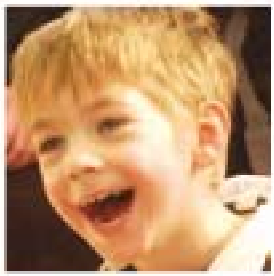


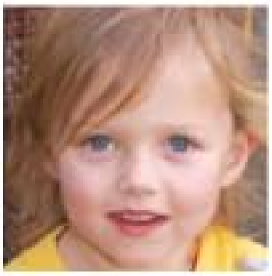
the spastic centre

# ANNUAL REPORT 2006

buildingfutures

the spastic centre

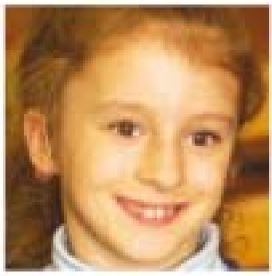
# thank you



The Spastic Centre gratefully acknowledges the support of all those who donated in many ways – from the smallest coin to the largest cheque.

We appreciate the support we receive and extend our heartfelt thanks to all our many donors and sponsors.

Listed on our website ...
**www.thespasticcentre.com.au/sponsors**
... are those who donated and sponsored The Spastic Centre throughout 2005-2006.



Building **futures**
for **people**
with
**cerebral palsy**
and their
**families**

# contents

**The 59th Annual General Meeting of The Spastic Centre will be held at 4:30 pm on Wednesday, 22 November 2006 at The Spastic Centre's St Ives Community Access Service, 6 Stanley Street, St Ives. All members are entitled to attend and are cordially invited to do so.**

THE SPASTIC CENTRE OF NEW SOUTH WALES
ABN 45 000 062 288

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T 1300 30 29 25
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BANKERS
Commonwealth Bank of Australia
48 Martin Place, Sydney NSW 2000

AUDITORS
KPMG, The KPMG Centre
10 Shelley Street, Sydney NSW 2000

# president's report

Marelle Thornton, AM

The momentum of the previous years' achievements by The Spastic Centre on behalf of people with cerebral palsy has continued throughout the 2005-2006 year and there is every reason to believe this will be the case into the future. Our concerted push in extending the organisation's reach, effectiveness and influence, not just within state boundaries, but Australia wide and beyond, has resulted in the realisation of many of the outcomes articulated in the Strategic Plan 2004-2007 and a more universal illumination of issues surrounding cerebral palsy – its management, challenges and solutions.

Our efforts have translated into a local, more comprehensive geographic spread of services, an increased range of services and supports for our members and clients, a future-focussed, expanded global network of service and corporate partners and a corporate entity with a palpable voracity and ambition for efficiency, market position, creative solutions today and sustainable financial health tomorrow.

The presentation and format of the 2006 Annual Report of The Spastic Centre have been changed to reflect best practice in today's electronic age and I commend The Centre's website (www.thespasticcentre.com.au) to members for details of the initiatives and achievements of the past year. Formative reporting via the various Spastic Centre publications for members, clients, donors and supporters, in concert with this finger-tip reference should ensure that this departure from tradition will result in a wider, more diverse audience and a greater appreciation of the activity and performance of the organisation.

In this report, only the statutory requirements of The Spastic Centre under Corporations Law and a snapshot of the year's highlights are published for the edification of members. The Board and Senior Management trust that the revised reporting format is well received by members and serves to satisfy and pinpoint individual areas of interest in the organisation's endeavours.

The Directors' Report, Audit Report and Financial Statements as at June 2006 in this Annual Report detail the business activity of The Spastic Centre and its controlled entities.

Worthy of particular mention are

- the year's operating surplus of $1.1 million (2004-2005: $1.1 million)
- $1.4 million growth in members' equity over the period (2004-2005: $783,000)
- the improved results of returns on investments now under the prudent management of Macquarie Private Portfolio Management Ltd, and
- the increase in fundraising revenue occasioned by the improved performance of fundraising programs and the receipt of bequests throughout the year.

Two unexpected major expense items occurred during the year. The first was the costs associated with the discovery through routine testing of friable asbestos fibres from the roof of the main Allambie administration building and the subsequent making good of the roof and affected internal areas. I am pleased to report that the situation, a matter of extreme urgency, was managed expertly by The Centre's CEO and management team to ensure the safety and well-being of all employees and tenants on the site.

The second item was a loss associated with a debtor that entered into administration in May 2006. The Centre intends to bring the company and its officers to account and is hopeful of recouping a significant portion of the loss. In the meantime, the debt has been fully provided for in the 2005-2006 financial year. Therefore all recoveries will be reflected in the 2006-2007 financial year.

Future projections indicate that in the next financial year 2006-2007, The Centre will remain on track and achieve a break-even budget. Early indications are such that we are hopeful of exceeding this goal, as we have done in recent years.

The Board wishes that it be noted that as a result of The Centre's earned favourable financial position, in the current financial year (2006-2007), over and above government funding levels, an even greater percentage (87%) of its discretionary income will be applied to direct service delivery programs for individuals and families.

The guidance, wisdom and surveillance of the Chairman of our Finance and Audit Committee, Vice President Mark Bryant and members of his Committee, in partnership with the Senior Management team and targeted external advisors, should see our results position The Centre for ongoing financial health into the next decade.

As always, we at The Spastic Centre are indebted to our extraordinary donors, sponsors, benefactors, supporters and volunteers. Their generous giving in so many ways should never be measured simply as a financial legacy, but for the impetus, strength and spirit they bring to our organisation year after year.

There are far too many people in our extensive "honour roll" to name individually but special congratulations and

**Together we will dare to dream of a different tomorrow ... a future without cerebral palsy.**

thanks are extended to the recently elected inaugural Chairman of The Cerebral Palsy Foundation, Mr Bill Bartlett and to the newly appointed Council of Governors. How important their contribution will be in underpinning the work of The Spastic Centre! Together we will dare to dream of a different tomorrow ... a future without cerebral palsy.

Our Goodwill Ambassador, The Hon. John Dowd AO QC and our Patron in the Australian Capital Territory, The Hon. Margaret Reid AO have brought, yet again, dimension and strength to our cause and to them, the entire Spastic Centre community offers its sincere thanks and deep appreciation.

We extend our appreciation to the Premier of NSW, The Hon. Morris Iemma and our state funding bodies - the Departments of: Ageing, Disability & Home Care; Health; and Education & Training. Their confidence in our capacity to serve people with disabilities across the State is more than evident in their readiness to involve The Centre in their policy making and planning as well as seeking out the expertise and skill of The Centre's staff to expand state funded therapy services and supports to more and more children and adults and their families and especially to those whose disabilities are greatest in their complexity and impact.

To our federal funding bodies, the Departments of: Family, Community Services & Indigenous Affairs; Employment & Workplace Relations and Education, Science and Training, go our thanks for the partnership we share. Together we are strengthening the community as a whole.

On your behalf, the Board pays special tribute to The Spastic Centre's remarkable staff, led by Rob White, our Chief Executive Officer. Rob and his team "make it all happen" for members and clients and their professionalism, resourcefulness and loyalty are second to none.

To Rob personally, the Board extends its congratulations and thanks as he celebrates a career milestone which marks 20 years of loyal and distinguished service at The Spastic Centre. Who better to be leading The Spastic Centre team than one whose knowledge and understanding of our organisation – its people and its mission – have been built upon front-line experience on the way "to the top", a vision for what can be achieved and leadership grounded in respect, fairness and integrity?

In January 2006, Board members farewelled fellow Director and Chairman of the Research Committee and Ethics Committee, Michelle Noort. Michelle's two and a half year contribution to Board deliberations was most significant and special mention is made of her leadership of our research endeavours. We trust that her senior appointment to Victoria's Health Department is both satisfying and successful.

In August of this year, upon his return to Sydney as Associate Dean of the University of Notre Dame, Associate Professor Victor Nossar accepted our invitation to rejoin the Board of Directors in the casual vacancy occasioned by Michelle's resignation. We welcome Victor, a former Vice President of The Centre, back to governance duties and thank him immensely for his willingness and keenness to again be a vital part of your Board of Directors.

On behalf of the membership, go sincere thanks to all my colleagues on the Board of Directors. As always, it has been a privilege to serve alongside a group of dedicated people so skilled, so professional, so generous and so committed to the complex task at hand.

*Marelle Thornton*, AM

# highlights of 2005-2006

- The NSW Premier, The Hon. Morris Iemma MP announced an additional $2 million in NSW Government funding for equipment for children with a disability. The funding announcement was made at a media function at The Spastic Centre's Ryde site. In a further funding enhancement targeted directly to clients of The Spastic Centre, Minister Della Bosca presented a $330,000 cheque to purchase essential mobility and communication loan equipment for children with cerebral palsy.

- Intensive Family Support programs were expanded in Sydney and the Hunter region, following a successful tender, with state government recurrent funding of $1.3 million. Staff will be incorporated into new Community Links teams in the North & East, South & West and Hunter & Central Coast regions.

- Thanks to the generosity of WD-40, eight families enjoyed a respite skiing holiday at Thredbo and Smiggin Holes. Spastic Centre staff worked with the Disabled Winter Sports Association to ensure the week was a great success.

- In the Community Living Program, five houses received makeovers through the efforts of volunteer groups from the corporate sector including Macquarie Bank, GE, ING, Nestle, PwC and Westpac. Other supporters of corporate volunteering included AMEX, AMP, Bloombergs, Clayton Utz, Commonwealth Bank, GIO/Suncorp, JP Morgan, KPMG, Kwik Kopy, NAB, Roche and Vodafone.

- Ten NSW players were supported to attend the National Boccia Titles in Perth, winning four of the five major titles. Subsequently, four players were chosen to compete for Australia at the FESBIC Games in Kuala Lumpur in November 2006.

- In south-east Sydney, The Spastic Centre began therapy services from our new premises at Penshurst. Stage 1 of the renovations has been completed with Stage 2 commencing in October 2006.

- Allergan provided sponsorship of $30,000 for research into optimal therapy interventions following Botox treatment.

- A Memorandum of Understanding was signed with Northcott and the Department of Education & Training for $150,000 in new funding. Students in NSW schools will benefit through the provision of assessments and training for assistive technology.

- IBM approached The Spastic Centre to form a partnership to trial and evaluate their new accessible software. The software has been specifically developed for people with physical disabilities and/or sensory impairments to make "surfing the web" easier. IBM has provided $70,000 worth of computers, software and support.

- A grant of $10,000 from Sydney City Council was secured by St Ives CAS to undertake a series of drama and music workshops in the inner city. The workshops, "Unlock Your Creativity", engaged professional community artists and culminated in a single performance at Darlinghurst Theatre to celebrate International Day of Disability.

- A Business Seminar was held to promote employment of people with a disability in the corporate sector. The key-note speaker was David Gonski AO.

- Castle Hill Children's Respite House was re-opened after extensive renovations. The house is now spacious, modern and more comfortable for the children who visit, thanks to the generosity of the Grevillea Group and Rob and Sandy Parsonage AM.

- Following a review of Business Services by KPMG, recommendations for funding were accepted by the Department of Family and Community Services and Indigenous Affairs (FaCSIA). The funds will target improved sales generation, production of a marketing DVD and the purchase of equipment to assist production output. Further funding was secured to assist employees in becoming more productive through physio exercise classes, hydrotherapy services and a range of individual equipment.

- The CP Foundation was launched in August 2005, with ten Governors appointed. Chaired by Mr William Bartlett, the group will focus on raising funds to support research and other important initiatives.

- The CP Foundation Grants Program was launched at the Australasian Academy of Cerebral Palsy and Developmental Medicine. The inaugural grant was presented to Margaret Wallen to support Doctoral research in the area of constraint induced movement therapy for children with hemiplegic cerebral palsy.

- Marion and Neville Newman of Sargents Foundation opened our new Sargents Kids


Quarters at Moruya in May 2006 and presented a further $500,000 to purchase a site at Dubbo. Sargents also generously provided a $200,000 enhancement to the work of the CP Register.

- The web is increasingly becoming one of the primary means of communication for The Spastic Centre with our main website receiving an average of 20,700 visits each month and the six smaller sites receiving a total of 8,300 visits each month. A weekly CP Research e-newsletter was also launched this year, with Australian and international subscribers comprised of researchers, clinicians and parents.

- More than 50 competitors from Macquarie Bank participated in the 3rd annual 20/Twenty Challenge. The event raised $200,000 on the day with the Macquarie Bank Foundation generously matching this amount and donating a further $200,000. Funds were used to purchase equipment for children.

- The Spastic Centre's renovated Wagga Wagga office was officially opened by The Hon. Kay Hull.

- The ING Foundation donated a further $100,000 for the ING Centre for Conductive Education. ING Foundation Chairman, Mr John Studdy said at the time, "To see the improvement in the lives of people with CP is a testament to the extraordinary work of The Spastic Centre". ING also partnered with The Spastic Centre in the innovative "Ignition Mentoring" program, linking ING staff mentors with young people to build confidence and self esteem.

- The Spastic Centre announced its Affiliate Partnership with United Cerebral Palsy in America, the first international affiliation for UCP. This partnership will ensure that the universal concerns of people with disabilities are addressed. The organisation's international expansion will also improve information sharing between disability service organisations around the globe.

- The University of Western Sydney (UWS) and The Spastic Centre announced plans to develop a Disability Learning Centre in Western Sydney. The Disability Learning Centre will be a purpose-built facility at the UWS Penrith Campus, and will be home to therapeutic, specialist, teaching and research staff from both The Spastic Centre and UWS.

- The Spastic Centre announced its partnership with Australia's leading volunteer agency, Australian Volunteers International (AVI) to support The Centre's Development and Exchange program in Fiji and East Timor. The funding from AVI will ensure the program can continue its work to improve access to rehabilitation services for people with disabilities in both countries.

- Families in the Hunter & Central Coast region will benefit from the extensive renovations undertaken to the Stuart Centre. The facilities have been enhanced by removal of demountables and the completion of extensions to accommodate technology, therapy services, assessments and training services.

- 2005/06 was a record-breaking year for Fundraising and Events with more than $10million dollars raised, including bequests. Some of the major fundraising events included the annual Might and Power Gala Race Day, Col Crawford Charity Golf Day and CBD Golf Escape at Cypress Lakes. Thanks to our generous supporters- Nick Moraitis AM, Col Crawford OAM and Sydney City Toyota.

- ClubsACT maintained their generous commitment of $122,000 annually to support our therapy services and Equipment Loan Pool located in Spence. This year The Tradies Club extended their support with an additional donation of $60,000 to purchase equipment for the Loan Pool. We acknowledge the generous support of ClubsACT.

# directors' report

## DIRECTORS' REPORT

The Directors present their report together with the financial report of The Spastic Centre of New South Wales ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2006 and the auditors' report thereon.

## THE BOARD OF DIRECTORS

The Directors of the Company who held a position at any time during or since the end of the financial year are:

### CAIN BECKETT, BEC, MINTS, GAICD, AIMM

Mr Beckett has been a member of the Board of Directors since November 2003.

Mr Beckett is the Chairman of the Research Committee and the Ethics Committee. He is also a member of the Finance and Audit Committee, the Property and Equipment Committee, the Human Resources Committee and the Services Committee.

Mr Beckett is a technology and management consultant with expertise in facilitation, project management and business process architecture.

Mr Beckett represents Australia in Archery and is the No. 1 Australian on the current Men's Paralympic Archery World Ranking.

### NEROLI BEST, MBBS, FANZCA, MAICD

Dr Best has been a member of the Board of Directors since June 1994.

Dr Best is a member of the Services Committee, the Research Committee and the Ethics Committee.

Dr Best is a medical practitioner specialising in anaesthesiology and holds appointments at Royal North Shore, Mater Misericordiae and North Shore Private Hospitals.

### MARK BRYANT, MA, FCA, MAICD

Mr Bryant has been a member of the Board of Directors since December 1997.

Mr Bryant is Vice-President of The Spastic Centre, Chairman of the Finance and Audit Committee and a member of the Fundraising Committee and the Property and Equipment Committee.

Mr Bryant has over 25 years experience in public accounting.

### ROBERT (BOB) G. MILLER

Mr Miller has been a member of the Board of Directors since May 1999.

Mr Miller is a member of the Fundraising Committee, the Finance and Audit Committee and the Property and Equipment Committee.

Mr Miller is presently the principal of Australia Street Consulting Pty Ltd where he advises the automotive industry, advertising agencies, telecommunications companies and others on Marketing. He was previously General Manager – Marketing, Toyota Australia for fifteen years.

Mr Miller is renowned as a keynote speaker at corporate training/seminar events.

### JOHN MORGAN

Mr Morgan has been a member of the Board of Directors since November 1991.

Mr Morgan is a member of the Services Committee.

Mr Morgan has been employed at The Spastic Centre for the past 45 years. He is an adviser to the Warringah Council Access Committee.

Mr Morgan has served on management committees of outside organisations, including the Disability & Ageing Reference Group and the Physical Disability Council of NSW. Mr Morgan has a keen interest in the area of ageing and its impact on people with a disability.

### MICHELLE NOORT, MHS, RN CPSM, CCC, MAICD

Ms Noort joined the Board of Directors in July 2003.

Ms Noort was Chairman of the Research Committee and the Ethics Committee and a member of the Services Committee.

Ms Noort resigned from the Board in January 2006.

### VICTOR NOSSAR, MB, BS (UNSW), FRACP, FAFPHM

Associate Professor Nossar joined the Board of Directors in June 2006.

Associate Professor Nossar is the Associate Dean of the new School of Medicine at The University of Notre Dame Australia. As a Community Paediatrician, he has more than 20 years experience in implementing community-based services to enhance the health and development of children and young people in Australia and overseas.

Associate Professor Nossar was previously a member of the Board from December 1995 until his relocation to South Australia in December 2002.

### MARELLE THORNTON, AM, DIP TEACH, MAICD

Mrs Thornton has been a member of the Board of Directors since October 1983.

Mrs Thornton is President of The Spastic Centre, Chairman of the Board of Directors, Chairman of the Fundraising Committee and a member of the Finance and Audit Committee, the Property and Equipment Committee, the Human Resources Committee and the Services Committee.

Mrs Thornton is a primary school teacher.

**Standing:** Mr Peter Whitfield, Associate Professor Victor Nossar, Mr Brian Williamson, Mr Bob Miller, Mr Cain Beckett

**Seated:** Mrs Marelle Thornton AM, Mr Mark Bryant, Dr Neroli Best

Absent (*inset pictures left to right*): Mr John Morgan, Dr Robin Way

**ROBIN WAY, M MGT, PHD**

Dr Way has been a member of the Board of Directors since November 1995.

Dr Way is Chairman of the Services Committee and a member of the Human Resources Committee. She is the Board's representative on CP Australia, a peak body for organisations in Australia providing services to people with cerebral palsy.

Dr Way is CEO of Community Connections Australia – a non-government organisation providing a range of human services including a disability specific service. She has an extensive history in the disability service delivery arena and is a past Chair of ACROD NSW (the peak organisation for disability service providers).

In the role of Chair of the Accommodation Sub Committee of ACROD NSW, she remains involved in consultation and policy development in issues confronting the disability sector.

**PETER WHITFIELD, BSC, MAICD**

Mr Whitfield has been a member of the Board of Directors since November 1997.

Mr Whitfield is the Chairman of the Property and Equipment Committee, and a member of the Finance and Audit Committee, the Fundraising Committee and the Human Resources Committee.

Mr Whitfield initiated the introduction of the Hart Walker to Australia and was instrumental in promoting the Hart Walker program at The Spastic Centre.

Mr Whitfield holds a degree in Maths and Physics and spent eight years as a money-market trader.

Ten years ago Mr Whitfield left the finance industry to pursue his own business interests. He currently owns a publishing company of quality children's books.

**BRIAN WILLIAMSON,**
**DIP LAW (SAB), M. COM (DEAKIN),**
**ACCREDITED SPECIALIST IN EMPLOYMENT & INDUSTRIAL LAW (LAW SOC OF NSW), MAICD**

Mr Williamson joined the Board in December 2002.

Mr Williamson is the Chairman of the Human Resources Committee and is the Board representative on the Enterprise Risk Management Committee.

Mr Williamson is a Workplace Relations lawyer and is the founder and co-owner of the specialist law firm – Workplace Law – which deals with all aspects of workplace law and specialises in acting for employers.

He holds a Diploma Law (SAB, 1981) and a Masters Degree in Commerce, (Deakin 1992).

In 1994, Mr Williamson was one of the first five solicitors in NSW to become an Accredited Specialist in Employment & Industrial Law with the Law Society of NSW.

***Company Secretary***

The following person held the position of company secretary at the end of the financial year:

**ANTHONY CANNON**
**BA (Econ), FCIS, CPA, MAICD, M. Mgt, M. Bus Law**

Mr Cannon has been employed by The Spastic Centre since 1988 as General Manager – Corporate Services. In 1996 Mr Cannon was also appointed Company Secretary. He is Secretary to all Board Committees.

The Directors in office at the date of this report are:

| | |
|---|---|
| Mr C. Beckett | Dr N. Best |
| Mr M. B. Bryant | Mr R. G. Miller |
| Mr J. Morgan | Associate Professor V. Nossar (appointed to the Board in June 2006) |
| Mrs M. A. Thornton AM | Dr R. Way |
| Mr P. Whitfield | Mr B. Williamson |

## BOARD OF DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of Committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

| Board Members | Board of Directors' Meetings | | Finance & Audit Committee Meetings | | Human Resources Committee Meetings | | Services Committee Meetings | | Fundraising Committee Meetings | | Property & Equipment Committee Meetings | | Research Committee Meetings | | Ethics Committee Meetings *** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number Eligible to attend | Number attended | Number Eligible to attend | Number attended | Number Eligible to attend | Number attended | Number Eligible to attend | Number attended | Number Eligible to attend | Number attended | Number Eligible to attend | Number attended | Number Eligible to attend | Number attended | Number Eligible to attend | Number attended |
| Mr C. Beckett | 9 | 9 | 3 | 3 | 2 | 1 | 3 | 3 | | | 3 | 3 | 3 | 3 | 2 | 2 |
| Dr N. Best | 9 | 7 | | | | | 5 | 3 | | | | | 3 | 3 | 2 | 2 |
| Mr M. B. Bryant | 9 | 7 | 3 | 3 | | | | | 2 | 1 | 3 | 3 | | | | |
| Mr R. Miller | 9 | 8 | 3 | 2 | | | | | 2 | 2 | 3 | 2 | | | | |
| Mr J. Morgan | 8 | 8 | | | | | 4 | 2 | | | | | | | | |
| Ms M. Noort # | 5 | 4 | | | | | 2 | 2 | | | | | 1 | 1 | | |
| Ass. Prof. Victor Nossar ## | 1 | 1 | | | | | | | | | | | | | | |
| Mrs M. A. Thornton AM | 9 | 9 | 3 | 3 | 2 | 2 | 5 | 5 | 2 | 2 | 3 | 3 | | | | |
| Dr R. Way | 9 | 7 | | | 2 | 2 | 5 | 5 | | | | | | | | |
| Mr P. Whitfield | 9 | 7 | 3 | 3 | 2 | 2 | | | 2 | 2 | 3 | 3 | | | | |
| Mr B. Williamson | 8 | 8 | | | 2 | 2 | | | | | | | | | | |

\# Resigned from the Board in January 2006
\## Appointed to the Board in June 2006
*** The business of the Ethics Committee is conducted predominantly by email. Details of such "electronic meetings" are not shown.

# directors' report continued

The Board of The Spastic Centre operates through seven standing committees with delegated authority and terms of reference. The Committees meet throughout the year as the business of each Committee necessitates.

The agenda for Committee meetings is prepared in conjunction with the Chairman of the relevant Committee. Papers and submissions are distributed to Committee members in advance and each Committee is free to invite members of management or others to attend meetings, or take external advice, as and when considered appropriate.

The purpose and function of these Committees are described below.

**Finance and Audit Committee**

The Finance and Audit Committee enhances the credibility, objectivity and accountability of The Spastic Centre by assisting the Board in discharging its responsibilities in relation to financial management, monitoring and controlling risk, internal control systems and reporting financial information.

The Committee also provides a forum for communication between the Board, senior financial management and the external auditors.

**Human Resources Committee**

The Human Resources Committee advises and makes recommendations to the Board on the appointment and remuneration of senior management.

The Committee also advises management in the development, implementation and review of policies in the Human Resources and Industrial Relations areas, including any references from the Board in respect of Human Resources management and Industrial Relations.

**Services Committee**

The Services Committee reviews, advises and makes recommendations to the Board on the nature and scope of service practice and delivery within The Spastic Centre.

The Committee also consults widely with stakeholders about effective service delivery so that the Board has a mechanism which can ensure that issues surrounding duty of care, legal liability and service quality concerns are brought to its attention.

**Fundraising Committee**

The Fundraising Committee considers potential opportunities for increasing funds from both existing and new fundraising programs.

The Committee also advises and makes recommendations on the financial viability, ethics and legal aspects of existing and proposed fundraising programs.

**Property and Equipment Committee**

The Property and Equipment Committee oversees the effective management of the use, and potential use of the land, buildings and equipment for which The Spastic Centre has title and/or trusteeship.

The Committee also provides a mechanism whereby advice in respect of land, buildings and items of equipment used by The Spastic Centre can be evaluated.

**Research Committee**

The Research Committee reviews all initiatives in respect of soliciting research proposals, particularly in areas approved by the Board to have a high priority.

The Committee also considers all submissions regarding research and makes recommendation for approval, where appropriate, to the Ethics Committee.

**Ethics Committee**

The Ethics Committee provides independent scrutiny of all research proposals in order to ensure that the designated procedures provide for the ethical treatment of participants.

The Committee makes recommendation to the Board on all research proposals.

**Governance**

The Company and its controlled entities operate as companies limited by guarantee with the exception of The Cerebral Palsy Foundation Pty Ltd which is a proprietary limited company. The Company is governed by Directors who must be members and who are elected by the members in a general meeting.

The Articles of Association limit the number of Directors to a minimum of five and a maximum of ten. Half of the Directors retires each year. Resolution requirements for general meetings are in accordance with the Corporations Act 2001.

Any member of The Spastic Centre of New South Wales can stand for election to the Board if correctly nominated.

**Principal Activities**

The principal activities of the Company and its controlled entities are to provide access to a range of services and facilities to children and adults with cerebral palsy and their families in NSW and the ACT and, where applicable, to people with other disabilities who can benefit from the type of services offered.

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

**Operating and Financial Review**

The operating surplus of the consolidated entity for the financial year was $1,084,468 (2004-2005: $1,131,949 surplus).

**Adoption of Australian Equivalents to International Financial Reporting Standards "IFRS"**

As a result of the introduction of Australian equivalents to International Financial Reporting Standards "IFRS", The Spastic Centre's financial report has been prepared in accordance with those Standards. Refer to Note 1 Statement of Compliance.

**State of Affairs**

In the opinion of the Directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

# directors' report
continued

**Environmental Regulation**

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

**Events Subsequent to Balance Date**

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

**Dividends**

The Company and its controlled entities are prohibited by their Constitutions from paying dividends.

**Likely Developments**

The Directors do not believe that there will be any material changes in the operations of the consolidated entity for the next twelve months.

**Authority to Fundraise (CFN 10943)**

The Spastic Centre of New South Wales has been granted authority to raise funds under the provisions of section 16 of the Charitable Fundraising Act 1991. That authority remains in force until 1 September 2009.

**Tax Deductibility of Donations**

The Spastic Centre and its controlled entities are deductible gift recipients as defined in the Income Tax Assessment Act. Donations of $2.00 or more are tax deductible in Australia.

**Directors' Benefits**

The remuneration of Directors is disclosed in Note 20 in the Financial Statements. One Director, Mr J. Morgan, receives remuneration in his capacity as an employee of the Company. Since the end of the previous financial year, no other Director received or became entitled to receive remuneration.

The Board members of The Spastic Centre provide their time and expertise on an entirely voluntary basis and receive no fees, salaries or benefits for the work they undertake on behalf of the Board.

**Indemnification and Insurance of Directors and Officers**

The Company has paid a premium in respect of a contract insuring the Directors and Officers. The Directors have not disclosed the terms of the policy under which the premium was paid, nor the identity of the insurer nor any limit of liability, as such disclosure is prohibited under the terms of the insurance contract.

**Auditor**

KPMG continues in office in accordance with section 327 of the Corporations Act 2001.

**Members**

As at 30 June 2006 there were 537 members (2005: 540 members) of the Company.

The financial report was authorised for issue by the Directors dated at Sydney this 4 October 2006.

M. A. Thornton, AM
*Director*

Mark B. Bryant

M. B. Bryant
*Director*

# Lead Auditor's Independence Declaration

## under section 307C of the Corporations Act 2001

**To the Directors of The Spastic Centre of New South Wales**

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2006, there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit for the year ended 30 June 2006; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit for the year ended 30 June 2006.

KPMG

KPMG

Kathy Ostin

Kathy Ostin
*Partner*

4 October 2006
Sydney

# directors' declaration

1. In the opinion of the Directors of The Spastic Centre of New South Wales:
   (a) the financial statements and notes, set out on pages 14 to 32, are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the financial position of The Spastic Centre of New South Wales and consolidated entity as at 30 June 2006 and of their performance, as represented by the results of their operations and their cash flows for the year ended on that date; and
      (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
   (b) there are reasonable grounds to believe that The Spastic Centre of New South Wales will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that The Spastic Centre of New South Wales and the subsidiaries identified in Note 24 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between The Spastic Centre of New South Wales and those subsidiaries pursuant to ASIC Class Order 98/1418.

Dated at Sydney this 4 October 2006.
*Signed in accordance with a resolution of the Board of Directors.*

M. A. Thornton, AM
*Director*

M. B. Bryant
*Director*

# declaration by chief executive officer in respect of fundraising appeals

I, Rob White, Chief Executive Officer of The Spastic Centre of New South Wales, declare in my opinion:
   (a) the financial statements give a true and fair view of all income and expenditure of The Spastic Centre of New South Wales with respect to fundraising appeal activities for the financial year ended 30 June 2006;
   (b) the Income Statement gives a true and fair view of the state of affairs with respect to fundraising appeal activities as at 30 June 2006;
   (c) the provisions of the Charitable Fundraising Act 1991 and Regulations and the conditions attached to the authority have been complied with during the period from 1 July 2005 to 30 June 2006; and
   (d) the internal controls exercised by The Spastic Centre of New South Wales are appropriate and effective in accounting for all income received and applied from any fundraising appeals.

Dated at Sydney this 4 October 2006.

Rob White
*Chief Executive Officer*

# independent audit report to the members of The Spastic Centre of New South Wales

Pursuant to the Corporations Act 2001 and Charitable Fundraising (NSW) Act 1991 and Regulations

*Scope*

We have audited the financial report of The Spastic Centre of New South Wales ("the Company") for the financial year ended 30 June 2006, consisting of the income statement, statement of changes in equity, balance sheet, statement of cash flows, accompanying notes 1 to 31, and the directors' declaration. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled during that financial year. The Company's directors are responsible for the financial report. The directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 First-time Adoption of Australian equivalents to International Financial Reporting Standards. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company and the consolidated entity.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report pursuant to the Corporations Act 2001 has been formed on the above basis.

*Additional scope pursuant to the* Charitable Fundraising (NSW) Act 1991

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

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

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

The audit opinion expressed in this report pursuant to the Charitable Fundraising (NSW) Act 1991 has been formed on the above basis.

*Qualification*

Fundraising appeals are a significant source of revenue for The Spastic Centre of New South Wales. The Spastic Centre of New South Wales has determined that it is impracticable to establish controls over the collection of fundraising revenue prior to entry into its financial records. Accordingly, as the evidence available to us regarding revenue from this source was limited, our audit procedures with respect to fundraising revenue had to be restricted to the amounts recorded in the financial records. We therefore are unable to express an opinion whether the fundraising revenue The Spastic Centre of New South Wales obtained is complete.

In respect of the qualification however, based on our understanding of the internal controls, nothing has come to our attention which would cause us to believe that the internal controls over revenue from fundraising appeal activities by the Company and the consolidated entity are not appropriate given the size and nature of the Company and the consolidated entity.

*Qualified audit opinion pursuant to the* Corporations Act 2001

In our opinion, except for the effects on the financial report of such adjustments, if any, as might have been required had the limitation referred to in the qualification paragraph not existed, the financial report of The Spastic Centre of New South Wales is in accordance with:

a) the Corporations Act 2001, including:
   i. giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
   ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
b) other mandatory professional reporting requirements in Australia.

*Qualified audit opinion pursuant to the* Charitable Fundraising (NSW) Act 1991

In our opinion, except for the effects on the financial report of such adjustments, if any, as might have been required had the limitation referred to in the qualification paragraph not existed:

a) the financial report gives a true and fair view of the financial result of fundraising appeal activities for the financial year ended 30 June 2006;
b) the financial report has been properly drawn up, and the associated records have been properly kept for the period from 1 July 2005 to 30 June 2006, in accordance with the Charitable Fundraising (NSW) Act 1991 and Regulations;
c) money received as a result of fundraising appeal activities conducted during the period from 1 July 2005 to 30 June 2006 has been properly accounted for and applied in accordance with the Charitable Fundraising (NSW) Act 1991 and Regulations; and
d) there are reasonable grounds to believe that The Spastic Centre of New South Wales will be able to pay its debts as and when they fall due.

KPMG

KPMG
Place: Sydney

Kathy Ostin, *Partner*
Date: 4 October 2006

# balance sheets

## as at 30 June 2006

| | | CONSOLIDATED | | THE COMPANY | |
|---|---|---|---|---|---|
| | | 2006 | 2005 | 2006 | 2005 |
| | NOTES | $ | $ | $ | $ |
| **CURRENT ASSETS** | | | | | |
| Cash and cash equivalents | 7 | 2,353,701 | 1,453,823 | 2,285,972 | 1,402,594 |
| Trade and other receivables | 8 | 1,794,737 | 1,513,515 | 1,603,687 | 1,492,305 |
| Inventories | 9 | 397,132 | 332,171 | 397,132 | 332,171 |
| Assets classified as held for sale | 10 | 894,821 | 855,887 | 894,821 | 855,887 |
| TOTAL CURRENT ASSETS | | 5,440,391 | 4,155,396 | 5,181,612 | 4,082,957 |
| **NON-CURRENT ASSETS** | | | | | |
| Other financial assets | 11 | 13,066,284 | 11,784,312 | 5,849,944 | 5,527,667 |
| Property, plant and equipment | 12 | 11,114,963 | 10,806,501 | 11,114,963 | 10,806,501 |
| TOTAL NON-CURRENT ASSETS | | 24,181,247 | 22,590,813 | 16,964,907 | 16,334,168 |
| **TOTAL ASSETS** | | 29,621,638 | 26,746,209 | 22,146,519 | 20,417,125 |
| **CURRENT LIABILITIES** | | | | | |
| Trade and other payables | 13 | 4,581,180 | 3,393,230 | 7,609,165 | 5,912,809 |
| Employee benefits | 14 | 3,897,390 | 3,605,775 | 1,505,736 | 1,519,678 |
| TOTAL CURRENT LIABILITIES | | 8,478,570 | 6,999,005 | 9,114,901 | 7,432,487 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Employee benefits | 15 | 670,557 | 677,017 | 271,308 | 240,283 |
| TOTAL NON-CURRENT LIABILITIES | | 670,557 | 677,017 | 271,308 | 240,283 |
| **TOTAL LIABILITIES** | | 9,149,127 | 7,676,022 | 9,386,209 | 7,672,770 |
| **NET ASSETS** | | 20,472,511 | 19,070,187 | 12,760,310 | 12,744,355 |
| **EQUITY** | | | | | |
| General funds | | 19,962,205 | 18,877,737 | 12,530,602 | 12,671,705 |
| Asset revaluation reserve | 16 | 510,306 | 192,450 | 229,708 | 72,650 |
| **TOTAL EQUITY** | | 20,472,511 | 19,070,187 | 12,760,310 | 12,744,355 |

The Balance Sheets are to be read in conjunction with the notes to the Financial Statements set out on pages 18 to 32.

# income statements

## for the year ended 30 June 2006

| | | CONSOLIDATED | | THE COMPANY | |
|---|---|---|---|---|---|
| | | 2006 | 2005 | 2006 | 2005 |
| | NOTES | $ | $ | $ | $ |
| Revenue from government funding | 4 | 32,828,694 | 31,663,247 | 32,828,694 | 31,663,247 |
| Revenue from fundraising and bequests | | 10,950,669 | 7,975,261 | 10,950,669 | 7,975,261 |
| Revenue from rendering of services | | 3,612,383 | 3,336,078 | 3,612,383 | 3,308,110 |
| Revenue from sale of goods | | 638,067 | 655,849 | 638,067 | 655,849 |
| Financial income – interest | | 200,554 | 566,201 | 194,016 | 406,663 |
| Financial income – distributions from trusts and dividends | | 1,247,805 | 147,651 | 593,620 | 57,287 |
| Rental income | | 378,274 | 533,873 | 378,274 | 533,873 |
| **Total revenue** | | 49,856,446 | 44,878,160 | 49,195,723 | 44,600,290 |
| Gain on sale of other financial assets | | 205,045 | 766,263 | 84,832 | 573,210 |
| Gain on sale of property, plant and equipment | | 220,973 | 282,585 | 220,973 | 282,585 |
| Accommodation expenses | | (12,991,898) | (12,537,384) | (12,991,898) | (12,537,384) |
| Individual and family support expenses | | (12,671,060) | (11,264,567) | (12,671,060) | (11,264,567) |
| Employment services expenses | 6 | (4,787,195) | (4,943,855) | (4,787,195) | (4,943,855) |
| Community access service expenses | | (4,504,337) | (4,561,066) | (4,504,337) | (4,561,066) |
| Fundraising expenses | | (2,956,526) | (2,371,771) | (2,956,526) | (2,371,771) |
| Community education and information | | (2,106,019) | (1,689,370) | (2,106,019) | (1,689,370) |
| Technical services expenses | | (1,805,305) | (1,651,595) | (1,805,305) | (1,651,595) |
| Cost of goods sold | | (485,459) | (505,416) | (485,459) | (505,416) |
| Finance costs | | (9,579) | (6,472) | (9,579) | (6,472) |
| Administration expenses | | (6,880,618) | (5,263,563) | (6,825,253) | (5,235,034) |
| Other expenses | 6 | – | – | (500,000) | (600,000) |
| **Operating surplus/(deficit) for the year** | | 1,084,468 | 1,131,949 | (141,103) | 89,555 |

The Income Statements are to be read in conjunction with the notes to the Financial Statements set out on pages 18 to 32.

# statements of changes in equity for the year ended 30 June 2006

| | CONSOLIDATED | | |
|---|---|---|---|
| | General Funds | Asset Revaluation Reserve | Total Equity |
| | $ | $ | $ |
| Opening balance 1 July 2004 | 17,745,788 | 541,680 | 18,287,468 |
| Revaluation increment/(decrement) on non-current investments | – | (349,230) | (349,230) |
| Total non-profit items recognised directly in equity | 17,745,788 | 192,450 | 17,938,238 |
| Operating surplus | 1,131,949 | – | 1,131,949 |
| Total recognised income & expenses for the period attributable to the Company | 1,131,949 | – | 1,131,949 |
| **Closing balance 30 June 2005** | 18,877,737 | 192,450 | 19,070,187 |
| Opening balance 1 July 2005 | 18,877,737 | 192,450 | 19,070,187 |
| Revaluation increment/(decrement) on non-current investments | – | 317,856 | 317,856 |
| Total non-profit items recognised directly in equity | 18,877,737 | 510,306 | 19,388,043 |
| Operating surplus | 1,084,468 | – | 1,084,468 |
| Total recognised income & expenses for the period attributable to the Company | 1,084,468 | – | 1,084,468 |
| **Closing balance 30 June 2006** | 19,962,205 | 510,306 | 20,472,511 |

| | THE COMPANY | | |
|---|---|---|---|
| | General Funds | Asset Revaluation Reserve | Total Equity |
| | $ | $ | $ |
| Opening balance 1 July 2004 | 12,582,150 | 441,520 | 13,023,670 |
| Revaluation increment/(decrement) on non-current investments | – | (368,870) | (368,870) |
| Total non-profit items recognised directly in equity | 12,582,150 | 72,650 | 12,654,800 |
| Operating surplus | 89,555 | – | 89,555 |
| Total recognised income & expenses for the period attributable to the Company | 89,555 | – | 89,555 |
| **Closing balance 30 June 2005** | 12,671,705 | 72,650 | 12,744,355 |
| Opening balance 1 July 2005 | 12,671,705 | 72,650 | 12,744,355 |
| Revaluation increment/(decrement) on non-current investments | – | 157,058 | 157,058 |
| Total non-profit items recognised directly in equity | 12,671,705 | 229,708 | 12,901,413 |
| Operating deficit | (141,103) | – | (141,103) |
| Total recognised income & expenses for the period attributable to the Company | (141,103) | – | (141,103) |
| **Closing balance 30 June 2006** | 12,530,602 | 229,708 | 12,760,310 |

The Statements of Changes in Equity are to be read in conjunction with the notes to the Financial Statements set out on pages 18 to 32.

# cash flow statements

## for the year ended 30 June 2006

| | NOTES | CONSOLIDATED 2006 $ | CONSOLIDATED 2005 $ | THE COMPANY 2006 $ | THE COMPANY 2005 $ |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Cash receipts in the course of operations | | 52,508,756 | 48,160,639 | 52,467,506 | 48,135,526 |
| Cash payments in the course of operations | | (50,908,663) | (46,811,859) | (50,901,874) | (47,366,373) |
| Net cash provided by operating activities | 27 | 1,600,093 | 1,348,780 | 1,565,632 | 769,153 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Interest received | | 186,575 | 670,047 | 180,038 | 481,445 |
| Distributions from trusts and dividends | | 1,247,805 | 147,651 | 593,620 | 57,287 |
| Payments for property, plant and equipment | | (3,720,706) | (3,753,607) | (3,720,706) | (3,753,607) |
| Payments for other financial assets | | (964,115) | (11,662,265) | (165,219) | (5,495,591) |
| Payments for developed property held for resale | | (38,934) | (855,887) | (38,934) | (855,887) |
| Proceeds from sale of other financial assets | | 205,045 | 8,667,677 | 84,832 | 5,444,797 |
| Proceeds from sale of property, plant and equipment | | 2,393,694 | 2,885,386 | 2,393,694 | 2,885,386 |
| Net cash used in investing activities | | (690,636) | (3,900,998) | (672,675) | (1,236,170) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Financing costs | | (9,579) | (6,472) | (9,579) | (6,472) |
| Net cash used in financing activities | | (9,579) | (6,472) | (9,579) | (6,472) |
| Net increase/(decrease) in cash held | | 899,878 | (2,558,690) | 883,378 | (473,489) |
| Cash at the beginning of the financial year | | 1,453,823 | 4,012,513 | 1,402,594 | 1,876,083 |
| Cash at the end of the financial year | 7 | 2,353,701 | 1,453,823 | 2,285,972 | 1,402,594 |

The Cash Flow Statements are to be read in conjunction with the notes to the Financial Statements set out on pages 18 to 32.

# financial notes

## notes to and forming part of the financial statements for the year ended 30 June 2006

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Spastic Centre of New South Wales (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2006 comprises the Company and its controlled entities (together referred to as the "consolidated entity").

The financial report was authorised for issue by the Directors dated at Sydney this 4 October 2006.

### a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. International Financial Reporting Standards ("IFRSs") form the basis of Australian Accounting Standards adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ("AIFRS") to distinguish from previous Australian Generally Accepted Accounting Principles ("GAAP"). The financial reports of the consolidated entity and the Company also comply with IFRSs and interpretations adopted by the International Accounting Standards Board.

This is the consolidated entity's first financial report prepared in accordance with Australian Accounting Standards, being AIFRS and IFRS and AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards*. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity and the Company is provided in note 31.

### b) Basis of preparation

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

The following new Accounting Standards or amendments which have been issued but are not yet effective have not been adopted for this annual reporting period ending 30 June 2006.

| Pronouncement | Affected Standard | Nature of Change | Application Date |
|---|---|---|---|
| AASB 119 | | Amends disclosure for defined benefits plan | 1 January 2006 |
| AASB 2004-3 | AASB 1, 101, 124 | Amends disclosures of AASB 119 above | 1 January 2006 |
| AASB 2005-1 | AASB 139 | Cash flow hedge accounting of forecast intra-group transactions | 1 January 2006 |
| AASB 2005-3 | AASB 119 | Amends commentary and guidance on actuarial assumptions on defined plans to take into account future taxes | 31 December 2005 |
| AASB 2005-4 | AASB 1, 132, 139, 1023, 1038 | Restricts the ability to designate financial assets and liabilities through the income statement | 1 January 2006 |
| AASB 2005-5 | AASB 1, 139 and UIG 4, 5 | Optional exemption on adoption of a lease | 1 January 2006 |
| AASB 2005-6 | AASB 3 | Adopts exclusions for business combinations involving entities or businesses under common control | 1 January 2006 |
| AASB 2005-8 | AASB 1 | Changes the standards in relation to insurance contracts | 31 December 2005 |
| AASB 2005-9 | AASB 4, 1023 | Requires the liabilities of a financial guarantee to be recognised | 1 January 2006 |
| AASB 2005-10 | AASB 1, 4, 101, 114, 117, 132, 133, 139, 1023, 1038 | Amends disclosures due to AASB 7 being issued | 1 January 2007 |
| AASB 2005-11 | AASB 101, 112, 132, 133, 139, 141 | Editorial changes in the application standards | 31 December 2005 |
| AASB 2005-12 | AASB 1023, 1038 | Amendments are applicable to insurance contracts | 31 December 2005 |
| AASB 2006-1 | AASB 121 | Monetary items denominated in any currency can still be included in the net investments of the foreign operation | 31 December 2006 |
| AASB 2006-2 | AASB 1 | Includes a clause for not-for-profits in the statement of compliance | 31 December 2006 |
| AASB 7 | | Replaces the presentation requirements of financial instruments | 1 January 2007 |

The impact of these standards is yet to be determined but will be applied by the consolidated entity on the relevant application date.

# financial notes

notes to and forming part of the financial statements for the year ended 30 June 2006

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES – *continued***

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

There are no judgments made by management in the application of Australian Accounting Standards that have a significant effect on the financial report.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and in preparing an opening AIFRS balance sheet at 1 July 2004 for the purpose of the transition to Australian Accounting Standards – AIFRS.

The accounting policies have been applied by all entities in the consolidated entity.

In the opinion of the Directors, having regard to the not-for-profit nature of the consolidated entity's business, the terms used in the prescribed format are not appropriate.

The words "Operating Surplus/(Deficit)" have been substituted for the terms "Net Profit/(Loss)" in the prescribed income statements.

**c) Basis of consolidation**

*Transactions eliminated on consolidation*

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

*Subsidiaries*

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition.

**d) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and bank short-term deposits.

**e) Trade and other receivables**

Trade and other receivables are stated at their amortised cost less impairment losses (see note 1(o)).

**f) Inventories**

Inventories are valued at the lower of cost and net realisable value, with net realisable value being the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Cost is based on the first-in first-out principle and includes expenditure incurred in bringing them to their present condition and location.

**g) Assets classified as held for sale**

Immediately before classification as held for sale, the measurement of the applicable asset is brought up-to-date in accordance with accounting standards. Then, on initial classification as held for sale, assets are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale and on any subsequent remeasurement are included in the income statement.

**h) Other financial assets**

*Current accounting policy*

Other financial assets comprise investments in equity securities which are classified as being available for sale. Such investments are shown at fair value, being quoted market prices at reporting date. Where the market value is higher than the cost of the investment the difference is recorded in the Asset Revaluation Reserve.

When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement. Financial instruments classified as held for trading or available for sale investments are recognised/derecognised by the consolidated entity on the date it commits to purchase/sell the investments.

*Comparative period policy*

Investments in other listed entities are measured at fair value. In measuring fair value, revaluation increments on a class of assets basis are recognised in the revaluation reserve except that amounts reversing a decrement previously recognised as an expense are recognised as revenues. Revaluation decrements are only offset against revaluation increments relating to the same class of asset and any excess was recognised as an expense.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

### i) Property, plant and equipment

*Owned assets*

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The value of in-kind donations is determined by independent valuation at the time of the donation of land and on completion of building works. This independent valuation is considered to be the deemed cost of such donated assets.

The carrying value of all non-current assets is reviewed by the Directors annually. If the carrying value exceeds the remaining service potential, the asset is written down to the lower amount. The service potential is primarily related to the provision of goods and services to adults and children with cerebral palsy and their families within New South Wales and the ACT.

Land and buildings are shown at carrying value but have been valued as described in note 12.

*Subsequent costs*

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Costs that do not meet the criteria for capitalisation are expensed as incurred.

*Depreciation and amortisation*

Items of property, plant and equipment, including buildings, leasehold improvements and motor vehicles, but excluding freehold land, are depreciated/amortised over their estimated useful lives using the straight line method. Assets are depreciated/amortised from the date of acquisition.

In respect of assets under construction, depreciation/amortisation commences from the date the asset is ready for use.

Depreciation/amortisation rates used for each class of asset, for the current and previous years, are as follows:

| | 2006 | 2005 |
|---|---|---|
| Buildings | 4% | 4% |
| Crown Land Improvements | 4% | 4% |
| Plant and equipment | 15-25% | 15-25% |
| Motor Vehicles | 15-20% | 15-20% |

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually. Land and buildings are independently valued every three years. Assets are recorded at cost. Where the carrying amount of an asset or its cash generating unit exceeds valuation the excess is taken as a charge to the income statement.

### j) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled within usual trading terms.

### k) Employee benefits

*Defined contribution superannuation funds*

Obligations for contributions to defined contribution funds are recognised as an expense in the income statement as incurred. Payments are as disclosed in note 6.

*Wages, salaries and annual leave*

Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months of the year-end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs.

*Long-term service benefits*

The consolidated entity's net obligation in respect of long-term service benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wages and salary rates including related on-costs and expected settlement dates.

### l) Revenue

Total revenue is recognised at the fair value of the consideration received net of the amount of goods and services tax.

*Government funding*

Government grant revenue is recognised when there is reasonable assurance that the entity will comply with the conditions attached to them and the grant will be received.

Grant revenue is matched against expenditure as it is incurred unless it relates to specific items of capital expenditure in which case it is recognised on receipt.

*Fundraising and bequests*

Donations and bequests are accounted for on a cash basis. Capitalised in-kind donations are recognised at replacement value at time of receipt.

# financial notes

notes to and forming part of the financial statements for the year ended 30 June 2006

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES – *continued***

*Rendering of services*
Revenue from rendering of services is recognised in the period in which the service is provided having regard to the stage of completion of the transaction.

*Sale of goods*
Revenue from the sale of goods is recognised when significant risks and rewards of ownership have been transferred to the buyer.

*Financial income*
Interest income is recognised as it accrues. Dividend income is recognised on the date the consolidated entity's right to receive payments is established.
Financial income is separately recognised as revenue in the income statement.

*Rental income*
Rental income is recognised as it accrues.

**m) Volunteer workers**

No monetary value has been attributed to the valuable services provided by the many volunteer workers.

**n) Goods and services tax**

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

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

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

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

**o) Impairment**

The carrying amounts of the consolidated entity's assets other than inventories are reviewed at each balance date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated with any impairment loss being recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess being recognised through the income statement.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

**p) Expenses**

*Operating lease payments*
Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

*Financing costs*
Financing costs represent interest relating to interest bearing liabilities and bank overdraft. Financing costs are expensed as incurred.

**q) Derecognition of financial assets and liabilities**

*Current accounting policy*
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the consolidated entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; or
- the consolidated entity has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

| | CONSOLIDATED | | THE COMPANY | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| | $ | $ | $ | $ |

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

*Comparative period policy*

A financial asset was derecognised when the contractual right to receive or exchange cash no longer existed. A financial liability was derecognised when the contractual obligation to deliver or exchange cash no longer existed.

**r) Non-current assets held for sale**

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable accounting standards. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in the income statement, even when there is a revaluation.

The same applies to gains and losses on subsequent remeasurement.

## 2. SEGMENT REPORTING

The consolidated entity operates predominantly in one industry. The principal activities are to provide access to a range of services and facilities to children and adults with cerebral palsy and their families in NSW and the ACT and, where applicable, to other people with disabilities who can benefit from the type of services offered.

## 3. INCOME TAX

No income tax is payable by the consolidated entity as Section 50-5 of the Income Tax Assessment Act 1997 exempts recognised Charitable Institutions from income tax.

## 4. GOVERNMENT FUNDING

The following Government support is included under Government funding:

| | | | | |
|---|---|---|---|---|
| **Commonwealth Government** | | | | |
| Department of Family and Community Services and Indigenous Affairs | 2,781,903 | 2,736,511 | 2,781,903 | 2,736,511 |
| Department of Employment and Workplace Relations | 1,733,769 | 1,841,755 | 1,733,769 | 1,841,755 |
| Department of Education, Science and Training | 107,373 | – | 107,373 | – |
| | 4,623,045 | 4,578,266 | 4,623,045 | 4,578,266 |
| **NSW Government** | | | | |
| Department of Ageing, Disability and Home Care | 27,180,567 | 26,198,844 | 27,180,567 | 26,198,844 |
| Health Department | 610,254 | 490,295 | 610,254 | 490,295 |
| Department of Education and Training | 414,828 | 395,842 | 414,828 | 395,842 |
| | 28,205,649 | 27,084,981 | 28,205,649 | 27,084,981 |
| Total Government funding | 32,828,694 | 31,663,247 | 32,828,694 | 31,663,247 |

## 5. REMUNERATION OF AUDITORS

| | | | | |
|---|---|---|---|---|
| Audit services: | | | | |
| Auditors of the Company – KPMG Australia | | | | |
| Audit and review of the financial report | 70,000 | 65,000 | 70,000 | 65,000 |
| Other regulatory audit services | 29,000 | 5,400 | 29,000 | 5,400 |
| Conversion to AIFRS | 15,000 | – | 15,000 | – |
| | 114,000 | 70,400 | 114,000 | 70,400 |
| Other services | | | | |
| Other assurance services – KPMG Australia | 14,950 | – | 14,950 | – |
| | 128,950 | 70,400 | 128,950 | 70,400 |

# financial notes

## notes to and forming part of the financial statements for the year ended 30 June 2006

| | CONSOLIDATED | | THE COMPANY | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| | $ | $ | $ | $ |
| **6. EXPENSES** | | | | |
| Expenses are after charging the following items: | | | | |
| Amortisation and depreciation of: | | | | |
| Property, plant and equipment | 1,239,523 | 1,089,803 | 1,239,523 | 1,089,803 |
| Impairment of trade and other receivables | 626,817 | 26,898 | 626,817 | 26,898 |
| Employee benefits expense (includes payments to defined contribution superannuation funds of $2,321,653 (2005: $2,198,403)) | 4,868,985 | 4,662,144 | 1,411,153 | 1,414,397 |
| Rental expense on operating leases | 1,586,711 | 1,691,753 | 1,586,711 | 1,691,753 |
| Financing costs – interest expense | 9,579 | 6,472 | 9,579 | 6,472 |
| Donation to The Cerebral Palsy Foundation | – | – | 500,000 | 600,000 |

During the year The Spastic Centre made a donation to The Cerebral Palsy Foundation of $500,000 (2005: $600,000).

The Cerebral Palsy Foundation is wholly controlled by The Spastic Centre of New South Wales, and acts as a fundraising vehicle to underpin the activities of The Centre.

### CURRENT ASSETS

| | CONSOLIDATED 2006 $ | CONSOLIDATED 2005 $ | THE COMPANY 2006 $ | THE COMPANY 2005 $ |
|---|---|---|---|---|
| **7. CASH AND CASH EQUIVALENTS** | | | | |
| Cash | 403,701 | 180,871 | 335,972 | 177,594 |
| Bank short-term deposits at call and paying interest at a weighted average interest rate of 5.29% (2005: 5.08%) | 1,950,000 | 1,272,952 | 1,950,000 | 1,225,000 |
| | 2,353,701 | 1,453,823 | 2,285,972 | 1,402,594 |
| **8. TRADE AND OTHER RECEIVABLES** | | | | |
| Trade receivables | 541,370 | 603,640 | 541,370 | 603,640 |
| Other receivables and prepayments | 1,245,653 | 863,153 | 1,054,603 | 860,300 |
| Accrued interest receivable | 7,714 | 46,722 | 7,714 | 28,365 |
| | 1,794,737 | 1,513,515 | 1,603,687 | 1,492,305 |

Trade receivables are shown net of impairment provisions for non-collections of $19,288 (2005: $43,480).

Other receivables and prepayments are shown net of impairment losses of $651,009 (2005: $nil) resulting from the entry into administration of a debtor of the consolidated entity.

| | CONSOLIDATED 2006 $ | CONSOLIDATED 2005 $ | THE COMPANY 2006 $ | THE COMPANY 2005 $ |
|---|---|---|---|---|
| **9. INVENTORIES** | | | | |
| Non-manufacturing stores | 397,132 | 332,171 | 397,132 | 332,171 |
| There are no inventories held for distribution. | | | | |
| **10. ASSETS CLASSIFIED AS HELD FOR RESALE** | | | | |
| Developed property held for resale | 894,821 | 855,887 | 894,821 | 855,887 |

Certain land is presented as held for sale following the decision of the consolidated entity's management to sell this asset within the next year.

| | CONSOLIDATED | | THE COMPANY | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| | $ | $ | $ | $ |

### 11. OTHER FINANCIAL ASSETS

| | | | | |
|---|---|---|---|---|
| Listed equity securities available for sale | 13,066,284 | 11,784,312 | 5,849,942 | 5,527,665 |
| Investments in subsidiaries | – | – | 2 | 2 |
| | 13,066,284 | 11,784,312 | 5,849,944 | 5,527,667 |

Listed equity securities available for sale are carried at fair value as determined and confirmed by Macquarie Private Portfolio Management Limited as at 30 June. Macquarie Private Portfolio Management Limited invests funds on behalf of the consolidated entity in Australian shares, property trusts and investment trusts.

## NON-CURRENT ASSETS

### 12. PROPERTY, PLANT AND EQUIPMENT

| | CONSOLIDATED | | | | | | |
|---|---|---|---|---|---|---|---|
| | Freehold Land | Buildings | Improvements to Crown Land | Plant & Equipment | Motor Vehicles | Capital Works in Progress | Total |
| | $ | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | | |
| Balance at 1 July 2004 | 2,759,893 | 5,275,916 | 3,165,182 | 1,004,510 | 3,541,697 | – | 15,747,198 |
| Acquisitions | 140,000 | – | – | 22,534 | 3,274,834 | 316,240 | 3,753,608 |
| Disposals | – | – | – | (295,376) | (3,094,363) | – | (3,389,739) |
| Balance at 30 June 2005 | 2,899,893 | 5,275,916 | 3,165,182 | 731,668 | 3,722,168 | 316,240 | 16,111,067 |
| Balance at 1 July 2005 | 2,899,893 | 5,275,916 | 3,165,182 | 731,668 | 3,722,168 | 316,240 | 16,111,067 |
| Acquisitions | 110,000 | 632,448 | – | 16,661 | 2,572,844 | 388,753 | 3,720,706 |
| Disposals | – | – | – | (101,698) | (2,817,465) | – | (2,919,163) |
| Balance at 30 June 2006 | 3,009,893 | 5,908,364 | 3,165,182 | 646,631 | 3,477,547 | 704,993 | 16,912,610 |

The amounts for the Company are the same as for the consolidated entity for the years ended 30 June 2005 and 30 June 2006.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Depreciation and impairment losses** | | | | | | | |
| Balance at 1 July 2004 | – | 1,466,360 | 2,152,324 | 909,731 | 473,286 | – | 5,001,701 |
| Depreciation charge for the year | – | 211,037 | 126,607 | 35,046 | 717,113 | – | 1,089,803 |
| Disposals | – | – | – | (289,472) | (497,466) | – | (786,938) |
| Balance at 30 June 2005 | – | 1,677,397 | 2,278,931 | 655,305 | 692,933 | – | 5,304,566 |
| Balance at 1 July 2005 | – | 1,677,397 | 2,278,931 | 655,305 | 692,933 | – | 5,304,566 |
| Depreciation charge for the year | – | 211,037 | 126,607 | 32,548 | 869,331 | – | 1,239,523 |
| Disposals | – | – | – | (81,958) | (664,484) | – | (746,442) |
| Balance at 30 June 2006 | – | 1,888,434 | 2,405,538 | 605,895 | 897,780 | – | 5,797,647 |

The amounts for the Company are the same as for the consolidated entity for the years ended 30 June 2005 and 30 June 2006. There were no impairment losses.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Carrying amounts** | | | | | | | |
| At 1 July 2004 | 2,759,893 | 3,809,556 | 1,012,858 | 94,779 | 3,068,411 | – | 10,745,497 |
| At 30 June 2005 | 2,899,893 | 3,598,519 | 886,251 | 76,363 | 3,029,235 | 316,240 | 10,806,501 |
| At 1 July 2005 | 2,899,893 | 3,598,519 | 886,251 | 76,363 | 3,029,235 | 316,240 | 10,806,501 |
| At 30 June 2006 | 3,009,893 | 4,019,930 | 759,644 | 40,736 | 2,579,767 | 704,993 | 11,114,963 |

the spastic centre

# financial notes

## notes to and forming part of the financial statements for the year ended 30 June 2006

### 12. PROPERTY, PLANT AND EQUIPMENT – *continued*

Independent valuations in 2006, 2005 and 2004 of land and buildings were carried out on the basis of current and future usage. The 2006 land and building valuations were carried out by the following independent valuers.

| Valuer | Properties |
|---|---|
| Kenny & Good Pty Ltd | Dee Why, St Ives – 349 Mona Vale Road, The Thornton Centre and the improvements to Crown Land |
| Benchmark Property Advisory | Dubbo |

All remaining 2004 and 2005 land and building valuations were carried out by G. G. Fitzsimmons FAPI of Geoff Fitzsimmons & Associates Pty Ltd.

The following table lists all land and buildings owned by the consolidated entity and the date of the most recent valuation. As land and buildings are recorded at cost the valuations have not been brought to account.

| | Carrying Amount 30 June 2006 | Fair Value | Date of Valuation |
|---|---|---|---|
| **Freehold Land** | $ | $ | |
| Dee Why | 175,000 | 500,000 | 2006 |
| Dubbo | 110,000 | 110,000 | 2006 |
| Prairiewood | 525,000 | 1,050,000 | 2005 |
| Wallsend – 9 Iranda Grove | 60,000 | 175,000 | 2005 |
| Wallsend – 11 Iranda Grove | 60,000 | 175,000 | 2005 |
| Moruya | 140,000 | 140,000 | 2005 |
| Newcastle | 26,000 | 190,000 | 2005 |
| Wagga | 115,000 | 115,000 | 2004 |
| Nowra | 98,400 | 98,400 | 2004 |
| Sefton | 260,000 | 320,000 | 2004 |
| Brookvale | 515,500 | 860,000 | 2004 |
| St Ives – 6 Stanley Street | 924,993 | 1,900,000 | 2004 |
| | 3,009,893 | | |

| | Written Down Value 30 June 2006 | Fair Value | Date of Valuation |
|---|---|---|---|
| **Buildings** | $ | $ | |
| Dee Why | 82,160 | 250,000 | 2006 |
| St Ives – 349 Mona Vale Road | 160,000 | 300,000 | 2006 |
| The Thornton Centre (VB Lifestyles) | 267,923 | 520,000 | 2006 |
| Dubbo | 167,500 | 167,500 | 2006 |
| Moruya | 388,236 | 388,236 | At Cost 2006 |
| Prairiewood | 1,204,307 | 3,675,000 | 2005 |
| Wallsend – 9 Iranda Grove | 150,171 | 265,000 | 2005 |
| Wallsend – 11 Iranda Grove | 150,171 | 265,000 | 2005 |
| Newcastle | 167,503 | 910,000 | 2005 |
| Wagga | 279,113 | 220,000 | 2004 |
| Nowra | 294,191 | 319,772 | 2004 |
| Sefton | 161,997 | 180,000 | 2004 |
| Brookvale | 348,013 | 600,000 | 2004 |
| Chester Hill | 140,000 | 490,000 | 2004 |
| St Ives – 6 Stanley Street | 58,645 | 100,000 | 2004 |
| | 4,019,930 | | |
| **Improvements to Crown Land** | | | |
| Improvements to Crown land | 759,644 | 3,720,000 | 2006 |

Improvements to Crown land are buildings at Allambie which include McLeod House, Venee Burges House, cottages, Hydrotherapy Pool, workshop and garage.

The State and Commonwealth Governments have interests in particular properties held by the consolidated entity for which they have made grants to assist acquisition. It is not their present intention to seek a refund of their interest in those assets in the event of a sale provided the funds are utilised in a way approved by them. It is the Directors' intention that such funds be utilised in a way approved by the NSW State or Commonwealth Government.

| | CONSOLIDATED | | THE COMPANY | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| | $ | $ | $ | $ |

## CURRENT LIABILITIES

### 13. TRADE AND OTHER PAYABLES

| | 2006 $ | 2005 $ | 2006 $ | 2005 $ |
|---|---|---|---|---|
| Trade payables | 1,638,132 | 1,612,756 | 1,638,132 | 1,612,756 |
| Government funding received in advance | 872,916 | 98,644 | 872,916 | 98,644 |
| Other creditors and accruals | 2,070,132 | 1,681,830 | 1,846,801 | 1,482,331 |
| Other payables | – | – | 3,251,316 | 2,719,078 |
| | 4,581,180 | 3,393,230 | 7,609,165 | 5,912,809 |

### 14. EMPLOYEE BENEFITS – CURRENT

| | 2006 $ | 2005 $ | 2006 $ | 2005 $ |
|---|---|---|---|---|
| Salaries and wages accrued | 146,230 | 90,277 | 28,748 | 90,277 |
| Liability for long service leave | 1,600,870 | 1,447,257 | 744,141 | 724,235 |
| Liability for annual leave | 2,150,290 | 2,068,241 | 732,847 | 705,166 |
| | 3,897,390 | 3,605,775 | 1,505,736 | 1,519,678 |

## NON-CURRENT LIABILITIES

### 15. EMPLOYEE BENEFITS – NON-CURRENT

| | 2006 $ | 2005 $ | 2006 $ | 2005 $ |
|---|---|---|---|---|
| Liability for long service leave | 670,557 | 677,017 | 271,308 | 240,283 |
| | 670,557 | 677,017 | 271,308 | 240,283 |

### 16. ASSET REVALUATION RESERVE

The asset revaluation reserve relates to listed equity securities available for sale measured at fair value in accordance with Australian Accounting Standards.

### 17. FINANCING FACILITIES

The consolidated entity has access to the following lines of credit all unused at balance date:
Total facilities available:

| | 2006 $ | 2005 $ | 2006 $ | 2005 $ |
|---|---|---|---|---|
| Bank overdraft | 500,000 | 500,000 | 500,000 | 500,000 |
| | 500,000 | 500,000 | 500,000 | 500,000 |

The bank overdraft facility is secured by a floating charge over the assets of the consolidated entity. The weighted average interest rate for the overdraft as at 30 June 2006 is 9.95% (2005: 9.28%).

### 18. OPERATING LEASES

**Leases as lessee**

Future operating lease commitments not provided for in the financial statements and payable:

| | 2006 $ | 2005 $ | 2006 $ | 2005 $ |
|---|---|---|---|---|
| – not later than one year | 1,060,556 | 1,269,103 | 1,060,556 | 1,269,103 |
| – later than one year but not later than five years | 892,630 | 1,095,574 | 892,630 | 1,095,574 |
| | 1,953,186 | 2,364,677 | 1,953,186 | 2,364,677 |

The consolidated entity leases a number of properties, wheel-chair accessible motor vehicles and IT equipment. None of these leases included contingent rentals. Details as follows:

| Type | Term | Option to Renew | Future Increments |
|---|---|---|---|
| Properties | 24 months | Yes | Annually (CPI) |
| Motor vehicles | 36 months | Yes | None |
| IT equipment | 36 months | Yes | None |

# financial notes

## notes to and forming part of the financial statements for the year ended 30 June 2006

| | CONSOLIDATED | | THE COMPANY | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| | $ | $ | $ | $ |
| **19. CONTINGENT LIABILITIES** | | | | |
| The details and estimated maximum amounts of contingent liabilities, classified according to the party from whom the contingent liability arises, are set out below. The Directors are not aware of any circumstance or information which would lead them to believe that these liabilities will crystallise and consequently no provisions are included in the financial statements in respect of these matters. | | | | |
| Commonwealth Bank of Australia – Autopay Facility | 1,055,877 | 1,055,877 | 1,055,877 | 1,055,877 |
| Permanent Trustee Australia – Spring St Chatswood | 17,027 | 17,027 | 17,027 | 17,027 |
| Australian Postal Corporation | 40,000 | 40,000 | 40,000 | 40,000 |
| Jode Pty Ltd ATF Wetherill Park Unit Trust | 32,122 | 32,122 | 32,122 | 32,122 |
| | 1,145,026 | 1,145,026 | 1,145,026 | 1,145,026 |

The consolidated entity's bank guarantee facility has a maximum limit of $1,150,000 (2005: $1,150,000) of which $1,145,026 (2005: $1,145,026) was utilised.

### 20. RELATED PARTY INFORMATION

**Transactions with related parties**

Transactions with related parties are on normal commercial terms and conditions. Wholly owned controlled entities charge the Company for salaries and wages incurred and paid as part of their normal operations.

**Balances with entities within the wholly owned group**

The aggregate amounts payable to wholly owned controlled entities by the Company at balance date are:

| | CONSOLIDATED 2006 | CONSOLIDATED 2005 | THE COMPANY 2006 | THE COMPANY 2005 |
|---|---|---|---|---|
| Other payables | | | 3,251,316 | 2,719,078 |

**Key management personnel compensation**

Key management personnel compensation included in "Employee benefits expenses" are as follows:

| | CONSOLIDATED 2006 | CONSOLIDATED 2005 | THE COMPANY 2006 | THE COMPANY 2005 |
|---|---|---|---|---|
| Short-term employee benefits | 902,309 | 835,342 | 902,309 | 835,342 |
| Long-term benefits | 47,080 | 30,193 | 47,080 | 30,193 |
| | 949,389 | 865,535 | 949,389 | 865,535 |

### 21. ULTIMATE PARENT ENTITY

The immediate parent entity and ultimate parent entity of the consolidated group is The Spastic Centre of New South Wales, a company incorporated in New South Wales.

### 22. MEMBERS' GUARANTEE

In accordance with the Company's Memorandum and Articles of Association each member of the Company has a maximum liability of $20 in the event of the Company being unable to meet its obligations as and when they fall due. As at 30 June 2006 there were 537 members (2005: 540).

### 23. COMPANY NAME

The Spastic Centre of New South Wales and its controlled entities are incorporated and domiciled in Australia.

The companies are limited by guarantee and exempted under Section 150 (1) of the Corporations Act 2001 from using the word "Limited" with the exception of The Cerebral Palsy Foundation Pty Ltd.

## 24. CONSOLIDATED ENTITIES

**Particulars in relation to controlled entities all of which are incorporated in Australia**

| | CONSOLIDATED | |
|---|---|---|
| INTEREST HELD | | |
| **Name** | **2006** | **2005** |
| **Parent entity** | **%** | **%** |
| The Spastic Centre of New South Wales | | |
| **Subsidiaries subject to Cross Guarantee** | | |
| The Spastic Centre of New South Wales – Accommodation South | 100 | 100 |
| The Spastic Centre of New South Wales – Accommodation North | 100 | 100 |
| The Spastic Centre of New South Wales – Accommodation Hunter | 100 | 100 |
| The Spastic Centre of New South Wales – Therapy Services | 100 | 100 |
| The Spastic Centre of New South Wales – Community Access Service | 100 | 100 |
| The Spastic Centre of New South Wales – Venee Burges House | 100 | 100 |
| **Subsidiaries not subject to Cross Guarantee** | | |
| The Cerebral Palsy Institute | 100 | 100 |
| The Cerebral Palsy Foundation Pty Ltd | 100 | 100 |

The Cerebral Palsy Foundation Pty Ltd acts as trustee for The Cerebral Palsy Foundation.

The Directors of The Cerebral Palsy Foundation Pty Ltd during the year were Mrs M. A. Thornton AM and Mr M. B. Bryant.

Refer note 29 for details of Deed of Cross Guarantee.

## 25. ECONOMIC DEPENDENCY

The consolidated entity receives a significant portion of its operating revenue in the form of grants and tax concessions/exemptions from the Commonwealth and State Governments.

## 26. FINANCIAL INSTRUMENTS

Exposure to credit and interest rate risk arises in the normal course of the consolidated entity's business.

**Interest rate risk**

During the year cash assets were deposited with recognised financial institutions. The weighted average interest receivable for the year was 5.29% (2005: 5.08%). There is no interest rate risk on other assets and liabilities.

**Credit risk**

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The consolidated entity does not normally require collateral in respect of financial assets.

At balance date there was a significant concentration of credit risk on investments. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

**Net fair values of financial assets and liabilities**

The balances of financial assets and liabilities have been stated at their net fair value.

# financial notes

## notes to and forming part of the financial statements for the year ended 30 June 2006

| | | CONSOLIDATED | | THE COMPANY | |
|---|---|---|---|---|---|
| | | 2006 | 2005 | 2006 | 2005 |
| | NOTES | $ | $ | $ | $ |

### 27. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

**Reconciliation of cash**

For the purposes of the cash flow statements, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash does not include investments in unit trusts. Cash at the end of the financial year as shown in the cash flow statements is reconciled to the related items in the balance sheet as follows:

| | Notes | Consolidated 2006 $ | Consolidated 2005 $ | The Company 2006 $ | The Company 2005 $ |
|---|---|---|---|---|---|
| Cash assets | 7 | 2,353,701 | 1,453,823 | 2,285,972 | 1,402,594 |
| Cash at the end of the financial year | | 2,353,701 | 1,453,823 | 2,285,972 | 1,402,594 |

**Reconciliation of operating surplus from ordinary activities to net cash provided by/(used in) operating activities:**

| | Notes | Consolidated 2006 $ | Consolidated 2005 $ | The Company 2006 $ | The Company 2005 $ |
|---|---|---|---|---|---|
| Operating surplus/(deficit) | | 1,084,468 | 1,131,949 | (141,103) | 89,555 |
| Add/(Less) items classified as investing/financing activities: | | | | | |
| Gain on sale of other financial assets | | (205,045) | (766,263) | (84,832) | (573,210) |
| Gain on sale of property, plant and equipment | | (220,973) | (282,585) | (220,973) | (282,585) |
| Interest received | | (200,554) | (566,201) | (194,016) | (406,663) |
| Distributions from trusts and dividends | | (1,247,805) | (147,651) | (593,620) | (57,287) |
| Interest paid | | 9,579 | 6,472 | 9,579 | 6,472 |
| Add non-cash items: | | | | | |
| Amortisation and depreciation | 12 | 1,239,523 | 1,089,803 | 1,239,523 | 1,089,803 |
| Change in assets and liabilities: | | | | | |
| (Increase)/Decrease in trade and other receivables | 8 | (267,244) | 447,124 | (97,404) | 449,977 |
| (Increase)/Decrease in inventories | 9 | (64,961) | (52,434) | (64,961) | (52,434) |
| Increase/(Decrease) in trade and other payables | 13 | 25,376 | (491,609) | 25,376 | (491,609) |
| Increase/(Decrease) in government funding received in advance | 13 | 774,272 | 80,429 | 774,272 | 80,429 |
| Increase/(Decrease) in other creditors and accruals | 13 | 388,302 | 580,724 | 896,708 | 754,839 |
| Increase/(Decrease) in employee benefits | 14,15 | 285,155 | 319,022 | 17,083 | 161,866 |
| Net cash provided by/(used in) operating activities | | 1,600,093 | 1,348,780 | 1,565,632 | 769,153 |

### 28. FUNDRAISING APPEALS CONDUCTED DURING THE FINANCIAL YEAR

**Information to be furnished under the Charitable Fundraising Act 1991**

Fundraising appeals conducted during the financial year included mail appeals, telephone appeals, lotteries, money box collections, and various other fundraising projects and receiving of indirectly solicited donations and unsolicited bequests.

**Results of fundraising appeals**

| | CONSOLIDATED 2006 $ | CONSOLIDATED 2005 $ |
|---|---|---|
| a) Gross proceeds from fundraising appeals | 10,950,669 | 7,975,261 |
| Less: Direct costs of fundraising appeals | 2,956,526 | 2,371,771 |
| Net surplus obtained from fundraising appeals | 7,994,143 | 5,603,490 |
| b) Application of net surplus obtained from fundraising appeals | | |
| Distributions (expenditure on direct services) | 37,254,833 | 35,470,355 |
| Administration expenses | 6,880,618 | 5,263,563 |
| Community education and information | 2,106,019 | 1,689,370 |
| Operating surplus | 1,084,468 | 1,131,949 |
| | 47,325,938 | 43,555,237 |

| | CONSOLIDATED | |
|---|---|---|
| | 2006 | 2005 |
| | $ | $ |

## 28. FUNDRAISING APPEALS CONDUCTED DURING THE FINANCIAL YEAR – *continued*

c) The difference of $39,331,795 (2005: $37,951,747) between the $7,994,143 surplus (2005: $5,603,490) available from fundraising appeals conducted and total direct expenditure of $47,325,938 (2005: $43,555,237) was provided from the following sources.

| | 2006 $ | 2005 $ |
|---|---|---|
| Government grants and subsidies | 32,828,694 | 31,663,247 |
| Rendering of services | 3,612,383 | 3,336,078 |
| Sale of goods | 638,067 | 655,849 |
| Interest received or receivable | 200,554 | 566,201 |
| Distributions from trusts and dividends | 1,247,805 | 147,651 |
| Rental income | 378,274 | 533,873 |
| Gain on sale of other financial assets | 205,045 | 766,263 |
| Gain on sale of property, plant and equipment | 220,973 | 282,585 |
| | 39,331,795 | 37,951,747 |

| | 2006<br>$ | | 2006<br>% | 2005<br>$ | | 2005<br>% |
|---|---|---|---|---|---|---|
| Total cost of fundraising/ | 2,956,526 | / | | 2,371,771 | / | |
| gross revenue from fundraising | 10,950,669 | | 27 | 7,975,261 | | 30 |
| Net surplus from fundraising/ | 7,994,143 | / | | 5,603,490 | / | |
| gross revenue from fundraising | 10,950,669 | | 73 | 7,975,261 | | 70 |
| Total cost of services/ | 37,254,833 | / | | 35,470,355 | / | |
| total expenditure | 46,241,470 | | 81 | 42,423,288 | | 84 |
| Total cost of services/ | 37,254,833 | / | | 35,470,355 | / | |
| total income received | 50,282,464 | | 74 | 45,927,008 | | 77 |

## 29. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998 the wholly owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also been given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

The Spastic Centre of New South Wales – Accommodation South

The Spastic Centre of New South Wales – Accommodation North

The Spastic Centre of New South Wales – Accommodation Hunter

The Spastic Centre of New South Wales – Therapy Services

The Spastic Centre of New South Wales – Community Access Service

The Spastic Centre of New South Wales – Venee Burges House

The consolidated income statement and consolidated balance sheet, comprising the Company and subsidiaries that are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2006 is set out below.

# financial notes

## notes to and forming part of the financial statements for the year ended 30 June 2006

| | 2006 $ | 2005 $ |
|---|---|---|
| **29. DEED OF CROSS GUARANTEE – *continued*** | | |
| (i) Summarised income statement and retained general funds | | |
| Operating surplus/(deficit) | (141,103) | 89,555 |
| General funds at beginning of the year | 12,671,705 | 12,582,150 |
| General funds at end of the year | 12,530,602 | 12,671,705 |
| (ii) Balance sheet | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | 2,285,972 | 1,402,594 |
| Trade and other receivables | 1,603,687 | 1,492,305 |
| Inventories | 397,132 | 332,171 |
| Assets classified as held for sale | 894,821 | 855,887 |
| TOTAL CURRENT ASSETS | 5,181,612 | 4,082,957 |
| **NON-CURRENT ASSETS** | | |
| Other financial assets | 5,849,944 | 5,527,667 |
| Property, plant and equipment | 11,114,963 | 10,806,501 |
| TOTAL NON-CURRENT ASSETS | 16,964,907 | 16,334,168 |
| **TOTAL ASSETS** | 22,146,519 | 20,417,125 |
| **CURRENT LIABILITIES** | | |
| Trade and other payables | 7,609,165 | 5,912,809 |
| Employee benefits | 1,505,736 | 1,519,678 |
| TOTAL CURRENT LIABILITIES | 9,114,901 | 7,432,487 |
| **NON-CURRENT LIABILITIES** | | |
| Employee benefits | 271,308 | 240,283 |
| TOTAL NON-CURRENT LIABILITIES | 271,308 | 240,283 |
| **TOTAL LIABILITIES** | 9,386,209 | 7,672,770 |
| **NET ASSETS** | 12,760,310 | 12,744,355 |
| **EQUITY** | | |
| General funds | 12,530,602 | 12,671,705 |
| Asset revaluation reserve | 229,708 | 72,650 |
| **TOTAL EQUITY** | 12,760,310 | 12,744,355 |

### 30. EVENTS SUBSEQUENT TO BALANCE DATE

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

### 31. EXPLANATION OF TRANSITION TO AIFRS

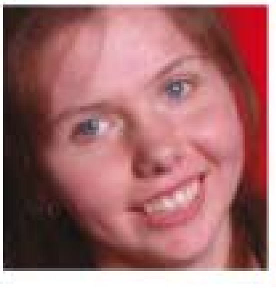
As stated in significant accounting policies note 1, these are the consolidated entity's first consolidated financial statements prepared in accordance with AIFRSs.

The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the financial year ended 30 June 2006, the comparative information presented in these financial statements for the financial year ended 30 June 2005 and in preparation of an opening AIFRS balance sheet at 1 July 2004 (the consolidated entity's date of transition).

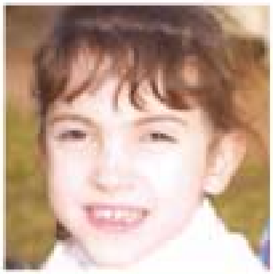
The transition from previous GAAP to AIFRS has not had an impact on the consolidated entity's financial position, financial performance or cash flows. Amendments relate only to disclosures.

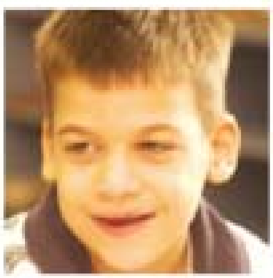
buildingfutures

the spastic centre



# Building **futures** for **people** with **cerebral palsy** and their **families**





the spastic centre

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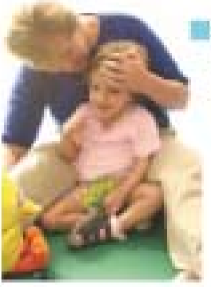
PO Box 184
Brookvale NSW 2100

T (02) 9451 9022
F (02) 9451 4877
E scnsw@tscnsw.org.au
W www.thespasticcentre.com.au

CP Helpline
T 1300 30 29 25
E cphelpline@tscnsw.org.au

# HOW YOUR DONATION CAN HELP US!

Your monthly contribution will greatly help children and adults with cerebral palsy to lead independent, fulfilling and enjoyable lives.



- $20 per month will provide Jessika with 1 hour of playgroup.
- $30 per month will fund a child's aqua fitness or therapy program.

## CREDIT CARD DETAILS

Please debit my credit card
for the following amount on a monthly basis: $ _________

Card #: _ _ _ _/_ _ _ _/_ _ _ _/_ _ _ _

Expiry date _ _/_ _

Card Type:

☐ Mcard ☐ Visa ☐ Bcard ☐ Amex ☐ Diners

Signature:

Cardholder Name:

## OR

DIRECT DEBIT DETAILS

I/we request that an amount of $ ___________ be drawn from my/our bank account as a donation to The Spastic Centre under the Direct Debit System on a monthly basis (minimum $10 per month).

Account Details

Financial Institution:

BSB:

Account Number:

Account Name:

I/we authorise The Spastic Centre of NSW APCA ID 207171 to debit my/our account $ _______ per month to The Spastic Centre of NSW. Authorise and request the Debit User to debit the customer's account through Bulk Electronic Clearing System.

**Acknowledgement**

By signing this Direct Debit Request you acknowledge that you have read and understood the terms and conditions of the Client Services Agreement governing the debit arrangements between you and The Spastic Centre of NSW as set out in this Request and the Direct Debit Request Service Agreement.

Signature/s:

Date:

**Direct Debit Client Service Agreement – The Spastic Centre**

We will draw from your account and frequency specified on your direct debit request form. We will not change the amount or frequency of your donation arrangements without your prior approval. You may request to change the amount of the donation and/or frequency of your donations by contacting us in writing at least ten business days prior to the next payment date. You may terminate your donation arrangements at any time by giving written notice to us. Such notice should be received by us at least fourteen working days prior to the next payment date and can also be made through your own financial institution. Where the due date falls on a non-business day, we will draw the amount on the next business day. We will keep all information pertaining to your nominate account at the Financial Institution, private and confidential. It is your responsibility to ensure that sufficient funds are available in the nominated account to meet a donation on its due date. It is also your responsibility to ensure that the authorisation given to draw on the nominated account is identical to the account signing instruction held by the financial institution where the account is based. When you consider that a drawing has been initiated incorrectly, you may take the matter up directly with us or lodge a claim through your own financial institution.

Mail this form to:
The Spastic Centre
PO Box 184,
Brookvale NSW 2100

the spastic centre