KU CHILDREN'S SERVICES
119th ANNUAL REPORT

Proudly a not for profit organisation

Children's Services
Since 1895

Community Based Long Day Care **25**

Vacation Care **1**

91 Preschools (including Mobiles, Cluster Managed and Learning Together)

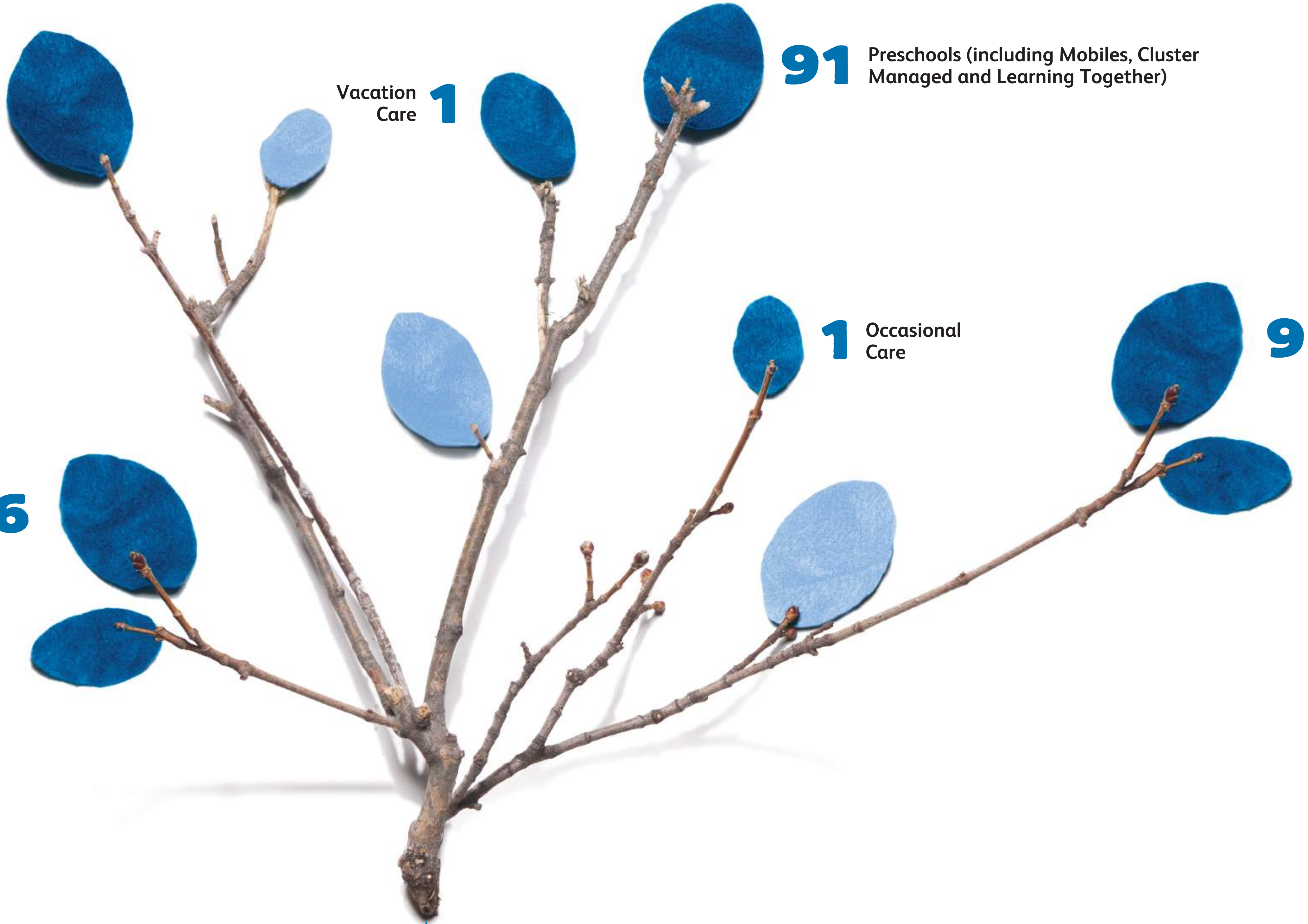
1 Occasional Care

9 Adult Migrant English Program (AMEP)

2 Out of School Hours Care

KU Managed Long Day Care **16**

Family Programs **7**



Board of Directors

Chief Executive Officer
Christine Legg

2014
KU SERVICES AND SUPPORT

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

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

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.

What we do

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.

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

We are immensely proud of our services' continued high National Quality Standards ratings, putting KU among the very best services offering leading educational practice in the best settings for children and parents.

2014 was a year when KU confirmed its position as one of Australia's leading providers of early childhood education and care.

We are immensely proud of our services' continued high National Quality Standards ratings, putting KU among the very best services offering leading educational practice in the best settings for children and parents.

A total of 93 per cent of our centres are rated as 'meeting' or 'exceeding' the standards, a figure that puts us well above the national average of 65 per cent, and well ahead of other large childcare providers.

The results reinforce and underpin the strategic vision we refined for KU during 2014: "Every child can experience high quality early childhood education, where they can play, discover and learn."

The results have only been achieved through the professionalism and commitment of KU educators, centre staff and the Central Office support teams, something we proudly call the *'KU Difference'*.

The Board and the Executive Leadership Team wish to thank our staff for their dedication and absolute passion towards building on the KU difference.

The year was also challenging as KU adapted to changing government funding patterns, demographic changes and increased competition.

A NSW Government community preschool funding model designed to better subsidise four-year-olds had the unintended consequence of adversely affecting our pre-school enrolments, as fees for three year olds necessarily increased.

Even after these funding changes, NSW preschool fees remain the highest in the country - a situation KU continues to campaign enthusiastically against. Access and affordability remained the biggest challenges for families seeking childcare in 2014, ensuring that these broader issues remain on the political agenda at all levels of Government.

A variety of factors resulted in the closure of KU Glenhaven Preschool, KU Hazelbrook Preschool, KU Coomaling Mobile Preschool and the one day venue at Morpeth for KU Maitland mobile Preschool, closures that were financially necessary but have obviously had impacts on families that we have worked hard to address.

We were also unsuccessful in our tender to Bankstown Council for KU Greenacre Children's Centre, which closed at the end of the year.

Our finances have been affected as we meet challenges facing the organisation while maintaining long term financial sustainability for KU.

While we recorded revenues of more than $100 million, we have large cash reserves and we are operationally cashflow positive, it is disappointing our financial result for 2014 was a deficit of $159,103.

In addressing a further potential shake-up of government funding, KU has participated extensively in the Productivity Commission's inquiry into childcare and early learning, including written submissions, meetings with commissioners and appearances at public hearings. We await the federal government's response.

KU also responded in writing to the Senate Inquiry into the delivery of quality affordable early childhood education and care services and appeared before the Standing Committee to give our views. KU also submitted a response to the National Quality Framework Review.

In all our responses, KU has strongly supported the National Quality Framework; the importance of qualified early childhood teachers and qualifications for all staff; affordability and accessibility for families; and continued investment by Governments in the early years.

KU's standing in the sector was recognised during the year when KU was invited to be a representative member of the Commonwealth Minister's Advisory Council, the Life Education Preschool Advisory Group and the University of Notre Dame School of Education (Sydney) Advisory Board.

We were pleased to see individual KU services recognised in external awards including The Joey Club in Queensland (Australian Family Queensland Early Childhood Services of the Year Award); KU James Cahill Preschool (HESTA Advancing Pedagogy and Practice Award), and KU Greenwood Children's Centre (North Shore Business Awards Business of the Year).

Finally, we were also proud to be one of the earliest organisations to achieve compliance with the NSW Government's new National Disability Standards to support the inclusion of children with additional needs.

Stuart Washington
Chairman, Board of Directors

Christine Legg
Chief Executive Officer

STRATEGIC PLAN DELIVERY

Innovative responses to autism

In 2013 KU launched our new strategic plan. *Building on the KU Difference* includes seven objectives focusing on supporting KU's quality, staff and sustainability over three years. As we look to the future, perhaps one of the most exciting objectives is our remit to "develop and operate innovative services models".

Over the past few years, KU has been taking this approach as we evolve the programs we have in place specifically for young children on the autism spectrum.

KU Marcia Burgess Autism Specific Early Learning and Care Centre (ASELCC) is an early intervention education and care centre which delivers both family focused child care and a specific intervention program for children with autism, using the Early Start Denver Model (ESDM).

Originally this intervention model was designed for one-on-one therapy intervention and had never been implemented in a group or play based early childhood setting. KU became a world leader when we implemented the model within an autism specific long day care service, combining the Early Years Learning Framework with best practice approach to intervention. And again when we fostered one of the few specialised trainers in Australia in house.

As word has spread about the results being achieved through ESDM, waiting lists have grown and we have been unable to meet the demand through the one service.

Innovative thinking and practical experience enabled KU to evolve the way ESDM-based intervention could be delivered, through a clinical, rather than centre based approach.

The skills and expertise of the KU Marcia Burgess staff were initially harnessed; however a therapist training program has recently been established to build this staff pool. In 2014 two outreach services (clinics) catering for 6 children per day over a 10 week program were established. Over a year, the clinics have the potential to support over a hundred additional children that would otherwise be unable to access ESDM. This will also see the program accessible through the National Disability Insurance Scheme.

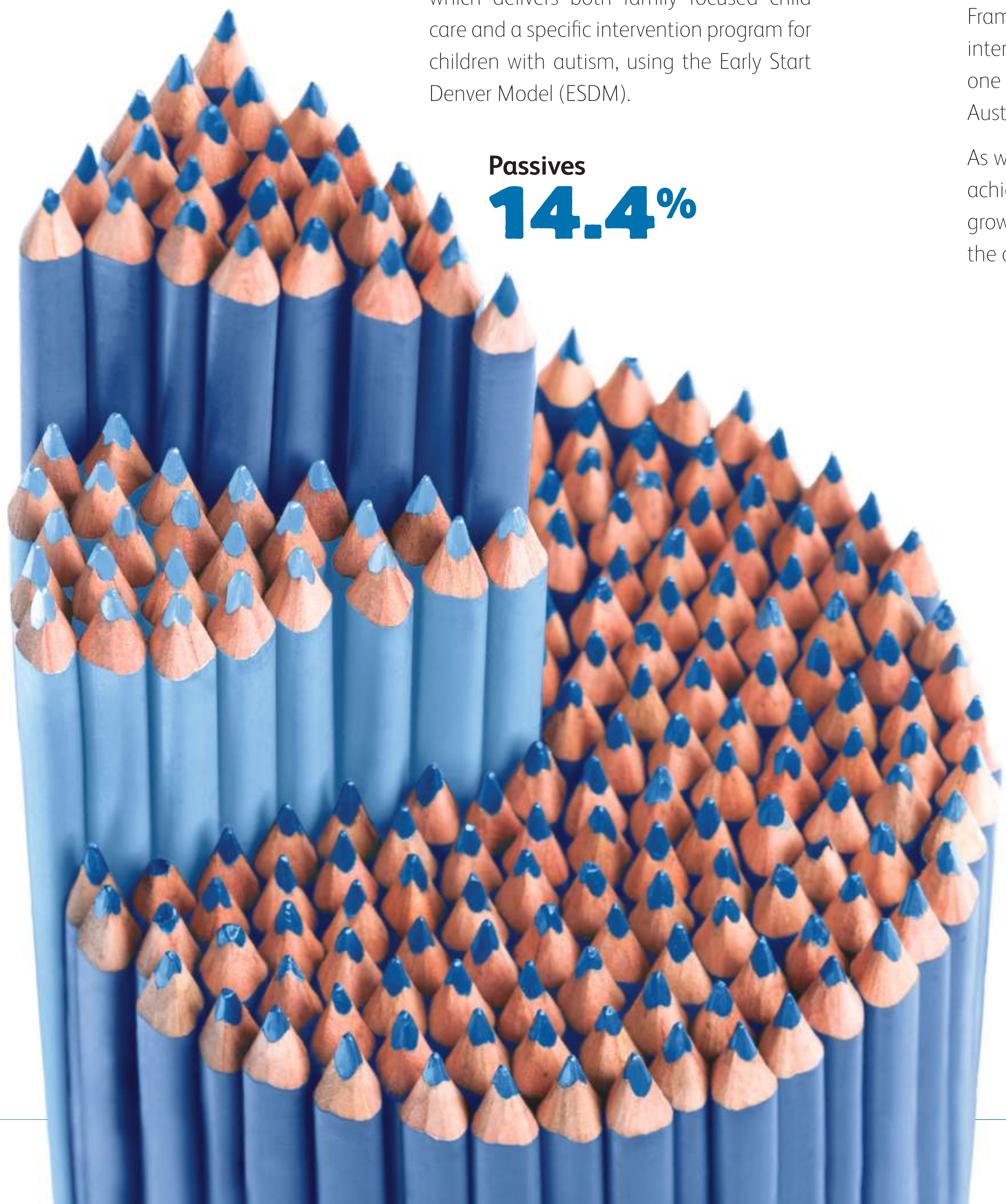
The clinic program is now being expanded to offer a parents' program, assisting families dealing with autism to engage with their children using a consistent approach at home. KU Marcia Burgess ASELCC will continue to provide ESDM intervention, and will now become a training hub for a new generation of highly skilled and specialised educators working with children with Autism Spectrum Disorders and supporting outreach services to many more children in the wider community.

Read more about KU's strategic plan *Building on the KU Difference* at ku.com.au.

PARENT SATISFACTION

KU's 2014 Net Promoter Score: +71.3

Building the KU Difference also sees us striving to deliver the best positive outcomes for children and families. Here's how families rated our performance in 2014.



Passives
14.4%

Detractors
7.3%

Promoters
78.3%

MAKING THE KU DIFFERENCE

Individual excellence and joint endeavour are the basis for KU's approach to quality. In 2014 we recognised:

KU Marcia Burgess Autism Specific Early Learning and Care Centre
for making the KU Difference for children

Tina Murray, ECE (KU Corrimal East Preschool)
for making the KU Difference for families

KU Hebersham Preschool Staff
for making the KU Difference for communities

Elisabeth Fitzgerald (StarCare Coordinator)
for making the KU Difference for staff

Sara Jordan, Director (KU Ultimo Children's Centre)
for making the KU Difference for quality

Ann Cramer (KU Westmead Preschool)
for making the KU Difference through sustainability

KU Killara Park Preschool Staff
for making the KU Difference through innovation

Margaret Smith (KU Inclusion Support Agency Program Manager)
for making the KU Difference by representing KU

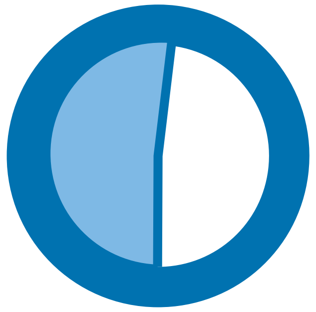
Liz Lees and Dilys Nicholson (KU Central Office)
through the KU Marcia Burgess Award

Read their stories at ku.com.au or:

LEADING THE WAY

Quality: it's a team effort

KU SERVICES
ASSESSED THUS FAR



KU centres assessed 52%
KU centres yet to be assessed 48%

KU has yet again set the benchmark for delivering quality early childhood education, boasting National Quality Standards (NQS) ratings amongst the highest in the country. So what is it about KU services that fuels consistently exceptional results? In short, it's everyone!

Our approach to quality is holistic. Obviously qualified and experienced educators are at the frontline of all our quality services, fostering positive relationships and developing engaging programs for children, however we believe our National Quality Ratings are also a testament to the extensive range of specialist professionals supporting each KU service behind the scenes.

When KU Peninsula was rated as 'Exceeding NQS' recently, Director Mark Taylor reflected on the role that some KU Central Office teams, such as People Services, Professional Learning and Educational Support, played in achieving that result.

"Quality Area 4.1 of the NQS acknowledges the vital role that staffing arrangements play in enhancing children's learning, and ensuring their safety and wellbeing. Of course, managing staff is rewarding, however it can also be a complex part of the Director's role.

The support provided by the KU People Services team in recruiting high quality, experienced educators, enables me to focus on the children, families, staff and communities. Additionally, all KU staff can access an extensive range of ongoing professional learning and specialist training. This ensures the quality of our practices and educational programs are always improving.

Critical reflection is also an important part of improving and developing curriculum, and Quality Area 1.2.3 requires that as educators, we regularly reflect on children's learning, both individually and as a group. The Area Manager and Education Support Manager who visit our preschool regularly, are both specialist educators who challenge and provoke our pedagogical thinking, and strengthen the inclusive approach taken in our centre.

Achieving an Exceeding NQS rating is something we are incredibly proud of at KU Peninsula, and something I know our families value highly. Without the support of the many KU Central Office teams, achieving these great results, and maintaining our focus on children and families, would be so much harder. It really does feel like we are all in it together."

We congratulate Mark and his team, along with all the KU services who have been assessed.

KU'S QUALITY DIFFERENCE

KU NQS RESULTS

SECTOR NQS RESULTS

Working Towards 7%

Meeting 24%

Exceeding 69%

Working Towards 34%

Meeting 37%

Exceeding 28%

Source: NQS Snapshot Q4 2014, ACECQA

DIVERSITY

Welcome to the KU family

For over 30 years KU has proudly provided childcare under the Australian Government funded Adult Migrant English Program (AMEP) to assist parents to complete their English classes, while children have the opportunity to engage with peers in play based learning environments.

Our AMEP centres hold a special place in the KU family. For families newly arrived in Australia this is often the family's first experience of childcare. Families find centres which are welcoming to all families and embrace cultural diversity.

The educators who work in KU AMEP services often started as a parent whose child was attending the centre while they attended English classes. They have firsthand knowledge and experience of being a migrant in Australia with a young family. Some of our educators have had personal experience of life as a refugee and the difficult journey that refugee families face before coming to Australia.

They understand the settlement issues families' face, and are therefore uniquely equipped to support both children and their parents, accessing childcare for the first time.

Our educators come from all over the world, are at least bilingual and often multi-lingual and have, after learning English, gone on to gain qualifications to work with children and their families in our AMEP centres.

But it is their passion and commitment to their AMEP role which shines brightly in their day to day engagement with families.

KU AMEP educators are fully aware of the benefits for children of attending an AMEP centre. This means that not only do families have access to a quality educational program, but their family is included in a service that understands their migrant experience. For instance, educators help families to understand that while parents are currently focusing on learning English, for children the promotion and maintenance of a child's home language greatly assists them in learning a second language, as well as having significant cognitive, social and emotional benefits.

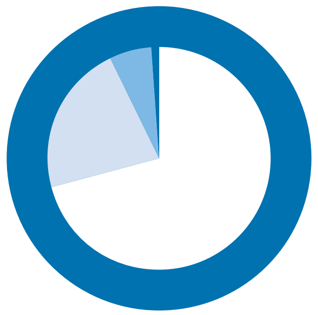
Attendance at an AMEP child care service is only on a short term basis, but this positive childcare experience provides a springboard for families to take the next steps into participating and engaging in the broader Australian community.

Open, respectful and meaningful connections with families are enhanced when the linguistic diversity in the community is reflected in the languages spoken by the educators. Here is just a sample of the languages spoken by KU staff.

PUTTING RELATIONSHIPS FIRST

Building positive attachments

STAFF TENURE



< 10 years: 71 %
10 to 19 years: 22 %
20 to 29 years: 6 %
30+ years: 1 %

The most important part of an educator's role is to foster strong, positive relationships - with children, between children, and with each child's family. These relationships, or attachments, form the basis of a child's self worth, and their predisposition to learning.

Throughout 2014 KU supported the implementation and expansion of a range of attachment and relationship based programs across the organisation. These programs include Marte Meo, Play Spaces, Circle of Security and the Infant and Toddler Program (based on RIE principles).

All these program theories are unique and valuable on their own however when intertwined, and integrated into our already high quality educational programs, they produce extraordinary outcomes for children, educators and families. Both Circle of Security and Marte Meo are focused on building connections and positive relationships between children and their educators. This simple yet complex idea involves working with children, educators and families, starting from 'where they are' and developing together.

All these programs recognise the crucial role that these connections play right from the early years, and are designed to provide practical strategies to help educators encourage and foster this. These early connections are especially pivotal in the infant and toddler programs.

"The Circle of Security explains that how we react to children's emotions teaches them whether feelings can be shared or need to be hidden, and whether they can face their feelings or need to escape from them."

This idea has guided the educators at KU James Cahill Preschool as they have implemented a relationship focused approach into their daily practices. The staff work individually, as a team, and in partnership with families, to support children to feel secure, confident and included at preschool and beyond.

Such are the efforts being made by staff, and the benefits being demonstrated by children, that the team at KU James Cahill was awarded the 2014 HESTA Award for Advancing Pedagogy and Practice. A wonderful recognition of the research and training the service has been involved in over recent years.

NURTURING THE FUTURE

In 2014 we supported 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.

KU's commitment to ongoing attachment and relationship based professional learning has seen more than 500 educators undertake specialist professional learning and/or intensive training programs in this area. In addition, KU's Annual Conference, Professional Services and Learning offering and parents' workshops continue to enable us to share this positive approach with many more educators and families beyond KU.

CONSISTENCY FUELS QUALITY
STAFF RETENTION RATES

OUR REACH IN 2014

KU at a glance

KU FAMILY

14,966
children participated in KU services and programs.

13,429
families chose KU for their children's early childhood education.

5,901
members played an important role in KU's structures of governance as a not for profit organisation.

2,289
staff helped us make the KU Difference for Australian children.

78
children received specialist speech pathology assessments through KU services.

155
Aboriginal and Torres Strait Islander children accessed early childhood education through KU services.

620
families increased their child's engagement with the community through KU Family Programs.

169
children received additional early language and literacy support through the KU ELLI project.

2,010
children from refugee and new migrant families were welcomed to Australia through childcare in KU's Adult Migrant English Program (AMEP) services.

INCLUSION & DIVERSITY

2,857
early childhood education services were supported from KU Inclusion Support Agency (ISA) staff.

3,451
children with additional needs were included in early education programs in six months alone, thanks to the support of KU ISAs.

10,279
funding applications were assessed by the KU National Inclusion Support Subsidy Provider team.

90
preschools were supported by KU's Northern Sydney SCAN program, to Support Children with Additional Needs.

PROFESSIONAL LEARNING

7,204
educators and support staff furthered their professional development through KU's Professional Learning Program.

259
professional learning sessions were delivered for staff across the country.

583
delegates attended KU's Annual Conference.

Directors' Report

The Directors present their report on KU Children's Services (KU) for the financial year ended 31 December 2014. 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 & 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 2014, KU had a net deficit of $159,103 (2013: surplus of $2,868,786), Assets of $54,583,569 (2013: $49,123,747) and net assets of $17,325,052 (2013: $17,484,155).

Short and Long Term Objectives of the Company

During 2014, KU continued with the process of implementing our Strategic Plan 2013 to 2015 "Building on the KU Difference". Some of the highlights of this plan are detailed in the Annual Report for the year ended 31 December 2014.

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 $2 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 Company has 5,901 members (2013: 6,259 members).

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	Board Member, Member of KU Marcia Burgess Foundation BAppSc-BE Committee*, Chair of Property 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 (resigned 29/4/14)	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, MAICD	Board Member, Chair of Audit & Risk Management Committee
Dr Jennifer Skattebol Board Member, Member of Education Committee 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 (resigned 23/9/14)	Board Member, Member of Property Committee*, Chair of Remuneration Committee
Pauline Gill BA, LLB, LLM, Grad. Dip. App. Corp. Gov., ACIS, AGIA, Barrister and Solicitor of the Supreme Court of Victoria (appointed on 29/4/14) (resigned 21/10/14)	Board Member, Chair of Governance Committee, Member of Education Committee
Gareth Bennett BA (Hons) 1st, GAICD, FCIPD (appointed 25/11/14)	Board Member

* 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 2014.

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	12	12	8	7	4	3			3	2
Richard Richards	12	9	8	7					3	3
David McCracken	12	11								
Janet Verden	4	2					2			
Christine Woodrow	12	11					4	4		
Stacey Brown	12	10	8	7						
Rob Lourey	7	5							3	2
Laura Hartley	12	7			4	4				
Jennifer Skattebol	12	9					4	2		
Pauline Gill	6	5			4	4	2			
Gareth Bennett	2	2								

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.

On behalf of the Directors

Stuart Washington
Chair, Board of Directors
Sydney, 16 March 2015

Stacey Brown
Chair, Audit & Risk Management Committee
Sydney, 16 March 2015

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
KU Children's Services
129 York Street
Sydney NSW 2000

16 March 2015

Dear Board Members

KU Children's Services

In accordance with Subdivision 60-C Australian Charities and Not-for-profits Commission Act 2012, I am pleased to provide the following declaration of independence to the directors of KU Children's Services.

As lead audit partner for the audit of the financial statements of KU Children's Services for the financial year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Gaile Pearce

Gaile Pearce
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report to the members of KU Children's Services

We have audited the accompanying financial report of KU Children's Services, which comprises the statement of financial position as at 31 December 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 8,10 to 34. In addition, we have audited KU Children's Services compliance with specific requirements of the Charitable Fundraising Act 1991 for the year ended 31 December 2014.

Directors' Responsibility for the Financial Report and for Compliance with the Charitable Fundraising Act 1991

The directors of the entity 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 *Australian Charities and Not-for-profits Commission Act 2012* and for compliance with the *Charitable Fundraising Act 1991*. The directors are also responsible for such internal control as the directors determine is necessary to enable compliance with requirements of the *Charitable Fundraising Act 1991* and 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 entity's compliance with specific requirements of the *Charitable Fundraising Act 1991* and the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the entity has complied with specific requirements of the *Charitable Fundraising Act 1991* and the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the entity's compliance with specific requirements of the *Charitable Fundraising Act 1991* and amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of non-compliance with specific requirements of the *Charitable Fundraising Act 1991* and material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's compliance with the *Charitable Fundraising Act 1991* and preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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.

Deloitte.

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 weaknesses in KU Children's Services compliance with the *Charitable Fundraising Act 1991* as an audit is not performed continuously throughout the period and the tests are performed on a sample basis.

Any projection of the evaluation of compliance with the *Charitable Fundraising Act 1991* to future periods is subject to the risk that the procedures, may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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

Opinion

In our opinion:

(a) the financial report of KU Children's Services is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

   i. giving a true and fair view of the entity's financial position as at 31 December 2014 and of its performance and cash flows for the year ended on that date; and

   ii. complying with Australian Accounting Standards – Reduced Disclosure Requirements and with Division 60 of the *Australian Charities and Not-for-profits Regulation 2013*;

(b) the financial report agrees to the underlying financial records of KU Children's Services, that have been maintained, in all material respects, in accordance with the *Charitable Fundraising Act 1991* and its regulations for the year ended 31 December 2014; and

(c) monies received by KU Children's Services, as a result of fundraising appeals conducted during the year ended 31 December 2014, have been accounted for and applied, in all material respects, in accordance with the *Charitable Fundraising Act 1991* and its regulations.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Gaile Pearce
Partner
Chartered Accountants
Sydney, 16 March 2015

Directors' Declaration

The Directors declare that:

a) 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; and

b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Australian Charities and Not-for-profits Commission Act 2012 (Cth) and Charitable Fundraising Act 1991, including compliance with accounting standards, and giving a true and fair view of the financial position and performance of the Company.

Signed in accordance with a resolution of the Directors made pursuant to S.60.15 of the Australian Charities and Not-for-profits Commission Regulations 2013.

Stuart Washington
Chair, Board of Directors
Sydney, 16 March 2015

Stacey Brown
Chair, Audit & Risk Management Committee
Sydney, 16 March 2015

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, 16 March 2015

Stacey Brown
Chair, Audit & Risk Management Committee
Sydney, 16 March 2015

Statement of Profit and Loss and Other Comprehensive Income

for the Financial Year Ended 31 December 2014

	Note	2014	2013
Continuing operations		$	$
Revenue from fees	5b (i)	66,796,117	63,219,540
Revenue from non-capital government funding	5b (ii)	36,769,013	36,711,253
Other revenue	5b (iii)	5,690,842	7,559,931
		109,255,972	107,490,724
Employee costs		86,438,154	82,339,903
Operational expenses		8,816,347	8,251,970
Occupancy expenses		5,081,050	4,815,394
Depreciation & amortisation	8,9	1,558,870	4,349,536
Administrative expenses		4,362,030	4,558,025
Repairs & maintenance		1,659,023	1,505,944
Marketing expenses		292,557	268,010
Finance costs		21,762	31,076
Other expenses		1,287,812	1,289,019
		109,517,605	107,408,877
(Deficit)/Surplus from ordinary operations	5b (v)	(261,633)	81,847
Other Income	5b (iv)		
Government capital grant funding		102,530	1,291,309
Gain on sale of investments		-	1,495,630
(Deficit)/Surplus for the year	5	(159,103)	2,868,786
Other Comprehensive Income			
Net fair value gain on sale of available-for-sale investments reclassified to profit or loss	17	-	(1,495,630)
Fair value gain on available-for-sale investments through equity	17	-	406,500
Total comprehensive (loss)/income for the year		(159,103)	1,779,656

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes.

Statement of Financial Position
as at 31 December 2014

Assets	Note	2014 $	2013 $
Current assets			
Cash and cash equivalents	22 (b)	26,091,197	31,281,091
Term deposits	23	12,000,000	-
Trade and other receivables	6	973,965	2,542,226
Other assets	7	878,703	585,222
Total current assets		39,943,865	34,408,539
Non-current assets			
Property, plant and equipment	8	14,004,075	14,222,359
Intangible assets	9	635,629	492,849
Total non-current assets		14,639,704	14,715,208
Total assets		54,583,569	49,123,747
Liabilities			
Current liabilities			
Trade and other payables	10	13,707,456	12,069,333
Finance leases	11	263,598	338,587
Unearned income	12	9,154,745	6,004,351
Provisions		10,866,036	10,398,397
Total current liabilities		33,991,835	28,810,668
Total non-current liabilities			
Non current provisions	13	3,266,682	2,828,924
Total non-current liabilities		3,266,682	2,828,924
Total liabilities		37,258,517	31,639,592
Net Assets		17,325,052	17,484,155
Equity			
Retained Earnings			
General funds	14	15,076,060	15,379,384
Fundraising reserve	15	1,233,992	1,254,771
Program reserve	16	1,015,000	850,000
Available-for-sale	17	-	-
Total Retained Earnings		17,325,052	17,484,155

The Statement of Financial Position is to be read in conjunction with the notes.

Statement of Changes in Equity
for the Financial Year Ended 31 December 2014

	General Funds $	Fundraising Reserve $	Available for-Sale Reserve $	Program Reserve $	Total $
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
Transfer (from)/to retained earnings	(908,813)	58,813	-	850,000	-
Valuation gain recognised	-	-	406,500	-	406,500
Realised gain through profit and loss	-	-	(1,495,630)	-	(1,495,630)
Balance at 31 December 2013	15,379,384	1,254,771	-	850,000	17,484,155
Balance at 1 January 2014	15,379,384	1,254,771	-	850,000	17,484,155
Deficit for the year	(159,103)	-	-	-	(159,103)
Transfer (from)/to retained earnings	(144,221)	(20,779)	-	165,000	-
Balance at 31 December 2014	**15,076,060**	**1,233,992**	**-**	**1,015,000**	**17,325,052**

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 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers, government bodies and centres		107,305,066	103,811,266
Receipts from government brokered programs		9,154,005	6,280,389
Payments to suppliers and employees		(101,509,146)	(103,314,319)
Allocations to recipients of brokered programs		(7,632,890)	(8,150,966)
Net cash generated by/(utilised in) operating activities	22(a)	7,317,035	(1,373,630)
Cash flows from investing activities			
Payment for property, plant and equipment		(1,298,751)	(2,202,574)
Receipts from government capital grants		413,785	1,000,973
Interest received		666,897	635,758
Finance cost		(21,762)	(31,076)
Dividends received		-	90,904
Proceeds from sale of PPE		-	454,182
Proceeds from investments		-	8,007,732
Payment for investments (term deposits)		(12,000,000)	-
Net cash (utilised in)/generated by investing activities		(12,239,831)	7,955,899
Cash flows from financing activities			
Payment for finance leases		(267,098)	(279,028)
Net cash utilised by financing activities		(267,098)	(279,028)
Net (decrease)/ increase in cash and cash equivalents *		(5,189,894)	6,303,241
Cash and cash equivalents at the beginning of the financial year		31,281,091	24,977,850
Cash and cash equivalents at the end of the financial year	22(b)	**26,091,197**	**31,281,091**

* KU is cashflow positive for the 2014 year having a net increase in cash of $6,810,106 (adding back term deposits). Due to accounting disclosure requirements $12,000,000 has being reclassified from cash and cash equivalents to term deposits resulting in the appearance of a cash decrease in the year.

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 2014

1. Corporate Information

The financial statements of KU Children's Services (the Company) for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Directors on 16 March 2015.

2. Application of new and revised Accounting Standards

In the current year, the Company has applied a number of the new and revised AASBs issued by the Australian Accounting Standards Board (AASB) including AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle. The application of these new and revised Accounting Standards does not have any material impact on the financial statements.

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective:

a) AASB 9 'Financial Instruments', and the relevant amending standards, effective for annual periods beginning 1 January 2018. Expected to be initially adopted for the financial period ending 31 December 2018.

b) AASB 2014-1 'Amendments to Australian Accounting Standards',
- Part A: 'Annual Improvements 2010–2012 and 2011–2013 Cycles'
- Part C: 'Materiality' effective for annual periods beginning 1 July 2014. Expected to be initially adopted for the financial period ending 31 December 2015.

c) AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation' effective for annual periods beginning 1 January 2016. Expected to be initially adopted for the financial period ending 31 December 2016.

d) AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15' effective for reporting periods beginning ` 1 January 2016. Expected to be initially adopted for the financial period ending 31 December 2016.

3. Summary of Accounting Policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Division 60 of the Australian Charities and Not-for-profits Commission Act 2012, Australian Accounting Standards – Reduced Disclosure Requirements, and comply with other requirements of the law.

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.

3. Summary of Accounting Policies (continued)

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. Land is carried at cost and is not depreciated.

b) Intangible Assets

Intangible Assets comprise software assets. The estimated useful lives used to calculate amortisation are between 3-5 years.

c) 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.

d) 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.

3. Summary of Accounting Policies (continued)

e) 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.

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.

f) 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.

g) 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.

3. Summary of Accounting Policies (continued)

Assets held under finance leases are initially recognised as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs.

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.

h) 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.

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 funds received and allocated are recognised in the Statement of Profit or Loss and Other Comprehensive Income in accordance with AASB 118 "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.

3. Summary of Accounting Policies (continued)

i) 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.

j) Term deposits

Term deposits comprise investment deposits held with banks with short to medium term maturity periods. The investments are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate.

k) 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.

l) 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.

m) General funds and reserves

General Funds

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

Fundraising Reserve

The fundraising reserve arises from the accumulated surpluses generated as a result of the 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 liabilitiesthat may arise which the Company will be accountable for.

n) 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.

o) 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.

p) 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.

q) 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.

4. Critical accounting judgements and key sources of estimation uncertainty

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. The following are the critical judgements that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

4.1 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 including future years in which long service leave is expected to be taken.

4.2 Leasehold improvements

As described at 3(a) above, the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

During the 2013 financial year, the Company reassessed the useful life of leasehold assets. The useful life was reassessed to equal the lease term, or 10 years where no lease term was applicable. As a result, the Company brought to account additional depreciation of $1,557,966 in 2013 as referred to in note 5b (v) and note 8.

4.3 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”.

4.4 Make good provision

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.

5a. Changes in Accounting Policies - Restatement

In 2014, the Company restated its 2013 results due to the following changes in accounting policies:

1) Disclosure of Profit and Loss by function rather than by nature;
2) Accounting for Work Based Services as a Principal under the contract in providing these services.

The impact of the restatement on each of the affected financial statement line items is as follows

Statement of Financial Position as at December 2013

	Previous amount $	Adjustment $	Restated amount $
Current assets			
Cash and cash equivalents	27,193,392	4,087,699	31,281,091
Trade and other receivables *	4,233,524	(1,691,298)	2,542,226
Other financial assets	-	-	-
Other assets	537,583	47,639	585,222
Non-current assets			
Property, plant & equipment *	14,263,977	(41,618)	14,222,359
Intangible assets *	444,340	48,509	492,849
Current liabilities			
Trade and other payables *	8,637,495	3,431,838	12,069,333
Finance leases	338,587	-	338,587
Unearned income *	6,996,433	(992,082)	6,004,351
Provisions	11,142,005	(743,608)	10,398,397
Total non-current liabilities			
Provisions	2,074,141	754,783	2,828,924
Net Assets	17,484,155	-	17,484,155
Funds			
General funds	15,379,384	-	15,379,384
Fundraising reserve	1,254,771	-	1,254,771
Program reserve	850,000	-	850,000
Total	17,484,155	-	17,484,155

* These accounts also had reclassifications between them in the restatement

5a. Changes in Accounting Policies - Restatement (continued)

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2013

	Previous amount $	Adjustment $	Restated amount $
Revenue from fees	50,150,594	13,068,946	63,219,540
Revenue from non-capital government funding	29,848,181	6,863,072	36,711,253
Other revenue	28,038,028	(20,478,097)	7,559,931
Employee costs	(86,400,498)	4,060,595	(82,339,903)
Operational expenses	(4,142,578)	(4,109,392)	(8,251,970)
Occupancy expenses	(4,048,334)	(767,060)	(4,815,394)
Depreciation & amortisation	(4,345,250)	(4,286)	(4,349,536)
Administrative expenses	(6,228,636)	1,670,611	(4,558,025)
Repairs & maintenance	(1,459,918)	(46,026)	(1,505,944)
Marketing expenses	-	(268,010)	(268,010)
Finance costs	-	(31,076)	(31,076)
Other expenses	(1,267,669)	(21,350)	(1,289,019)
Government capital grant funding	1,229,236	62,073	1,291,309
Gain on sale of investments	1,495,630	-	1,495,630
Surplus for the year	**2,868,786**	**-**	**2,868,786**

5b. (Deficit)/Surplus for the year

	2014 $	2013 $
(i) Revenue from fees		
Parent's fees	66,796,117	63,219,540
(ii) Revenue from non-capital government funding		
Government funding	36,769,013	36,711,253
(iii) Other revenue		
Other revenue from ordinary operations consisted of the following items:		
Management fees	1,252,252	1,158,879
Gross fundraising income	630,798	672,956
Interest income	666,897	635,758
Consultancy fees	37,695	147,496
Sales of publications and courses	133,919	162,537
Sponsor support	2,323,822	4,012,512
Investment income	-	90,904
(Loss)/Gain on disposal of PPE	(4,315)	441,734
Other sundry revenue	649,774	237,155
	5,690,842	**7,559,931**

5b. (Deficit)/Surplus for the year

	2014 $	2013 $
(iv) Other income		
Government capital grant funding	102,530	1,291,309
Realised gain on investment	-	1,495,630
(v) (Deficit)/Surplus		
(Deficit)/Surplus has been arrived at after (charging)/ crediting the following items:		
Depreciation and amortisation of property, plant and equipment and intangibles	(1,558,870)	(4,349,536)
Operating lease rental expenses		
Minimum lease payments:	(2,284,542)	(1,955,476)
Net bad and doubtful debts	4,889	(130,947)
Finance costs	(21,762)	(31,076)

6. Trade and Other Receivables

	2014 $	2013 $
Trade receivables		
Trade receivables	676,782	1,963,351
Allowance for doubtful debts	(123,288)	(270,489)
Accrued income	236,707	752,231
	790,201	**2,445,093**
Other receivables		
Other receivables	183,764	97,133
	973,965	**2,542,226**
Reconciliation of allowance for doubtful debts		
Balance 1 January	270,489	220,845
Amounts written off /uncollectable	16,005	123,026
Impairment recovery	(163,206)	(73,382)
Balance 31 December	**123,288**	**270,489**

Parent fees are paid either in advance or weekly. The average credit period on rendering of services is 3 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.

7. Other Assets

	2014 $	2013 $
Prepayments	849,352	559,048
Finance lease asset-other	29,351	26,174
	878,703	**585,222**

8 Property, Plant and Equipment

	Land and buildings $	Lease hold improvements $	Furniture & Office equipment $	Motor Vehicles $	Make Good $	Finance Lease Asset $	Total $
Gross Carrying Amount							
Balance at 1 Jan. 2013	6,825,938	13,837,856	1,148,659	230,487	-	-	22,042,940
Additions	108,852	159,995	56,345	87,255	1,554,194	1,017,654	2,984,295
Assets under construction (WIP)	17,999	1,370,089	343,579	-	-	-	1,731,667
Reclassification	452,941	(452,941)	-	-	-	-	-
Disposals	-	-	-	(45,328)	-	-	(45,328)
Balance at 31 Dec. 2013	**7,405,730**	**14,914,999**	**1,548,583**	**272,414**	**1,554,194**	**1,017,654**	**26,713,574**
Additions	8,559	865,327	214,944	-	-	150,525	1,239,355
Assets under construction (WIP)	4,847	17,229	9,985	-	-	-	32,061
Reclassification and prior year adjustment	(976,518)	912,789	1,392	32,576	-	-	(29,761)
Disposals	-	(373,256)	(7,199)	(48,359)	-	-	(428,814)
Balance at 31 Dec. 2014	**6,442,618**	**16,337,088**	**1,767,705**	**256,631**	**1,554,194**	**1,168,179**	**27,526,415**
Accumulated Depreciation							
Balance at 1 Jan. 2013	(1,615,606)	(5,656,836)	(895,503)	(123,945)	-	-	(8,291,890)
Disposals	-	-	-	32,880	-	-	32,880
Reclassification	(155,708)	155,708	-	-	-	-	-
Depreciation expense	(89,227)	(2,257,075)	(102,263)	(34,673)	(828,314)	(920,653)	(4,232,205)
Balance at 31 Dec. 2013	**(1,860,541)**	**(7,758,203)**	**(997,766)**	**(125,738)**	**(828,314)**	**(920,653)**	**(12,491,215)**
Disposals	-	366,125	8,171	18,837	-	-	393,133
Reclassification and prior year adjustment	15,404	12,967	(28,371)	-	-	-	-
Depreciation expense	(155,760)	(829,289)	(124,187)	(37,361)	(199,174)	(78,487)	(1,424,258)
Balance at 31 Dec. 2014	**(2,000,897)**	**(8,208,400)**	**(1,142,153)**	**(144,262)**	**(1,027,488)**	**(999,140)**	**(13,522,340)**
Net Book Value							
As at 31 Dec. 2013	5,545,189	7,156,796	550,817	146,676	725,880	97,001	14,222,359
As at 31 Dec. 2014	**4,441,721**	**8,128,688**	**625,552**	**112,369**	**526,706**	**169,039**	**14,004,075**

8. Property, Plant and Equipment(continued)

Depreciation:	2014 $	2013 $
Land and buildings	155,760	89,227
Leasehold Improvements	829,289	2,257,075
Furniture and office equipment	124,187	102,263
Motor vehicles	37,361	34,673
Make Good Asset	199,174	828,314
Finance Lease Asset	78,487	920,653
Total	1,424,258	4,232,205

During 2013, the following one-off depreciation adjustments were made:
a) Reassessment of useful lives of leasehold assets $1,557,966 (2014: $nil);
b) A provision for make good was taken up for the first time in 2013 and along with it, a make good asset. A make good amortisation charge of $828,314 was processed during 2013 (2014: $199,174); and
c) A number of operating leases were reclassified as finance leases in 2013, resulting in the creation of a financial lease asset. The impact of this was a depreciation charge of $920,653 (2014: $78,487).

9. Intangible Assets

	Software $	Total $
Gross Carrying Amount		
Balance at 1 January 2013	1,083,594	1,083,594
Additions	-	-
Balance at 31 December 2013	1,083,594	1,083,594
Additions	277,392	277,392
Balance at 31 December 2014	**1,360,986**	**1,360,986**
Accumulated Depreciation		
Balance at 1 January 2013	(473,414)	(473,414)
Amortisation expense	(117,331)	(117,331)
Balance at 31 December 2013	(590,745)	(590,745)
Amortisation expense	(134,612)	(134,612)
Balance at 31 December 2014	**(725,357)**	**(725,357)**
Net Book Value		
As at 31 December 2013	492,849	492,849
As at 31 December 2014	**635,629**	**635,629**

10. Trade and Other Payables 2014 2013

	2014 $	2013 $
Salary and superannuation accruals	902,981	1,293,119
Prepaid centre fees and holding deposits	3,535,661	3,431,732
GST Payable	726,496	573,315
Other payables and accruals	2,041,343	1,689,069
Trade payables	2,080,672	2,209,378
WBS & Brokered program surpluses	4,420,303	2,872,720
	13,707,456	**12,069,333**

11. Finance Leases

	2014 $	2013 $
Finance Lease Liability	263,598	338,587
Minimum Lease Payments		
Less than 1 year	89,353	235,876
Between 1 and 5 years	174,245	102,711
In 2014 total lease payments of $267,098 (2013)	**263,598**	**338,587**

12. Unearned Income

Prepaid government funding	8,212,545	5,607,783
Prepaid special education income	942,200	396,568
	9,154,745	**6,004,351**

13. Provisions

Current		
Employee Benefits:		
Provision for annual leave and rostered days off	6,190,416	5,596,896
Provision for long service leave	4,293,860	3,905,810
Provision for enterprise bargaining agreement back pay	-	611,811
	10,484,276	**10,114,517**
Provision for Make Good Liability:		
Make good liability	381,760	283,880
	10,866,036	**10,398,397**
Non-current		
Employee Benefits:		
Provision for long service leave	2,094,248	1,558,610
Provision for Make Good Liability:		
Make good liability	1,172,434	1,270,314
	3,266,682	2,828,924

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

14. General Funds

Balance at beginning of financial year	15,379,384	13,419,411
Net (deficit)/surplus	(159,103)	2,868,786
Net transfers from General Funds (note 15 & 16)	(144,221)	(908,813)
Balance at end of financial year	**15,076,060**	**15,379,384**

15. Fundraising Reserve

	2014 $	2013 $
Balance at beginning of financial year	1,254,771	1,195,958
Transfer (from)/to general funds	(20,779)	58,813
Balance at end of financial year	**1,233,992**	**1,254,771**

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 24.

16. Program Reserve

Balance at beginning of financial year	850,000	-
Transfer from general funds	165,000	850,000
Balance at end of financial year	**1,015,000**	**850,000**

The Program reserve relates to reserves set aside by the Company related to the programs. This reserve will be utilised for potential 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
Valuation gain	-	406,500
Realised gains transferred to profit or loss	-	1,495,630)
Balance at end of financial year	-	-

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 or 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	2014 $	2013 $
Not longer than 1 year	1,461,193	1,971,241
Longer than 1 year and not longer than 5 years	2,639,724	1,954,244
Longer than 5 years	85,418	110,463
	4,186,335	**4,035,948**

19. Contingent Liabilities

	2014 $	2013 $
Bank Guarantee 22 October 1998 to Commonwealth	191,291	191,291
Bank Guarantee 31 January 1995 to Sydney City Council	5,000	5,000
	196,291	**196,291**

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 31 December 2014.

20. Economic Dependency

As disclosed at note 5, 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 (2013: 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. If a Director utilises the services of KU Children's Services they pay the arms length market rates for provision of these services.

c) Key Management Personnel Remuneration

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

	2014 $	2013 $
Total compensation	1,500,848	1,413,852

22. Notes to the Cash Flow Statement

(a) Reconciliation of (Deficit)/Surplus for the period to Net Cash Flows From Operating Activities

	2014 $	2013 $
(Deficit)/Surplus for the period	(159,103)	2,868,786
Depreciation and Amortisation of non-current assets	1,558,870	4,349,536
Loss/(Gain) on sale of non current assets	4,315	(441,734)
Realised gain on investments	-	(1,495,630)
Dividends received	-	(90,904)
Interest received	(666,897)	(635,758)
Interest paid	21,762	31,076
Finance lease payments	-	-
Government capital funding	(413,785)	(1,000,973)
Finance Lease adjustments	-	(738,626)
Make good adjustments	-	(1,554,194)
Movements in working capital:		
Decrease in trade receivables and other assets	1,274,780	(806,512)
Increase/(Decrease) in trade payables and other liabilities	4,791,696	(2,403,182)
Increase in provisions	905,397	544,485
Net cash generated from/(utilised in) operating activities	**7,317,035**	**(1,373,630)**

(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 Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

	2014 $	2013 $
Cash and cash equivalents	26,091,197	31,281,091

Cash includes $5,535,706 (2013: $3,159,928) which is held for disbursement in accordance with government funding agreements and $6,727,274 (2013: $4,197,832) in relation to Work Based Services.

23. Term deposits

	2014 $	2013 $
Term deposits	12,000,000	-
	12,000,000	**-**

Term deposits comprise term deposit investments held with various banks. The maturity periods on these investments from the date of purchase range between 6 to 7 months. In 2013, term deposits amounted to $12,000,000 and matured within 3 months of the purchase date and were thus classified under cash and cash equivalents.

24. 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

	2014 $	2013 $
Detailed income statement for the year ended 31 December 2014		
Raffles	31,804	32,892
Functions	286,360	309,865
Sale of Items	247,417	245,216
Interest	4,747	8,765
Donations	60,470	51,124
Gross Proceeds from Fundraising	630,798	647,862
Raffles	(94)	(4,068)
Functions	(215,764)	(179,188)
Sale of Items	(121,246)	(129,872)
Total Cost of Fundraising	**(337,104)**	**(313,128)**
Net Proceeds from Fundraising	**293,694**	**334,734**

(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 3.

(c) Application of Fundraising Proceeds in 2014

Opening balance	1,254,771	1,195,958
Net proceeds from fundraising	293,694	334,734
Centre Improvement and Equipment	(313,956)	(275,480)
Bank charges	(517)	(441)
Total Reserve	1,233,992	1,254,771

(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, sunhats, sunscreen, etc) is deemed to have involved a trader.

Gross income received from sale of items	247,417	245,216
Total expenditure incurred	121,246	129,872

(e) Forms of Fundraising Appeals Conducted in 2014

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

(f) Key Indicators for Fundraising Activities

Total Cost of Fundraising $337,104 (2013: $313,128) divided by Gross Income from Fundraising $630,798 (2013: $647,862) equals 53% (2013: 48%).

Net Surplus from Fundraising $293,694 (2013: $334,734) divided by Gross Income from Fundraising $630,798 (2013: $647,862) equals 47% (2013: 52%).

25. 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

26. Government Grant Funding

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

Program	Funding $ 31-Dec-14	Funding $ 31-Dec-13
Capital Grants – Department of Education, Employment and Workplace Relations	-	2,815,966
Supplementary Assistance – Department of the Prime Minister and Cabinet	137,835	128,954
Wagga Intensive Support – NSW Department of Education and Communities	21,633	18,880
Macarthur Starting Points – NSW Department of Education and Communities	123,847	146,677
Penrith Starting Points – NSW Department of Education and Communities	13,461	15,105
Early Learning Inclusion Program – NSW Department of Education and Communities	449,492	490,521
Marcia Burgess Autism and Specific Early Learning & Care Centre – NSW Department of Education and Communities	59,612	60,418
Northern Sydney SCAN – NSW Department of Family & Community Services	1,294,691	1,309,944
	30-Jun-14	**30-Jun-13**
Early Language & Literacy Initiative – Department of Social Services	160,703	158,172
KU Children's Speech Therapy – NSW Department of Ageing, Disability and Home Care	38,505	37,570
Inner West Play & Chat – Department of Family & Community Services	364,154	353,387
Newcastle Supported Playgroups – Department of Family & Community Services	120,266	124,765
Macarthur Parenting – Department of Social Services	133,894	131,786
Macarthur Stepping Stones– NSW Department of Ageing, Disability and Home Care	368,132	359,188
KU Starting Points Penrith– NSW Department of Ageing, Disability and Home Care	195,939	191,179
Early Childhood Intervention Extended Service – NSW Department of Ageing, Disability and Home Care	113,786	111,021
Marcia Burgess Autism and Specific Early Learning & Care Centre – Department of Social Services	890,000	878,750
National Inclusion Support Subsidy- Department of Education	2,178,000	3,183,044
Inclusion Support Agency- Department of Education	4,583,815	2,260,264

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ACN 000 006 137
Authority holder under the provisions of
Section 16 of the Charitable Fundraising Act 1991.
Fundraising Authority No. CFN 10313

All images of children are from KU centres.