2013 financial report

For the year ended 31 December 2013

Save the Children
Australia

SAVE THE CHILDREN AUSTRALIA

ACN 008 610 035

AND CONTROLLED ENTITIES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

Company Secretary: Elizabeth Flynn

Registered Office:

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SAVE THE CHILDREN AUSTRALIA
ACN 008 610 035
AND CONTROLLED ENTITIES
31 DECEMBER 2013

DIRECTORS' REPORT TO MEMBERS

The directors present their report together with the Financial Statements of Save the Children Australia ("the company") and controlled entities (collectively, "the Consolidated Entity") for the year ended 31 December 2013, and the auditor's report thereon.

1. Directors

The directors of the company during the financial year and the period to the date of this report are:

Directors for the full financial year were:

Peter Hodgson	Jill Cameron
Andrew Sisson	Don Churchill
Jan Stewart	Christine Charles
Bruce Meagher	Michelle Somerville

Directors for part of the financial year were:

Adrian Morgan (resigned 2 April 2013)	Kim Clifford (appointed 25 May 2013)
Jenny-Ellen Kennedy (retired 25 May 2013)	Peter Watson (resigned 16 September 2013)
Bruce Mansfield (retired 25 May 2013)	Bernard Wheelahan (resigned 21 November 2013)
Gary Oliver (appointed 25 May 2013)	

Directors have been in office since the start of the financial year to the date of this report except as noted above.

2. Directors' meetings

The number of directors' meetings and number of meetings attended by each of the directors of the company during the financial year were:

Board Member	Meetings Attended	Meetings Held
Peter Watson	3	4*
Jan Stewart	3	6
Bruce Mansfield	3	3*
Jenny-Ellen Kennedy	3	3*
Adrian Morgan	0	1*
Bernard Wheelahan	5	6
Don Churchill	5	6
Kim Clifford	2	3*

Board Member	Meetings Attended	Meetings Held
Andrew Sisson	5	6
Bruce Meagher	6	6
Peter Hodgson	6	6
Jill Cameron	6	6
Christine Charles	4	6
Michelle Somerville	6	6
Gary Oliver	2	3*

(*) Reflects the number of meetings held during the time the director held office during the financial year.

3. Directors' qualifications, experience and special responsibilities

<u>Peter Hodgson</u> MA(Honours) in Law (Cambridge)	**Chairman of the Board and ex-officio member of the Board Audit Committee, Board Programs & Risk Committee and Board Human Resources Committee** Peter Hodgson is the Chief Executive Officer of The Myer Family Company a privately held investment and wealth management business with offices in three states. He joined the group on 1 July 2009. Until 2008, Peter was Group Managing Director Institutional at ANZ. Previously he was Chief Risk Officer for two years (2005-2007). During this time at the ANZ, he was also on the Bank's Management Board, whilst also serving as a Director of Ambank in Malaysia. Much of Peter's career has been spent overseas working in advisory and structured finance, in the United Kingdom, Asia and the US, variously at Bank of America and BZW before returning to Australia in 1997. In addition to his role, Peter is a member of Trinity College's Investment Management Committee. Peter has been a director of Save the Children since May 2012 and became Chairman in June 2012.
<u>Andrew Sisson</u> BSc, FAICD	**Member of the Board Audit Committee** Andrew is the Managing Director of Balanced Equity Management Pty Limited and has extensive experience in financial analysis and investment management. Andrew has been a director of Save the Children since June 2009.
<u>Bruce Meagher</u> BA, LLB(Syd)	**Chairman of the Board Human Resources Committee** Bruce is Director Corporate Affairs at Foxtel. He has more than 20 years experience in law, public policy, government relations, corporate communications and general management. Bruce has been an adviser to two federal cabinet ministers and a senior executive in the media, telecommunications and financial services industries. He has been a director of Save the Children since November 2009.
<u>Jan Stewart</u> BA, MASW	**Member of the Board Programs & Risk Committee** Jan has been the Chief Executive Officer since 1992 of Lotterywest, the Western Australian state lottery. Prior to this Jan was the Director of Grants and Community Development at Lotterywest and also spent 10 years as the Chief Social Worker at Princess Margaret Hospital, Perth's major paediatric hospital. She is a member of a wide range of community boards and committees. Jan has been a director of Save the Children since February 2010.
<u>Jill Cameron</u> BA, B.Ed	**Member of the Board Programs & Risk Committee** Jill has a wealth of experience across education, health and children's services in government and non government sectors. As a consultant for more than 17 years, she has undertaken strategic planning, policy development, program and project design, and evaluation projects, large and small, at the local, state wide and national levels. Jill has been a director of Save the Children between 2003 and 2009 and most recently since May 2012.

DIRECTORS' REPORT TO MEMBERS

3. Directors' qualifications, experience and special responsibilities - cont'd

Don Churchill	**Member of the Board Audit Committee & Board Programs & Risk Committee** Don has 45 years experience in media, management and community activities. He led the Fairfax Media publishing businesses in Melbourne for seven years until retirement in 2011 and now provides management and consultancy services to media and other businesses. Don is currently a director of Kea Australia Ltd, the New Zealand Victoria Business Group, and previously was a director of the New Zealand Publishers' Association and the NZ Press Association. Don has been a director of Save the Children since May 2012.
Christine Charles BA Hons, Graduate Diploma Leadership	**Chairman of the Board Programs & Risk Committee** Christine is a senior business leader who has held a variety of positions in the private sector, public sector, community sector and academia. Christine is founder and principal of Yerrin Connection which provides strategic advice to the corporate, government and not for profit sectors. She is an independent chair and director. Christine was the Chief Executive of the South Australian Department of Human Services and prior to that she headed the South Australian Cabinet Office. She has worked for the World Health Organisation as a senior consultant at the International Centre for Health Systems Development Japan. Christine is an adjunct Professor at the Centre for Social Responsibility in Mining at the University of Queensland, and a Senior Advisor with the Nous Group. Christine has been a director of Save the Children since September 2012.
Michelle Somerville BAcc, MAppFin, MAICD, FCA	**Treasurer and Chairman of the Board Audit Committee** Michelle was previously an audit partner at KPMG and has had 27 years of experience in financial accounting, audit, risk management and compliance across a range of industries including the not for profit sector, in both Australia and the United States. Michelle has been a director of Save the Children since December 2012.
Kim Clifford JP	**Member of the Board Human Resources Committee** Kim has been a director of Incat Tasmania Pty Ltd since May 1996. Her role deals with the marketing and promotion of the Incat product, organisation and personnel. Kim has had extensive experience in corporate public affairs and media liaison. Kim was chair of the Tasmanian State Council for Save the Children from October 2009 until its dissolution in December 2012, and has been a director of Save the Children since May 2013.
Gary Oliver	**Member of the Board Human Resources Committee** Gary is a proud Kuku Yalanji man from Cape York Queensland. Over the past two decades, he has held senior government positions, including with Aboriginal Affairs NSW and the Queensland Department of Communities, and was Chairman of NSW Aboriginal Legal Services from 2009 to 2012. Until recently, he was General Manager, Indigenous Business Development at Pearls MiiHome, which is part of the Pearls Global organisation. Gary has been a director of Save the Children Australia since May 2013.

4. **Principal activities**

The principal activities of the Consolidated Entity are supporting the welfare and rights of children as stated in the UN Convention on the Rights of the Child. The Consolidated Entity actively seeks public donations, corporate and government grant funding, and operates commercial activities, in order to conduct effective programming to benefit the rights and interests of children in Australia, the Pacific Region (Papua New Guinea, Solomon Islands and Vanuatu), Bangladesh, Cambodia, Myanmar, Laos, Pakistan, Afghanistan and other countries as needs arise.

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

5. **Short term objective**

The Consolidated Entity's short term objective is to increase income to ensure that programming activities can be expanded for the benefit of children.

6. **Long term objectives**

The Consolidated Entity's long term objectives are to:

- Inspire breakthroughs in the way the world treats children and to achieve immediate and lasting change in their lives.
- Ensure that every child attains the right to survival, protection, development and participation.
- Create a sustainable entity that strives for continual improvement so as to offer the best possible outcomes for children requiring our assistance.

7. Strategy for achieving the objectives

To achieve these objectives:

- The Consolidated Entity is one year into its Strategic Plan for the years 2013 – 2015. The plan defines the Consolidated Entity's organisational goals to the end of 2015, and sets out the key actions required to achieve them. The key goals are to:
  - achieve lasting change for children in education, health and humanitarian response in the Asia Pacific region
  - Grow and improve our reputation and stakeholder engagement
  - Increase income by 40% in order to increase reach and impact
  - Improve operational effectiveness and risk mitigation
  - Increase employee and volunteer engagement.
- The Consolidated Entity actively works to attract and retain quality staff and volunteers.
- The Consolidated Entity works in partnership with a range of community stakeholders.
- The Consolidated Entity has developed technical expertise in both niche areas and those relevant in terms of unfulfilled children's needs.

As a member of the international Save the Children Association, the Consolidated Entity has been significantly engaged in the establishment of a global program delivery platform which has the objective of maximising the benefits to children through the co-ordinated activities of the global organisation. The process of transitioning programs to this global program delivery platform was largely completed by the end of the financial year. The Consolidated Entity works with other members to deliver programs to benefit children in countries other than Australia and the Pacific Region. The Consolidated Entity continues to design programs, co-ordinate with donors and provide technical assistance to ensure program quality, monitoring and reporting.

8. How principal activities assisted in achieving the objectives

The Consolidated Entity carried out the following principal activities to achieve its objectives:

- Increase program expenditure and delivery to increase reach both domestically and overseas
- Increase stakeholder and community awareness and engagement
- Increase in the focus on strengthening internal systems and infrastructure.

Total revenue increased by $16,887k or 20% in 2013 compared to 2012, whilst the surplus for the year was $105k, a reduction of $484k. The key highlights of the result were:

- An increase of $21,072k (42%) in grant income and $17,400k (26%) in programs expenditure.
- $3,365k was raised for the emergency appeals to support Syria and Typhoon Haiyan in the Philippines
- Fundraising Income, including donations and gifts and legacies and bequests, reduced by $4,046k (12%) following a focus on fundraising costs in 2012 and 2013 and a significant bequest received in 2012.
- A 4% reduction in administration costs, despite the 20% increase in total revenue and total expenditure, resulting in a reduction of our administration ratio from 8.2% to 6.6%.

9. Performance measures

- *Administration ratio*

  A useful measure of the Consolidated Entity's administrative efficiency is its administration cost ratio, which Save the Children Australia aims to keep below 10%. The ratio expresses administration costs (including depreciation) as a percentage of total expenditure. For 2013 the ratio was 6.6% (2012: 8.2%).

- *Fundraising cost ratio*

  Another ratio often given attention is the fundraising cost ratio. There are different definitions of this ratio used throughout the not-for-profit sector. In order to assess the organisation's performance accurately and to provide a comparison with other non-government organisations, the following two fundraising cost ratios have been used:

  - Fundraising costs as a percentage of total revenue.

    The ratio in relation to total revenue for 2013 was 8.3% (2012: 9.8%).

  - Fundraising costs as a percentage of fundraising income, which excludes grants.

    The ratio in relation to all funds raised for 2013 was 29.5% (2012: 25.4%). The meaningfulness of this ratio however, is affected by the range of fundraising activities undertaken in the respective financial periods. In Save the Children Australia's case this range, and the associated cost rates, varies markedly between recruitment of donors into the Committed Giving program and special events. Fundraising activities are worth pursuing provided they generate a worthwhile surplus over time that can be devoted to achieving Save the Children Australia's goal of improving the lives of children.

    It is therefore necessary to be cautious when comparing the fundraising cost ratio over time and with the corresponding ratio of other charities that may have quite different ways of funding their activities and reporting their results.

10. Members' guarantee

Save the Children Australia is a company limited by guarantee. In the event of, and for the purpose of, the winding up of the Consolidated Entity, the amount capable of being called up from each member and any person or association who has ceased to be a member in the year prior to the winding up, is limited to $1,000 for members that are corporations and $10 for all other members, subject to the provisions of the company's constitution. For 2013 the collective liability of members was $19,200 (2012: $16,310).

SAVE THE CHILDREN AUSTRALIA
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31 DECEMBER 2013

DIRECTORS' REPORT TO MEMBERS

11. Auditor's independence declaration under section 307C of the *Corporations Act 2001*

The Auditor's Independence Declaration is set out on page 8 and forms part of the Directors' Report for the financial year ended 31 December 2013.

Signed in accordance with a resolution of the Directors.

Peter Hodgson
Chairman

Melbourne
18 March 2014

GrantThornton

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Auditor's Independence Declaration
To the Directors of Save the Children Australia

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Save the Children Australia 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

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Eric W Passaris

Eric Passaris
Partner - Audit & Assurance

Melbourne, 18 March 2014

CORPORATE GOVERNANCE STATEMENT

1. Introduction

Save the Children Australia is incorporated as a company limited by guarantee. It operates nationally in all States and the Northern Territory Australia as well as some overseas countries to promote the welfare and rights of children.

Save the Children Australia's corporate governance and performance are the responsibilities of its directors. The Board delegates the responsibility for the day-to-day administration of the company to the Chief Executive Officer ("CEO") who, together with the Executive Team, is accountable to the Board. The roles of Chairman and CEO are separate.

The company's constitution provides for a maximum of 14 directors. The directors have however determined to cap the number of directors at 12. There must be at least one director resident in each State. A director who has served six consecutive years from date of appointment will not be eligible for reappointment or re-election unless a minimum period of one year has lapsed since that person last held the position of director or the members in general meeting specifically give their approval.

2. Remuneration of Directors

Directors demonstrate their commitment to Save the Children Australia's mission through the contribution of their skills and experience to the collective work of the Board, the contribution of their personal time and efforts, advocacy within their social and business networks of Save the Children Australia's mission and the programs implemented to achieve the mission, and through whatever financial contributions they make personally or persuade others to make. They receive no return in cash or kind other than reimbursement of necessarily incurred expenditure. Their sole reward is the satisfaction of seeing the achievement of the goal of Save the Children to improve the lives of children.

3. Board Meetings

The Board meets at least six times a year.

Refer to page 1 for the number of directors' meetings held and the number of meetings attended by each of the directors during the financial year.

4. Board Committees

(a) The Board Audit Committee assists the Board in carrying out its responsibilities in relation to the financial integrity of the organisation and the Board's accountability to stakeholders, by providing governance and oversight.

At the date of this report the Board Audit Committee members are Michelle Somerville (Chair), Andrew Sisson, Don Churchill and Peter Hodgson (ex officio).

(b) The Board Programs & Risk Committee assists the Board in carrying out its responsibilities in relation to risk management and the program work required to pursue the organisation's mission.

At the date of this report the Board Programs & Risk Committee members are Christine Charles (Chair), Jan Stewart, Jill Cameron, Don Churchill and Peter Hodgson (ex officio).

CORPORATE GOVERNANCE STATEMENT

4. Board Committees –cont'd

(c) The Board Human Resources Committee assists the Board in carrying out its responsibilities in relation to the nomination of Directors, the CEO and Executive Team, appointment, performance and succession in regard to Directors, the CEO and Executive Team, and SCA Human Resources Strategy and Policies.

At the date of this report the Board Human Resources Committee members are Bruce Meagher (Chair), Gary Oliver, Kim Clifford, John Allen (external member) and Peter Hodgson (ex officio).

Note: The CEO and other company employees attend the meetings of the Board committees to report to the committees and assist in their operation.

5. Executive Team

The Executive Team supports the CEO and meets fortnightly to review the operation and management of Save the Children Australia.

6. Executive Remuneration

Executive remuneration is reviewed annually and is based on current market conditions and trends.

7. Internal Controls and Management of Risk

Save the Children Australia has established controls designed to safeguard its assets and interests, and to ensure the integrity of its reporting.

8. Ethics and Conduct

Save the Children Australia is committed to ensuring that all its activities are conducted legally, ethically and in accordance with high standards of integrity. Board members, employees and volunteers are required to signify acceptance of, and comply with, the company's Child Protection Policy and Code of Conduct. To facilitate this employees attend child protection training which is conducted throughout the year. Save the Children Australia has also developed policies which deal with occupational health and safety, privacy, equal opportunity and employee grievances to assist employees and volunteers in meeting the high standards of ethics and conduct required.

9. Member Relationships

Save the Children Australia is committed to providing members and donors with relevant and timely information regarding its operations and management through a website, member meetings, social media and direct communications.

Members are encouraged to attend and vote at annual general meetings.

10. Governance Best Practice

Save the Children Association, of which Save the Children Australia is a member, requires that the governance processes of its members ensure that the organisation effectively and efficiently strives to achieve its stated goals, while protecting the public interest and trust.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

		Consolidated	
	Note	2013	2012
		$	$
CONTINUING OPERATIONS			
REVENUE			
Donations and gifts – monetary		27,048,054	28,992,113
Donations and gifts – non-monetary	1(t)	63,939	370,413
Bequests and legacies		1,457,669	3,253,699
Grants			
- Other Australian		21,489,980	12,900,263
- Department Foreign Affairs and Trade		39,334,143	29,050,214
- Other overseas		9,640,298	7,442,132
Revenues from commercial activities	2	2,962,613	3,413,199
Investment income	3	662,159	404,354
Other income		356,304	301,609
TOTAL REVENUE		103,015,159	86,127,996
EXPENDITURE			
International Aid and Development Programs Expenditure			
International programs			
- Funds to international programs		61,583,838	43,662,812
- Program support costs		3,203,262	4,405,556
Domestic Aid and Development Programs Expenditure			
Domestic programs			
- Funds to domestic programs		17,864,405	17,224,900
- Program support costs		599,706	597,619
Community Education		2,360,746	1,519,683
Fundraising costs (International and Domestic)			
- Public – monetary		7,949,874	6,901,340
- Public – non-monetary	1(t)	55,501	347,000
- Government, multilateral and private		500,549	1,181,694
Commercial activities (International and Domestic)		2,022,003	2,664,991
Accountability and Administration (International and Domestic)		6,770,066	7,033,247
TOTAL EXPENDITURE		102,909,950	85,538,842
Excess of revenue over expenditure from continuing operations		105,209	589,154

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Consolidated	
		2013	2012
		$	$
Excess of revenue over expenditure from continuing operations		**105,209**	589,154
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequent to Profit or Loss			
Exchange differences on translation of foreign operations		**119,571**	199,171
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**119,571**	199,171
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**224,780**	788,325

During the financial year, the entity had no transactions in relation to political or religious proselytisation programs.

The accompanying notes form part of these financial statements.

SAVE THE CHILDREN AUSTRALIA
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	Consolidated 2013 $	2012 $
Assets			
Current assets			
Cash and cash equivalents	6	**26,696,848**	26,289,998
Trade and other receivables	7	**20,436,675**	11,133,323
Inventories	8	**83,030**	121,298
Other financial assets	9	**-**	1,228,283
Total current assets		**47,216,553**	38,772,902
Non-current assets			
Property, plant and equipment	10	**3,660,893**	4,178,877
Intangible Assets	11	**785,481**	-
Total non-current assets		**4,446,374**	4,178,877
Total assets		**51,662,927**	42,951,779
Liabilities			
Current Liabilities			
Trade and other payables	12	**9,028,064**	4,792,293
Provisions	13	**410,920**	476,393
Deferred income	14	**36,637,449**	32,407,198
Total current liabilities		**46,076,433**	37,675,884
Non-current liabilities			
Provisions	13	**737,887**	652,068
Total non-current liabilities		**737,887**	652,068
Total liabilities		**46,814,320**	38,327,952
Net assets		**4,848,607**	4,623,827
Equity			
Foreign Currency Translation Reserve	15	**105,767**	(13,804)
Accumulated Surplus		**4,742,840**	4,637,631
Total equity		**4,848,607**	4,623,827

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Foreign Currency Translation Reserve $	Accumulated Surplus $	Total Equity $
Balance at 31 December 2011	(212,975)	4,048,477	3,835,502
Total comprehensive income for the year			
Surplus for the year	-	589,154	589,154
Other comprehensive income			
Movement in foreign currency translation reserve	199,171	-	199,171
Total comprehensive income for the year	199,171	589,154	788,325
Balance at 31 December 2012	(13,804)	4,637,631	4,623,827
Total comprehensive income for the year			
Surplus for the year	-	**105,209**	**105,209**
Other comprehensive income			
Movement in foreign currency translation reserve	**119,571**	-	**119,571**
Total comprehensive income for the year	**119,571**	**105,209**	**224,780**
Balance at 31 December 2013	**105,767**	**4,742,840**	**4,848,607**

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Consolidated 2013 $	2012 $
Cash flows from operating activities			
Cash received in the course of operations		**99,717,493**	84,276,614
Cash paid in the course of operations		**(100,232,542)**	(86,169,552)
Interest received		**411,486**	376,952
Net cash (used) / provided in operating activities	**17**	**(103,563)**	(1,515,986)
Cash flows from investing activities			
Proceeds from sale of financial assets		**1,478,956**	464,241
Proceeds from sale of plant and equipment		**10,653**	-
Payments for plant and equipment		**(406,919)**	(941,968)
Payments for intangible assets		**(664,461)**	-
Net cash (used) provided in investing activities		**418,229**	(477,727)
Cash flows from financing activities		-	-
Net cash (used)/provided in financing activities		-	-
Net increase /(decrease) in cash held		**314,666**	(1,993,713)
Exchange difference on cash and cash equivalents		**92,184**	-
Cash at the beginning of the financial year		**26,289,998**	28,283,711
Cash at the end of the financial year	**6**	**26,696,848**	26,289,998

The accompanying notes form part of these financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

Save the Children Australia is a public company limited by guarantee, incorporated and domiciled in Australia.

The financial statements for Save the Children Australia and its controlled entities ("the Consolidated Entity") are general purpose financial statements that have 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.

The Consolidated Entity is a not-for-profit entity.

The financial statements are presented in the Australian currency.

The consolidated financial statements for the year ended 31 December 2013 were approved and authorised for issue by the Board on 18 March 2014.

Early adoption of standards

The Consolidated Entity is a Tier 2 entity under *AASB 1053: Application of Tiers of Australian Accounting Standards* and has elected to early adopt *AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (RDR) and AASB 1053* from the financial year commencing 1 July 2010. The revised standard applies to annual reporting years commencing on or after 1 July 2013.

AASB 2010-2 permits reduced disclosures for Tier 2 entities and there is no impact on the Statement of Profit and Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity or Statement of Cash Flows from this early adoption.

The Consolidated Entity has also early adopted the following RDR amendments on the basis that such amendments relate to Australian Accounting Standards applicable mandatorily for the financial year ended 31 December 2013:

- AASB 2011–2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements;
- AASB 2011–6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements;
- AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements;
- AASB 2012-1 Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements;
- AASB 2012-7 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements; and
- AASB 2012-11 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

Historical cost convention

These financial statements have been prepared on an accrual basis, and based on historical costs, as modified for the revaluation of financial assets and financial assets and liabilities at fair value with gains or losses recognised in other comprehensive income and as a separate component of equity.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Save the Children Australia's accounting policies.

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may differ as circumstances change.

Provisions for employee benefits

Provisions for employee benefits payable after 12 months from the end of the reporting period are based on future wage and salary levels, experience of employee departures and periods of service. The amount of these provisions would change should any of these factors change in the next 12 months.

Provision for make good

A provision has been made for the present value of anticipated costs of future restoration of leased premises (refer note 13). The provision includes future cost estimates of restoring the premises to a condition as required by the lessors. In calculating this provision assumptions around costs for the restorations are required. These uncertainties may result in future actual expenditure differing to the amounts currently provided. The provision for each location is reviewed at each balance date and updated based on facts and circumstances available at the time. Changes to the estimated future costs are recognised in the balance sheet by adjusting the asset and provision, and adjusting any movement through the profit or loss.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of Save the Children Australia as at 31 December 2013 and the results of all controlled entities for the year then ended. Save the Children Australia and its controlled entities are referred to in these financial statements as the "Consolidated Entity". These entities are set out in note 18(d).

Controlled entities are all entities over which the Consolidated Entity has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Potential voting rights that are currently exercisable or convertible are considered when assessing control.

Inter-company transactions, balances and unrealised gains on transactions between entities within the Consolidated Entity are eliminated. Unrealised losses on such transactions are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of controlled entities have been changed where necessary to ensure consistency with those policies applied by the parent entity.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Statement of Profit and Loss and Other Comprehensive Income and Statement of Financial Position respectively. Presently there are no non-controlling interests in any of the consolidated entities.

Controlled entities are fully consolidated from the date on which control is transferred to the parent entity. They are deconsolidated from the date that control ceases.

(b) Income Tax

The company is a registered charity under s.50-5 of the Income Tax Assessment Act 1997. No provision for income tax is necessary.

(c) Trade and Other Receivables

All receivables are recognised at original invoice amounts. Trade receivables have repayment terms between 30 and 90 days. Ability to collect trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectable are written off. An allowance is made for doubtful debts where there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms. Objective evidence of impairment includes financial difficulties of the debtor, default payments or debts more than 120 days overdue. On confirmation that the trade receivable will not be collectable the gross carrying value of the asset is written off against the associated provision.

From time to time, the Consolidated Entity elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and are not, in the view of the directors, sufficient to require the de-recognition of the original instrument.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

(d) Inventories

Inventories comprises goods for resale and goods for distribution at no or nominal consideration as part of the Consolidated Entity's charitable activities. Inventories may be purchased or received by way of donation.

Goods for resale

Inventories of goods for resale are valued at the lower of cost and net realisable value. No value is ascribed to goods for resale that have been donated to the Group where fair value cannot be reliably determined. Net realisable value is the estimated selling price in the ordinary course of business, less any applicable selling expenses.

Goods held for distribution

Donated goods and goods purchased for nominal consideration held for distribution are initially recognised at their current replacement cost at date of acquisition. Inventories of goods purchased and held for distribution are initially recognised at cost. The cost of bringing each product to its present location and condition is determined on a first-in, first-out basis.

(e) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less any accumulated depreciation and impairment losses.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the Consolidated Entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate
Buildings	2%
Leasehold improvements	11%–25%
Plant and equipment	7%–33%
Leased plant and equipment	25%
Vehicles	12.5%–25%

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

(e) Property, Plant and Equipment – cont'd

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

(f) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred by external parties to entities in the Consolidated Entity are classified as finance leases. Other leases are classified as operating leases. The Consolidated Entity has no finance leases.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred on a straight line basis. Contingent rentals arising under operating leases are recognised as expenses in the period in which they are incurred.

(g) Intangible Assets

Acquired intangible assets

Acquired and developed computer software is capitalised on the basis of the costs incurred to acquire, develop and install the specific software.

Measurement

All intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives commencing from the time the software is held ready for use. These assets are considered finite.

Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 1(h). The following useful lives are applied:

- Software: 3-7 years

Amortisation has been included within depreciation and amortisation.

Subsequent expenditures on the maintenance of computer software are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

(h) Financial Instruments

Recognition

All investments and other financial assets are measured initially, at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Purchases and sales of investments are recognised on trade date which is the date on which the Consolidated Entity commits to purchase or sell the asset. Accounting policies for each category of investments and other financial assets subsequent to initial recognition are set out below.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Impairment losses are taken to profit or loss.

The *effective interest method* is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Non-current loans and receivables may include loans due from related parties that are repayable more than one year after the period end. In these circumstances, as these are non-interest bearing, the initial recognition at fair value requires an adjustment to discount these loans using a market-rate of interest for a similar instrument with a similar credit rating.

Loans and receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counter party will default.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

(h) Financial Instruments –cont'd

Financial assets

Financial assets at FVTPL

Financial Assets at Fair Value Through Profit or Loss (FVTPL) include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Consolidated Entity has the intention and ability to hold them until maturity.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

All AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'revenue'.

Reversals of impairment losses for AFS debt securities are recognised in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognised. For AFS equity investments impairment reversals are not recognised in profit loss and any subsequent increase in fair value is recognised in other comprehensive income.

The fair value of quoted investments are determined by reference to Stock Exchange quoted market bid prices at the close of business at the end of the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

(h) Financial Instruments – cont'd

Trade and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade and other payables are measured subsequently at amortised cost using the effective interest method.

Fair value

Fair values may be used for financial asset and liability measurement as well as for sundry disclosures.

Fair values for financial instruments traded in active markets are based on quoted market prices at the end of the reporting period.

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. Assumptions used are based on observable market prices and rates at the end of the reporting period. The fair value of long-term debt instruments is determined using quoted market prices for similar instruments. Estimated discounted cash flows are used to determine fair value of the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

(i) Impairment of non financial assets

At the end of each reporting period, the Consolidated Entity assesses whether there is any indication that individual assets including intangible assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Where the future economic benefits of an asset are not primarily dependent on the assets ability to generate net cash inflows and where the entity would, if deprived of the asset replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of the asset.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

(j) Foreign Currency Translation

Items included in the financial statements of the Consolidated Entity are measured using the currency of the primary economic environment in which the Consolidated Entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Save the Children Australia's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in Other Comprehensive Income as part of the fair value gain or loss.

Group Companies

The results and financial position of controlled overseas branches within the Consolidated Entity (none of which has the currency of a hyperinflationary economy) are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position
- income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income and as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income and as a separate component of equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

(k) Employee Benefits

Wages, salaries and annual leave

Liabilities for wages, salaries, including non-monetary benefits and annual leave to be settled within 12 months of the end of the reporting period are recognised in other liabilities in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

Long service leave

Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Superannuation

Contributions to employee superannuation plans are charged as expenses as the contributions are paid or become payable.

(l) Provisions

Provisions are recognised when the Consolidated Entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits can be reliably measured, will result.

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

(m) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of twelve months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

(n) Revenue Recognition

Revenue is recognised when the Consolidated Entity is legally entitled to the income and the amount can be quantified with reasonable accuracy. Revenues are recognised net of amounts of goods and services tax (GST) payable to the Australian Tax Office.

Revenue from Fundraising

General donations and fund raising events

Funding received that is non-reciprocal is recognised when received.

Committed donations

The revenue received under Save the Children Australia's Committed Giving program is recognised when it is received, acknowledging that donors have the ability to cancel their ongoing commitment at any time.

Legacies & Bequests

Legacies are recognised when the Consolidated Entity is notified of an impending distribution or the legacy is received, whichever occurs earlier.

Revenue from legacies comprising bequests of shares are recognised at fair value, being the market value of the shares at the date the Consolidated Entity becomes legally entitled to the shares. Subsequent gains/losses realised upon sale of listed securities are recorded in profit or loss.

Government and Other Grants

Government and other funding received or receivable on the condition that specified services are delivered, or conditions are fulfilled, are considered reciprocal. Such grants are recognised as deferred income, and revenue is recognised as services are performed or conditions fulfilled, being the expenditure incurred relating to the specified project.

In the event that surplus funds remain after programs are completed, these surplus funds are returned to the relevant funding bodies when requested.

Sales of Goods

Revenue from sales of goods comprises revenue earned (net of returns) from the sale of goods purchased for resale and gifts donated for resale. Sales revenue is recognised upon the delivery of goods to customers.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

(n) Revenue Recognition – cont'd

Interest Income

Interest revenue is recognised on a proportional basis using the effective interest rate method, taking into account the interest rates applicable to the financial assets.

Interest revenue earned on government and other grant funding received in advance of program expenditure is applied for use within a program where the contract for services with the funding provider specifies as such. Such interest revenue is recognised as deferred income, and revenue is recognised as services are performed or conditions fulfilled, being the expenditure incurred relating to the specified project.

Amounts due under funding contracts relate primarily to program funding which has been invoiced by Save the Children Australia but remains outstanding at the end of the reporting period. Accrued income relates primarily to program funding which is un-invoiced as at the end of the reporting period but is due to Save the Children Australia under various funding contracts.

(o) Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to a particular category they have been allocated to activities on a basis consistent with use of the resources. Premises overheads have been allocated on a floor area basis and other overheads have been allocated on the basis of head count.

Fundraising costs are those incurred in seeking voluntary contributions by donation and include costs of disseminating information relating to the activities carried on by the company.

International and domestic aid and development programs expenditure are those costs directly incurred in supporting the objects of the company and include project management carried out by central administration.

Accountability and administration costs are those incurred in connection with administration of the Consolidated Entity and compliance with constitutional and statutory requirements.

Community education includes all costs related to informing and educating the Australian community of, and inviting their active involvement in, global justice, development and humanitarian issues. This includes the cost of producing and distributing materials, the cost of conducting educational and public policy campaigns, and the cost of personnel involved in these activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

(p) Goods and Services Tax (GST)

Revenues and expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

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

(q) Interest-Bearing Liabilities

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

All borrowings are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(r) Deferred Income

The liability for deferred 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.

(s) Parent Entity Financial Information

The financial information for the parent entity, Save the Children Australia, disclosed in note 16 has been prepared on the same basis as the consolidated financial statements.

(t) Gifts in Kind

During the year, Save the Children Australia arranged for volunteers to donate materials and time to the 'Born to Knit' campaign to make blankets for distribution across Australia. A total of 637 blankets were donated during the year and were undistributed at year end. For the purposes of the financial statements, the fair value for each blanket has been determined to be $50, giving a total contribution of $31,850 for 2013 (2012: $281,213). These have been recognised as income in the profit or loss and as inventory in the Statement of Financial Position. All 468 blankets held in inventory at the prior year end were distributed during 2013. There was also a further gifting of free consulting work to Save the Children to the value of $32,088 (2012: Nil).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

(u) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 2013 reporting periods. Save the Children Australia's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Requirements for the classification and measurement of financial assets and liabilities

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.

(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- The change attributable to changes in credit risk are presented in other comprehensive income (OCI); and
- The remaining change is presented in profit or loss.

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- Classification and measurement of financial liabilities; and
- De-recognition requirements for financial assets and liabilities.

Changes in accounting policies

New and revised standards that are effective for annual periods beginning on or after 1 January 2013

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2013. Information on these new standards is presented below.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

(u) New accounting standards and interpretations – cont'd

AASB 13 *Fair Value Measurement*

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Consolidated Entity has however included as comparative information the AASB 13 disclosures that were required previously by AASB 7 *Financial Instruments: Disclosures*.

The Consolidated Entity has applied AASB 13 for the first time in the current year.

Amendments to AASB 119 *Employee Benefits*

The 2011 amendments to AASB 119 made a number of changes to the accounting for employee benefits. The amendments relevant to the Consolidated Entity relate to the measurement of annual leave entitlements.

Employee benefits 'expected to be settled wholly' within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period is now a long-term benefit required to be discounted when calculating the leave liability.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

AASB 2011-9 requires entities to group items presented in Other Comprehensive Income ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (i.e. reclassification adjustments).

AASB 2011-9 does not remove the option to present profit or loss and other comprehensive income in two statements.

AASB 2011-9 changes the title of 'statement of comprehensive income' to 'statement of profit or loss and other comprehensive income'. However, these amendments do not prohibit entities using titles other than those used in AASB 101 *Presentation of Financial Statements*.

All of the above amendments have had no significant impact on the Consolidated Entity.

		Consolidated Entity	
		2013	2012
		$	$
2.	**REVENUES FROM COMMERCIAL ACTIVITIES**		
	Sale of goods	**2,850,336**	2,843,582
	Raffle sales	**101,670**	537,460
	Registered training organisation	**10,607**	32,157
	Total	**2,962,613**	3,413,199
3.	**INVESTMENT INCOME**		
	Interest	**411,486**	376,952
	Gain on sale of financial assets	**250,673**	27,402
	Total	**662,159**	404,354
4.	**EXPENSES**		
	Operating Surplus/(Shortfall) includes the following specific expenses:		
	Depreciation of property, plant and equipment	**877,940**	922,916
	Employee benefits	**16,669,728**	15,266,122
	Rental expenses relating to operating leases	**2,120,608**	2,029,041
	Loss on sale of property, plant and equipment	**36,310**	-
	Stock written off	**-**	2,346
5.	**AUDITOR'S REMUNERATION**		
	Statutory audit		
	- Grant Thornton/BDO*	**117,700**	137,400
	- Other	**20,835**	15,334
		138,535	152,734
	Acquittal audits**		
	- Grant Thornton/BDO*	**36,110**	32,338
		36,110	32,338
	Total	**174,645**	185,072

* In 2012 BDO (NSW & Vic) merged with Grant Thornton

**Audit of specific project income and expenditure required by donors.

		2013	2012
6.	**CASH AND CASH EQUIVALENTS**		
	Cash on hand	**19,016**	16,612
	Cash at bank	**8,677,832**	21,114,415
	Term deposits	**18,000,000**	5,158,971
		26,696,848	26,289,998

	Consolidated Entity	
	2013	2012
	$	$

7. TRADE AND OTHER RECEIVABLES

	2013 $	2012 $
Current		
Amounts due under funding contracts	**3,309,236**	2,896,671
Sundry receivables and prepayments	**12,475,693**	4,712,097
GST receivable	**622,158**	607,110
Accrued income	**4,029,588**	2,917,445
Total	**20,436,675**	11,133,323

Payment terms on receivables past due but not considered impaired have not been renegotiated. The Consolidated Entity has been in direct contact with the relevant customers and is reasonably satisfied that payment will be received in full. None of the debtors is considered impaired.

8. INVENTORIES

	2013 $	2012 $
Gifts in Kind - Blankets	**31,850**	23,413
Fundraising merchandise - at cost	**51,180**	97,885
Total	**83,030**	121,298

9. OTHER FINANCIAL ASSETS

	2013 $	2012 $
Listed investments at fair value through profit or loss		
- Shares in listed corporations	-	1,149,621
- David Rivett fund	-	69,153
- Florence Simpson fund	-	9,509
Total	-	1,228,283

Financial assets include shares bequeathed to the company. There are no fixed returns or fixed maturity dates attached to these investments. The two trust funds were wound up in 2013 and the assets transferred to the Save the Children Australia Trust for use in two specific Australian programs which satisfied the purpose of the wound up trust funds.

10. PROPERTY, PLANT AND EQUIPMENT

	Consolidated Entity 2013 $	Consolidated Entity 2012 $
Land and buildings - at cost	**963,563**	963,563
Less: Accumulated depreciation	**(240,473)**	(203,377)
	723,090	760,186
Leasehold improvements - at cost	**2,090,852**	1,897,644
Less: Accumulated depreciation	**(808,968)**	(610,147)
	1,281,884	1,287,497
Plant and equipment - at cost	**3,030,535**	2,808,997
Less: Accumulated depreciation	**(1,890,247)**	(1,489,943)
	1,140,288	1,319,054
Motor vehicles - at cost	**1,609,853**	1,714,701
Less: Accumulated depreciation	**(1,094,222)**	(902,561)
	515,631	812,140
Total property, plant and equipment	**3,660,893**	4,178,877

10. PROPERTY, PLANT AND EQUIPMENT – cont'd

Movement in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the financial year:

Consolidated Entity	Land & Buildings $	Leasehold Improvements $	Plant & Equipment $	Motor Vehicles $	Total $
Carrying amount at 31 December 2011	797,292	1,135,161	1,312,202	780,775	4,025,430
Additions at cost	-	335,119	415,740	325,504	1,076,363
Disposals	-	-	-	-	-
Reallocations	-	(5,976)	4,375	1,601	-
Depreciation expense	(37,106)	(176,807)	(413,263)	(295,740)	(922,916)
Carrying amount at 31 December 2012	760,186	1,287,497	1,319,054	812,140	4,178,877
Additions at cost	-	**193,207**	**213,712**	-	**406,919**
Disposals	-	-	**(2,581)**	**(44,382)**	**(46,963)**
Reallocations	-	-	-	-	-
Depreciation expense	**(37,096)**	**(198,820)**	**(389,897)**	**(252,127)**	**(877,940)**
Carrying amount at 31 December 2013	**723,090**	**1,281,884**	**1,140,288**	**515,631**	**3,660,893**

	Consolidated Entity 2013 $	Consolidated Entity 2012 $
11. INTANGIBLE ASSETS		
Software – work in progress – at cost	**785,481**	-
Less: accumulated amortisation	**-**	-
	785,481	-
12. TRADE AND OTHER PAYABLES		
Other creditors and accruals	**7,597,068**	3,436,059
Annual leave	**1,205,268**	1,075,493
Operating leases	**225,728**	280,741
	9,028,064	4,792,293

	Consolidated Entity 2013 $	Consolidated Entity 2012 $
13. PROVISIONS		
Current		
Employee benefits – long service leave	**410,920**	476,393
Non-current		
Employee benefits – long service leave	**293,825**	221,455
Provision – severance pay	**59,972**	46,523
Provision for make good	**384,090**	384,090
	737,887	652,068
14. DEFERRED INCOME		
Deferred income	**36,637,449**	32,407,198

Deferred income consists of deferred government grants.

	2013 $	2012 $
15. EQUITY		
Foreign Currency Translation Reserve	**105,767**	(13,804)

Exchange differences arising on translation of the foreign controlled operations are recognised in other comprehensive income as described in Note 1(i) and accumulated in a separate reserve within equity.

16. PARENT ENTITY INFORMATION

(a) The following detailed information is related to the parent entity, Save the Children Australia, at 31 December 2013. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2013	2012
	$	$
Current assets	44,804,860	35,770,718
Non-current assets	4,651,943	4,384,447
Total assets	**49,456,803**	40,155,165
Current liabilities	44,505,832	35,421,432
Non-current liabilities	737,887	652,068
Total liabilities	**45,243,719**	36,073,500
Foreign currency translation reserve	105,767	(13,804)
Accumulated surplus	4,107,317	4,095,469
Total equity	**4,213,084**	4,081,665
Surplus/ (Deficit) for the year	11,847	819,718
Other comprehensive income for the year	119,571	199,171
Total comprehensive income / (loss) for the year	**131,418**	1,018,889

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities at 31 December 2013.

17. CASH FLOW INFORMATION

Reconciliation of net surplus for the year to net cash provided by operating activities

	Consolidated Entity	
	2013	2012
	$	$
Net Surplus /(Deficit) for the year	105,209	589,154
Non-cash flows in surplus for the year:		
Realised exchange movement in cash and cash equivalents	(92,184)	-
Financial assets received	-	(1,149,621)
Gain on sale of financial asset	(250,673)	(27,402)
Depreciation	877,940	922,916
Loss on sale of property, plant and equipment	36,310	-
Stock written off	-	2,346
Changes in assets and liabilities:		
(Increase) / Decrease in inventories	38,268	(46,419)
(Increase) in trade and other receivables	(9,303,352)	(297,406)
Increase / (Decrease) in trade and other payables	4,234,322	(3,270,104)
Increase in deferred income	4,230,251	1,703,904
Increase in provisions	20,346	56,646
Net cash (used) / provided by operating activities	(103,563)	(1,515,986)

18. RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

	Consolidated Entity	
	2013	2012
	$	$
Key management personnel compensation is related to those employees who sit on the Executive Committee having authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity.	**1,584,628**	1,812,855

As at December 2013 there were 7 key management personnel (December 2012: 7).

(b) Transactions with key management personnel

No transactions occurred with key management personnel during the reporting period.

(c) Transactions with related parties

Directors of the company and controlled entities provide their services on a voluntary basis (see note 2 of the Corporate Governance Statement). There have been no related parties transactions with directors other than reimbursement of necessarily incurred expenditure.

There are no amounts payable to, or receivable from, directors or director-related entities during and at the end of the reporting period.

(d) Controlled entities

Interests in controlled entities are set out below.

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in Note 1(a):

		Percentage owned %	
Controlled entity of Save the Children Australia:	**Incorporated**	**2013**	**2012**
Save the Children Australia - Victorian Division (a company limited by guarantee, ABN 14 005 486 331) (Deregistered 3 November 2013)	Australia	Nil	100

Controlled entity of Save the Children Australia:	**Established**	**Trustee**
Save the Children Australia Trust (ABN 79 685 451 696)	Australia	Save the Children Australia

19. LEASING COMMITMENTS

	Consolidated Entity	
	2013	2012
	$	$
Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
Not later than 12 months	**2,021,973**	1,969,729
Later than 12 months but not later than 5 years	**2,842,990**	3,055,120
More than 5 years	-	-
	4,864,963	5,024,849

Operating lease commitments include property leases which are non-cancellable leases with no ability to exit without penalty prior to the end of the lease term. Terms vary but are within one to five-year terms, with rent payable monthly in advance. Contingent rental provisions within the lease agreements may require the minimum lease payments to be increased in line with CPI. Some leases have options to renew the lease at the end of the lease terms for an additional period of time.

20. CONTINGENT LIABILITIES

The Consolidated Entity has no contingent liabilities or outstanding legal claims at the end of the reporting period, for which provision needs to be provided.

21. MEMBERS' GUARANTEE

Save the Children Australia is a company limited by guarantee. In the event of, and for the purpose of, the winding up of the company, the amount capable of being called up from each member and any person or association who has ceased to be a member in the year prior to the winding up, is limited to $1,000 for members that are corporations and $10 for all other members, subject to the provisions of the company's constitution. At 2013 the collective liability of members was $19,200 (2012: $16,310).

22. SUBSEQUENT EVENTS

Other than the following there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in the next financial year.

The Consolidated Entity's agreement with the Department of Immigration and Border Protection to provide services to children seeking asylum on Nauru was varied to include services to families. This variation has increased the level of expenditure incurred and income received on an ongoing basis.

23. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's activities expose it to a variety of financial risks: interest rate risk, credit risk, liquidity risk and foreign currency (fx) risk. The Consolidated Entities overall risk management strategy & framework recognises the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance and future financial security of the Consolidated Entity.

The Consolidated Entity's principal financial instruments comprise of cash and short-term deposits, receivables and payables.

The Consolidated Entity holds the following financial instruments:

	Notes	Consolidated Entity 2013 $	2012 $
Financial assets			
Cash and cash equivalents	6	**8,696,848**	21,131,027
Fixed term deposits	6	**18,000,000**	5,158,971
Trade receivables	7	**3,309,236**	2,896,671
Other receivables	7	**17,127,439**	8,236,652
Other financial assets	9	**-**	1,228,283
Total financial assets		**47,133,523**	38,651,604
Financial liabilities			
Other Creditors and Accruals	12	**7,597,068**	3,436,059
Total financial liabilities		**7,597,068**	3,436,059

(a) Interest rate risk

The Consolidated Entity has a significant amount of funds on term deposit with financial institutions that are liquid in nature. Refer to Note 3 for the investment income from these held-to-maturity assets.

These highly liquid investments have maturities of twelve months or less and can be readily converted to cash. They therefore provide no material exposure to changes in market interest rates.

(b) Credit risk

The Consolidated Entity has no significant concentrations of credit risk apart from with the Australian Government relating to funding for programs.

(c) Liquidity risk

Liquidity risk arises from the financial liabilities of the Consolidated Entity and its ability to meet its obligations to repay these liabilities as and when they fall due. The Consolidated Entity manages this liquidity risk by monitoring total cash inflows and outflows expected on a monthly basis and maintaining sufficient cash and liquid investments to meet Australian and worldwide operating requirements.

23. FINANCIAL RISK MANAGEMENT –cont'd

(d) Foreign currency (fx) risk

The Consolidated Entity predominately receives funding in Australian Dollars (AUD) and the majority of program commitments are in AUD.

There are some smaller programs and expenses that require a foreign currency commitment, however these are not considered material. There is therefore minimal foreign currency risk and no requirement to hedge our foreign currency exposure.

The Consolidated Entity maintains bank accounts in local currencies for our Pacific offices, which at the reporting date were for AUD equivalent $948,681 (2012: $2,259,397). The Consolidated Entity also maintain foreign currency accounts for the occasional grant received and transfer required in foreign currency. These accounts at the reporting date were for AUD equivalent $476,965 (2012: $11,994). The Consolidated Entity has assessed that the foreign currency exposure to fluctuations in these non-AUD denominated accounts is not material.

The following are the foreign balances at the end of 2013:

Bank Account	Currency	Foreign Currency Balance	AUD Equivalents
Melbourne	USD	7,873	8,524
Melbourne	PGK	343	141
Melbourne	EUR	311,737	468,300
In PNG	PGK	1,232,466	556,142
In Solomon Islands	SBD	1,247,972	192,612
In Vanuatu	VUV	17,018,090	199,927
Total			**1,425,646**

24. NSW CHARITABLE FUNDRAISING ACT 1991

The following information is provided to comply with relevant provisions of NSW legislation (Charitable Fundraising Act 1991).

The Income Statement gives a true and fair view with respect to fundraising appeals conducted by the company. The fundraising provisions of the Act as they apply to the company's fundraising in NSW have been complied with and the internal controls exercised are appropriate and effective in accounting for all income received by the company from fundraising.

Fundraising activities include:

- Direct mail
- Direct response television
- Telemarketing
- On-line
- Media awareness
- Face to face campaigns
- Major gifts program
- Corporate donations
- Trust and foundations program
- Cash appeals
- Emergency appeals
- Workplace Giving program
- Special events
- Community service announcements

	Total Income	Total Fundraising Direct Expenses	Net Income	Total Income	Total Fundraising Direct Expenses	Net Income
	2013	2013	2013	2012	2012	2012
	$	$	$	$	$	$
Fundraising Information						
Donations and Gifts	**22,993,716**	**7,391,309**	**15,602,407**	28,090,635	6,824,487	21,266,149
Special Events	**753,495**	**339,859**	**413,636**	787,676	423,853	363,823
Emergency Appeals	**3,364,782**	**274,207**	**3,090,575**	484,214	-	484,214
	27,111,993	**8,005,375**	**19,106,618**	29,362,525	7,248,340	22,114,185
Bequests and Legacies	**1,457,669**	**-**	**1,457,669**	3,253,699	-	3,253,699
Grants						
- Australian	**21,489,980**	**500,549**	**20,989,431**	12,900,264	1,181,694	11,718,570
- DFAT	**39,334,143**	**-**	**39,334,143**	29,050,214	-	29,050,214
- Other Overseas	**9,640,298**	**-**	**9,640,298**	7,442,132	-	7,442,132
Revenues from commercial activities						
- Sale of Goods & Other	**2,850,336**	**-**	**2,850,336**	2,843,582	-	2,843,582
- Raffle Sales	**101,670**	**-**	**101,670**	537,460	-	537,460
- Registered training organisation	**10,607**	**-**	**10,607**	32,157		32,157
Investment Income	**662,159**	**-**	**662,159**	404,354	-	404,354
Other Income	**356,304**	**-**	**356,304**	301,609	-	301,609
Total Net Income Contribution	**103,015,159**	**8,505,924**	**94,509,235**	86,127,996	8,430,034	77,697,962

24. NSW CHARITABLE FUNDRAISING ACT 1991- cont'd

	Total Income	Expenses	Net Income	Total Income	Expenses	Net Income
	2013	2013	2013	2012	2012	2012
	$	$	$	$	$	$
Total net Income Contribution	**103,015,159**	**8,505,924**	**94,509,235**	**86,127,996**	**8,430,034**	**77,697,962**
Program. Administration and Other						
Community Education	-	2,360,746	(2,360,746)	-	1,519,683	(1,519,683)
International Programs including delivery	-	64,787,100	(64,787,100)	-	48,068,368	(48,068,368)
Domestic Programs including delivery	-	18,464,111	(18,464,111)	-	17,822,519	(17,822,519)
Unallocated Fundraising Costs	-			-	-	-
Commercial Activities	-	2,022,003	(2,022,003)		2,664,991	(2,664,991)
Administration	-	6,770,066	(6,770,066)	-	7,033,247	(7,033,247)
Total Program, Administration and Other	-	94,404,026	(94,404,026)	-	77,108,808	(77,108,808)
Operating Surplus/(Deficit)	103,015,159	102,909,950	105,209	86,127,996	85,538,842	589,154

24. NSW CHARITABLE FUNDRAISING ACT 1991 – cont'd

	2013	2013	2012	2012
Comparison of monetary figures and percentages	**$**	**%**	**$**	**%**
Ratio of Fundraising Costs to Gross Income from Fundraising				
Total Cost of Fundraising and Donations	**8,505,924**	**31.37%**	8,430,034	28.71%
Gross Income from Fundraising and Donations	**27,111,993**		29,362,525	
Ratio of Fundraising Costs to Total Income				
Total Cost of Fundraising and Donations	**8,505,924**	**8.26%**	8,430,034	9.79%
Total Income	**103,015,159**		86,127,996	
Ratio of Surplus Fundraising to Gross Income from Fundraising				
Net Surplus from Fundraising and Donations	**18,606,069**	**68.63%**	20,932,492	71.30%
Gross Income from Fundraising and Donations	**27,111,993**		29,362,525	
Ratio of Cost of Fundraising using Traders to Total Income received from Fundraising using Traders*				
Total Cost of Fundraising using Traders	**2,215,619**	**11.59%**	2,201,842	10.05%
Total Income from Fundraising using Traders	**19,114,376**		21,917,589	
Ratio of Cost of Service and Programs provided to Total Income				
Total Cost of Services and Programs provided	**85,611,958**	**83.11%**	67,410,570	78.27%
Total Income	**103,015,159**		86,127,996	
Ratio of Cost of Service and Programs provided to Total Expenditure				
Total Cost of Services and Programs provided	**85,611,958**	**83.19%**	67,410,570	78.81%
Total Expenditure	**102,909,951**		85,538,842	

**Traders is a defined term under the NSW Charitable Fundraising Act 1991, and in this context relates to Face to Face Donor Recruitment.*

25. INFORMATION PROVIDED UNDER THE ACFID CODE OF CONDUCT

The company is a signatory to the Australian Council for International Development (ACFID) Code of Conduct, and as such has an obligation to provide the following information which demonstrates adherence to the Code's financial standards. For further information on the Code please refer to the ACFID Code of Conduct Guidance Document available at www.acfid.asn.au.

Table of Cash Movements for Designated Purposes

	Cash available at the beginning of the financial year	Cash raised during the financial year	Cash disbursed during the financial year	Cash available at the end of the financial year
Grants – Afghanistan – Uruzgan Health Education Program - DFAT	6,712,724	11,601,132	16,133,232	2,180,624
Grants – Myanmar Education Consortium DFAT	-	13,426,392	4,612,717	8,813,675
Total for other non-designated purposes	19,577,274	76,591,065	80,465,790	15,702,549
Total	**26,289,998**	**101,618,589**	**101,211,739**	**26,696,848**

No other single appeal represented more than 10% of the total cash raised.

SAVE THE CHILDREN AUSTRALIA
ACN 008 610 035
AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 31 DECEMBER 2013

The directors of Save the Children Australia ('Company') declare that:

(a) the financial statements comprising the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity, and accompanying notes, of the Company and its controlled entities ('Consolidated Entity'), as set out on pages 11 to 45 are in accordance with the *Corporations Act 2001* and:

  (i) comply with Accounting Standards and the Corporations Regulations 2001;

  (ii) give a true and fair view of the financial position of the Consolidated Entity as at 31 December 2013 and of the performance of the Consolidated Entity for the year ended on that date; and

  (iii) comply with the requirements set out in the ACFID Code of Conduct;

(b) 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:

Peter Hodgson
Chairman

Melbourne :

18 March 2014

Grant Thornton

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Independent Auditor's Report
To the Members of Save the Children Australia

We have audited the accompanying financial report of Save the Children Australia (the "Entity"), which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 consolidated entity comprising the Entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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 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 Entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal 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.

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

Auditor's opinion
In our opinion the financial report of Save the Children Australia is in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards- Reduced Disclosure Requirements and the Corporations Regulations 2001.

Other matters
Without qualifying our opinion, we draw attention to the following matter. As indicated in Note 1 the consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and table of cash movements for designated purpose as disclosed in Note 25 has been prepared in compliance with the Australian Council for International Development (ACFID) Code of Conduct Section C.2.2.

Report on the Australian Council for International Development ('ACFID') Code of Conduct Summary Financial Report (the 'Report')
We have audited the Report of the Company, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and table of cash movement for designated purpose as disclosed in Note 25 for the year ended in that date and the directors' declaration. The directors of the company are responsible for the preparation and presentation of the Report in accordance with section C.2.2 of the *Australian Council for International Development (ACFID) Code of Conduct.* Our responsibility is to express an opinion on the Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

Auditor's opinion
In our opinion, the Australian Council for International Development (ACFID) Code of Conduct Summary Financial Report of Save the Children Australia for the year ended 31 December 2013 complies with section C.2.2 of the *Australian Council for International Development (ACFID) Code of Conduct.*

I, Eric Passaris, am currently a member of the Institute of Chartered Accountants in Australia and my membership number is 78720.

Grant Thornton Audit Pty Ltd was the audit firm appointed to undertake the audit of Save the Children Australia for the year ended 31 December 2013. I was responsible for the execution of the audit and delivery of our firm's audit report.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Eric W Passaris

Eric Passaris
Partner - Audit & Assurance

Melbourne, 18 March 2014

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Save the Children Australia acknowledges the traditional owners of country throughout Australia and their continuing connection to land and community. We pay our respect to them and their cultures, and to elders past and present.

Save the Children Australia is a member of the **Australian Council for International Development (ACFID)** and a signatory to its Code of Conduct. The Code requires members to meet high standards of corporate governance, public accountability and financial management.

Save the Children Australia is fully accredited by the **Department of Foreign Affairs and Trade**, the Government agency responsible for managing Australia's overseas aid program.

We have a process for handling complaints. If you have a complaint, please call our Supporter Relations team on 1800 76 00 11 or email: **info@savethechildren.org.au.** Complaints relating to the breach of the ACFID Code of Conduct can be made to the ACFID Code of Conduct Committee at **acfid.asn.au.**

Front cover: Robert McKechnie / Save the Children
Back cover: David Wardell / Save the Children

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