SDN Children's Services and Controlled Entities

Financial Statements

30 June 2015

ABN: 23 000 014 335

Contents

Corporate Directory

Directors

Darren Mitchell	Chair
Kirsty Albert	Director
Cynthia à Beckett	Director
Alexandra (Frier) Bentley	Director
Natalie Berney	Director
Theresa Collignon	Director
Angela Donohoe	Director
Anthony Gall	Director
Glenn Hughes	Director
Rosalie Wilkie	Director
Barbara Wise	Director

Company Secretary

Virginia Udy

Registered Office and Principal Place of Business

Level 2

86-90 Bay Street

Broadway NSW 2007

Auditor

BDO East Coast Partnership

Level 11,

1 Margaret Street

Sydney NSW 2000

Website address

www.sdn.org.au

Directors' report 30 June 2015

Your Directors present their report for SDN Children's Services and its controlled entities (the 'group') for the year ended
30 June 2015.

Directors

The names of the Directors who have been a director during the year and to the date of this report are:

Mr Darren Mitchell (Chair from November 2014)

Ms Kirsty Albert

Dr Cynthia à Beckett

Ms Frier Bentley

Ms Natalie Berney (appointed 8 October 2014)

Ms Theresa Collignon

Ms Angela Donohoe

Mr Anthony Gall

Mr Glenn Hughes (appointed 4 August 2014)

Dr Alice Killen (resigned 4 August 2014)

Ms Rosalie Wilkie

Ms Barbara Wise (appointed 1 December 2014)

Company secretary

Ms Virginia Udy held the position of company secretary at the end of the financial year.

Principal activities and review of operations

SDN's principal activities include:

- high quality, inclusive early childhood education and care
- early childhood intervention for children with disabilities
- family support services
- children's services practitioner support
- Aboriginal training and employment support

These activities have not changed during the year.

Directors' report
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Short and long term objectives of the group

SDN Children's Services' long term vision is to work towards a world where:

- The promise and potential of children is realised
- Families are strong and caring
- Children's services are valued and well resourced

To achieve this vision our mission is to:

- Provide high quality early childhood education and care
- Strengthen families and communities
- Address inequalities faced by children

To achieve this mission, SDN's Strategic Plan for 2013-15 outlines SDN strategic outcomes as per below:

High Level Outcomes

- Children's quality of life and life chances are enhanced through the services we provide and support
- Children and families from traditionally excluded groups belong and have opportunities to participate in the services that we provide and support

Service Outcome

- SDN provides high quality, inclusive, integrated services and support to children and families and other children's services

These strategic outcomes are achieved by supporting outcomes:

Supporting Outcome 1 – SDN People

SDN staff are committed to and skilled in the provision and support of high quality, integrated, inclusive services and enabled by:

- professional learning
- transparent accountability
- capable leadership
- staff well-being

Support Outcome 2 – Organisational Infrastructure

SDN has the organisational infrastructure and resources to keep growing, improving and innovating through:

- continuous quality improvement
- responsible growth
- use of effective systems

Directors' report 30 June 2015

Supporting Outcome 3 – Research and Evaluation

SDN contributes to the early childhood sector by engaging in:

- research and evaluation
- capacity building
- raising awareness

We also believe that our vision, mission and outcomes will only be realised if all our activity reflects our organisational philosophy and values:

- trustworthy and reliable
- inclusive and caring
- creative and innovative

Performance measurements

SDN measures the quality of our services and our work through agreed Key Performance Indicators we have detailed below.

1. The extent of the benefit we provide to others is measured through:

The number of children, families and other children's services providers who benefit from what we provide.

We helped 7,744 children (a 1.7% increase on last year):

- 3,332 children received high-quality education and care in our 25 centres
- 3,376 children who face challenges and barriers were supported to enrol in mainstream services
- 796 children with disabilities or development delays were directly assisted through our programs
- 240 children were assisted through supported playgroups we run

We also helped:

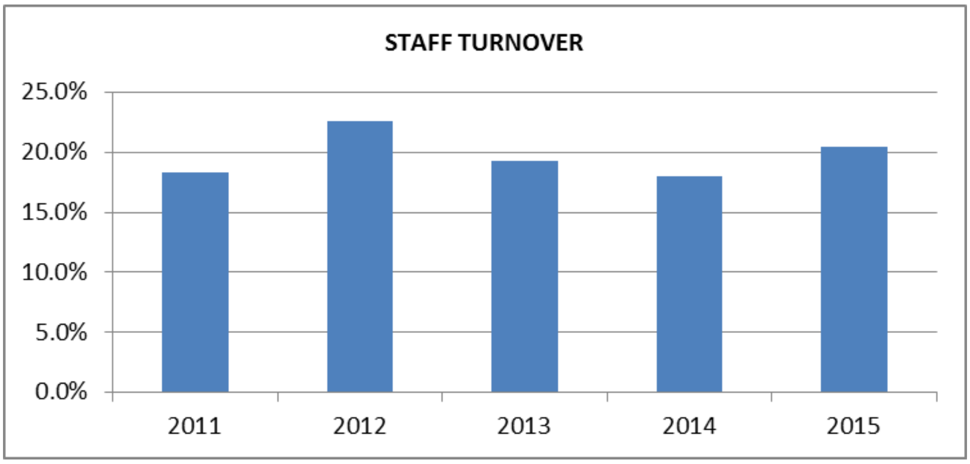
- 1,448 families facing challenges who were strengthened through our programs (a 14% increase on last year)
- 2,698 individual children's services providers received advice, resources and support (a 26% increase on last year):

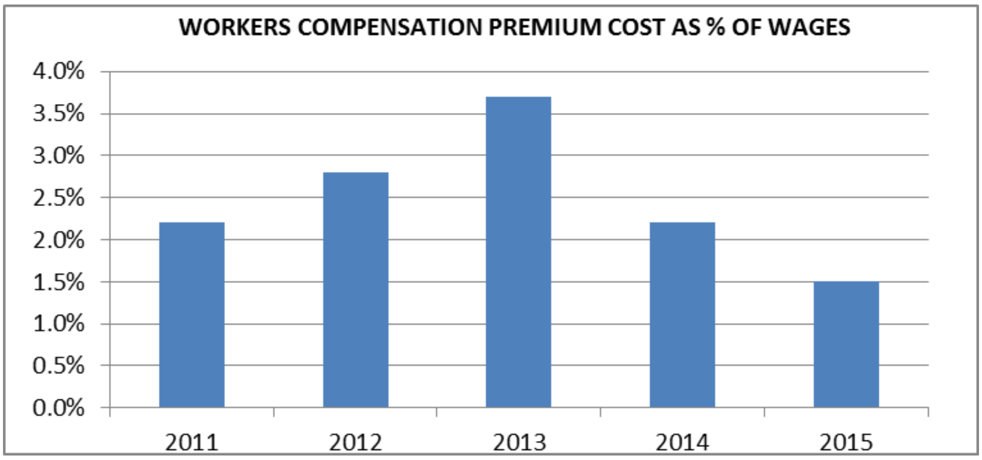
The increases in families and other service providers supported was due to the expansion of our Early Childhood Links program and our work as Inclusion Support Agencies.

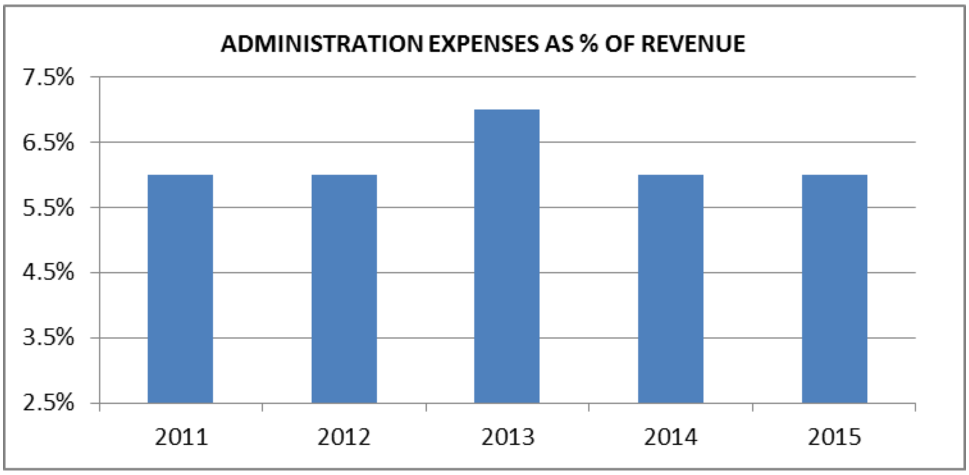
Utilisation of our centres as a proportion of licence was 90% (2014: 93%; 2013: 91%; 2012: 90%; 2011: 92%).

Directors' report
30 June 2015

2. Organisational efficiency in providing these benefits is measured by tracking:







Directors' report 30 June 2015

3. We also measure our quality and effectiveness through external endorsements:

The National Quality Framework for Early Childhood Education and Care (NQF) came into force in January 2012. From August 2012, the first SDN children's education and care centres began to be assessed under the NQF. Up until 30 June 2015, 16 of our centres have been assessed and rated.

Only one centre, SDN Gumnut in Lithgow, was assessed during the 2014-15 year, achieving a rating of Exceeding the National Quality Standard. Of the 16 centres, 12 have received an overall rating of Exceeding the National Quality Standard. Two centres have received a rating of 'Meeting', and a further two have been rated as 'Working Towards the Standard,' a rating we are aiming to bring up to 'Meeting' the next time they are assessed.

This means 87% of our centres have achieved Meeting the Standard or better. The Board has set a KPI of 100% of centres to be rated at least the 'Meeting' the National Standard. While we have not yet met our own KPI, the results so far compare extremely favourably against all NSW centres. According to the Australian Children's Education and Care Quality Authority (ACECQA), by August 2015 only 57% of centres assessed in NSW had achieved a 'Meeting' or better rating, and 21% had been assessed as 'Exceeding' the National Quality Standard.

Through 2015, SDN consulted on the development of its 2016-18 strategic plan. This included a review of performance against our current 2013-15 plan, consultation with staff, leaders and external stakeholders on our vision, purpose, mission and high level outcomes.

More detail on the progress we have made towards achieving our long and short term objectives (our vision, mission and strategic outcomes) is provided in our 2014-2015 Annual Report.

Financial Highlights

SDN reported a net surplus for the financial year of $506,304, which represents 1% of revenue, a decrease of $320,563 from $826,867 in 2013-14. The consolidated surplus includes SDN Child and Family Services Pty Limited, which reported a deficit of $538,538 (down from $306,142 surplus in the prior year). The majority of this change is due to the investment SDN made setting up as a provider under the National Disability Insurance Scheme (NDIS) in the ACT, and the cost of storm damage repairs to the Beranga Centre.

Total group revenue was $50,086,397, an increase of 12% or $5,378,180 compared with the previous year's revenue of $44,708,217. An increase in expenditure of $5,698,743 is a 13% increase from $43,881,350 in 2013-14 to $49,580,093.

The overall increase in revenue was mainly due to an increase in child care fees and government funding. Revenue from child care fees increased to $29,768,411 an increase of 7% or $1,906,823 compared with $27,861,588 in 2013-14, and represents 59% of SDN's revenue.

Income from government-funded programs and grants made up 39% of group revenue at $19,734,049 an increase of 21% or $3,361,470 compared with $16,372,579 in 2013-14. Government funds are for the delivery of specific programs and projects, and are the result of successful tenders, grant applications, and direct allocations.

Directors' report 30 June 2015

Financial Highlights (continued)

The contracts we hold for the programs we deliver have a range of completion dates. The funding from the NSW Government for our Early Childhood Links program has been renewed, however we have had to re-tender for funding from the Australian government for our family support and indigenous programs. Our funding from the NSW Department of Education and Communities for Supporting Children with Additional Needs (SCAN) expired in November 2014, as a result of the Government's restructuring of the program.

In February 2015 SDN commenced as a provider under the National Disability Insurance Scheme (NDIS) in the ACT to deliver disability services to children, based at the Namadgi and Weetangara Schools. The ACT government supported the establishment of this service with a one off grant of $63,636.

During the recent NSW State Election Campaign it was announced by the NSW government that the NDIS roll out to the Nepean Blue Mountains region would be brought forward to September 2015. In this region SDN currently provides its NSW state government funded Early Childhood Links Program in Penrith and Lithgow funded by Ageing, Disability and Home Care (ADHC). This funding is being phased out over the 2015-16 financial year as we transition to the NDIS. SDN will continue to provide disability services for children in this region and is revising its service model in response to these changes.

We continued to seek fundraising and philanthropic grants and donations from a variety of sources throughout the year. This includes the volunteer parent committees that support many of our children's education and care centres by fundraising for additional equipment for their centres or for special excursions for the children. Net fundraising was $16,859, representing a ratio of total cost to gross proceeds of fundraising of 21%.

The major component of SDN's expenditure of $49,580,093 is the cost of employment. This represents 80% of total expenditure (slightly up from 79% in 2013-14). Administration overheads remained at 9% of total expenditure.

Our capital works program continued to ensure our owned and managed centres and offices were continually upgraded during the year. Expenditure on capital improvements during the year totaled $1,598,069.

SDN generated total cash receipts of $52,704,675, up from $47,815,386, with cash holdings of $14,304,969, down by $657,323 from $14,962,292 as at 30 June 2014. This is significantly due to our upgrades of the property portfolio and investments in setting up the NDIS.

SDN's consolidated net asset position at 30 June 2015 was $29,030,540, an improvement on our position as at 30 June 2014 which was $28,857,801.

Directors' report
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SDN Board Directors

The Directors in office during or at the end of the financial year are:

Director's name	Role	Director since	Qualifications and additional information
Darren Mitchell	President and Chair President November 2014 – current Vice President 2010 – 2014 President 2005-2008 Director of SDN Child and Family Services Board Chair of Strategic Planning; and Remuneration Committees; Member of Risk and Compliance; and Finance Committees	November 1996	Bachelor of Economics (USYD), Master of Economics (USYD)
Theresa Collignon	Vice President Vice President November 2014 - current President November 2012 – 2014 Vice President 2012 Member of Remuneration; Strategic Planning; and Governance Committees	December 2008	Bachelor of Commerce (Marketing) (UNSW), Master of Business Administration (AGSM), Diploma of Financial Markets (SIA), Graduate of Australian Institute of Company Directors
Anthony Gall	Vice President Vice President June 2014 - current Honorary Treasurer 2007 – November 2013 Chair of SDN Child and Family Services Board Member of Finance (Chair until November 2013); Remuneration; Governance; and Strategic Planning Committees	May 2006	Chartered Accountant, Fellow of Institute of Chartered Accountants Australia
Rosalie Wilkie	Honorary Treasurer Honorary Treasurer November 2013 – current Director of SDN Child and Family Services Board Chair of Finance Committee (from Nov 2013)	November 2012	Bachelor of Commerce (UoN), Fellow of Institute of Chartered Accountants Australia
Kirsty Albert	Chair of Governance Committee; and Member of Risk and Compliance Committee	February 2010	Bachelor of Arts (Hons) (USYD), Bachelor of Laws (USYD), Graduate of Australian Institute of Company Directors

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Director's name	Role	Director since	Qualifications and additional information
Cynthia à Beckett	Chair of Research Ethics Committee (from 4 August 2014); and Member of Finance Committee	August 2013	Diploma Kindergarten Teachers College (Melbourne Kindergarten Teachers College); Graduate Diploma Educational Studies (Institute of Early Childhood Studies - Victoria); Bachelor of Arts (Hons - Sociology) – University of QLD; Doctorate of Philosophy (PhD) – School of Sociology UNSW
Frier Bentley	Chair of Risk and Compliance Committee; and Member of Finance Committee	February 2014	BA Communication (CSU); Sydney Leadership Program
Natalie Berney	Member of Strategic Planning; and Risk and Compliance Committees	October 2014	Bachelor of Arts (Sociology) (UNSW), Master of Business (HRM (CSU), Master of Public Health (USYD), Graduate of Australian Institute of Company Directors (GAICD)
Angela Donohoe	Member of Risk and Compliance; and Governance Committees	June 2014	Bachelor of Commerce (Accounting, Finance and Systems) (ANU), Certified Practicing Accountant (CPA), Member of the Australian Institute of Company Directors (MAICD), Fellow of Financial Services Institute of Australasia (FINSIA)
Glenn Hughes	Member of Finance; and Governance Committees	August 2014	Bachelor of Commerce (Accounting/Finance) (UNSW), Bachelor of Law (UNSW), Masters of Law and Management (Australian Graduate School of Management)
Alice Killen	Vice President November 2013 – June 2014 Chair of Research Ethics Committee (until 4 August 2014); Member of Governance and Strategic Planning Committees (until 4 August 2014)	August 2011 (resigned from Board August 2014)	Bachelor of Medicine & Bachelor of Surgery (UNSW), Master of Public Health (Harvard), FRACMA, FAICD, FAIM
Barbara Wise	Joined the Board 1 December 2014	December 2014	Bachelor of Arts (Hons), Master of International Studies (USYD)

Directors' report 30 June 2015

Directors' attendance at SDN Board Meetings

Name	A	B
Darren Mitchell (President from Nov 2014)	7	8
Theresa Collignon (President until Nov 2014 and then Vice President)	8	8
Anthony Gall (Vice President from Jun 2014)	8	8
Rosalie Wilkie (Honorary Treasurer from Nov 2013)	5	8
Kirsty Albert	8	8
Cynthia á Beckett	8	8
Frier Bentley	7	8
Natalie Berney	7	7
Angela Donohoe	6	8
Glenn Hughes	7	8
Alice Killen	1	1
Barbara Wise	3	4

A = number of meetings attended.
B = number of meetings held during the time the director held office during the year.

Committee Members' attendance at Finance Committee Meetings

Name	A	B
Rosalie Wilkie (Chair)	10	11
Cynthia á Beckett	8	11
Frier Bentley	5	6
Anthony Gall	10	11
Glenn Hughes	7	10
Darren Mitchell	9	11

A = number of meetings attended.
B = number of meetings held during the time the director held office during the year.

Committee Members' attendance at Risk and Compliance Committee Meetings

Name	A	B
Frier Bentley (Chair)	4	4
Kirsty Albert	4	4
Natalie Berney	3	3
Angela Donohoe	2	3
Darren Mitchell	3	4

A = number of meetings attended.
B = number of meetings held during the time the director held office during the year.

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Committee Members' attendance at Governance Committee Meetings

Name	A	B
Kirsty Albert (Chair)	4	4
Theresa Collignon	4	4
Angela Donohoe	3	3
Anthony Gall	3	4
Glenn Hughes	3	3
Alice Killen	1	1

A = number of meetings attended.
B = number of meetings held during the time the director held office during the year.

Committee Members' attendance at Strategic Planning Committee Meetings

Name	A	B
Darren Mitchell (Chair)	2	2
Natalie Berney	2	2
Theresa Collignon	2	2
Anthony Gall	2	2
Ginie Udy	2	2

A = number of meetings attended.
B = number of meetings held during the time the director held office during the year.

Committee Members' attendance at Research Ethics Committee Meetings

Name	A	B
Cynthia á Beckett (Chair from Nov 2014)	1	2
Alice Killen (Chair until Aug 2014)	1	2
Van Le	1	2
Ginie Udy	2	2
Dr Johanna Watson	1	2

A = number of meetings attended.
B = number of meetings held during the time the director held office during the year.

Committee Members' attendance at Remuneration Committee Meetings

Name	A	B
Darren Mitchell (Chair from Nov 2014)	1	1
Theresa Collignon (Chair until Nov 2014)	1	1
Anthony Gall	1	1

A = number of meetings attended.
B = number of meetings held during the time the director held office during the year.

Directors' report
30 June 2015

Membership

Class of membership	Contribution per member in the event of winding up
Member	$10.00
Life Member	$10.00

Significant changes in state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the company.

Future developments

The company notes that some of its disability services for children will be transitioning to the NDIS. This is expected to be completed by June 2018. This will mean a reduction in the block funding from the NSW government and a move to a market based revenue stream via the NDIS.

In May 2015 a childcare reform package was announced by the Australian government that pledged more money for many families from 2017. The plan aims to make childcare more affordable with a claimed $1,500 a year average saving. As part of these reforms the government moved responsibility for early childhood education and care to the Department of Social Services emphasising its goal of getting parents back into work rather than on children's education. SDN's provision of early childhood education and care however is based on a model that bundles 'education' with the 'care'. With the elevation of Malcom Turnbull to the Prime Ministership early childhood education and care has again been moved out of social services and back into the education portfolio. We constantly monitor and prepare for all changes in our environment that would impact our business.

Events subsequent to the balance date

Since the end of the financial year no matter has arisen that has, or may have, a significant effect on the operations of the company, or the results of those operations or the state of affairs of the company in the financial years subsequent to the financial year ended 30 June 2015.

Directors' report 30 June 2015

Environmental issues

The company's operations are not regulated by any particular or significant environmental regulation under law of the Commonwealth or of a State or Territory. The Directors are aware of general environmental considerations and believe the company complies with community standards.

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2015 has been received and is on page 14.

Signed in accordance with a Resolution of the Board of Directors:

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Ms Rosalie Wilkie

Director

Dated: 12 October 2015

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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY PAUL BULL TO THE DIRECTORS OF SDN CHILDREN'S SERVICES AND CONTROLLED ENTITIES

As lead auditor of SDN Children's Services for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Australian professional ethical pronouncements in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of SDN Children's Services and the entities it controlled during the year.

Paul Bull
Partner

BDO East Coast Partnership

Sydney, 12 October 2015

Statement of profit or loss and other comprehensive income for the year ended 30 June 2015

	Notes	**2015** **$**	**2014** $
Revenue	2	50,086,397	44,708,217
Employee benefits expense		(39,445,303)	(34,678,410)
Occupancy expenses		(3,136,377)	(3,283,246)
Administration expenses		(3,160,545)	(3,183,879)
Service delivery expenses		(3,222,502)	(2,187,820)
Depreciation expense		(573,437)	(547,995)
Loss on write off of property, plant & equipment		(41,929)	-
Surplus before income tax expense		506,304	826,867
Income tax expense	1b	-	-
Surplus for the year		506,304	826,867
Other comprehensive income			
Will not be reclassified to profit or loss			
Revaluation gain on land and buildings	14	-	4,577,472
Total comprehensive income for the year		506,304	5,404,339

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position as at 30 June 2015

	Notes	2015 $	2014 $
Current assets			
Cash and cash equivalents	6	14,304,969	14,962,292
Trade and other receivables	7	383,218	212,993
Assets held to maturity	8	61,877	60,054
Other current assets	9	223,484	135,997
Total current assets		14,973,548	15,371,336
Non-current assets			
Property, plant and equipment	10	30,827,578	29,845,022
Total non-current assets		30,827,578	29,845,022
Total assets		**45,801,126**	**45,216,358**
Current liabilities			
Trade and other payables	11	8,583,095	8,989,141
Financial liabilities	12	-	28,320
Provisions	13	5,529,702	5,022,189
Total current liabilities		14,112,797	14,039,650
Non-current liabilities			
Trade and other payables	11	1,863,762	1,863,762
Financial liabilities	12	-	25,725
Provisions	13	794,027	699,420
Total non-current liabilities		2,657,789	2,588,907
Total liabilities		**16,770,586**	**16,628,557**
Net assets		**29,030,540**	**28,587,801**
Equity			
Reserves	14	19,431,655	19,495,220
Retained earnings	14	9,598,885	9,092,581
Total equity		**29,030,540**	**28,587,801**

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity for the year ended 30 June 2015

		Retained earnings	Asset revaluation reserve	Fundraising reserve	Total
		$	$	$	$
Balance at 1 July 2013		8,295,976	14,728,281	74,536	23,098,793
Surplus for the year		826,867	-	-	826,867
Other comprehensive income		-	-	-	-
Revaluation gain		-	4,577,472	-	4,577,472
Total comprehensive income for the year		826,867	4,577,472	-	5,404,339
Transfers to and from reserves					
- fundraising reserve	14	(30,262)	-	30,262	-
- fundraising reserve acquired	14	-	-	84,669	84,669
Balance at 30 June 2014		9,092,581	19,305,753	189,467	28,587,801
Surplus for the year		506,304	-	-	506,304
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		506,304	-	-	506,304
Transfers to and from reserves					
- fundraising reserve	14	-	-	(63,565)	(63,565)
Balance at 30 June 2015	14	9,598,885	19,305,753	125,902	29,030,540

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows for the year ended 30 June 2015

	Notes	2015 $	2014 $
Cash flows from operating activities			
Receipts from customers		31,903,358	31,146,220
Receipts from government		20,491,881	16,372,579
Interest received		309,436	296,587
Payments to suppliers and employees		(51,708,061)	(44,692,043)
Net cash provided by operating activities	18	**996,614**	**3,123,343**
Cash flows from investing activities			
Payments for assets held to maturity		(1,823)	(2,164)
Purchase of property, plant and equipment		(1,598,069)	(1,851,845)
Net cash from business combination		-	153,252
Net cash used in investing activities		**(1,599,892)**	**(1,700,757)**
Cash flows from financing activities			
Repayment of borrowings		(54,045)	-
Net cash used in financing activities		**(54,045)**	**-**
Net (decrease)/increase in cash held		(657,323)	1,422,586
Cash and cash equivalents at beginning of financial year		14,962,292	13,539,706
Cash and cash equivalents at end of financial year	6	**14,304,969**	**14,962,292**

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements for the year ended 30 June 2015

Note 1. Statement of significant accounting policies

These financial statements are consolidated financial statements and comprise SDN Children's Services and the entities it controlled during the year (the 'Group'). SDN Children's Services is a not-for-profit company limited by guarantee, incorporated and domiciled in Australia. The amount of capital which is capable of being called up in the event of and only for the purpose of a winding up of the entity is not to exceed $10 per member by virtue of SDN's Constitution.

Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, the Charitable Fundraising Act 1991 and associated regulations and the Australian Charities & Not-for-Profit Commission Act 2012.

Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets. The group is a not-for-profit organisation. As such the term "profit" is not applicable and the term "surplus" is used where required. The financial statements are presented in Australian Dollars.

New, revised or amending Accounting Standards and Interpretations adopted

The group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.
Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the group from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

(a) Principles of consolidation

The consolidated financial statements incorporate the results of entities controlled by SDN Children's' Services during the reporting period and the assets and liabilities of entities controlled at the end of the reporting period. A controlled entity is any entity over which SDN Children's Services has the power to govern the financial and operating policies so as to derive benefits from its activities.

There are two controlled entities, being SDN Children's Services Building Fund and SDN Child & Family Services Pty Limited. Refer to Note 15 for further information on these entities. All inter-group balances and transactions, including any unrealised surpluses or deficits, have been eliminated on consolidation.

(b) Income tax

No provision for income tax has been raised as the entity is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997*.

Notes to the financial statements for the year ended 30 June 2015

Note 1. Statement of significant accounting policies (continued)

(c) 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.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment
Plant and equipment are measured on a cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts

Land and buildings
Freehold land and buildings are initially recorded at cost on acquisition and subsequently shown at fair value based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. An independent valuation of all freehold land and associated buildings is generally performed every 3 years.

Increases in the carrying amount arising on revaluation of freehold land and buildings are credited to a revaluation reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

All other impairments are charged to the statement of profit or loss & other comprehensive income.

Leasehold improvements are measured at cost less depreciation and impairment losses.

Depreciation

The depreciable amount of all fixed assets including buildings, but excluding freehold land, is depreciated over their useful lives to the group commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Buildings	2% diminishing value
Playground	10% straight line
Plant and equipment	10% - 33% diminishing value and straight line

Notes to the financial statements for the year ended 30 June 2015

Note 1. Statement of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Depreciation (continued)

Purchases of plant and equipment using grant funds are not the property of the company and therefore are expensed to profit or loss in line with the terms and conditions of the funding agreement.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of profit or loss & other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(e) Impairment of assets

At each reporting date, the group reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss & other comprehensive income.

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

(f) Employee benefits

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

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The liability for contract termination is recognised as a current or non-current liability. The liability is measured at the amount expected to be paid when the liability is settled and is based on employees' services up to the reporting date. The liability represents the termination payments to be paid at the completion of the programs. The liability is raised where it is unlikely that the program will be extended, for such a period of time that an outflow of economic benefits is considered remote. The majority of programs have a duration of 1 year or less.

Notes to the financial statements for the year ended 30 June 2015

Note 1. Statement of significant accounting policies (continued)

(g) Superannuation

The group contributes to a number of superannuation funds which exist to provide benefits to employees and their dependants on retirement, disability or death. The group's commitment in respect of the superannuation funds (which are all accumulation funds) is limited to making the specified contributions. The group's contributions to the superannuation funds are expensed in the statement of profit or loss & other comprehensive income as incurred.

(h) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at balance date taking into account the risks and uncertainties surrounding the obligation.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(j) Assets held to maturity

Term deposits are stated at face value.

(k) Intercompany loans

Where the loan is between a parent and subsidiary the interest income/discount is initially recognised as an increase in investments in the parent and an equity contribution in the subsidiary. Loans between the parent and the subsidiary are excluded on consolidation.

(l) Revenue recognition

Revenue from the rendering of services is recognised upon delivery of the service. Revenue from child care benefit is recognised in the period to which the benefit relates.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument.

Grant revenue is recognised in the statement of profit or loss & other comprehensive income when the entity obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably. If conditions are attached to the grant which must be satisfied, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

Notes to the financial statements for the year ended 30 June 2015

Note 1. Statement of significant accounting policies (continued)

Revenue recognition (continued)

Donations are recognised as revenue when received unless relating to a specific purpose, and interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

(m) Financial instruments

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the group commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through surplus or deficit' in which case transaction costs are expensed to surplus or deficit immediately.

Classification and subsequent measurement
Financial instruments are subsequently measured at either fair value or amortised cost using the effective interest rate method. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as: (i) the amount at which the financial asset or financial liability is measured at initial recognition; (ii) less principal repayments; (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and (iv) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in surplus or deficit.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(ii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are subsequently measured at amortised cost and included in non-current assets.

Notes to the financial statements for the year ended 30 June 2015

Note 1. Statement of significant accounting policies (continued)

(m) Financial instruments (continued)

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In determining the fair value, various assumptions are made where these are subject to change, the fair value would change.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the group no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in surplus or deficit.

(n) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) Funds held on behalf of funding bodies

Funds for operational projects undertaken by the group on behalf of funding bodies are recognised on the statement of financial position as unearned income. As the project commences and costs are incurred the unearned income recognised is reduced. The group also receives management and administration fees for administering the projects which are recognised in the statement of profit or loss & other comprehensive income. Where the funds received relate to capital projects, funds are only recognised as revenue when the entity obtains control of the contribution and has no obligation to repay the funds.

Until control is obtained the amounts are held as unearned revenue.

Notes to the financial statements for the year ended 30 June 2015

Note 1. Statement of significant accounting policies (continued)

(p) Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

(q) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(r) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Notes to the financial statements for the year ended 30 June 2015

Note 1. Statement of significant accounting policies (continued)

(r) Critical accounting estimates and judgments (continued)

Impairment

The majority of non-current assets comprise land and buildings. The freehold land and buildings were independently valued at 30 June 2014 by Assetval Pty Ltd and the valuation was based on fair value. In determining fair value, various assumptions are made. Where these assumptions are subject to change, the resulting fair value would change. (See Note 22 for more information on valuation assumptions). The directors have performed an assessment of market conditions in the current financial year and have concluded that the carrying value continues to approximate fair value.

Provision for Long Service Leave

As discussed in Note 1(f), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Provision for termination liabilities

The group recognises termination benefits for employees employed to work for specific grant funded programs where ongoing employment is dependent on renewal of the funding program. The provision is measured at the present value of the amounts expected to be paid on termination of the program and assumes program funding is not renewed in perpetuity.

(s) New accounting standards for application in future periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2015. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the groups activities, are set out below.

AASB 9 Financial Instruments and its consequential amendments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the group.

Notes to the financial statements for the year ended 30 June 2015

Note 1. Statement of significant accounting policies (continued)

The financial statements were authorised for issue by the Directors of SDN Children's Services on 12 October 2015.

Note 2. Revenue

	2015 $	2014 $
Rendering of services – parent fees and child care benefit	29,768,411	27,861,588
Interest received	309,436	296,587
Grants and subsidies – Commonwealth government	6,087,163	5,843,148
Grants and subsidies – NSW state government	13,646,886	10,529,431
National Disability Insurance Scheme	68,817	-
Donations and bequests	63,609	42,451
Other revenue	142,075	135,012
Total revenue	50,086,397	44,708,217

Note 3. Surplus before income tax

	2015 $	2014 $
Expenses		
Bad and doubtful debts		
- trade receivables written off	12,009	31,071
Rental expense		
- minimum lease payments	1,035,461	881,601
Superannuation expense	3,066,575	2,696,791
Depreciation	573,437	547,995

Note 4. Auditor's remuneration

	2015 $	2014 $
Remuneration of the auditor of the consolidated group for:		
- audit services	73,500	72,000
- assistance with the preparation of financial statements	11,500	11,000
- audit of acquittal statements	22,500	22,500
- payroll systems review	-	17,500
	107,500	123,000

Notes to the financial statements for the year ended 30 June 2015

Note 5. Key management personnel compensation

Key management personnel

Directors

Mr D. Mitchell
Ms K. Albert
Dr C. à Beckett
Ms A. Bentley
Ms N. Berney (appointed 8 October 2014)
Ms T. Collignon
Ms A. Donohoe
Mr A. Gall
Mr G. Hughes (appointed 4 August 2014)
Dr A. Killen (resigned 4 August 2014)
Ms R. Wilkie
Ms B. Wise (appointed 1 December 2014)

Directors Remuneration

Board members serve on a voluntary basis and do not receive remuneration. They can be reimbursed for a reasonable amount of expenses directly related to Board activities.

Other key management personnel

Ms Virginia Udy, Chief Executive Officer
Ms Kay Turner, Deputy Chief Executive Officer
Mr Peter Rae, Chief Financial Officer (commenced 1 October 2014)
Ms Dianne Speakman, Head of Communication
Mr Joe Magri, Director of Integrated Services (commenced in Director of Integrated Services role, 2 June 2015)
Ms Glynis Chang, Director, Practice, Learning & Development
Ms Zarin Medhora, Director, Human Resource (commenced 13 October 2014)
Ms Kate Frost, Director, Organisational and Business Development (commenced 9 March 2015)
Mr Robert Mulcahy, Acting Executive Director, Corporate Services & Organisational Development (until 30 September 2014)
Ms Marianne Carahalios, Head of Integrated Services (resigned 5 September 2014)
Ms Ann-Marie Ellott, Director, Research, Evaluation & History (until 25 May 2015)
Ms Patricia Hanna, Regional Manager Northern, Inner & Western Sydney & Central West NSW (until 25 May 2015)
Ms Melissa Carmont, Regional Manager Southern NSW, ACT, St George and Southern Sydney (until 25 May 2015)
Ms Sal Dennis, Director, Quality and Accountability (until 25 May 2015)

Notes to the financial statements for the year ended 30 June 2015

Note 5. Key management personnel compensation (continued)

	Short-term benefits	Post employment benefits	Other long term benefits	Termination Benefits	Total
	$	$	$	$	$
2015					
Total compensation	1,402,148	116,116	9,187	230,252	1,757,703
2014					
Total compensation	1,437,434	135,734	5,722	181,862	1,760,752

Note 6. Cash and cash equivalents

	2015 $	2014 $
Cash at bank and on hand	7,913,583	8,200,683
Short-term bank deposits	6,391,386	6,761,609
	14,304,969	14,962,292

Refer to note 21 for the group's exposure to financial risk.

Note 7. Trade and other receivables

	2015 $	2014 $
Trade receivables	128,636	106,908
Provision for impairment of receivables	(7,923)	(23,031)
	120,713	83,877
Other receivables	69,103	104,745
GST receivable	180,837	-
Child care benefit receivable	12,565	24,371
	383,218	212,993

Provision for impairment of receivables

Trade receivables are non-interest bearing and are generally on zero day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. A provision for impairment of receivables of $7,923 (2014: $23,031) has been recognised by the group in the current year.

Notes to the financial statements for the year ended 30 June 2015

Note 7. Trade and other receivables (continued)

Movements in the provision for doubtful debts were as follows:

	2015 $	2014 $
Opening balance	(23,031)	(23,031)
Additional provision	-	(31,071)
Amounts written off	15,108	31,071
Closing balance	(7,923)	(23,031)

The group does not have any material credit risk exposure to any single receivable or group of receivables.

The following table details the group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions between the group and the counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating debt may not be fully repaid to the group.

At 30 June, the ageing analysis of trade receivables is as follows:

	2015		2014	
	Gross $	Allowance $	Gross $	Allowance $
Current	90,436	-	58,365	-
31 - 60 days	16,182	-	15,364	-
61 days and over	22,018	(7,923)	33,179	(23,031)
Closing balance	128,636	(7,923)	106,908	(23,031)

As at 30 June 2015 the SDN group had debts that were past due but not doubtful in the amount of $30,277 (2014: $25,512). These trade receivables comprise trade receivables that have a good debt history and are considered recoverable.

Refer to note 21 for the group's exposure to financial risk.

Note 8. Assets held to maturity

	2015 $	2014 $
Term deposit	61,877	60,054

Interest rate
The term deposits bear an interest rate of between 2.35% and 2.45% per annum.

Notes to the financial statements for the year ended 30 June 2015

Note 9. Other assets

	2015 $	2014 $
Current		
Prepayments	170,922	101,017
Security deposits	52,562	34,980
	223,484	135,997

Note 10. Property, plant and equipment

	2015 $	2014 $
Land and buildings		
Freehold land at fair value	17,875,000	17,875,000
Total land	17,875,000	17,875,000
Freehold buildings at fair value	6,979,154	6,400,000
Leasehold building at cost	5,272,651	4,957,995
Less accumulated depreciation	(567,511)	(328,376)
Total freehold and leasehold buildings	11,684,294	11,029,619
Total freehold and leasehold land and buildings	29,559,294	28,904,619
Plant and equipment		
Capital works in progress		
- Cost	287,866	44,216
Plant and equipment at:		
- Cost	3,566,308	3,160,034
Less accumulated depreciation	(2,585,890)	(2,263,847)
Total property, plant and equipment	30,827,578	29,845,022

Notes to the financial statements for the year ended 30 June 2015

Note 10. Property, plant and equipment (continued)

Movements in carrying amounts

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

2015	Land $	Buildings $	Plant and Equipment $	Total $
Balance at the beginning of year	17,875,000	11,029,619	940,403	29,845,022
Additions	-	828,794	769,275	1,598,069
Transfers	-	29,820	(29,820)	-
Disposals	-	(41,928)	(148)	(42,076)
Depreciation expense	-	(162,011)	(411,426)	(573,437)
Carrying amount at the end of year	17,875,000	11,684,294	1,268,284	30,827,578

2014	Land $	Buildings $	Plant and equipment $	Total $
Balance at the beginning of year	15,255,000	7,907,150	801,550	23,963,700
Additions	-	1,312,302	539,543	1,851,845
Revaluation increments	2,620,000	1,957,472	-	4,577,472
Transfer	-	112,730	(112,730)	-
Depreciation expense	-	(260,035)	(287,960)	(547,995)
Carrying amount at the end of year	17,875,000	11,029,619	940,403	29,845,022

Asset revaluations

The freehold land and buildings were last independently valued as at 30 June 2014 by Assetval Pty Ltd. The valuation was based on fair value and an increment of $4,577,472 was recorded. The historical cost of land and buildings is $4,969,247. (See Note 21 for valuation assumptions). The Directors believe there have not been significant changes to the fair value of the freehold buildings therefore the valuation is still considered appropriate and has been adjusted for capital additions during the year amounting to $579,154.

The Commonwealth Bank of Australia has a registered mortgage over commercial property situated at 3 Linthorpe Street, Newtown NSW as security for an unused overdraft facility.

Notes to the financial statements for the year ended 30 June 2015

Note 11. Trade and other payables

	2015 $	2014 $
Current		
Trade payables	754,963	817,052
Sundry payables and accrued expenses	4,267,654	4,147,666
Funds held on behalf of funding bodies	208,994	609,512
Unearned income – grant revenue	2,809,042	3,160,036
Unearned income – child care fees in advance	255,370	246,992
Unearned income – child care benefit in advances	287,072	7,883
	8,583,095	8,989,141
Non-current		
Unearned income – grant revenue	1,863,762	1,863,762

Financial liabilities at amortised cost classified as trade and other payables

	2015 $	2014 $
Trade and other payables:		
- Total current	8,583,095	8,989,141
- Total non-current	1,863,762	1,863,762
Less unearned income	(5,215,246)	(5,278,673)
Less funds held on behalf of funding bodies	(208,994)	(609,512)
Financial liabilities as trade and other payables	5,022,617	4,964,718

Funds held on behalf of funding bodies

As part of its activities, SDN receives funding from government departments in its capacity as project manager which are then distributed to external child care centres around New South Wales. Projects which SDN currently manage include:

- Support for Children with Additional Needs Program (SCAN): This program is funded by the Department of Education and Communities to provide advice, support and resources to child care services for children with additional needs. In 2015, the total amount of funding received for the SCAN project was $644,958 (2014: $1,538,627). As at 30 June 2015 $117,763 (2014: $213,157) was held on behalf of the Department of Education and Communities relating to this program, which will be refunded to the Department upon request.

- Inclusion and Professional Support Program Flexible Support Funding (ISAFS). This is funding from the Department of Social Services (DSS) that SDN pays to approved education and care services to support the inclusion of children with additional needs by contributing to the costs of an additional educator. In 2015, the total amount of funding received for the ISAFS projects was $290,000 (2014: $904,575). As at 30 June 2015 $91,231 (2014: $396,355) was held on behalf of DSS relating to this program.

Notes to the financial statements for the year ended 30 June 2015

Note 11. Trade and other payables (continued)

SDN has also received funds which have been used for capital construction projects. Applicable projects include:

- Milperra: This program has been funded by the Department of Education (DoE) to support the construction of SDN Milperra Children's Education and Care Centre. During 2012-2013, a total of $1,863,762 was received from the funding body. As at 30 June 2015 the full amount received is recognised as unearned income (2014: $1,863,762). Revenue will be recognised as the terms of the agreement are fulfilled over a maximum period of 20 years, starting in 2022.

Note 12. Financial liabilities

	2015 $	2014 $
Current		
Loan	-	28,320
Non-current		
Loan	-	25,725
	-	54,045

Note 13. Provisions

	2015 $	2014 $
Current:		
Employee entitlements	5,384,167	4,888,271
Make-good	145,535	133,918
	5,529,702	5,022,189
Non-current:		
Employee entitlements	617,633	528,229
Make-good	176,394	171,191
	794,027	699,420
	6,323,729	5,721,609

Movement in provisions

	2015 $	2014 $
Make-good		
Balance brought forward	305,109	185,512
Additional provision	16,820	119,597
Amounts used	-	-
Balance carried forward	321,929	305,109

Notes to the financial statements for the year ended 30 June 2015

Note 13. Provisions (continued)

Provision for employee entitlements
A provision has been recognised for employee entitlements relating to rostered days off, annual and long service leave. In calculating the present value of future cash flows in respect of long service leave and annual leave, the probability of long service leave and annual leave being taken are based upon historical data. The measurement and recognition criteria for employee benefits have been included in Note 1(f).

A provision has also been recognised for employee entitlements relating to contract terminations for employees on fixed term contracts based on the amount expected to be settled in the event that funding programs are not renewed.

Amounts not expected to be settled within the next 12 months
The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the group does not have an unconditional right to defer settlement. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The amount of $288,979 reflects leave that is not expected to be taken within the next 12 months.

Provision for make-good
A provision has been recognised in relation to the make-good of a number of premises currently leased by the group. This amount represents the expected amount to be paid out upon termination of the lease to make-good the premises.

Note 14. Reserves and retained earnings

(a) Fundraising reserve	2015	2014
	$	$
Opening balance	189,467	74,536
Addition during the year	-	84,669
Transfer (from)/to reserve	(63,565)	30,262
Closing balance	125,902	189,467

Fundraising reserve
The fundraising reserve reflects accumulated fundraising revenue due to be expended on costs of fundraising, entertainment, functions and children's equipment. See Note 24. The addition of $84,669 in prior year followed the takeover of the Lithgow Early Intervention Support Program.

(b) Asset revaluation reserve	2015	2014
	$	$
Opening balance	19,305,753	14,728,281
Addition during the year	-	4,577,472
Closing balance	19,305,753	19,305,753

Asset revaluation reserve
The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets as described in note 1(d).

Notes to the financial statements for the year ended 30 June 2015

Note 14. Reserves and retained earnings (continued)

(c) Retained earnings

	2015	2014
	$	$
Opening balance	9,092,581	8,295,976
Surplus during the year	506,304	826,867
Transfer to/(from) Fund raising reserve	-	(30,262)
Closing balance	9,598,885	9,092,581

Note 15. Controlled entities

SDN Children's Services is the sole beneficiary of SDN Children's Services Building Fund. This fund is intended to subsidise capital projects for the construction and maintenance of school buildings. The balance of the fund including cash at bank and investments was $134,737 (2014: $168,242).

SDN Children's Services also owns 100% of SDN Child & Family Services Pty Limited, a company limited by shares, incorporated and domiciled in Australia. The principal activities of SDN Child & Family Services Pty Limited are the provision of support services for children and families, largely funded through government grants.

Note 16. Capital and leasing commitments

a) Operating lease commitments

	2015	2014
Non-cancellable operating leases contracted for but not capitalised in the financial statements	$	$
Payable – minimum lease payments		
- not later than 12 months	1,141,955	937,181
- between 12 months and 5 years	1,275,391	735,193
- later than 5 years	233,641	249,628
	2,650,987	1,922,002

Operating leases relate to leases over occupied premises and equipment such as copier machines. Lease terms are variable in length with leases of between 1 and 5 years. Leases have different renewal terms. A number of leases are with state and federal departments.

b) Capital commitments

SDN has budgeted for $1,300,000 to be spent on capital upgrades to our owned and managed centres and offices during 2015-2016 (2014: $1,900,000). As at date of this report, these amounts had not been committed to.

Notes to the financial statements for the year ended 30 June 2015

Note 17. Contingent liabilities and contingent assets

Contingent Assets

There were no contingent assets as at 30 June 2015.

Contingent Liability

SDN Child & Family Services Pty Limited holds the land title of 128 Hartington Street, Rooty Hill. The land is part of the Beranga project. A caveat exists over the property which dictates that SDN Child & Family Services Pty Limited is not able to dispose of the land without the prior consent of the NSW Department of Family and Community Services. On disposal of the asset, the company is required to remit to the NSW Department of Ageing, Disability and Home Care, an amount of the proceeds equal to the proportion of total funds that they contributed to the project.

A potential contingent liability exists for rent on childcare premises where leases have expired. Management is unable to reliably estimate the value of this liability at the date of these financial statements.

Bank guarantees

SDN Children's Services has provided performance and rental guarantees amounting to $56,682. SDN Child & Family Services Pty Limited has provided performance and rental guarantees amounting to $118,040.

Note 18. Cash flow information

	2015 $	2014 $
(a) Reconciliation of cash flow from operations with surplus from ordinary activities after income tax:		
Surplus from ordinary activities after income tax	506,304	826,867
- Depreciation	573,437	547,995
- Write off of assets	42,076	-
Changes in assets and liabilities		
- (Increase)/decrease in trade and other receivables	(20,089)	187,627
- (Increase)/decrease in other assets	(87,487)	270,752
- (Decrease)/increase in trade and other payables	(556,182)	867,343
- Increase/(decrease) in provisions	602,120	422,759
- (Decrease)/increase in fundraising reserve	(63,565)	-
Net cash provided by operating activities	996,614	3,123,343

Note 19. Events occurring after reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of SDN, the results of those operations, or the state of affairs of SDN in future financial years.

Notes to the financial statements for the year ended 30 June 2015

Note 20. Related party transactions

Disclosures relating to key management personnel are set out in Note 5.

Transactions between related parties are on a cost plus basis.

All staff are eligible for a discount on childcare fees in SDN services for their children (based on fees charged for the centre with the lowest fee rate).

As at 30 June 2015, trade payables in SDN Children's Services included an amount of $147,194 (2014: $187,050) payable to its subsidiary, SDN Child & Family Services Pty Limited. The trade receivables balance included an amount receivable of $1,161,991 (2014: $555,059) from SDN Child & Family Services Pty Limited. These balances have been eliminated on consolidation.

Note 21. Financial risk management

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, bills and leases.

The totals for each category of financial instruments, measured in accordance with *AASB 139* as detailed in the accounting policies to these financial statements are as follows:

	Notes	2015 $	2014 $
Financial assets			
Cash and cash equivalents	6	14,304,969	14,962,292
Loans and receivables	7 & 9	435,780	247,973
Assets held to maturity	8	61,877	60,054
Total financial assets at amortised cost		14,802,626	15,270,319
Financial liabilities			
Trade and other payables	11	5,022,617	4,964,718
Borrowings	12	-	54,045
Total financial liabilities at amortised cost		5,022,617	5,018,763

Net fair values

Fair value estimation

Cash and cash equivalents, trade and other receivables, assets held to maturity, trade and other payables and borrowings are short-term instruments in nature whose carrying value is equivalent to fair value.

Notes to the financial statements for the year ended 30 June 2015

Note 21. Financial risk management (continued)

Net fair values (continued)

Freehold land and buildings carried at fair value are valued using the following primary inputs:

- Rate per licenced place;
- Net operating surplus; and
- Surplus capitalisation rate.

A range of rate per licenced place of $30,000 - $53,000 for metropolitan centres and $8,000 - $20,000 for non-metropolitan centres has been used, in the latest valuation performed as at 30 June 2014.

Note 22. Capital management

Management controls the capital of the group to ensure that adequate cash flows are generated to fund its operations and that returns from investments are maximised. The Finance Committee monitors the financial position in line with this objective. The Finance Committee operates under policies approved by the Board of Directors.

The entity's capital consists of accumulated equity.

Management effectively manages the group's capital by assessing the entity's financial risks and responding to changes in these risks and in the market. These responses may include the consideration of cash investments and debt levels.

There have been no changes to the strategy adopted by management to control the capital of the group since the previous year. The strategy of the group is to maintain a low gearing ratio. The debt held by the group is $nil following the repayment of $54,045 during the year.

Note 23. Parent entity disclosures

	2015	2014
	$	$
Current assets	8,606,737	8,265,126
Total assets	39,260,830	38,041,327
Current liabilities	8,138,779	7,673,432
Total liabilities	10,683,745	10,234,624
Shareholder's equity	28,577,085	27,806,703
Surplus for the year	801,306	514,328
Total comprehensive income for the year	801,306	514,328

Parent entity contingencies

The details of all contingencies in respect of SDN Children's Services are disclosed in Note 17.

Notes to the financial statements for the year ended 30 June 2015

Note 24. Information and declaration to be furnished under the *Charitable Fundraising Act 1991*

The fundraising accounts have been prepared on an accruals basis and comply with Applicable Accounting Standards as per Note 1.

	2015 $	2014 $
Statement of fundraising income and expenditure:		
Gross proceeds from fundraising	21,342	75,673
Less: total cost of fundraising	(4,483)	(5,730)
Net surplus from fundraising	16,859	69,943
Application of fundraising proceeds:		
Opening balance	189,467	74,536
Net proceeds from fundraising	16,859	69,943
SDN contribution	-	3,500
Acquired fundraising reserve	-	84,669
Reclassification of donations not related to fundraising activities [a]	(39,340)	-
Purchase of children's play materials	(19,350)	(25,647)
Contributions towards excursions / entertainment	(12,341)	(6,802)
Contributions towards playground enhancement	(5,240)	(8,692)
Function	(4,153)	(2,040)
Total fundraising reserve	**125,902**	**189,467**

[a] The reclassification concerns an amount of $39,340 which relates to general donations from members of SDN which were not raised under the Charitable Fundraising Act but were included in the fundraising income in prior year in error. This has been adjusted in the current financial year.

Forms of Fundraising Appeals conducted for the year ended 30 June 2015

For the purpose of reporting under the requirements of the *Charitable Fundraising Act 1991*, SDN Children's Services has detailed the forms of fundraising activities conducted for the year ended 30 June 2015. The fundraising activities and appeals include hosting of functions, raffles, sale of items and donations.

Significant ratios of fundraising activities

Comparison by monetary figures and percentages

Comparisons	**2015 %**	**2014 %**
Total cost of fundraising/gross proceeds from fundraising	21.01	7.57
Net surplus from fundraising/gross proceeds from fundraising	78.99	92.43
Total cost of services provided/total expenditure	90.16	88.29
Total cost of services provided/total income received	192.50	57.06

Notes to the financial statements for the year ended 30 June 2015

Note 25. Company details

The registered office and the principal place of business is:

SDN Children's Services

Level 2

86 - 90 Bay Street,

Broadway, NSW, 2007

Directors' Declaration for the period ended 30 June 2015

Declaration by Directors in respect of fundraising appeals.

In the opinion of the Board of Directors of SDN Children's Services:

a) The accompanying statement of profit or loss & other comprehensive income is drawn up so as to give a true and fair view of income and expenditure of the group for the year ended 30 June 2015, and a true and fair view with respect to fundraising appeals;

b) The accompanying statement of financial position is drawn up so as to give a true and fair view of the group as at 30 June 2015, and in respect to fundraising appeals;

c) There are reasonable grounds to believe the group will be able to pay its debts as and when they become due and payable;

d) The provisions of the *Charitable Fundraising Act 1991* and the regulations under that Act and the conditions attached to the authority holder have been complied with; and

e) The internal controls exercised by the group are appropriate and effective in accounting for income and expenditure for the year ended 30 June 2015.

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

....

Ms Rosalie Wilkie

Director

12 October 2015

Directors’ Declaration for the period ended 30 June 2015

Directors' Declaration

The directors of SDN Children’s Services and Controlled Entities declare that:

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, are in accordance with the *Australian Charities and Not-for-profit Commission Act 2012* and:

a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Non-for-profit Commission Regulations 2013*; and

b) give a true and fair view of the group’s financial position as at 30 June 2015 and of its performance for the year ended on that date.

In the directors’ opinion, there are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.

On behalf of the directors

....

Ms Rosalie Wilkie

Director

12 October 2015

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of SDN Children's Services

Report on the Financial Report

We have audited the accompanying financial report of SDN Children's Services, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 company and the entities it controlled at year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012 (ACNC Act 2012)* and for 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 that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion the financial report of SDN Children's Services has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its financial performance and cash flows for the year ended on that date; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirement and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Report on Other Legal and Regulatory Requirements

In addition, the consolidated financial statements and associated records have been properly kept during the year in accordance with the *Charitable Fundraising Act 1991* and regulations, and:

(a) the consolidated financial statements show a true and fair view of the financial results of fundraising appeals for the year ended 30 June 2015;

(b) money received as a result of the fundraising appeals conducted during the year has been properly accounted for and applied in accordance with the Act and the regulations; and

(c) as at the date of this statement, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they fall due.

BDO East Coast Partnership

BDO

Paul Bull
Partner

Sydney, 12 October 2015