 2014.

### 2. Summary of Accounting Policies

#### Statement of compliance

The Company has elected to apply AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements in advance of their effective dates. The early adoption of AASB 1053 and AASB 2010-2 has allowed the Company to remove a number of disclosures relating to financial instruments and business combinations.

The financial report is a Tier 2 general purpose financial report which has been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

A statement of compliance with IFRS cannot be made due to the application of not for profit sector specific requirements contained in the Australian Accounting Standards.

#### Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

#### a) Property, plant and equipment

Land and buildings, leasehold improvements, furniture and office equipment, motor vehicles and computers are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on furniture and office equipment, motor vehicles and computers, including freehold and leasehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- Buildings 40 years
- Buildings – fixtures and fittings 4-10 years
- Leasehold Improvements lease term or 10 years
- Furniture and office equipment 4-10 years
- Motor vehicles 6.7 years

The Company reviews its estimate of the useful lives of leasehold improvements at each reporting date, based on the period over which an asset is expected to be available for use by the Company. The useful life of leasehold improvements has been assessed to equal the lease term, or 10 years where no lease term was applicable.

## 2. Summary of Accounting Policies (continued)

### b) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and rostered days off when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

The Company pays contributions to certain defined contribution plans. Contributions are recognised in profit or loss in the periods during which services are rendered by employees.

### c) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii) for receivables and payables which are recognised inclusive of GST.

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

Cash flows are included in the cash flow statement on a gross basis. 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 operating cash flows.

### d) Financial assets

All financial assets are initially stated at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of financial assets are recognised on trade date which is the date on which the Company commits to purchase or sell the asset. Accounting policies for each category of financial assets subsequent to initial recognition are set out below:

#### Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost using the effective interest rate method less impairment. Impairment losses are measured as the difference between the investment's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the investment's original effective interest rate. Impairment losses are recognised in profit or loss.

#### Available-for-sale financial assets

Available-for-sale investments are those financial assets that are designated as available-for-sale. When available-for-sale financial investments are recognised initially, they are measured at fair value. Any available-for-sale financial investments donated to the Company are recognised at fair value at the date the Company obtains control of the asset.

After initial recognition available-for-sale financial investments are measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the statement of comprehensive income.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models.

## 2. Summary of Accounting Policies (continued)

### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

### e) **Impairment**

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell and value in use. Depreciated replacement cost is used to determine value in use. Depreciated replacement cost is the current replacement cost of an item of plant and equipment less, where applicable, accumulated depreciation to date, calculated on the basis of such cost.

### f) **Leased assets**

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

#### Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### g) **Revenue**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of discounts, refunds and amounts collected on behalf of third parties. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria have been met for each of the Company's activities as described below.

#### Fundraising

Fundraising is recorded when the income is received or receivable.

#### Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

#### Government funding - operational

Government funding agreements are contracted agreements with the Government to provide a variety of early childhood education and care programs in the community. They are received in the form of transfers of resources to the Company in return for past or future compliance with certain conditions relating to the operating activities of the Company. Non-reciprocal government funding monies, other than monies held in trust, are credited to income when received in accordance with AASB 1004 "Contributions". Other service revenues from government agencies are recognised upon delivery of services in accordance with AASB 118 "Revenue".

#### Government funding - capital

Funds are received from government departments in accordance with contracts to undertake capital works programs on behalf of the department. In accordance with AASB 1004 "Contributions", this income is recognised upfront once control of the funds or the commitment to receive funds has been satisfied.



## 2. Summary of Accounting Policies (continued)

### Government Brokered Programs

Funds are received from Government Brokered Programs by KU Children's Services for the allocation to recipients who provide a variety of early childhood education and care programs in the community. The entity acts as an agent for these programs. The funds received and allocated are not recognised in the Statement of Profit and Loss and Other Comprehensive Income in accordance with AASB118 Revenue. Cash flows are included in the Statement of Cash Flows on a gross basis.

### Unit trust distributions and interest revenue

Unit trust distributions from investments are recognised when the unit holder's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

### h) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### i) **Trade and other receivables**

Trade receivables, which comprise amounts due from services provided, are recognised and carried at original invoice amount less an allowance for uncollectible amounts. Normal terms of settlement are 7 days. The carrying amount of the receivable is deemed to reflect fair value.

An allowance for doubtful debts is made when there is objective evidence that the company will not be able to collect the debts. Bad debts are written off when identified.

### j) **Income tax**

The Company is exempt from income tax under s50-5 of the Income Tax Assessment Act, as it is an income tax exempt charitable entity. As a consequence, there is no income tax attributable to the operating result.

### k) **General funds and reserves**

#### General Funds

The general funds represent the funds of the Company that are not designated for particular purposes.

#### Fundraising Reserve

The fundraising reserve arises from the accumulated efforts of parents and staff to allow services to purchase optional toys and equipment, to assist the service to expand and develop to meet local needs and to allow parents to share in the life of the service and to make a concrete contribution to their children's lives.

#### Available-for-sale Reserve

The Available-for-Sale reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, that portion of the reserve which relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in profit or loss.

#### Program Reserve

The Program reserve arises from surpluses on the programs that have been allocated to the Company for future liabilities that may arise which the Company will be accountable for.

### l) **Donations in kind**

Over the course of the year the Company has received donations in kind from a number of local councils in the form of the right to use premises at discounted rent. The Company is of the view that it is not feasible to fair value the services received accurately and as such it has not brought to account discounted rent as a donation.

## 2. Summary of Accounting Policies (continued)

### m) Trade and other payables

Trade payables and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid. These amounts are usually settled within 30 days. The carrying amount of the creditors and payables is deemed to reflect fair value.

### n) 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 the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for make good are included, where applicable, using the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises.

### o) Unearned income

The liability for unearned income is the unutilised amounts of grants received on the condition that specified services are delivered or conditions are fulfilled. The services are usually provided or the conditions usually fulfilled within 12 months of receipt of the grant. Where the amount received is in respect of services to be provided over a period that exceeds 12 months after the reporting date or the conditions will only be satisfied more than 12 months after the reporting date, the liability is discounted and presented as non-current.

## 3. Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### Employee entitlements:

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- future increases in wages and salaries;
- future on cost rates; and
- experience of employee departures and period of service.

### Leasehold improvements

During the year, the Company reassessed the useful life of leasehold assets. The useful life has been reassessed to equal the lease term, or 10 years where no lease term was applicable. The Company has brought to account additional depreciation of \$1,557,966 (2012: \$3,816,534) as referred to in note 4(e) and note 8.

### Impairment

In assessing impairment, the Company estimates the recoverable amount of each asset based on the depreciable replacement cost in accordance with AASB 136 Impairment of assets.

## 4. Surplus from Operations

	2013 \$	2012 \$
<b>(a) Revenue from fees</b>		
Parent's fees	50,150,594	48,675,137
<b>(b) Revenue from non-capital government funding</b>		
Government funding	29,848,181	25,266,762
<b>(c) Other revenue</b>		
Other income from ordinary operations consisted of the following items:		
Management fees	3,104,924	2,940,962
Cost recovery – Work Based Centres	15,811,591	14,893,374
Cost recovery – Brokered Programs	6,726,572	7,071,999
Gross fundraising income	647,862	621,354
Interest revenue – bank deposits	553,323	323,434
Dividends received	90,904	287,684
Sales of publications and courses	162,537	68,430
Sponsor support	16,779	204,574
Operating rental lease revenue	-	10,737
Gain on disposal of PPE	441,734	208,460
Other revenue	481,802	431,554
	28,038,028	27,062,562
<b>(d) Other income</b>		
Government capital grant funding	1,229,236	2,805,488
Realised gain on investment	1,495,630	-
<b>(e) Surplus</b>		
Surplus has been arrived at after charging the following items:		
Depreciation and amortisation of property, plant and equipment and intangibles	(4,345,250)	(4,541,751)
Operating lease rental expenses:		
Minimum lease payments	(1,665,423)	(1,233,002)
Net bad and doubtful debts arising from:		
Other entities	(73,382)	(74,078)
Finance Cost	(221,763)	-

## 5. Trade and Other Receivables

	2013 \$	2012 \$
<b>Trade receivables</b>		
Government funding and amounts owed by non-controlled entities and trade and other receivables	2,720,688	3,117,822
Allowance for doubtful debts	(270,489)	(220,845)
	<u>2,450,199</u>	<u>2,896,977</u>
<b>Other receivables</b>		
Other receivables and work based centres	1,782,325	1,145,492
	<u>4,233,524</u>	<u>4,042,469</u>
<b>Reconciliation of allowance for doubtful debts</b>		
Balance 1 January	220,845	251,115
Amounts written off (uncollectable)	(73,382)	(74,078)
Impairment loss	123,026	43,808
Balance 31 December	<u>270,489</u>	<u>220,845</u>

Parent fees are paid either in advance or weekly. The average credit period on rendering of services is 8 days. No interest is charged on the trade receivables. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past rendering of services, determined by reference to past default experience. The Company has provided fully for all such receivables outstanding at year end because historical experience is that receivables past due beyond year end are generally not recoverable.

## 6. Other Financial Assets

Available-for-sale investments carried at fair value:

Investment in managed funds	<u>-</u>	7,601,233
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The investment was redeemed in the current year. The Company received \$8,007,734 resulting in a fair value gain of \$406,500 through the reserve. The realised gain on sale of investment was \$1,495,630 and released into the Statement of Profit and Loss and Other Comprehensive Income.

## 7. Other Assets

Prepayments	511,409	340,896
Finance lease asset	26,174	-
	<u>537,583</u>	<u>340,896</u>



## 8. Property, Plant and Equipment

	Land and buildings at cost	Leasehold improve- ments at cost	Furniture and Office equipment at cost	Motor Vehicles at cost	Make Good	Finance Lease Asset	Total
<b>Gross Carrying Amount</b>							
Balance at 1 January 2012	6,008,937	11,624,941	1,146,424	230,487	-	-	19,010,789
Additions	1,697,323	1,408,917	117,981	-	-	-	3,224,221
Buildings under construction	608,729	1,070,032	-	-	-	-	1,678,761
Transfers from Work in Progress	(939,051)	(209,108)	-	-	-	-	(1,148,159)
Disposals	(550,000)	(56,926)	-	-	-	-	(606,926)
Balance at 31 December 2012	6,825,938	13,837,856	1,264,405	230,487	-	-	22,158,686
Additions	108,852	159,995	114,807	87,255	1,543,019	1,017,654	3,031,582
Work in Progress	17,999	1,370,089	343,577	-	-	-	1,731,665
Reclassification	452,941	(452,941)	-	-	-	-	-
Disposals	-	-	-	(45,328)	-	-	(45,328)
Balance at 31 December 2013	<b>7,405,730</b>	<b>14,914,999</b>	<b>1,722,789</b>	<b>272,414</b>	<b>1,543,019</b>	<b>1,017,654</b>	<b>26,876,605</b>
<b>Accumulated Depreciation</b>							
Balance at 1 January 2012	(1,609,850)	(1,606,357)	(784,617)	(97,487)	-	-	(4,098,311)
Disposals	131,799	3,461	-	-	-	-	135,260
Depreciation expense	(137,555)	(4,053,940)	(221,526)	(26,458)	-	-	(4,439,479)
Balance at 31 December 2012	(1,615,606)	(5,656,836)	(1,006,143)	(123,945)	-	-	(8,402,530)
Disposals	-	-	-	32,880	-	-	32,880
Reclassification	(155,708)	155,708	-	-	-	-	-
Depreciation expense	(89,227)	(2,257,075)	(117,322)	(34,673)	(824,028)	(920,653)	(4,242,978)
Balance at 31 December 2013	<b>(1,860,541)</b>	<b>(7,758,203)</b>	<b>(1,123,465)</b>	<b>(125,738)</b>	<b>(824,028)</b>	<b>(920,653)</b>	<b>(12,612,628)</b>
<b>Net Book Value</b>							
As at 31 December 2012	5,210,332	8,181,020	258,262	106,542	-	-	13,756,156
As at 31 December 2013	<b>5,545,189</b>	<b>7,156,796</b>	<b>599,324</b>	<b>146,676</b>	<b>718,991</b>	<b>97,001</b>	<b>14,263,977</b>

	2013 \$	2012 \$
Depreciation:		
Land and buildings	89,227	137,555
Leasehold Improvements	2,257,075	4,053,940
Furniture and office equipment	117,322	221,526
Motor vehicles	34,673	26,458
Make Good Asset	824,028	-
Finance Lease Asset	920,653	-
	<b>4,242,978</b>	<b>4,439,479</b>

## 9. Intangible Assets

	Software \$	Total \$
<b>Gross Carrying Amount</b>		
Balance at 1 January 2012	818,177	818,177
Additions	-	-
Balance at 31 December 2012	818,177	818,177
Additions	-	-
Balance at 31 December 2013	818,177	818,177
<b>Accumulated Depreciation</b>		
Balance at 1 January 2012	(169,293)	(169,293)
Amortisation expense	(102,272)	(102,272)
Balance at 31 December 2012	(271,565)	(271,565)
Amortisation expense	(102,272)	(102,272)
Balance at 31 December 2013	(373,837)	(373,837)
<b>Net Book Value</b>		
As at 31 December 2012	546,612	546,612
As at 31 December 2013	<b>444,340</b>	<b>444,340</b>

## 10. Trade and Other Payables

	2013 \$	2012 \$
Salary and superannuation accruals	1,160,190	2,850,677
Prepaid centre fees and holding deposits	2,202,340	2,088,261
GST Payable	514,462	280,993
Other creditors and accruals	4,760,503	1,546,762
	<b>8,637,495</b>	<b>6,766,693</b>

## 11. Finance Leases

Finance Lease Liability	338,587	-
Minimum Lease Payments		
Less than 1 year	235,876	-
Between 1 and 5 years	102,711	-
Greater than 5 years	-	-
	<b>338,587</b>	<b>-</b>

A number of operating leases were reclassified as finance leases in 2013. The impact on the financial statements is immaterial and was therefore taken up in 2013. In 2013 lease payments of \$279,028 (2012: \$272,992) were made.

## 12. Unearned Income

Prepaid government funding	6,799,338	8,579,863
Prepaid special education income	197,095	2,055,249
	<b>6,996,433</b>	<b>10,635,112</b>

### 13. Provisions

	2013 \$	2012 \$
Current		
Employee Benefits:		
Provision for annual leave and rostered days off	6,208,707	5,098,893
Provision for long service leave	3,293,999	3,497,926
Provision for enterprise bargaining agreement back pay	611,811	2,436,861
	<u>10,114,517</u>	<u>11,033,680</u>
Provision for Make Good Liability:		
Make Good	1,027,488	-
	<u>11,142,005</u>	<u>11,033,680</u>
Non-current		
Employee Benefits:		
Provision for long service leave	1,558,610	1,649,156
Provision for Make Good Liability:		
Make Good Liability	515,531	-
	<u>2,074,141</u>	<u>1,649,156</u>

A provision for make good was taken up in 2013 to account for commitments related to decommissioning of leased properties.

### 14. General Funds

Balance at beginning of financial year	13,419,411	10,466,753
Net surplus	2,868,786	2,956,032
Net transfers (from) / to General Funds (note 15 & 16)	(908,813)	(3,374)
Balance at end of financial year	<u>15,379,384</u>	<u>13,419,411</u>

### 15. Fundraising Reserve

Balance at beginning of financial year	1,195,958	1,192,584
Transfer to general funds	58,813	3,374
Balance at end of financial year	<u>1,254,771</u>	<u>1,195,958</u>

The fundraising reserve arises from the accumulated efforts of parents and staff to allow services to purchase optional toys and equipment, to assist the service to expand and develop to meet local needs and to allow parents to share in the life of the service and to make a concrete contribution to their children's lives.

Further notes on fundraising are set out in Note 23

## 16. Program Reserve

	2013	2012
	\$	\$
Balance at beginning of financial year	-	-
Transfer to general funds	850,000	-
Balance at end of financial year	850,000	-

The Program reserve relates to reserves set aside by the Company related to the programs. This reserve will be utilised for future commitments on this program which the Program owner is not contractually bound to meet.

## 17. Available-for-Sale Reserve

Balance at beginning of financial year	1,089,130	477,759
Valuation gain / (loss)	406,500	611,371
Realised gains transferred to profit or loss	(1,495,630)	-
Balance at end of financial year	-	1,089,130

The Available-for-Sale Reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold that portion of the reserve which relates to that financial asset, and has effectively been realised, is recognised in profit or loss. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in profit or loss.

In 2013 the investments were redeemed for \$8,007,734. This resulted in a realised gain through the statement of profit and loss and other comprehensive income.

## 18. Commitments for Expenditure

### Operating Leases

#### Leasing arrangements

Operating leases relate to centre facilities and computer leases. KU does not have an option to purchase the leased assets at the expiry of the lease period. A number of the leases were reclassified as finance leases in 2013 and are disclosed in note 11.

#### Non-cancellable operating lease payments

Not longer than 1 year	1,971,241	1,122,005
Longer than 1 year and not longer than 5 years	1,954,244	1,364,390
Longer than 5 years	110,463	194,322
	4,035,948	2,680,717

### Building Commitments

Building commitments in relation to Faulconbridge of \$nil (2012: \$1,053,039) are included. There are no other material building commitments outstanding at 31 December 2013.

## 19. Contingent Liabilities

	2013 \$	2012 \$
Bank Guarantee 22 October 1998 to Commonwealth	191,291	191,291
Bank Guarantee 31 January 1995 to Sydney City Council	5,000	5,000
	<u>196,291</u>	<u>196,291</u>

### Mortgage and facilities

The National Australia Bank currently holds a mortgage over 129 York Street, Sydney which is their security over the \$1.2m market rate facility. This remains undrawn as at 31st December 2013.

## 20. Economic Dependency

As disclosed at note 4 a significant source of revenue is government funding. This funding supports programs for early childhood education and care.

## 21. Related Party Disclosures

### a) Directors' compensation

The Directors act in an honorary capacity and receive no compensation for their services (2012: nil).

### b) Transactions with Director-related entities

During the year, no amounts were paid to Director-related parties. No amounts are payable to or receivable from Directors or Director related entities at the reporting date. A Director utilises the services of KU Children's Services and pays the arms length market rates for provision of these services.

### c) Key Management Personnel Remuneration

The names and positions of those having authority for planning, directing and controlling the company's activities, directly or indirectly (other than Directors), are:

Christine Legg	Chief Executive Officer
Monique Beange	General Manager, Early Childhood Education
Phillip Elbourne	Chief Financial Officer / General Manager, Corporate Services
Kim Bertino	General Manager, Professional Services & Learning
Poppy Brown	General Manager, Community Programs
Karen Dawson	General Manager, Public Affairs and Development
Jane Robinson	General Manager, People Services

The aggregate compensation of the key executive management personnel of the Company is set out below

Total compensation	<u>1,230,001</u>	<u>1,395,428</u>
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## 22. Notes to the Cash Flow Statement

	2013 \$	2012 \$
<b>(a) Reconciliation of Surplus for the period to Net Cash Flows</b>		
<b>From Operating Activities</b>		
Surplus for the period	2,868,786	2,956,032
Depreciation and amortisation of non-current assets	4,345,250	4,541,751
Loss / (Gain) on sale of non-current assets	(441,734)	(208,460)
Realised gain on investments	(1,495,630)	-
Dividends received	(90,904)	(287,684)
Interest received	(553,323)	(323,434)
Interest paid	31,727	-
Government capital funding	(857,930)	(2,668,951)
Finance lease adjustments	(1,017,654)	-
Make good adjustments	(1,543,019)	-
Changes in net assets and liabilities:		
Decrease / (Increase) in current receivables and other assets	(387,742)	486,033
(Decrease) / Increase in current payables and other liabilities	(1,429,290)	533,080
Increase in provisions	533,312	3,395,380
Net cash from (utilised by) operating activities	(38,151)	8,423,747

### **(b) Reconciliation of Cash and Cash Equivalents**

For the purposes of the cash flow statement, cash and cash equivalents include cash at bank and on hand. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

Cash and cash equivalents	27,193,392	19,501,774
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Cash includes \$3,158,928 (2012: \$4,895,486) which is held for disbursement in accordance with government funding agreements, including two organisations other than KU.

## 23. Information & Declarations to be Furnished Under the Charitable Fundraising Act 1991

Under this Act, KU Children's Services holds a single authority to fundraise for KU centres. The authority does not extend to services which KU manages on behalf of another organisation. Preparation of the following information reflects the level of disclosure existing in management systems in use by the organisation.

### a) Statement of Fundraising Income and Expenditure

Detailed income statement for the year ended 31 December 2013

	2013 \$	2012 \$
Raffles	32,892	54,868
Functions	309,865	286,922
Sale of Items	245,216	257,129
Interest	8,765	5,297
Donations	51,124	17,139
Gross Proceeds from Fundraising	647,862	621,355
Raffles	(4,068)	(1,426)
Functions	(179,188)	(172,383)
Sale of Items	(129,872)	(120,048)
Total Cost of Fundraising	(313,128)	(293,857)
Net Proceeds from Fundraising	334,734	327,498

### b) Accounting Principles and Methods adopted in Fundraising accounts

The fundraising financial statements have been prepared on an accrual basis and in accordance with Australian Accounting Standards as per Note 2.

### c) Application of Fundraising Proceeds in 2013

Opening balance	1,195,958	1,192,584
Net proceeds from fundraising	334,734	327,498
Centre Improvement and Equipment	(275,480)	(323,136)
Bank charges	(441)	(988)
Total Reserve	1,254,771	1,195,958

### d) Details of Gross Income and Aggregate Expenditure of Appeals Conducted Jointly with Traders

For the purpose of this note all fundraising involving the Sale of Items (e.g. chocolates, sun hats, sunscreen, etc) is deemed to have involved a trader.

Gross income received from sale of items	245,216	257,129
Total expenditure incurred	129,872	120,048

## 23. Information & Declarations to be Furnished Under the Charitable Fundraising Act 1991 (continued)

### e) Forms of Fundraising Appeals Conducted in 2013

For the purposes of reporting under the requirements of the Charitable Fundraising Act 1991, KU Children's Services classifies all fundraising activities under four categories; raffles, functions, sale of items and interest.

### f) Key Indicators for 2013 Fundraising Activities

Total Cost of Fundraising (\$313,128) divided by Gross Income from Fundraising (\$647,862) equals 48.33 %.

Net Surplus from Fundraising (\$334,734) divided by Gross Income from Fundraising (\$647,862) equals 51.67 %.

## 24. Additional Company Information

KU Children's Services is a public company limited by guarantee, incorporated and operating in Australia.

Principal Registered Office and Principal Place of Business

129 York Street

Sydney NSW 2000

## 25. Government Grant Funding

During the course of the calendar year specific Government Funding that required acquittal reporting included the following Programmes:

Program	Funding \$
Capital Grants – Department of Education, Employment and Workplace Relations	2,815,966
Supplementary Assistance – Department of Education, Employment and Workplace Relations	128,954
Wagga Intensive Support – NSW Department of Education and Communities	18,880
Macarthur Starting Points – NSW Department of Education and Communities	146,677
Penrith Starting Points – NSW Department of Education and Communities	15,105
Early Learning Inclusion Program – NSW Department of Education and Communities	490,521
Marcia Burgess Autism and Specific Early Learning & Care Centre – NSW Department of Education and Communities	60,418
Northern Sydney SCAN – NSW Department of Family & Community Services, Community Services	1,309,944
Early Language & Literacy Initiative – Department of Families, Housing, Community Services and Indigenous Affairs	158,172
KU Children's Speech Therapy – NSW Department of Ageing, Disability and Home Care	37,570
Inner West Play & Chat – NSW Department of Education and Communities	353,387
Newcastle Supported Playgroups – NSW Department of Education and Communities	124,765
Macarthur Parenting – Department of Families, Housing, Community Services and Indigenous Affairs	131,786
Macarthur Stepping Stones – NSW Department of Ageing, Disability and Home Care	359,188
KU Starting Points Penrith – NSW Department of Ageing, Disability and Home Care	191,179
Early Childhood Intervention Extended Service – NSW Department of Ageing, Disability and Home Care	111,021
Marcia Burgess Autism and Specific Early Learning & Care Centre – Department of Families, Housing, Community Services and Indigenous Affairs	878,750



